

*This Amended and Restated Confidential Offering Memorandum (“Offering Memorandum”) constitutes an offering of securities only in those jurisdictions and to those persons where and to whom they may lawfully be offered for sale. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus or an advertisement for a public offering of these securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered in this Offering Memorandum nor has it reviewed this Offering Memorandum and any representation to the contrary is an offence.*

*No person has been authorized to give any information or to make any representations about the Fund not contained in this Offering Memorandum. Any such information or representation which is given or received must not be relied upon by any investor.*



## **PICTON MAHONEY ABSOLUTE ALPHA FUND**

### **Class A, Class F and Class I Units**

#### **AMENDED AND RESTATED CONFIDENTIAL OFFERING MEMORANDUM**

**March 19, 2021**

The distribution of trust units (“Units”) of the Picton Mahoney Absolute Alpha Fund (the “Fund”) pursuant to this Offering Memorandum is exempt from the requirement that the Fund prepares and files a prospectus with securities regulatory authorities. Accordingly, any resale of the Units permitted by the Trust Declaration (as defined below) must be made in accordance with applicable securities laws and which may be subject to resale restrictions. As there is no market for these Units, it may be difficult or even impossible for investors to sell their Units. The securities, however, may be redeemed in accordance with the provisions of this Offering Memorandum. Purchasers are advised to seek legal advice prior to any resale of the Units.

Potential investors should pay particular attention to the information under the heading “Certain Risk Factors” in this Offering Memorandum. An investment in the Fund requires the financial ability and willingness to accept certain risks. No assurance can be given that the investment objectives of the Fund will be achieved or that investors will receive a return of their capital.

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## SUMMARY

The following is a summary of the terms and conditions of an investment in the Picton Mahoney Absolute Alpha Fund (the “Fund”). This summary is qualified in its entirety by the more detailed information contained in this Offering Memorandum and the information contained in the Trust Declaration (as defined below). Prospective investors are encouraged to consult their own professional advisors as to the tax and legal consequences of investing in the Fund. Unless otherwise indicated, all amounts are expressed in Canadian dollars.

The Fund is an open-ended trust established under the laws of the Province of Ontario on January 25 2021 and governed by an amended and restated master declaration of trust dated January 25, 2021, as the same may be amended, restated or supplemented from time to time (the “Trust Declaration”). Picton Mahoney Asset Management acts as the trustee and the manager (the “Trustee”, the “Manager” or “Picton Mahoney”) of the Fund pursuant to the Trust Declaration. The Fund is permitted to issue trust units (“Units”) in an unlimited number of classes to qualified investors in the provinces and territories of Canada (“Offering Jurisdictions”) pursuant to prospectus exemptions.

### Investment Approach

Picton Mahoney utilizes a layered investment process based on modern portfolio construction techniques to allocate across a comprehensive set of factor risk premia strategies, alpha processes and tail risk hedging strategies. Using both systematic as well as discretionary approaches, the Manager will apply strategic and tactical allocations at all levels of the Fund. The strategic allocations will be aligned with a longer-term view of the behaviour and characteristics of markets and strategies. The tactical allocations will be based on a short to intermediate time horizon and may contain portfolio hedges through the use of options, futures and other securities.

The Manager will use a proprietary economic cycle model along with other quantitative based methods in order to make tactical adjustments to the components of the portfolio. The Manager believes that asset class and risk premia strategy behaviour can be differentiated at various points in time including across different parts of the economic cycle and understanding this behaviour can help to improve portfolio outcomes.

### Investment Objective

The investment objective of the Fund is to provide consistent long-term capital appreciation to unitholders (“Unitholders”) with an attractive risk-adjusted rate of return.

### Investment Strategies

The investment strategy of the Fund is global in nature and will have exposure to international markets, including emerging markets. Strategies can be implemented within and across various financial markets including global equity markets, emerging markets, global government and corporate fixed income markets, foreign exchange markets, commodity markets and volatility markets. The Fund may, in accordance with applicable securities law and with regulatory orders it has obtained, also invest up to 75% of its assets in securities of Underlying Funds (as hereinafter defined).

The strategy will consist of individual security risk premia strategies implemented primarily through long and short positions across global equity markets and may include global fixed income and other asset classes.

The Manager will seek to obtain exposure to skill-based, alpha processes either directly or indirectly through investment in other funds, including, but not limited to, funds for which the Manager is the manager and/or portfolio manager (collectively, the “Underlying Funds”).

Markets as well as some strategies possess the propensity for sharp declines in performance, known as tail risk. The Manager will attempt to mitigate some of these risks through tail-risk hedging strategies. These may be run both internally and externally and may involve allocation to external funds or portfolio managers (i.e., sub-advisers).

The interaction of all components contained in the portfolio will be considered in both the strategic and tactical aspects of the portfolio management process. The returns of the Fund should be generally independent of the movements in common stock market or bond market indices. Each layer of the portfolio is intended to provide access to a unique return stream, such as risk premia and skill-based investment processes. There is the potential for overlap across the components of the portfolio, for example, a risk premia may from time to time possess a positive correlation to some of the strategies. Where possible, the Manager will attempt to compensate for this overlap to ensure the overall portfolio contains the desired exposures. The Manager will also use a risk-budgeting process to weigh different components of the portfolios. In some instances, the Manager will attempt to obtain equal

contributions to risk from different components of the portfolio. The risk-weighting process is distinct from the relatively straightforward dollar-weighted approach that is applied in many traditional portfolio management approaches. A variety of methods are used to measure risk, including, standard deviation of returns (volatility), distributional properties such as skewness and kurtosis, maximum drawdown experienced through time, tail-risk as defined by a large loss over a short time horizon as well as both historical and hypothetical stress tests. Both qualitative and quantitative approaches are used to estimate risk measures.

The Fund utilizes the following investment strategies:

#### *Fund Investments*

The Fund may invest in Underlying Funds that employ a variety of strategies.

The amounts invested from time to time in an Underlying Fund for which the Manager is the manager and/or portfolio manager (a "Picton Underlying Fund") may exceed 20% of either the votes attaching to the outstanding units of another Picton Underlying Fund or the outstanding units of that Picton Underlying Fund, only if the Manager determines that an investment in the Picton Underlying Fund is consistent with the investment objectives, investment strategies and investment restrictions of the Fund and in the best interests of the Fund.

To the extent that the Fund invests in Picton Underlying Funds, it will invest in class I units of each Picton Underlying Fund for which no management or performance fee will be charged. As such, the investment by the Fund in units of a Picton Underlying Fund will not result in any duplication of management fees or performance fees to the Fund or the investors of the Fund and the Manager will not receive any management fees or performance fees in respect of the units of the Picton Underlying Fund to be purchased by the Fund.

#### *Investing Long in Securities*

Making long investments in securities of issuers identified as attractive investment candidates by the Manager's investment process. Eligible securities include equities, subscription rights, warrants, participation units, private equities, global depository receipts, American depository receipts, master limited partnerships, other securities with equity characteristics, government bonds, investment grade corporate bonds, credit-linked notes, high-yield bonds, stressed and distressed securities, asset-backed securities, collateralized debt and loan obligations, government agency securities, notes, convertible bonds, convertible debentures, preferred shares, bank loans, futures, foreign exchange futures, forward contracts, options, investment funds, real estate investment trusts, master limited partnerships, income trusts, Canadian royalty trusts, closed-end funds, exchange-traded funds, units of special purpose acquisition companies ("SPACs") and other derivatives.

#### *Short Selling Securities*

Short selling of securities of issuers identified as unattractive investments by the Manager's investment process and/or to hedge the market exposure of long positions, whether held directly or indirectly. Eligible securities include equities, subscription rights, warrants, participation units, private equities, global depository receipts, American depository receipts, master limited partnerships, other securities with equity characteristics, government bonds, investment grade corporate bonds, credit-linked notes, high-yield bonds, stressed and distressed securities, asset-backed securities, collateralized debt and loan obligations, government agency securities, notes, convertible bonds, convertible debentures, preferred shares, bank loans, futures, foreign exchange futures, forward contracts, options, investment funds, real estate investment trusts, master limited partnerships, income trusts, Canadian royalty trusts, closed-end funds, exchange-traded funds, units of SPACs and other derivatives.

#### *Pairs Trading*

Taking short positions from time to time in securities of one issuer while taking a long position in securities of another issuer in an attempt to gain from the relative valuation differences between the two issuers. A pairs trade will be made when the Manager feels the long position will appreciate in value when compared to the short position.

#### *Private Placements and IPOs*

Participating in initial public offerings, secondary offerings, and private financings (including special warrant financings) in existing publicly traded and private issuers. The Fund will not purchase private securities of private companies. Some mergers include a spin-out equity, contingent value right, or other form of consideration that is unlisted at the time of the announcement but is intended to become listed shortly following the consummation of the merger. The Fund may transact in these types of securities when an active non-listed "grey" market exists.

### *Derivatives*

The Fund may use derivatives to reduce or hedge against various risks including currency exchange risk associated with its foreign investments, and to obtain investment exposures on positions consistent with its investment objective, strategies and risk management. The derivatives that the Fund may use in this regard are clearing corporation and over-the-counter (OTC) options, swaps, contracts for difference (CFD), futures or forwards. The Fund may also employ various option strategies to increase its income return including, but not limited to, covered call and put writing. The Fund may also use option strategies and futures that include both long and short positions to reduce portfolio risk and hedge against adverse market events. Long or short positions in futures, including futures on volatility indices, forwards, swaps or credit derivative swaps may be used to hedge against certain market risks, gain exposure to certain markets and also to implement certain investment strategies.

### *Leverage*

The Fund is authorized to borrow in order to increase its investment leverage. On a position by position basis, margin requirements of the applicable exchange will be adhered to by the Fund. The Fund may also use leverage in order to implement certain investment strategies which may employ derivatives in order to achieve the needed leverage as opposed to direct borrowing. The Fund's leverage will not exceed five times of the Fund's net assets at the time of investment.

### *Capital Structure Arbitrage*

A capital structure arbitrage trade combines a long position in an issuer's senior debt with a short position in its junior debt or common equity using a hedge ratio.

### *Convertible Arbitrage*

A convertible arbitrage trade combines a long position in an issuer's convertible securities (convertible bonds, warrants, convertible preferred shares) with a short position in its common equity.

### *Yield and Credit Curve Arbitrage*

Yield and credit curve trades combine a long position in an issuer's bond at one maturity with a short position in the bonds of the same issuer at a different maturity.

### *Fixed Income Arbitrage*

Taking offsetting long and short positions in government bonds and investment grade corporate bonds, government agency securities, swap contracts, and futures and options on fixed income instruments that are mathematically, fundamentally, or historically interrelated.

### *Merger Arbitrage*

A highly specialized investment approach designed to profit from the successful completion of mergers, take-overs, tender offers, leveraged buyouts, spin-offs, liquidations and other corporate reorganizations.

There are a number of risk arbitrage techniques that may be used depending on the characteristics of the individual transaction being arbitrated. The most commonly employed risk arbitrage activity involves purchasing the shares of an announced acquisition target company at a discount to their expected value upon completion of the acquisition. When a take-over bid, amalgamation or arrangement involving cash consideration or securities of the acquiring company is announced, the value of the securities and/or cash to be received may be higher or lower than the market price of the securities of the target company for which they are to be exchanged. If the Manager believes that it is probable that the proposed transaction or a higher value transaction will be consummated, the Fund may purchase shares of the target company.

The Manager uses investment strategies designed to minimize market exposure, including short selling and purchasing and selling options. In particular, the Manager may engage in selling securities short when the terms of a proposed acquisition call for the exchange of common shares and/or other securities. If a transaction is consummated, the Fund will then exchange the securities of the target company which it has accumulated for the securities issued by the acquiring company and may cover its short position, if any, with the securities so received. Alternatively, where cash is being offered as consideration, shares of the target company purchased in the open market will normally be tendered as cash to the acquiring company. Transactions in listed stock options may also be used to hedge long and short positions. These hedging transactions are intended to reduce the risk of loss to the Fund in certain exchange offers and mergers. If, after the Fund has established a position, it appears that the transaction is proceeding

contrary to expectations, the Fund may take its profits or losses or attempt to minimize potential losses by liquidating its long positions and covering any short positions. Additionally, the Fund may engage in short selling of the target company's shares if the Manager determines that there is a likelihood that the merger or other transaction will fail to be consummated. A portion of the Funds' holdings may be in the form of cash or cash equivalents, and from time to time the Funds may invest the majority of its assets in cash or cash equivalents.

#### *Event Driven Investing*

Taking long or short positions in securities of an issuer subject to acquisitions, divestitures, restructurings, liability management exercises, share buy-backs, dividends and other equity friendly activity or other issuer events.

#### *Distressed Investments*

Taking long positions in securities (typically bonds and bank debt) that are in turnaround situations, default, under bankruptcy protection, or in distress and heading towards bankruptcy.

#### *Stressed Investments*

Taking long positions in securities (typically bonds and bank debt) that have a credit spread significantly in excess of the broad credit market.

#### *Special Situations*

Taking long and short positions in securities impacted by event driven situations, such as mergers, divestitures, restructurings or other issuer events.

#### *Debtor-In-Possession Financing*

Taking long positions in securities (typically bank debt or other secured securities) extended to companies going through restructuring to support a corporate restructuring.

#### *Claims and Payables*

Taking long positions in an issuer's claims or accounts payable securities that are in turnaround situations, default, under bankruptcy protection or in distress and heading towards bankruptcy.

#### *Activist Investment*

Taking long positions in securities with intent of negotiating with issuer management to affect a favourable outcome for the securities, such as negotiating an early tender of a bond or other liability management exercises.

#### *Credit-driven Equity Investing*

Taking long or short positions in equity securities of issuers where the bonds of the sector or the issuer may signal an investment opportunity in an issuer's equity securities.

#### *Private Company Investments*

Taking long and short positions in private company debt offerings.

#### *Special Purpose Acquisition Corporations (SPACs)*

The Fund may invest a portion of its assets in the stock, warrants, and other securities of SPACs or similar special purpose entities that raise funds for the sole purpose of seeking potential acquisition opportunities.

#### *Commodities*

Purchasing, holding, selling, or otherwise dealing in commodity forward contracts, commodity futures, financial futures or options on financial futures.

See “Investment Approach, Objectives and Strategies – Fund Investments”.

### **Risk Management**

Picton Mahoney utilizes disciplined risk controlled quantitative techniques to construct portfolios. First, using historical analysis the Manager sets an expected risk target for the Fund’s portfolio. Second, the Manager jointly constructs a long and short portfolio to minimize unwanted risk exposures. The Manager controls for factors including: liquidity, size, sector exposure, industry exposure, position size, and company specific factors. The Fund’s portfolio is reviewed and rebalanced on a regular and ongoing basis to maintain the risk reward target.

### **Investment Restrictions**

The Fund is subject to various investment restrictions. See “Risk Management and Investment Restrictions – Investment Restrictions”.

### **Price**

Units will be offered at the Class Net Asset Value per Unit calculated as of the applicable Valuation Date (as defined herein). Fractional Units will be issued up to three decimal points.

### **The Manager**

Picton Mahoney is the Manager of the Fund and is responsible for the day-to-day business of the Fund, including the management of the Fund’s investment portfolio. The Manager is registered with applicable securities regulatory authorities as an Exempt Market Dealer, Investment Fund Manager, Portfolio Manager and Commodity Trading Manager. The Manager carries out its advisory activities from Toronto, Canada.

The Manager was formed as a general partnership under the laws of Ontario in 2004 to provide investment management services to the Canadian marketplace. Two of the Manager’s principals, David Picton and Michael Mahoney, were also founding partners at Synergy Asset Management Inc. in 1997 which was purchased by CI Investments Inc. in 2003.

### **The Trustee**

Picton Mahoney is the Trustee of the Fund.

### **Units**

An investment in the Fund is represented by Units. The Fund is permitted to have an unlimited number of classes of Units (each, a “Class”) having such terms and conditions as the Manager may determine. Additional Classes may be offered in future on different terms, including having different fee and dealer compensation terms and different minimum subscription levels. Each Unit of a Class represents an undivided ownership interest in the net assets of the Fund attributable to that Class of Units. The Fund will consult with its tax advisors prior to the establishment of each new Class to ensure that the issuance of Units of the Class will not have adverse Canadian tax consequences. Three (3) Classes of Units are offered under this Offering Memorandum.

**Class A Units** are designed for investors investing \$25,000 or more, who are not eligible to purchase Class F Units.

**Class F Units** are designed for investors who are enrolled in a dealer sponsored fee for service or wrap program and who are subject to an annual asset based fee rather than commissions on each transaction or, at the discretion of the Manager, any other investor for whom the Manager does not incur distribution costs, investing \$25,000 or more.

**Class I Units** are designed for other investment funds managed by the Manager, institutional investors and other investors on a case-by-case basis investing \$1,000,000 or more, all at the discretion of the Manager.

### **Expenses**

The Manager paid for the costs of initially organizing the Fund and offering the Units, including the fees and expenses of counsel and the Fund’s auditors.

The Fund will pay for all routine and customary expenses relating to the Fund's operation, including registrar and transfer agency fees and expenses, trustee fees (if any), custodian fees, auditing, legal and accounting fees, communication expenses, printing and mailing expenses, all costs and expenses associated with the sale of Units including securities filing fees (if any), expenses relating to providing financial and other reports to Unitholders and convening and conducting meetings of Unitholders, all taxes, assessments or other governmental charges levied against the Fund, interest expenses and all brokerage and other fees relating to the purchase and sale of the assets of the Fund. In addition, the Fund will pay for expenses associated with ongoing investor relations and education relating to the Fund.

### **Management Fee**

For providing its services to the Fund, the Manager receives a management fee (the "Management Fee") from the Fund attributable to the Class A Units and Class F Units, respectively. Each Class of Units is responsible for the Management Fee attributable to that Class.

The Class A Units are charged a Management Fee equal to 0.50% per quarter (2.00% per annum) of the Net Asset Value of the Class A Units, plus applicable taxes, calculated and accrued on each Valuation Date, and payable on the last Valuation Date of each quarter.

The Class F Units are charged a Management Fee equal to 0.25% per quarter (1.00% per annum) of the Net Asset Value of the Class F Units, plus applicable taxes, calculated and accrued on each Valuation Date, and payable on the last Valuation Date of each quarter.

The Manager has elected to waive a portion of the Management Fee relating to each of the Class A Units and Class F Units of the Fund effective as of March 19, 2021 and continuing until December 31, 2022 (the "Management Fee Waiver"). After taking into account the Management Fee Waiver, the Management Fee for the Class A Units will be 0.375% per quarter (1.50% per annum) and the Management Fee for the Class F Units will be 0.125% per quarter (0.50% per annum). The Manager, in its sole discretion, may elect to extend the Management Fee Waiver beyond December 31, 2022.

The Manager will be entitled to receive from each Class I Unitholder a management fee as established from time to time by an agreement between the Manager and each Class I Unitholder.

See "Fees and Expenses - Management Fee".

### **Performance Fee**

The Manager receives a performance fee (the "Performance Fee") from the Fund attributable to the Class A Units and Class F Units, respectively. Each Class of Units is responsible for the Performance Fee, if any, attributable to that Class. Each of the Class A and Class F Units is charged a performance fee equal to 17.5% of the amount by which the performance of the Fund exceeds an annualized hurdle rate equal to 2% for the Class A Units or the Class F Units, plus applicable taxes, as the case may be.

The Manager will be entitled to receive from each Class I Unitholder a performance fee as established from time to time by an agreement between the Manager and each Class I Unitholder.

The Performance Fee shall be calculated and accrued on each Valuation Date and shall be payable at the end of each calendar quarter.

See "Fees and Expenses - Performance Fee".

### **Dealer Compensation**

Registered dealers ("Dealers") who distribute Class A Units may be paid a sales commission of up to 5.00%, which will be deducted from the purchase order and paid by the investor to the Dealer. Sales commissions may be negotiated between the Dealer and the investor.

The Manager will pay Dealers servicing commissions as compensation for ongoing advice and service in respect to Class A Units. The servicing commissions are accrued on each Valuation Date and are paid quarterly at a current annual rate of 1.00% of the Class Net Asset Value of the Class A Units held by clients of the Dealer.

See "Dealer Compensation".

### **Purchase of Units**

Investors may be admitted to the Fund or may acquire additional Units on a weekly basis as of the last Business Day (any day on which the Toronto Stock Exchange (“TSX”) is open for trading is hereinafter referred to as a “Business Day”) of each calendar week. Units are offered at the Class Net Asset Value per Unit calculated as of the applicable Valuation Date.

Each of the Classes can be purchased with Canadian dollars only.

### **Minimum Investment**

The minimum initial investment in Class A and Class F Units of the Fund is \$25,000 and the minimum initial investment in Class I Units of the Fund is \$1,000,000. The Manager has the discretion to accept a lesser initial subscription, for each Class of Units provided, in each case, that the issuance of Units in respect of such subscription shall otherwise be exempt from the prospectus requirements of applicable securities legislation. Subsequent investments are subject to an additional minimum investment of \$5,000 subject to applicable securities legislation. See “Investing in Units”.

### **Redemptions**

Units may be surrendered to the Manager for redemption at any time. A Unitholder may have his or her Units redeemed on any Valuation Date at the Class Net Asset Value per Unit as of that Valuation Date. Under certain circumstances, the Manager is entitled to suspend or restrict rights of redemption. See “Redemption of Units”.

### **Short-Term Trading Deduction**

In order to protect the interest of the majority of investors in the Fund and to discourage short-term trading in the Fund, investors may be subject to a short-term trading deduction. If an investor redeems Units within 120 days of purchasing such Units, the Fund may deduct and retain, for the benefit of the remaining Unitholders in the Fund, five percent (5.00%) of the Class Net Asset Value of the Units being redeemed. See “Redemptions of Units – Short-Term Trading Deductions”.

### **Transfers of Units**

No transfers of Units may be made other than by operation of law or with the consent of the Manager. Units will also be subject to certain resale restrictions under applicable securities laws.

### **Valuation**

The Fund’s net asset value (the “Net Asset Value”) is calculated as the value of the Fund’s assets, less its liabilities, computed on a particular date in accordance with the Trust Declaration. The Administrator of the Fund (or such other person or entity designated by the Manager) will calculate the Net Asset Value of the Fund as of the last Business Day of each week, at the close of regular trading on the TSX, normally 4:00 p.m. (Eastern time) (each, a “Valuation Date”).

The Class Net Asset Value per Unit on a Valuation Date is obtained by dividing the value of the assets of the Fund less the amount of its liabilities, in each case attributable to that Class, by the total number of Units of the Class outstanding at the close of business on the Valuation Date and adjusting the result to a maximum of three decimal places.

See “Determination of Net Asset Value”.

### **Distributions**

The Fund intends to distribute sufficient net income and net realized capital gains, if any, to Unitholders in each calendar year to ensure that the Fund is not liable for income tax under Part I of the *Income Tax Act* (Canada) (the “Tax Act”), after taking into account any loss carry forwards. All distributions (other than Fee Distributions described in “Fees and Expenses”) will be made on a *pro rata* basis within each Class to each registered Unitholder determined as of the close of business on the last Valuation Date prior to the date of the distribution. See “Distributions”.

**Tax Consequences**

A prospective Unitholder should consider carefully all of the potential tax consequences of an investment in the Units and should consult with their tax advisor before subscribing for Units. For a discussion of certain income tax consequences of this investment, see “Certain Canadian Federal Income Tax Considerations”.

**Eligibility for Investment**

Units are not currently “qualified investments” under the Tax Act, for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts.

See “Eligibility for Investment”.

**Risk Factors**

The Fund is subject to various risk factors. See “Certain Risk Factors”.

**Fiscal Year**

The Fund’s fiscal year will end on December 31<sup>st</sup> of each year.

**Reports**

Unitholders will be sent audited annual financial statements within 90 days of the Fund’s fiscal year-end and unaudited semi-annual financial statements within 60 days of June 30<sup>th</sup>, or as otherwise required by law. Additional interim reporting to Unitholders will be at the discretion of the Manager. The Fund may enter into other agreements with certain Unitholders which may entitle such Unitholders to receive additional reporting. Unitholders will receive the applicable required tax form(s) within the time required by applicable law to assist Unitholders in making the necessary tax filings.

## **PICTON MAHONEY ABSOLUTE ALPHA FUND**

### **SECTION 1 – PICTON MAHONEY ABSOLUTE ALPHA FUND**

The Fund is an open-ended trust established under the laws of the Province of Ontario on January 25, 2021 and governed by an amended and restated master declaration of trust dated January 25, 2021 as the same may be amended, restated or supplemented from time to time (the “Trust Declaration”). Picton Mahoney Asset Management acts as the trustee and the manager (the “Trustee”, the “Manager” or “Picton Mahoney”) of the Fund pursuant to the Trust Declaration. The office of the Fund and of the Manager is located at 33 Yonge Street, Suite 830, Toronto, Ontario, Canada M5E 1G4. The Fund is permitted to issue trust units (“Units”) in an unlimited number of classes pursuant to the Trust Declaration. The description of provisions of the Trust Declaration contained herein is subject to and qualified in its entirety by the Trust Declaration.

### **SECTION 2 – INVESTMENT APPROACH, OBJECTIVE AND STRATEGIES**

#### **2.1 Investment Approach**

Picton Mahoney utilizes a layered investment process based on modern portfolio construction techniques to allocate across a comprehensive set of factor risk premia strategies, alpha processes and tail risk hedging strategies. Using both systematic as well as discretionary approaches, the Manager will apply strategic and tactical allocations at all levels of the Fund. The strategic allocations will be aligned with a longer-term view of the behaviour and characteristics of markets and strategies. The tactical allocations will be based on a short to intermediate time horizon and may contain portfolio hedges through the use of options, futures and other securities.

The Manager will use a proprietary economic cycle model along with other quantitative based methods in order to make tactical adjustments to the components of the portfolio. Picton Mahoney believes that asset class and risk premia strategy behaviour can be differentiated across different parts of the economic cycle and understanding this behaviour can help to improve portfolio outcomes.

#### **2.2 Investment Objective and Strategies**

##### **Investment Objective**

The investment objective of the Fund is to provide consistent long-term capital appreciation to unitholders (“Unitholders”) with an attractive risk-adjusted rate of return.

##### **Investment Strategies**

The investment strategy of the Fund is global in nature and will have exposure to international markets, including emerging markets. Strategies can be implemented within and across various financial markets including global equity markets, emerging markets, global government and corporate fixed income markets, foreign exchange markets, commodity markets and volatility markets. The Fund may, in accordance with applicable securities law and with regulatory orders it has obtained, also invest up to 75% of its assets in securities of Underlying Funds (as hereinafter defined).

The strategy will consist of individual security risk premia strategies implemented primarily through long and short positions across global equity markets and may include global fixed income and other asset classes.

The Manager will seek to obtain exposure to skill-based, alpha processes either directly or indirectly through investment in other funds, including, but not limited to, funds for which the Manager is the manager and/or portfolio manager (collectively, the “Underlying Funds”).

Markets as well as some strategies possess the propensity for sharp declines in performance, known as tail risk. The manager will attempt to mitigate some of these risks through tail-risk hedging strategies. These may be run both internally and externally and may involve allocation to external funds or portfolio managers (i.e., sub-advisers).

The interaction of all components contained in the portfolio will be considered in both the strategic and tactical aspects of the portfolio management process. The returns of the Fund should be generally independent of the movements in common stock market or bond market indices. Each component of the portfolio is intended to provide access to a unique return stream, such as risk premia and skill-based investment processes. There is the potential for overlap across components of the portfolio, for example, a risk premia layer may from time to time possess a positive correlation to some of the strategies. Where possible, the Manager will attempt to compensate for this overlap to ensure the overall portfolio contains the desired exposures. The Manager will also use a risk-budgeting process to weigh different components of the portfolios. In some instances, the Manager will attempt to obtain equal contributions to risk from different components of the portfolio. The risk-weighting process is distinct from the relatively straightforward dollar-weighted approach that is applied in many traditional portfolio management approaches. A variety of methods are used to measure risk, including, standard deviation of returns (volatility), distributional properties such as skewness and kurtosis, maximum drawdown experienced through time, tail-risk as defined by a large loss over a short time horizon as well as both historical and hypothetical stress tests. Both qualitative and quantitative approaches are used to estimate risk measures.

The Fund utilizes the following investment strategies:

#### *Fund Investments*

The Fund may invest in Underlying Funds that employ a variety of strategies.

The amounts invested from time to time in an Underlying Fund for which the Manager is the manager and/or portfolio manager (a “Picton Underlying Fund”) may exceed 20% of either the votes attaching to the outstanding units of another Picton Underlying Fund or the outstanding units of that Picton Underlying Fund, may only be made if the Manager determines that an investment in the Picton Underlying Fund is consistent with the investment objectives, investment strategies and investment restrictions of the Fund and in the best interests of the Fund.

To the extent that the Fund invests in Picton Underlying Funds, it will invest in class I units of each Picton Underlying Fund for which no management or performance fee will be charged. As such, the investment by the Fund in units of a Picton Underlying Fund will not result in any duplication of management fees or performance fees to the Fund or the investors of the Fund and the Manager will not receive any management fees or performance fees in respect of the units of the Picton Underlying Fund to be purchased by the Fund.

#### *Investing Long in Securities*

Making long investments in securities of issuers identified as attractive investment candidates by the Manager’s investment process. Eligible securities include equities, subscription rights, warrants, participation units, private equities, global depository receipts, American depository receipts, master limited partnerships, other securities with equity characteristics, government bonds, investment grade corporate bonds, credit-linked notes, high-yield bonds, stressed and distressed securities, asset-backed

securities, collateralized debt and loan obligations, government agency securities, notes, convertible bonds, convertible debentures, preferred shares, bank loans, futures, foreign exchange futures, forward contracts, options, investment funds, real estate investment trusts, master limited partnerships, income trusts, Canadian royalty trusts, closed-end funds, exchange-traded funds, units of special purpose acquisition companies (“SPACs”) and other derivatives.

#### *Short Selling Securities*

Short selling of securities of issuers identified as unattractive investments by the Manager’s investment process and/or to hedge the market exposure of long positions, whether held directly or indirectly. Eligible securities include equities, subscription rights, warrants, participation units, private equities, global depository receipts, American depository receipts, master limited partnerships, other securities with equity characteristics, government bonds, investment grade corporate bonds, credit-linked notes, high-yield bonds, stressed and distressed securities, asset-backed securities, collateralized debt and loan obligations, government agency securities, notes, convertible bonds, convertible debentures, preferred shares, bank loans, futures, foreign exchange futures, forward contracts, options, investment funds, real estate investment trusts, master limited partnerships, income trusts, Canadian royalty trusts, closed-end funds, exchange-traded funds, units of SPACs and other derivatives.

#### *Pairs Trading*

Taking short positions from time to time in securities of one issuer while taking a long position in securities of another issuer in an attempt to gain from the relative valuation differences between the two issuers. A pairs trade will be made when the Manager feels the long position will appreciate in value when compared to the short position.

#### *Private Placements and IPOs*

Participating in initial public offerings, secondary offerings, and private financings (including special warrant financings) in existing publicly traded and private issuers. The Fund will not purchase private securities of private companies. Some mergers include a spin-out equity, contingent value right, or other form of consideration that is unlisted at the time of the announcement but is intended to become listed shortly following the consummation of the merger. The Fund may transact in these types of securities when an active non-listed “grey” market exists.

#### *Derivatives*

The Fund may use derivatives to reduce or hedge against various risks including currency exchange risk associated with its foreign investments, and to obtain investment exposures on positions consistent with its investment objective, strategies and risk management. The derivatives that the Fund may use in this regard are clearing corporation and over-the-counter (OTC) options, swaps, contracts for difference (CFD), futures or forwards. The Fund may also employ various option strategies to increase its income return including, but not limited to, covered call and put writing. The Fund may also use option strategies and futures that include both long and short positions to reduce portfolio risk and hedge against adverse market events. Long or short positions in futures, including futures on volatility indices, forwards, swaps or credit derivative swaps may be used to hedge against certain market risks, gain exposure to certain markets and also to implement certain investment strategies.

### *Leverage*

The Fund is authorized to borrow in order to increase its investment leverage. On a position by position basis, margin requirements of the applicable exchange will be adhered to by the Fund. The Fund may also use leverage in order to implement certain investment strategies which may employ derivatives in order to achieve the needed leverage as opposed to direct borrowing. The Fund's leverage will not exceed five times of the Fund's net assets at the time of investment.

### *Capital Structure Arbitrage*

A capital structure arbitrage trade combines a long position in an issuer's senior debt with a short position in its junior debt or common equity using a hedge ratio.

### *Convertible Arbitrage*

A convertible arbitrage trade combines a long position in an issuer's convertible securities (convertible bonds, warrants, convertible preferred shares) with a short position in its common equity.

### *Yield and Credit Curve Arbitrage*

Yield and credit curve trades combine a long position in an issuer's bond at one maturity with a short position in the bonds of the same issuer at a different maturity.

### *Fixed Income Arbitrage*

Taking offsetting long and short positions in government bonds and investment grade corporate bonds, government agency securities, swap contracts, and futures and options on fixed income instruments that are mathematically, fundamentally, or historically interrelated.

### *Merger Arbitrage*

A highly specialized investment approach designed to profit from the successful completion of mergers, take-overs, tender offers, leveraged buyouts, spin-offs, liquidations and other corporate reorganizations.

There are a number of risk arbitrage techniques that may be used depending on the characteristics of the individual transaction being arbitrated. The most commonly employed risk arbitrage activity involves purchasing the shares of an announced acquisition target company at a discount to their expected value upon completion of the acquisition. When a take-over bid, amalgamation or arrangement involving cash consideration or securities of the acquiring company is announced, the value of the securities and/or cash to be received may be higher or lower than the market price of the securities of the target company for which they are to be exchanged. If the Manager believes that it is probable that the proposed transaction or a higher value transaction will be consummated, the Fund may purchase shares of the target company.

The Manager uses investment strategies designed to minimize market exposure, including short selling and purchasing and selling options. In particular, the Manager may engage in selling securities short when the terms of a proposed acquisition call for the exchange of common shares and/or other securities. If a transaction is consummated, the Fund will then exchange the securities of the target company which it has accumulated for the securities issued by the acquiring company and may cover its short position, if any, with the securities so received. Alternatively, where cash is being offered as consideration, shares of the target company purchased in the open market will normally be tendered as cash to the acquiring company. Transactions in listed stock options may also be used to hedge long and short positions. These hedging

transactions are intended to reduce the risk of loss to the Fund in certain exchange offers and mergers. If, after the Fund has established a position, it appears that the transaction is proceeding contrary to expectations, the Fund may take its profits or losses or attempt to minimize potential losses by liquidating its long positions and covering any short positions. Additionally, the Fund may engage in short selling of the target company's shares if the Manager determines that there is a likelihood that the merger or other transaction will fail to be consummated. A portion of the Funds' holdings may be in the form of cash or cash equivalents, and from time to time the Funds may invest the majority of its assets in cash or cash equivalents.

#### *Event Driven Investing*

Taking long or short positions in securities of an issuer subject to acquisitions, divestitures, restructurings, liability management exercises, share buy-backs, dividends and other equity friendly activity or other issuer events.

#### *Distressed Investments*

Taking long positions in securities (typically bonds and bank debt) that are in turnaround situations, default, under bankruptcy protection, or in distress and heading towards bankruptcy.

#### *Stressed Investments*

Taking long positions in securities (typically bonds and bank debt) that have a credit spread significantly in excess of the broad credit market.

#### *Special Situations*

Taking long and short positions in securities impacted by event driven situations, such as mergers, divestitures, restructurings or other issuer events.

#### *Debtor-In-Possession Financing*

Taking long positions in securities (typically bank debt or other secured securities) extended to companies going through restructuring to support a corporate restructuring.

#### *Claims and Payables*

Taking long positions in an issuer's claims or accounts payable securities that are in turnaround situations, default, under bankruptcy protection or in distress and heading towards bankruptcy.

#### *Activist Investment*

Taking long positions in securities with intent of negotiating with issuer management to affect a favourable outcome for the securities, such as negotiating an early tender of a bond or other liability management exercises.

#### *Credit-driven Equity Investing*

Taking long or short positions in equity securities of issuers where the bonds of the sector or the issuer may signal an investment opportunity in an issuer's equity securities.

### *Private Company Investments*

Taking long and short positions in private company debt offerings.

### *Special Purpose Acquisition Corporations (SPACs)*

The Fund may invest a portion of its assets in the stock, warrants, and other securities of SPACs or similar special purpose entities that raise funds for the sole purpose of seeking potential acquisition opportunities.

### *Commodities*

Purchasing, holding, selling, or otherwise dealing in commodity forward contracts, commodity futures, financial futures or options on financial futures.

#### **2.2.1 Statutory Caution**

The foregoing disclosure of the Manager's investment strategies and intentions may constitute "forward-looking information" for the purpose of Ontario securities legislation, as it contains statements of the Manager's intended course of conduct and future operations of the Fund. These statements are based on assumptions made by the Manager of the success of its investment strategies in certain market conditions, relying on the experience of the Manager's officers and employees and their knowledge of historical economic and market trends. Investors are cautioned that the assumptions made by the Manager and the success of its investment strategies are subject to a number of mitigating factors. Economic and market conditions may change, which may materially impact the success of the Manager's intended strategies as well as its actual course of conduct. Investors are urged to read "Certain Risk Factors" below for a discussion of other factors that will impact the operations and success of the Fund.

## **SECTION 3 SECTION 3 – RISK MANAGEMENT AND INVESTMENT RESTRICTIONS**

### **3.1 Risk Management**

Picton Mahoney utilizes disciplined risk controlled quantitative techniques to construct portfolios. First, using historical analysis the Manager sets an expected risk target for the Fund's portfolio. Second, the Manager jointly constructs a long and short portfolio to minimize unwanted risk exposures. The Manager controls for factors including: liquidity, size, sector exposure, industry exposure, position size, and company specific factors. The Fund's portfolio is reviewed and rebalanced on a regular and ongoing basis to maintain the risk reward target.

### **3.2 Investment Restrictions**

The investment activities of the Fund are conducted in accordance with certain restrictions, which include the following:

#### ***Sole Undertaking***

The Fund will not engage in any undertaking other than the investment of the Fund's assets in accordance with the Fund's investment objective and investment strategies.

#### ***Fixed Price***

The Fund will not purchase any security which may by its terms require the Fund to make a contribution in addition to the payment of the purchase price (other than pursuant to a permitted derivative transaction),

provided that such restriction will not apply to the purchase of securities which are paid for on an installment basis where the total purchase price and the amount of all such installments are fixed at the time the first installment is paid.

### ***Interest of Manager***

Except as described herein, the Fund will not purchase securities from, or sell securities to, the Manager or any of its affiliates or any individual who is a partner, director or officer of any of them, any employee of the Manager or any portfolio managed by the Manager. As described herein, the Fund may invest in class I units of the Picton Underlying Funds (such investments referred to as the “Fund of Fund Investments”) and purchase units of other funds managed by the Manager, in accordance with applicable securities law and with regulatory orders it has obtained.

### ***Commodities***

The Fund will not purchase any physical commodity.

### ***Control Restrictions***

Except as described herein and as may be permitted by applicable securities laws or regulatory relief therefrom, the Fund will not purchase a security of an issuer if, immediately after the purchase, the Fund would hold securities representing more than 10% of either the votes attaching to the outstanding securities of that issuer or the outstanding equity securities of that issuer, or purchase a security for the purpose of exercising control over or management of the issuer of the security. If the Fund acquires a security other than as the result of a purchase and the acquisition results in the Fund exceeding the 10% limit described in this paragraph, the Fund will, as quickly as is commercially reasonable (and in any event within 90 days of the acquisition), reduce its holdings of those securities so that they do not hold securities exceeding such limits.

### ***Foreign Investment Restrictions***

The Fund will not invest in (i) an interest in a trust (or partnership which holds such interest) which would require the Fund (or the partnership) to report income in connection with such interest pursuant to section 94.2 of the Tax Act, or (ii) the securities of any non-resident corporation, trust or other non-resident entity if the Fund would be required to include an amount in income pursuant to section 94.1 of the Tax Act.

### ***SIFT Trust***

The Fund will not invest in any property to the extent that such an investment would result in the Fund being a “SIFT trust” as defined in the Tax Act.

## **SECTION 4 - MANAGEMENT OF THE FUND**

### **4.1 The Manager**

Picton Mahoney is the Manager of the Fund and is responsible for the day-to-day business of the Fund, including the management of the Fund’s investment portfolio. The Manager was formed as a general partnership under the laws of Ontario in 2004, to provide investment management services to the Canadian marketplace. Two of the Manager’s principals, David Picton and Michael Mahoney, were founding partners at Synergy Asset Management Inc. in 1997 which was purchased by CI Investments in 2003.

With over \$8 billion in assets under management in sub-advisory, hedge fund and mutual fund assets as at December 31, 2020, Picton Mahoney is 100% employee owned. The Manager is registered with applicable securities regulatory authorities as an Exempt Market Dealer, Investment Fund Manager, Portfolio Manager, and Commodity Trading Manager. The Manager carries out its advisory activities in relation to the Fund from 33 Yonge Street, Suite 830, Toronto, Ontario, Canada M5E 1G4.

Pursuant to the Trust Declaration, the Manager has authority to manage the business and affairs of the Fund and has authority to bind the Fund. The Manager will be responsible for managing the assets of the Fund, will have complete discretion to invest and reinvest the Fund's assets, and will be responsible for executing all portfolio transactions. The Manager may delegate its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the Fund to do so. The Manager is required to exercise its powers and discharge its duties honestly, in good faith, and in the best interests of the Fund and to exercise the care, diligence and skill of a reasonable prudent person in comparable circumstances. Among its other powers, the Manager may establish the Fund's operating expense budgets and authorize the payment of operating expenses.

The Trust Declaration provides that the Manager and certain affiliated parties have a right of indemnification from the Fund for legal fees, judgments and amounts paid in settlement incurred in carrying out their duties under the Trust Declaration, except in certain circumstances, including where there has been gross negligence, lack of good faith or wilful default on the part of the Manager or the Manager has failed to fulfill its standard of care as set out in the Trust Declaration. In addition, the Trust Declaration contains provisions limiting the liability of the Manager.

Pursuant to the Trust Declaration, the Manager may resign upon 90 days' written notice to the Unitholders of the Fund. The Manager must appoint a successor, which appointment must be approved by a majority of the Unitholders unless the successor is an affiliate of the Manager. If no successor Manager is appointed or if Unitholders fail to approve a successor the Fund shall be terminated.

### ***Officers and Directors of the Manager***

The name, municipality of residence, position with the Manager and principal occupation of each of the directors and officers of the Manager are set out below:

<b>Name and Municipality of Residence</b>	<b>Office</b>	<b>Principal Occupation(s)</b>
David Picton Toronto, Ontario	Member of the Executive Committee, President, Chief Executive Officer and Ultimate Designated Person	Member of the Executive Committee, President, Chief Executive Officer and Portfolio Manager
Arthur Galloway Toronto, Ontario	Member of the Executive Committee, Chief Financial Officer, Chief Operating Officer and Corporate Secretary	Member of the Executive Committee, Chief Financial Officer, Chief Operating Officer and Corporate Secretary
Catrina Duong Toronto, Ontario	Chief Compliance Officer	Chief Compliance Officer

## **David Picton**

David Picton, President and Chief Executive Officer of Picton Mahoney Asset Management, is a founding partner of the firm and lead Portfolio Manager responsible for the Canadian equity market neutral, long short, and long only strategies. Mr. Picton has been a prominent presence in the Canadian investment industry for several decades, including launching Synergy Asset Management Inc. in 1997, working as its lead Canadian momentum portfolio manager and spending eight years as Head of Quantitative Research at RBC Dominion Securities Inc. where he was one of the top ranked analysts in his sector. Mr. Picton holds an Honours Bachelor of Commerce degree from the University of British Columbia. He also received a Leslie Wong Fellowship from the University of British Columbia's prestigious Portfolio Management Foundation.

## **Arthur Galloway**

Arthur Galloway, Chief Financial Officer, Chief Operating Officer and Corporate Secretary of Picton Mahoney Asset Management, is responsible for firm-wide financial operations, internal financial control and internal and external financial reporting. He is also responsible for the financial oversight and administration of Picton Mahoney's alternative investment funds. Before joining Picton Mahoney, he spent 10 years with Investors Financial Services, holding the position of Director upon his departure, where his clients included numerous global asset management firms. He holds a Bachelor of Business degree in Finance from Brock University and is a CFA charterholder.

## **Catrina Duong**

Catrina Duong, Chief Compliance Officer, is responsible for the monitoring and oversight of Picton Mahoney's compliance program. Ms. Duong joined Picton Mahoney in June 2017. Prior to joining Picton Mahoney, she was most recently at BlackRock Asset Management Canada Limited with experience across a broad array of investment products and strategies, including exchange-traded funds, mutual funds, exempt market products and managed accounts. She has a Bachelor of Arts (Hons) from the University of Toronto, a law degree from Queen's University and is a member of the Bar of the Province of Ontario.

Each officer and/or director of the Manager may also be a substantial security holder of the Manager.

## **4.2 The Trustee**

Picton Mahoney acts as the trustee of the Fund pursuant to the Trust Declaration. The Trustee has those powers and responsibilities in respect of the Fund as described in the Trust Declaration. The Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Pursuant to the Trust Declaration, the Manager may remove the Trustee and appoint a successor trustee from time to time on 90 days' written notice or in certain other circumstances. The Trustee or any successor appointed pursuant to the terms of the Trust Declaration may resign upon 90 days' written notice to the Manager, who shall use its best efforts to appoint a successor trustee. If no successor Trustee is appointed the Fund shall be terminated.

The Trust Declaration provides that the Trustee and its affiliates have a right of indemnification from the Fund, and to the extent that the assets of the Fund are insufficient to satisfy such right, from the Manager, for any claims arising out of the execution of its duties as trustee, except in cases of negligence, willful

default or bad faith on the part of the Trustee. In addition, the Trust Declaration contains provisions limiting the liability of the Trustee.

#### **4.3 Conflicts of Interest**

##### ***Services of the Manager not Exclusive to the Fund***

The services of the Manager and its partners, and their respective directors, officers, employees, agents and associates are not exclusive to the Fund. The Manager and its partners, and any of their respective directors, officers, employees, agents and associates may, at any time, engage in the promotion, management or portfolio management of any other fund or trust (including any Underlying Funds) and provide similar services to other investment funds and other clients and engage in other activities. While the Manager and its partners and their respective directors, officers, employees, agents and associates devote as much of their respective time and resources to the activities of the Fund as in their respective judgment is reasonably required, they will not be devoting their time exclusively to the affairs of the Fund. The Manager and its partners and their respective directors, officers, employees, agents and associates will therefore have conflicts of interest in allocating management time, services and functions among the Fund and such other persons for which it provides services (including any Underlying Funds). However, at all times the Manager will ensure a fair and equitable allocation of its management time, services and functions between the Fund and any other such persons to whom it provides services.

##### ***Allocation of Investment Opportunities***

Investment decisions for the Fund will be made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager may make the same investment for the Fund and for one or more of its other clients (including any Underlying Funds). If the Fund and one or more of the other clients of the Manager are engaged in the purchase or sale of the same security, the transactions will generally be effected on an equitable basis. However, the Manager may determine from time to time that some investment opportunities are appropriate for certain investment management clients and not others, including the Fund, due to differing objectives, time horizons, liquidity needs or availability, tax consequences and assessments of general market conditions and of individual securities. The Manager may also occasionally determine it to be necessary to allocate limited investment opportunities among the Fund and any other funds or managed accounts under its responsibility (including any Underlying Funds), on a basis deemed appropriate by the Manager. Certain funds or managed accounts may therefore show a gain or a loss that would otherwise not be present within other funds or accounts managed by the Manager.

##### ***Conflicts of Interest Policy***

The Manager is an Exempt Market Dealer, an Investment Fund Manager, a Portfolio Manager and a Commodity Trading Manager. Additionally, the Fund may invest in units of the Underlying Funds for which the Manager is the manager and/or portfolio manager in accordance with applicable securities laws and with regulatory orders it has obtained. As a result, there are potential conflicts of interest that could arise in connection with the Manager acting in its capacities as Exempt Market Dealer, Investment Fund Manager, Portfolio Manager and Commodity Trading Manager and as the manager and/or portfolio manager of both the Fund and the Underlying Funds.

The Manager has adopted a conflict of interest policy to address and minimize those potential conflicts of interest. The policy states that the Manager will deal fairly, honestly and in good faith with all clients (including the Fund and the Underlying Funds) and not advantage one client over another. The securities laws of the Province of Ontario require securities dealers and advisers, when they trade in or advise with

respect to their own securities or securities of certain other issuers to which they, or certain other parties related to them, are related or connected, to do so only in accordance with particular disclosure and other rules. These rules require dealers and advisers, prior to trading with or advising their customers or clients, to inform them of the relevant relationships and connections with the issuer of the securities. Clients and customers should refer to the applicable provisions of these securities laws for the particulars of these rules and their rights or consult with a legal adviser. The Fund is a related issuer and a connected issuer of the Manager within the meaning of applicable Canadian securities legislation.

### ***Interest of the Manager and Responsible Persons of Manager in Picton Underlying Funds***

The Manager and its partners, and their respective directors, officers, employees, agents and associates of the Manager who have access to, or participate in formulating and making decisions on behalf of the Fund or advice to be given to the Fund (each, a “Responsible Person”) or affiliates of such Responsible Persons are also partners, directors or officers of the Picton Underlying Funds.

The Fund’s investment in a Picton Underlying Fund creates a potential conflict of interest for the Manager relating to the voting of the units of the Picton Underlying Fund held by the Fund in that certain officers and directors of the Manager may be a substantial security holder of the Manager and also may have a significant interest in the Picton Underlying Fund. The Manager intends to address this potential conflict of interest by not voting any units of the Picton Underlying Fund held by the Fund (should the requirement for a vote arise) or the Manager may make arrangements to permit Unitholders of the Fund to exercise the votes attaching to the Fund’s investment in the Picton Underlying Fund.

The investment by the Fund in units of a Picton Underlying Fund will not result in any duplication of management fees and performance fees to the Fund or the investors of the Fund and the Manager will not receive any management fees or performance fees in respect of the units of the Picton Underlying Fund to be purchased by the Fund. In executing a subscription agreement for Units, investors will acknowledge the multiple roles of the Responsible Persons and consent to the investment by the Fund in the units of any Picton Underlying Funds.

## **SECTION 5 – UNITS**

### **5.1 Classes of Units**

An investment in the Fund is represented by Units. The Fund is permitted to have an unlimited number of classes of Units (each, a “Class”) having such terms and conditions as the Manager may determine. Additional Classes may be offered in future on different terms, including having different fee and dealer compensation terms and different minimum subscription levels. Each Unit of a Class represents an undivided ownership interest in the net assets of the Fund attributable to that Class of Units. The Fund will consult with its tax advisors prior to the establishment of each new Class to ensure that the issuance of Units of the Class will not have adverse Canadian tax consequences. Three (3) Classes of Units are offered under this Offering Memorandum.

**Class A Units** are designed for investors investing \$25,000 or more, who are not eligible to purchase Class F Units.

**Class F Units** are designed for investors who are enrolled in a dealer-sponsored fee for service or wrap program and who are subject to an annual asset based fee rather than commissions on each transaction or, at the discretion of the Manager, any other investor for whom the Manager does not incur distribution costs, investing \$25,000 or more.

**Class I Units** are designed other investment funds managed by the Manager, institutional investors and other investors on a case-by-case basis investing \$1,000,000 or more, all at the discretion of the Manager.

The Picton Underlying Funds issue class I units to the Fund, which are not charged management fees or performance fees.

Class A Units, Class F Units and Class I Units, together with each future Class, are referred to collectively as the “Classes.”

Although the money invested by investors to purchase Units of any Class of the Fund is tracked on a Class by Class basis in the Fund’s administration records, the assets of all Classes of the Fund will be combined into a single pool to create one portfolio for investment purposes.

All Units of the same Class have equal rights and privileges. Each whole Unit of a particular Class is entitled to one vote at meetings of Unitholders of the Fund where all Classes vote together, or to one vote at meetings of Unitholders where that particular Class of Unitholders of the Fund votes separately as a Class.

The Manager, in its discretion, determines the number of Classes of Units and establishes the attributes of each Class, including investor eligibility, the designation and currency of each Class, the initial closing date and initial offering price for the first issuance of Units of the Class, any minimum initial or subsequent investment thresholds, any minimum redemption amounts or minimum account balances, valuation frequency, fees and expenses of the Class, sales or redemption charges payable in respect of the Class, redemption rights, convertibility among classes and any additional Class specific attributes. The Manager may add additional Classes of Units at any time without prior notice to or approval of Unitholders. No Class of Units will be created for the purpose of giving any Unitholder a percentage interest in the property of the Fund that is greater than the Unitholder’s percentage interest in the income of the Fund.

All Units of the same Class are entitled to participate *pro rata*: (i) in any payments or distributions (other than Fee Distributions described in “Fees and Expenses”) made by the Fund to the Unitholders of the same Class; and (ii) upon liquidation of the Fund, in any distributions to Unitholders of the same Class of net assets of the Fund attributable to the Class remaining after satisfaction of outstanding liabilities of such Class. Units are not transferable, except by operation of law (for example, a death or bankruptcy of a Unitholder) or with the consent of the Manager. To dispose of Units, a Unitholder must have them redeemed.

Fractional Units carry the same rights and are subject to the same conditions as whole Units (other than with respect to voting rights) in the proportion which they bear to a whole Unit. Outstanding Units of any Class may be subdivided or consolidated in the Manager’s discretion on 21 days’ prior written notice. Units of a Class may be re-designated by the Manager as Units of any other Class having an aggregate equivalent Class Net Asset Value (as described in “Determination of Net Asset Value”) if such re-designation is approved by the holder of the Units to be re-designated or with 30 days’ prior written notice.

## **SECTION 6 – FEES AND EXPENSES**

### **6.1 Expenses**

The Manager paid for the costs of initially organizing the Fund and offering the Units, including the fees and expenses of legal counsel and the Fund’s auditors.

The Fund will pay for all routine and customary expenses relating to the Fund’s operations, including registrar and transfer agency fees and expenses, trustee fees (if any), custodian fees, auditing, legal and

accounting fees, communication expenses, printing and mailing expenses, all costs and expenses associated with the sale of Units including securities filing fees (if any), expenses relating to providing financial and other reports to Unitholders and convening and conducting meetings of Unitholders, all taxes, assessments or other governmental charges levied against the Fund, interest expenses and all brokerage and other fees relating to the purchase and sale of the assets of the Fund. In addition, the Fund will pay for expenses associated with ongoing investor relations and education relating to the Fund.

Each Class of Units is responsible for the expenses specifically related to that Class and a proportionate share of expenses that are common to all Classes of Units. The Manager shall allocate expenses to each Class of Units in its sole discretion as it deems fair and reasonable in the circumstances.

The Manager may from time to time waive any portion of the fees and reimbursement of expenses otherwise payable to it, but no such waiver affects its right to receive fees and reimbursement of expenses subsequently accruing to it.

## **6.2 Management Fee**

For providing its services to the Fund, the Manager receives a management fee (the “Management Fee”) from the Fund attributable to the Class A Units and Class F, respectively. Each Class of Units is responsible for the Management Fee attributable to that Class.

The Class A Units are charged a Management Fee equal to 0.50% per quarter (2.00% per annum) of the Net Asset Value of the Class A Units, plus applicable taxes, calculated and accrued on each Valuation Date, and payable on the last Valuation Date of each quarter.

The Class F Units are charged a Management Fee equal to 0.25% per quarter (1.00% per annum) of the Net Asset Value of the Class F Units, plus applicable taxes, calculated and accrued on each Valuation Date, and payable on the last Valuation Date of each quarter.

The Manager has elected to waive a portion of the Management Fee relating to each of the Class A Units and Class F Units of the Fund effective as of March 19, 2021 and continuing until December 31, 2022 (the “Management Fee Waiver”). After taking into account the Management Fee Waiver, the Management Fee for the Class A Units will be 0.375% per quarter (1.50% per annum) and the Management Fee for the Class F Units will be 0.125% per quarter (0.50% per annum). The Manager, in its sole discretion, may elect to extend the Management Fee Waiver beyond December 31, 2022.

The Manager will be entitled to receive from each Class I Unitholder a management fee as established from time to time by an agreement between the Manager and each Class I Unitholder.

Other Classes of the Fund are charged such management fee, if any, as described in the applicable offering document or agreement relating to such Classes.

## **6.3 Performance Fee**

The Manager receives a performance fee (the “Performance Fee”) in respect of each of the Class A Units and the Class F Units. The Performance Fee in respect of Class A Units and Class F Units shall be calculated and become a liability of the Fund on each Valuation Date and shall be payable at the end of each calendar quarter.

The Performance Fee in respect of each of the Class A Units and Class F Units, as the case may be, on a particular Valuation Date shall be equal to the product of (a) 17.5% of the positive difference between (A)(i)

the Adjusted Class Net Asset Value per Unit on the Valuation Date, and (ii) the greatest Class Net Asset Value per Unit on any previous Valuation Date (or the date Units of the Class were first issued, where no Performance Fee liability has previously arisen in respect of Units of the Class) (the “high water mark”), less (B) the Accrued Hurdle Amount per Unit (as defined herein) on the Valuation Date; and (b) the number of Units outstanding on the applicable Valuation Date on which the Performance Fee is determined, plus applicable taxes. As used herein, Adjusted Class Net Asset Value per Unit on a Valuation Date means the Class Net Asset Value per Unit on the Valuation Date, without giving effect to any Performance Fee determined on such Valuation Date.

The “Accrued Hurdle Amount per Unit” on any Valuation Date is the accumulated Hurdle Amount per Unit since the last high water mark that occurred in the current financial year of the Fund. The Hurdle Amount per Unit is calculated and accrued on each Valuation Date and shall be equal to the product of (a) a hurdle rate equal to 2% per annum (prorated for the number of days in the year since the last Valuation Date); and (b) the Adjusted Class Net Asset Value per Unit on the applicable Valuation Date.

The Manager may make such adjustments to the Adjusted Net Asset Value per Unit of a Class and/or the applicable “high water mark” as are determined by the Manager to be necessary to account for the payment of any distributions on Units, any Unit splits or consolidations or any other event or matter that would, in the opinion of the Manager, impact upon the computation of the Performance Fee. Any such determination of the Manager shall, absent manifest error, be binding on all Unitholders.

The Manager may pay an amount equal to a portion of the Performance Fee, if any, to certain Dealers.

The Manager will be entitled to receive from each Class I Unitholder a Performance Fee as established from time to time by an agreement between the Manager and each Class I Unitholder.

Other Classes of the Fund will be charged such performance fee, if any, as described in the applicable offering document or agreement relating to such Classes.

## **6.4 Fee Rebates**

To encourage large investments in the Fund and to be able to offer fees which are competitive for investments of that size, and in certain other circumstances, the Manager may from time to time reduce the Management Fee and/or the Performance Fee that it otherwise would be entitled to receive with respect to such an investor's investment in the Fund provided that the amount of the fee reduction is distributed (a "Fee Distribution") to such Unitholder. Fee Distributions of the Fund, where applicable, will be computed on each Valuation Date and shall be payable quarterly, or at such other times as the Manager may determine, first out of net income and the net capital gains of the Fund and thereafter out of capital. Any such reduction in Management Fees and/or Performance Fees in respect of a large investment in the Fund will be negotiated by the Manager and the investor or the investor's Dealer and will be based primarily on the size of the investor's investment in the Fund and the total amount of services provided to the investor with respect to their investment in the Fund. The Manager may also reduce its fees to encourage investors to invest in a new fund. Fee Distributions will be automatically reinvested in additional Units of the applicable Class unless the Manager, in its sole discretion elects to make a Fee Distribution in cash. The amount of any Fee Distribution will be treated as income to the Unitholder receiving it, to the extent it is paid out of net income or net taxable capital gains of the Fund. See "Certain Canadian Federal Income Tax Considerations" and "Distributions".

## **6.5 Fees and Expenses of the Underlying Funds**

For providing its services to the respective Underlying Funds, the Manager receives a management fee and a performance from the respective Underlying Funds attributable to the certain classes of units of the applicable Underlying Fund. However, any investment by the Fund into units of Picton Underlying Funds will not result in any duplication of management fees and performance fees to the Fund or the investors of the Fund as any investment by the Fund into units of the respective Picton Underlying Funds will only be in a class of units of the applicable Picton Underlying Fund that carry no management fees and performance fees. For greater certainty, the Manager will not receive any management fees or performance fees in respect of the units of a Picton Underlying Fund to be purchased by the Fund. In addition, no sales charges or redemption fees are payable by the Fund in relation to its purchase or redemption of units of a Picton Underlying Fund.

Each Underlying Fund will pay for all routine and customary expenses relating to the Underlying Fund's operations, including registrar and transfer agency fees and expenses, trustee fees (if any), custodian fees, auditing, legal and accounting fees, communication expenses, printing and mailing expenses, all costs and expenses associated with the sale of units of the Underlying Fund including securities filing fees (if any), expenses relating to providing financial and other reports to unitholders of the Underlying Fund and convening and conducting meetings of unitholders of the Underlying Fund, all taxes, assessments or other governmental charges levied against the Underlying Fund, interest expenses and all brokerage and other fees relating to the purchase and sale of the assets of the Underlying Fund. In addition, the Underlying Fund will pay for expenses associated with ongoing investor relations and education relating to the Underlying Fund.

The class of units of the Underlying Fund purchased by the Fund will be responsible for the above expenses specifically related to that class of units of the Underlying Fund and a proportionate share of expenses that are common to all classes of units of the Underlying Fund. As a result, Unitholders that invest in an Underlying Fund will indirectly bear a proportionate share of such expenses of such Underlying Fund.

Copies of the offering memorandum, the most recent audited annual financial statements and the most recent unaudited semi-annual financial statements of the Underlying Funds in which the Fund is invested

in will be made available to Unitholders free of charge upon request and may be inspected at the principal office of the Fund during normal business hours.

## **SECTION 7 – DEALER COMPENSATION**

Units will be distributed in the Offering Jurisdictions (as described below) through registered dealers (“Dealers”), including the Manager (in jurisdictions where it is registered to sell the securities), and such other persons as may be permitted by applicable law. In the event of such distribution, Dealers (other than the Manager) will be entitled to the compensation described below.

### **7.1 Sales Commissions**

In the event of a Dealer sale of Class A Units, a sales commission of up to 5.00% may be deducted from the purchase order and paid by the investor to the Dealer. The remaining amount will be invested in the Fund. Sales commissions may be negotiated between the Dealer and the investor. Class A Units issued on a reinvestment of distributions as described under “Distributions” will not be subject to a sales commission.

No deferred sales charge option is available.

### **7.2 Servicing Fees**

The Manager will pay servicing commissions to Dealers whose clients have purchased Class A Units and remain invested in the Fund during the relevant quarter. The servicing commission, expressed as an annual percentage of the Class Net Asset Value per Unit, is 1.00% for Class A Units. The servicing commissions will be paid on a quarterly basis in arrears.

The Manager does not pay servicing commissions in respect of Class F or Class I Units. Servicing commissions may be modified or discontinued by the Manager at any time.

## **SECTION 8 – INVESTING IN UNITS**

### **8.1 Purchase of Units**

Investors may be admitted to the Fund or may acquire additional Units on a weekly basis as of the last Business Day (any day on which the Toronto Stock Exchange (“TSX”) is open for trading is hereinafter referred to as a “Business Day”) of each calendar week. The Units are being offered using the mutual fund order entry system FundSERV. Subscription for Units may be made directly through the Manager (in jurisdictions where it is registered to sell the securities) or from a distributor on the FundSERV network under the Manufacturer Code to Picton Mahoney Asset Management “PIC” and the order code:

Class A Units	“PIC 1350”
Class F Units	“PIC 1351”
Class I Units	“PIC 1352”

Funds in respect of any subscription will be payable by investors at the time of the subscription.

Investors who wish to subscribe for Units may do so by delivering a subscription agreement (substantially in the form of the subscription agreement accompanying the Offering Memorandum or such other form of subscription agreement as the Manager may approve) to the Manager, either directly (in jurisdictions where it is registered to sell the securities) or through Dealers or other persons permitted by applicable securities

laws to sell Units, accompanied by a cheque, bank draft or, in the discretion of the Manager, wire transferred funds, in an amount equal to the purchase price on or before the last Business Day of the week. Units will be offered at the Class Net Asset Value per Unit calculated as of the applicable Valuation Date. The Class Net Asset Value per Unit for subscriptions which are received and accepted by the Manager prior to 4:00 p.m. (Eastern time) on the last Business Day of a week will be calculated as of the Valuation Date for that week. Subscriptions which are received and accepted by the Manager after 4:00 p.m. (Eastern time) on the last Business Day of a week will be calculated as of the Valuation Date for the following week. See “Determination of Net Asset Value”. All subscriptions for Units are to be forwarded by Dealers, without charge, the same day that they are received, to the Manager or purchased using the FundSERV network, as applicable.

The Manager reserves the right to accept or reject orders, whether made through the Manager or entered on the FundSERV network, and any monies received with a rejected order will be refunded forthwith, without interest, other compensation or deduction after such determination has been made by the Manager. The Manager shall not accept subscriptions from and shall not direct the issuance or transfer of Units to: (a) any person who is or would be a “designated beneficiary” of the Fund, as such term is defined in Part XII.2 of the Tax Act, if, as a consequence thereof, the Fund would be liable for tax under Part XII.2 of the Tax Act; (b) a “financial institution”, as defined in the Tax Act for the purposes of the mark-to-market rules, if the Fund itself would be deemed to be a “financial institution” under such rules as a result of such subscription/issuance of Units; or (c) a non-resident of Canada, if in the opinion of the Manager, the issuance or transfer of a Unit to such person could create a material risk that the Fund could lose its status as, or be precluded from subsequently becoming, a mutual fund trust under the Tax Act. If at any time the Manager becomes aware that Units are beneficially owned by one or more entities described above, the Fund may redeem all or such portion of the Units on such terms as the Manager deems appropriate in the circumstances. All subscriptions for and/or transfers of Units shall, if required by the Manager, be accompanied by evidence satisfactory to the Manager confirming that the investor making the subscription or transfer is not and will not be a “designated beneficiary” of the Fund. All subscriptions will be irrevocable. Fractional Units will be issued up to three decimal points.

A book-based system of registration is maintained for the Fund. Unit certificates will not be issued. The register for the Units is kept at the office of the Administrator.

## **8.2 Minimum Investment**

The minimum initial investment in Class A and Class F Units of the Fund is \$25,000 and the minimum initial investment in Class I Units of the Fund is \$1,000,000. The Manager has the discretion to accept a lesser initial subscription, provided, in each case, that the issuance of Units in respect of such subscription shall otherwise be exempt from the prospectus requirements of applicable securities legislation. Subsequent investments are subject to an additional minimum investment of \$5,000 for all Classes, or such lesser amount as the Manager may, in its sole discretion, determine subject to applicable securities legislation.

## **8.3 Distribution of Units**

Units are offered to investors resident in the provinces and territories of Canada, (the “Offering Jurisdictions”) pursuant to applicable exemptions from the prospectus requirements of the securities laws in the Offering Jurisdictions.

Subscriptions will be accepted from an investor who is an “accredited investor” as described in applicable securities legislation or from an investor that is not an individual who is purchasing Units with a minimum investment of \$150,000, paid in cash, subject to applicable securities legislation. An investor who purchases as an “accredited investor” is required to notify the Manager if such investor’s status changes.

## **SECTION 9 – REDEMPTION OF UNITS**

### **9.1 How to Redeem Units**

Units may be surrendered to the Manager for redemption at any time. A Unitholder may have his or her Units redeemed as of the last Business Day of any calendar week (the “Redemption Date”) at the Class Net Asset Value per Unit as of the Redemption Date provided the Manager has received a notice of redemption in respect of such Units prior to 4:00 p.m. (Eastern time) on such Valuation Date, otherwise such Units will be redeemed on the next Valuation Date. Requests for redemption made to the Manager must be made in writing with the signature guaranteed by a Dealer, Canadian chartered bank, trust company, a member of a recognized stock exchange in Canada or otherwise guaranteed to the satisfaction of the Manager. If Units are registered in the name of an intermediary such as a Dealer, clearing agency or its nominee, redemption orders must be made through such intermediary. Requests for redemption will be accepted in the order in which they are received.

Where the Units which are the subject of the notice of redemption were purchased from a distributor on the FundSERV network, a request for redemption may also be entered on the FundSERV system in the calendar week in which the Redemption Date occurs, and payment of the redemption proceeds will be made using the FundSERV network. Where the Units which are the subject of the notice of redemption were purchased through the Manager, payment of the redemption proceeds will generally be made by cheque, bank draft or wire transfer. Subject to applicable law, redemption proceeds may be made in kind if in the Manager’s discretion circumstances do not permit a payment in cash. The Manager shall within three Business Days following the determination of the Class Net Asset Value per Unit for the applicable Redemption Date distribute an amount equal to the Class Net Asset Value per Unit determined as of the relevant Redemption Date. See “Determination of Net Asset Value”. Any payment referred to above, unless such payment is not honoured, will discharge the Fund, the Trustee, the Manager and their agents from all liability to the redeeming Unitholder in respect of the payment and the Units redeemed.

### **9.2 Suspension of Redemptions**

The Manager may suspend the redemption of Units or a Class of Units, or payments in respect thereof, for any period during which (a) the Trustee is closed for business; (b) normal trading is suspended on any stock exchange, options exchange or futures exchange within or outside Canada on which securities which represent more than 50% of the underlying market exposure of the total assets of the Fund, without allowance for liabilities, are listed and traded; or (c) during any other period in which the Manager determines that conditions exist which render impractical the sale of assets or impair the ability to determine the value of any of the Fund’s assets. In addition, if the Manager has received requests to redeem 30% or more of the outstanding Units on a Redemption Date, payment of the redemption proceeds may be deferred for up to 90 days following the determination of the Net Asset Value for such Redemption Date. The redemption price will be adjusted by changes in the Net Asset Value per Unit of the Class during this suspension period and calculated on the Valuation Date as of when the redemption occurs.

Any suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making redemption requests will (unless the suspension lasts for less than 48 hours) be advised by the Manager of the suspension and that redemption requests previously received will be effected as of the first Valuation Date following the termination of the suspension. All such Unitholders will (unless the suspension lasts for less than 48 hours) be advised that they have the right to withdraw any requests for redemption previously submitted.

The suspension will terminate on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized to be imposed then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of a suspension of redemptions made by the Manager is conclusive. The Unitholder will receive payment of redemption proceeds based on the Class Net Asset Value per Unit on the Valuation Date that next follows the termination of the suspension.

### **9.3 Short-Term Trading Deduction**

In order to protect the interest of the majority of investors in the Fund and to discourage short-term trading in the Fund, investors may be subject to a short-term trading deduction. If an investor redeems Units within 120 days of purchasing such Units, the Fund may deduct and retain, for the benefit of the remaining Unitholders in the Fund, five percent (5.00%) of the Class Net Asset Value of the Units being redeemed.

### **9.4 Mandatory Redemptions**

The Manager may in its discretion cause the Fund to redeem all or a portion of a Unitholder's Units by giving 30 days' prior written notice to the Unitholder, specifying the number of Units to be redeemed. For example, the Manager may cause the Units of any Unitholder to be redeemed if at any time as a result of redemptions the value of the Unitholder's investment in the Fund is less than the minimum initial subscription amount. In addition, the Manager may cause the Fund to redeem Units owned by a person or partnership that is a "designated beneficiary" without notice if the continued ownership of Units by such person or partnership could have adverse tax consequences to the Fund. In addition, the Fund may redeem Units as described above under "Investing in Units – Purchase of Units".

## **SECTION 10 – RESALE RESTRICTIONS**

Units are not transferable except by operation of law or with the consent of the Manager. There is no formal market for the Units and none is expected to develop. Furthermore, this offering of Units is not qualified by way of prospectus and consequently, the resale of Units will be subject to restrictions under applicable securities legislation. Unitholders may not be able to resell Units and may only be able to redeem them. Redemptions of Units may be subject to the limitations described under "Redemption of Units" and "Purchase of Units". Investors are advised to seek legal advice prior to any resale of the Units.

## **SECTION 11 – DETERMINATION OF NET ASSET VALUE**

### **11.1 Valuation Dates**

The Fund's net asset value (the "Net Asset Value") is calculated as the value of the Fund's assets, less its liabilities, computed on a particular date in accordance with the Trust Declaration. The Administrator of the Fund (or such other person or entity designated by the Manager) will calculate the Net Asset Value of the Fund as of the last Business Day of each week, and such other days as the Trustee may determine, at the close of regular trading on the TSX, normally 4:00 p.m. (Eastern time) (each, a "Valuation Date"). The Fund will also be valued for reporting purposes only, on the last Business Day of the month on which the TSX is open for business, at the close of regular trading, normally 4:00 p.m. (Eastern time).

The Class Net Asset Value per Unit on a Valuation Date is obtained by dividing the value of the assets of the Fund less the amount of its liabilities, in each case attributable to that Class, by the total number of Units of the Class outstanding at the close of business on the Valuation Date and adjusting the result to a maximum of three decimal places.

## 11.2 Valuation Principles

The Net Asset Value will be calculated by the Valuation Agent as of each Valuation Date by subtracting the amount of the liabilities of the Fund from the total assets of the Fund. The total assets of the Fund will be valued as follows:

- (a) the value of any cash on hand, on deposit or on call, prepaid expenses, cash dividends declared and interest accrued and not yet received, shall be deemed to be the face amount thereof, unless the Valuation Agent determines that any such deposit or call loan is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Valuation Agent determines to be the reasonable value thereof;
- (b) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of bid and ask prices from recognized pricing vendors on a Valuation Date at such times as the Valuation Agent, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;
- (c) the value of any security, index futures or index options thereon which is listed on any recognized exchange shall be determined by the closing sale price at the close of business on the Valuation Date or, if there is no sale price, the average between the closing bid and the closing asked price on the day on which the Net Asset Value of the Fund is being determined, all as reported by any report in common use or authorized as official by a recognized stock exchange; provided that if such stock exchange is not open for trading on that date, then on the last previous date on which such stock exchange was open for trading;
- (d) the value of any security or other asset for which a market quotation is not readily available shall be its fair market value as determined by the Valuation Agent;
- (e) the value of any security, the resale of which is restricted or limited, shall be the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restriction will be lifted is known;
- (f) purchased or written clearing corporation options, options on futures, over-the-counter options, debt like securities and listed warrants shall be valued at the current market value thereof;
- (g) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the Net Asset Value. The securities, if any, which are the subject of a written clearing corporation option, or over-the-counter option shall be valued at their then current market value;

- (h) the value of a futures contract, or a forward contract, shall be the gain or loss with respect thereto that would be realized if, at 4:00 p.m. (Eastern time), the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest;
- (i) the value of the securities of an investment fund shall be the net asset value or similar value of the securities of the investment fund as provided by the manager, administrator or party acting in a similar capacity of the investment fund and available to the Valuation Agent as of a time proximate to the close of business on the date on which the Net Asset Value is being calculated, whether or not the securities of such investment fund are listed or dealt with on a stock exchange. If a net asset value or similar value of the investment fund as of a time reasonably proximate to the close of business on the date on which the Net Asset Value is being calculated is not available to the Valuation Agent, the value shall be based on an estimate provided by the Manager or in such other manner as the Valuation Agent shall determine;
- (j) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;
- (k) all securities, property and assets of the Fund valued in a foreign currency and all liabilities and obligations of the Fund payable by the Fund in foreign currency shall be converted into Canadian funds by applying the rate of exchange obtained from the best available sources to the Valuation Agent, including, but not limited to, the Valuation Agent or any of its affiliates;
- (l) all expenses or liabilities (including fees payable to the Manager) of the Fund shall be calculated on an accrual basis; and
- (m) the value of any security or property to which, in the opinion of the Valuation Agent, the above valuation principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair value thereof determined in such manner as the Valuation Agent from time to time provides.

The Net Asset Value of the Fund and each Class is calculated in Canadian dollars. The Net Asset Value of the Fund and each Class are reported in Canadian currency. The Net Asset Value of the Fund and each Class may be reported in such other currencies as the Valuation Agent may from time to time determine, based on the current end of day rate or rates of exchange, as the case may be, reported by any report in common use.

The Valuation Agent is entitled to rely on any values or quotations supplied to it by a third party, including the Manager, and is not required to make any investigation or inquiry as to the accuracy or validity of such values or quotations. Provided the Valuation Agent acts in accordance with its standard of care, it shall be held harmless by the Fund and shall not be responsible for any losses or damages resulting from relying on such information.

## **SECTION 12 – DISTRIBUTIONS**

The Fund intends to distribute sufficient net income (including net realized capital gains, if any) to Unitholders in each calendar year to ensure that the Fund is not liable for income tax under Part I of the

Tax Act, after taking into account any available loss carry forwards. All distributions (other than Fee Distributions) will be made on a *pro rata* basis within each Class to each registered Unitholder determined as of the close of business (prior to any subscriptions or redemptions) on the last Valuation Date prior to the date of the distribution.

Subject to applicable securities legislation, all cash distributions made by the Fund (net of any deductions or withholdings required by law) will be automatically reinvested in additional Units or fractions of Units at the Class Net Asset Value per Unit. Potential investors should keep this policy in mind when determining whether or not an investment in the Fund is suitable for their particular circumstances. The Manager reserves the right to change such policy, and may elect to have distributions paid in cash. Distributions paid in cash are expected to be paid within three Business Days after they have been declared.

The Manager may make such designations, determinations and allocations for tax purposes of amounts or portions of amounts which the Fund has received, paid, declared payable or allocated to Unitholder as distributions or redemption proceeds.

The costs of distributions, if any, will be paid by the Fund.

### **SECTION 13 – CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is, as of March 19, 2021, a summary of certain of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this Offering Memorandum. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act and at all relevant times is resident in Canada, deals at arm's length and is not affiliated with the Fund and holds Units as capital property.

Generally, Units will be considered to be capital property to a holder provided the holder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary assumes that none of the issuers of securities held by the Fund will be a foreign affiliate of the Fund or any Unitholder of the Fund for the purposes of the Tax Act or a non-resident trust that is not an "exempt foreign trust" as defined in section 94 of the Tax Act. This summary also assumes that the Fund will not be (i) a "SIFT trust" for the purposes of the Tax Act, (ii) a "financial institution" for purposes of the mark-to-market rules of the Tax Act, or (iii) required to include any amounts in income pursuant to section 94.1 or section 94.2 of the Tax Act. Finally, this summary assumes that the Fund will be a "unit trust" for the purposes of the Tax Act.

This summary is based on the provisions of the Tax Act and the regulations promulgated thereunder (the "Regulations"), along with an understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA"), all as of March 19, 2021, and all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to March 19, 2021 (the "Proposed Amendments"). There can be no assurance that the Proposed Amendments will be enacted in the form proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations.

**This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units, and does not describe the income tax consequences relating to the deductibility of interest paid on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor's**

**particular circumstances, including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor.**

**Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their own particular circumstances.**

### **13.1 Taxation of the Fund**

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. The Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains as described under “Distributions”, it will generally not be liable in such year for any tax on its net income under Part I of the Tax Act.

The Fund generally intends to account for gains and losses realized on most periodic transactions in derivatives on income account. However, the Fund may report certain share option and foreign currency transactions on capital account. Gains and losses realized on the disposition of shares held in long positions will generally be reported as capital gains and capital losses. Whether gains and losses realized by the Fund are on income or capital account will depend largely on factual considerations.

The Fund will be required to include in income for each taxation year all interest that accrues to it during the taxation year or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing the Fund’s income for a preceding taxation year. Where the Fund transfers a debt security to a transferee who becomes entitled to interest that accrued on the security prior to the transfer, such accrued interest will generally be included as interest in computing the Fund’s income. The Fund will also be required to include in income any taxable dividends received on shares of corporations and generally any other income earned on its investments.

To the extent that the investment strategies of the Fund are altered such that the Fund disposes of its units in the Picton Underlying Funds, the Fund will be subject to tax in respect of any income, including net taxable capital gains, arising as a result of the disposition of the Underlying Funds in the taxation year in which the disposition occurs. The Fund intends to make distributions to Unitholders in the amount of any income arising on the disposition of units of Underlying Funds in the year of any such disposition, such that the Fund generally does not expect to be liable for any tax under Part I of the Tax Act in a year in which the investment strategies of the Fund are altered.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, generally including interest payable by the Fund on money borrowed to purchase securities. The Fund may generally deduct the costs and expenses of the offering of Units under this Offering Memorandum that are paid by the Fund at a rate of 20% per year, pro-rated where the Fund’s taxation year is less than 365 days.

The Fund’s portfolio may include securities that are not denominated in Canadian dollars. The cost and proceeds of disposition of securities, dividends, interest and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars at the exchange rate prevailing at the time of the transaction, as more particularly determined in accordance with section 261 of the Tax Act. Accordingly, the Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

The Fund may be subject to the “straddle loss” rules contained in the Tax Act, which generally defer the realization of any loss on the disposition of a “position” to the extent of any unrealized gain on an offsetting “position”. For the purposes of these rules, a “position” held by the Fund includes any interest in actively traded personal properties such as commodities, derivatives, and certain debt obligations. An offsetting “position” is any similar interest that has the effect of eliminating all or substantially all of the Fund’s risk of loss and opportunity for gain in respect of the underlying “position”.

The Fund may derive income or gains from investments in countries other than Canada and, as a result, may be liable to pay foreign income or profits tax to such countries. To the extent such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund’s income from such investments, such excess may generally be deducted by the Fund in computing its income for purposes of the Tax Act. To the extent that such foreign tax paid does not exceed 15% of such foreign source income and has not been deducted in computing the Fund’s income, the Fund may designate a portion of its foreign source income in respect of a Unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act.

The Tax Act provides for a special tax on “designated income” of certain trusts that are not “mutual fund trusts” and that have “designated beneficiaries”. The Trust Declaration contains certain restrictions that would prevent persons who would be designated beneficiaries of the Fund from owning Units when the Fund is not a mutual fund trust. Accordingly, it is expected that the special tax on designated income will not apply to the Fund.

The Fund may be subject to alternative minimum tax in any taxation year throughout which the Fund is not a “mutual fund trust” for purposes of the Tax Act.

Losses incurred by the Fund cannot be allocated to Unitholders but may be deducted by the Fund in future years in accordance with the Trust Declaration and the Tax Act.

All or a portion of any capital gain realized by the Fund in connection with a redemption of Units may, at the discretion of the Trustee, generally be treated as capital gains paid to, and designated as capital gains of, the redeeming Unitholder. The taxable portion of the capital gain so designated must be included in the income of the redeeming Unitholder (as taxable capital gains) and will be deductible by the Fund in computing its income.

### **13.2 Taxation of Unitholders**

A Unitholder will generally be required to include, in computing the Unitholder’s income for a taxation year, the amount of the Fund’s net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder (whether in cash or in Units) in the taxation year. Net income (or losses) including capital gains (or capital losses) realized by the Fund in a taxation year in respect of a particular Class of Units must be netted against losses (or gains) or capital losses (or gains) realized by the Fund in that year in respect of all other classes of Units, in accordance with the rules provided in the Tax Act, to determine the net income and net capital gains of the Fund as a whole for that year. This netting may result in income and/or capital gains allocations to a particular Class of Units that differ from those that would result if such Units had been issued by a separate trust having only one class and series of units. The non-taxable portion of the Fund’s net realized capital gains paid or payable to a Unitholder in a taxation year will not be included in the Unitholder’s income for the year. Any other amount in excess of the Fund’s net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder’s income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder’s Units, except to the extent such amount is the non-taxable portion of a capital gain of the Fund

the taxable portion of which was designated to the Unitholder. To the extent that the adjusted cost base to a Unitholder of a Unit would be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the adjusted cost base to the Unitholder of the Unit will be increased by the amount of such deemed capital gain.

Provided that appropriate designations are made by the Fund, such portion of: (i) the net realized taxable capital gains of the Fund, (ii) the foreign source income of the Fund and foreign taxes eligible for the foreign tax credit, and (iii) taxable dividends received by the Fund on shares of taxable Canadian corporations, as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules contained in the Tax Act will apply.

The Class Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued at the time Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder's share of income and gains of the Fund that accrued before the Units were acquired.

On the disposition or deemed disposition of a Unit, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (other than any amount payable by the Fund that represents an amount that is otherwise required to be included in the Unitholder's income as described above) exceed (or are exceeded by) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. For the purpose of determining the adjusted cost base to a Unitholder of Units of a particular Class, the cost of newly acquired Units will be averaged with the adjusted cost base to a Unitholder of all Units of the Class owned by the Unitholder as capital property before the acquisition. If the Fund distributes property in kind, a Unitholder's proceeds of disposition would generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received, less any capital gain realized by the Fund on the disposition.

Based on published administrative positions of the CRA, a re-designation of a particular Class to another Class denominated in the same currency should not result in a disposition of the Units.

One-half of any capital gain ("taxable capital gain") realized on the disposition of Units will be included in the Unitholder's income and one-half of any capital loss realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as net realized taxable capital gains or dividends from taxable Canadian corporations, and taxable capital gains realized on the disposition of Units, may increase the Unitholder's liability for alternative minimum tax.

#### **SECTION 14 – ELIGIBILITY FOR INVESTMENT**

Units are not currently "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts (collectively, "Registered Plans"). If, at any particular time, the Fund qualifies as a "mutual fund trust" for purposes of the Tax Act, Units may be qualified investments for trusts governed by Registered Plans. Investors should consult the Manager as to whether the Fund qualifies as a "mutual fund trust" at any particular time.

## **SECTION 15 - INTERNATIONAL TAX INFORMATION REPORTING**

In March 2010, the U.S. enacted the Foreign Account Tax Compliance Act (“FATCA”), which imposes certain reporting requirements on non-U.S. financial institutions. The governments of Canada and the United States have entered into an Intergovernmental Agreement (the “IGA”) which establishes a framework for cooperation and information sharing between the two countries and may provide relief from a 30% U.S. withholding tax under U.S. tax law (the “FATCA Tax”) for Canadian entities, such as the Fund, provided that (i) the Fund complies with the terms of the IGA and the Canadian legislation implementing the IGA in Part XVIII of the Tax Act, and (ii) the government of Canada complies with the terms of the IGA. The Fund will endeavour to comply with the requirements imposed under the IGA and Part XVIII of the Tax Act. Under Part XVIII of the Tax Act, Unitholders are required to provide identity and residency and other information to the Fund (and may be subject to penalties for failing to do so), which, in the case of “Specified U.S. Persons” or certain non-U.S. entities controlled by “Specified U.S. Persons”, will be provided, along with certain financial information (for example, account balances), by the Fund to the CRA and from the CRA to the U.S. Internal Revenue Service. The Fund may be subject to FATCA Tax if it cannot satisfy the applicable requirements under the IGA or Part XVIII of the Tax Act, or if the Canadian government is not in compliance with the IGA and if the Fund is otherwise unable to comply with any relevant and applicable U.S. legislation. Any such FATCA Tax in respect of the Fund would reduce the Fund’s distributable cash flow and net asset value.

Part XIX of the Tax Act implements the Common Reporting Standard developed by the Organisation for Economic Co-operation and Development. Pursuant to Part XIX of the Tax Act, “Canadian financial institutions” that are not “non-reporting financial institutions” (as both terms are defined in Part XIX of the Tax Act) are required to have procedures in place to identify accounts held by residents of foreign countries (other than the U.S.) or by certain entities the “controlling persons” of which are resident in a foreign country, and to report required information to the CRA. Such information is expected to be exchanged on a reciprocal, bilateral, basis with the tax authorities of the foreign country in which the account holders or such controlling persons are resident, pursuant to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters or the relevant bilateral tax treaty. Pursuant to Part XIX of the Tax Act, Unitholders are required to provide certain information regarding their investment in the Fund for the purpose of such information exchange, unless the investment is held within certain Registered Plans.

## **SECTION 16 – CERTAIN RISK FACTORS**

There are certain risks associated with an investment in the Fund. Investors should consider the following risk factors in evaluating the merits and suitability of an investment in the Fund.

The Fund is expected to invest in the Underlying Funds, and the Underlying Funds may invest in other funds for which the Manager is the manager and/or portfolio manager. Therefore, the return of the Fund will be affected by the risks described herein associated with an investment not only in the Fund, to the extent applicable, but also in the Underlying Funds and any other funds for which the Manager is the manager and/or portfolio manager that the Underlying Funds invest in.

In addition to the Fund, the following risk factors may apply to one or more, or all, of the Underlying Funds and any other funds for which the Manager is the manager and/or portfolio manager that the Underlying Funds invest in.

### **No Assurance of Achieving Investment Objectives**

There is no assurance that the Fund will be able to accomplish its objectives. An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

## **16.1 Risks Related to Fund Investments**

### **Equity Investment Risk**

Companies issue equity securities, or stocks, to help pay for their operations and to finance future growth. Equity securities carry several risks and a number of factors may cause the price of a specific equity security to fall. These include specific developments relating to the company, stock market conditions where the company's securities trade and general economic, financial and political conditions in the countries where the company operates. Since a Fund's unit price is based on the value of its investments, an overall decline in the value of the equity securities it holds will reduce the value of the Fund and, therefore, the value of your investment. However, if the price of the equity securities in a Fund's portfolio increases, your investment will be worth more. Equity funds (such as the Funds) generally tend to be more volatile than fixed income funds, and the value of their units can vary widely. Funds that invest in limited partnership units or trust units, such as oil and gas royalty trusts, real estate investment trusts and income trusts, will have varying degrees of risk depending on the sector and the underlying asset or business and may therefore be susceptible to risks associated with the industry in which the underlying business operates, to changes in business cycles, commodity prices, and to interest rate fluctuations and other economic factors.

### **Fixed Income Investment Risk**

Certain general investment risks can affect fixed income investments in a manner similar to equity investments. For example, specific developments relating to a company and general financial, political and economic (other than interest rate) conditions in the country in which the company operates. For government fixed income investments, general economic, financial and political conditions may affect the value of such securities. Since the Fund's unit price is based on the value of its investments, an overall decline in the value of its fixed income investments will reduce the value of the Fund and therefore, the value of an investment. However, an investment will be worth more if the value of the fixed income investments in the portfolio increases.

Investment in the Fund should be made with an understanding that the value of the debt securities in the Fund's portfolio will be affected by changes in the general level of interest rates. Generally, debt securities will decrease in value when interest rates rise and increase in value when interest rates decline. The value of the bonds held in the Fund's investment portfolio will be affected by the risk of default in the payment of interest and principal and price changes due to such factors as general economic conditions and the issuer's creditworthiness.

### **Call Risk**

The Fund may invest, directly or indirectly, in callable securities. During periods of falling interest rates, an issuer of a callable security may "call" or repay a security before its stated maturity, which may result in the Fund having to reinvest the proceeds at lower interest rates, resulting in a decline in their respective income.

### **Corporate Debt Securities Risk**

Corporate debt securities are fixed income securities issued by businesses. The market value of corporate debt may be affected by changes in the market rate of interest, the credit rating of the corporation, the corporation's performance, and perceptions of the corporation in the market place. Corporate issuers may not be able to meet their obligations on interest or principal payments at the time called for by an instrument.

## **Credit Risk**

An issuer of a bond or other fixed income investment may not be able to pay interest or to repay the principal at maturity. The risk of this occurring is greater with some issuers than with others. For example, the risk of default is quite low for most government and high quality corporate securities. Where this risk is considered greater, the interest rate paid by the issuer is generally higher than for an issuer where this risk is considered to be lower. This risk could increase or decline during the term of the fixed income investment.

Companies and governments that borrow money, as well as their debt securities, may be rated by specialized rating agencies. A downgrade in an issuer's credit rating or other adverse news regarding an issuer can reduce a security's market value. Other factors can also influence a debt security's market value, such as the level of liquidity of the security or a change in the market perception of the creditworthiness of the security, the parties involved in structuring the security and the underlying assets, if any. Lower rated debt instruments such as an instrument that has a credit rating below investment grade or may not be rated at all (sometimes referred to as "high yield"), generally offer a better yield than higher-grade debt instruments, but have the potential for substantial loss as compared to higher grade instruments. High yield securities may also be subject to greater levels of credit or default risk and may be traded on markets that are less liquid as compared to higher-quality securities. The value of high yield securities can be adversely affected by overall economic conditions such as an economic downturn or a period of rising interest rates and high yield securities may be less liquid and more difficult to sell at an advantageous time or price, as well as being more difficult to value than higher-rated securities. In particular, high yield securities are often issued by smaller, less creditworthy companies, or by highly leveraged (indebted) firms, which are generally less able than more financially stable firms, to make scheduled payments of interest and principal. High yield securities may also be issued by sovereign governments of countries with less-well developed economies, political systems, and/or financial markets.

## **Distressed/Stressed Company Investing Risk**

Distressed and stressed investment strategies generally involve investing in the securities and other obligations of issuers that are in weak financial condition, perhaps having a negative net worth, experiencing poor operating results, needing substantial capital investment, facing special competitive or product obsolescence problems, or being involved in various stages of bankruptcy protection or reorganization proceedings. Investments of this type may involve substantial financial and business risks that can result in significant or even total losses. Among the risks inherent in investments in financially troubled companies is the fact that it is frequently difficult to obtain reliable information as to their true financial condition and prospects. The market prices of distressed and stressed securities are subject to abrupt and erratic market movements and excessive price volatility, and the "bid-ask" spreads for such securities may be greater than normally expected.

## **Distressed Claims Risk**

The Fund may, from time to time, take long positions in claims or accounts payable securities that may be in default or are from issuers in default, under bankruptcy protection, or in distress and heading towards bankruptcy. Such claims or accounts payable may not have any maturity date or required interest and may be unsecured or under-secured. As with other types of debt obligations, claims and accounts payable involve the risk of loss in case of default or insolvency of the borrower. In addition, claims may be subject to other contract defenses and offsets, such as warranty claims or failure to provide the product or services.

## **High Yield Securities Risk**

The Fund may invest, directly or indirectly, in high yield securities that are, at the time of purchase, rated below investment grade. High yield securities risk is the risk that securities rated below investment grade by a rating agency and/or determined by the Manager may be more volatile than higher-quality securities of similar maturity. High yield securities may also be subject to greater levels of credit or default risk and may be traded on markets that are less liquid as compared to higher-quality securities. The value of high yield securities can be adversely affected by overall economic conditions such as an economic downturn or a period of rising interest rates, and high yield securities may be less liquid and more difficult to sell at an advantageous time or price, and more difficult to value than higher-rated securities. In particular, high yield securities are often issued by smaller, less creditworthy companies, or by highly leveraged (indebted) firms, which are generally less able than more financially stable firms, to make scheduled payments of interest and principal. High yield securities may also be issued by sovereign governments of countries with less well developed economies, political systems, and/or financial markets.

## **Interest Rate Risk**

The Fund invests in fixed income securities, such as bonds, and money market instruments, and, as a result, is sensitive to changes in interest rates. In general, when interest rates are rising, the value of these investments tends to fall. When rates are falling, fixed income securities tend to increase in value. Fixed income securities with longer terms to maturity are generally more sensitive to changes in interest rates. Certain types of fixed income securities permit issuers to repay principal before the security's maturity date. There is a risk that an issuer will exercise this prepayment right after interest rates have fallen and the Fund holding these fixed income securities will receive payments of principal before the expected maturity date of the security and may need to reinvest these proceeds in securities that have lower interest rates.

## **Derivatives Risk**

The Fund's use of derivatives involves risks different from and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks, such as liquidity risk, interest rate risk, market risk, credit risk, leveraging risk, counterparty risk and management risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index. When the Fund invests in a derivative instrument, it could lose more than the initial amount invested.

## **Counterparty Risk**

The Fund may enter into customized financial instrument transactions that are subject to the risk of credit failure or the inability of, or refusal by, the counterparty to perform its obligations with respect to such customized financial instrument transactions, which could subject the Fund to substantial losses.

## **SPAC Risk**

The Funds may invest a portion of its assets in the stock, warrants, and other securities of SPACs or similar special purpose entities that raise funds for the sole purpose of seeking potential acquisition opportunities. All assets (net of operating expenses) of the SPAC are invested in U.S. Government securities, money market fund securities and/or cash until an acquisition is completed. Once the SPAC identifies a transaction, common holders have the right to vote on the transaction and also to decide whether to roll their equity in the transaction or redeem shares for their pro rata share of the escrow account holdings. Should the SPAC be unable to complete an acquisition that meets its defined requirements within a pre-established period of time, the invested funds are returned to the entity's shareholders. SPACs may have specific risks, including

increased volatility, associated with the regions or industries for which they pursue an acquisition. Since a SPAC is a new entity created for the purpose of acquiring another company or entity, it may have limited or no business operating history; this makes the pricing and liquidity of the security dependent on management's ability to source and complete a profitable acquisition. Furthermore, these securities may trade in the over-the-counter market which may have associated issues with price sourcing and illiquidity.

### **Fund on Fund Risk**

The Fund may invest directly in, or obtain exposure to, other mutual funds and/or exchange-traded funds as part of its investment strategy. Consequently, the Fund is also subject to the risk of the Underlying Funds. If an Underlying Fund suspends redemptions, the Fund may be unable to value part of its portfolio and may be unable to redeem its investment in the Underlying Fund, which may have an adverse impact on the Fund's ability to satisfy redemption requests from its Unitholders.

### **Underlying Fund Investment Risk**

Several factors may result in the returns of the Fund not being equal to the Underlying Funds invested in by the Fund, including, but not limited to, the timing of an investor's investment relative to when the Fund is able to purchase units of the Underlying Funds.

## **16.2 Risks Related to Fund Strategies**

### **Arbitrage Risk**

Investments may be purchased pursuant to a risk arbitrage strategy in order to take advantage of the difference between the current market values of securities and their anticipated values in the event of a merger, restructuring, acquisition, or other corporate transaction. Securities purchased or sold short pursuant to the Funds' risk arbitrage strategy may not perform as intended, which may result in a loss to the Funds. Additionally, predicted corporate events may not proceed as expected or may fail, which may result in significant losses.

### **Concentration Risk**

The Fund may concentrate its investments in securities of a small number of issuers, sectors, or countries. A relatively high concentration of assets in a small number of investments may reduce the diversification of the Fund's portfolio. The Fund may be unable to satisfy redemption requests if it cannot sell these investments in a timely and orderly manner. The Fund's performance may be more volatile due to the impact of the changes in value of these investments on the Fund.

### **Foreign Currency Exposure Risk**

Securities included in the Fund may be valued in or have exposure to currencies other than the Canadian dollar and, accordingly, each Class Net Asset Value will, when measured in Canadian dollars, be affected by fluctuations in the value of such currencies relative to the Canadian dollar. However, the Manager may hedge the Canadian dollar exposure to the foreign currency in whole or in part. There can be no assurance that gains or losses on currency hedging transactions will be matched in timing or characterization with losses and gains on the securities valued in foreign currencies in which the Fund invests.

## **General Economic and Market Conditions Risk**

The success of the Fund's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Fund's investments. Unexpected volatility or illiquidity may impair the Fund's profitability or result in losses. There can be no assurance that applicable laws, or other legislation, legal and statutory rights will not be changed in a manner which adversely affects the Fund or its unitholders. There can be no assurance that income tax, securities, and other laws or the interpretation and application of such laws by courts or government authorities will not be changed in a manner which adversely affects the distributions received by the Fund or by the unitholders.

## **Hedging Risk**

Various hedging techniques may be used in an attempt to reduce certain risks, including hedging options as a means to reduce the risks of both short-selling and taking long positions in certain transactions and hedging currency risks associated with investments denominated in foreign currencies. Recalculations and adjustments to specific position hedges will be performed as market conditions warrant. However, such position hedges entail risks of their own. For example, unanticipated changes in currency exchange rates may result in an overall poorer performance than if currency risks had not been hedged. If market conditions are analyzed incorrectly or a risk reduction strategy is employed that does not correlate well with a Fund's, or other Underlying Fund's, investments, the Fund's, or any other Underlying Fund's, risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return.

## **Leverage Risk**

The Manager is generally making investment decisions for assets that exceed the Net Asset Value of the Fund. As a result, if the Manager's investment decisions are incorrect, the resulting losses will be more than if investments were made solely in an unleveraged long portfolio as is the case in most conventional equity mutual funds. In addition, leveraged investment strategies can also be expected to increase the Fund's turnover, transaction and market impact costs, interest and securities lending expenses and other costs and expenses.

## **Risk Premia Securities Risk**

Portions of the Fund will employ risk premia investing. This style of investing will emphasize investments in securities that have exhibited higher exposure to certain characteristics. Examples include exposure to securities such as those representing broad markets or individual stocks which have exhibited higher recent price performance (momentum), higher yield (carry) or higher intrinsic value (value). This exposure may be relative to itself or as compared to other securities. This style of investing is subject to the risk that these securities may be more volatile than a broad cross section of securities or that the returns on securities that have previously exhibited exposure to these characteristics are less than returns on other styles of investing or the overall stock market. Exposure to securities which have exposure to these certain characteristics can turn quickly and cause significant variation from other types of investments. The Fund may experience significant losses if the behaviour of these risk premia or characteristics stop, turn or otherwise behave differently than predicted. In addition, there may be periods when the exposure to these characteristics is out of favour and the investment performance of the Fund may suffer

## **Risk of Short Sales**

Short sales entail certain risks, including the risk that a short sale of a security may expose the Fund to losses if the value of the security increases. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. In addition, a short sale by the Fund requires the Fund to borrow securities in order that the short sale may be transacted. There is no assurance that the lender of the securities will not require the security to be paid back by the Fund before the Fund wants to do so, possibly requiring the Fund to borrow the security elsewhere or purchase the security on the market at an unattractive price. Moreover, the borrowing of securities entails the payment of a borrowing fee. The borrowing fee may increase during the borrowing period, adding to the expense of the short sale strategy. There is also no guarantee that the securities sold short can be repurchased by the Fund due to supply and demand constraints in the equity markets. Finally, in order to maintain the appropriate ratios between the long portfolio and the short portfolio of the Fund, the Manager may be required to buy or sell short securities at unattractive prices.

## **16.3 General Risks of the Fund**

### **Cease Trading Risk**

If the securities held directly or indirectly by a Fund are cease-traded by order of a securities regulatory authority or halted from trading by the relevant exchanges, the Fund may halt trading in its Units or temporarily suspend the right to redeem the Units for cash, subject to applicable regulatory approval.

### **Change of Law Risk**

There can be no assurance that applicable laws, or other legislation, legal and statutory rights will not be changed in a manner which adversely affects the Fund and its Unitholders. There can be no assurance that income tax, securities, and other laws or the interpretation and application of such laws by courts or government authorities will not be changed in a manner which adversely affects the distributions received by the Fund or by the Unitholders.

### **Class Risk**

Since the Fund may have multiple Classes of Units, each Class will be charged, as a separate Class, any expenses such as management fees and servicing commissions that are specifically attributable to that Class. However, all other expenses of the Fund generally will be allocated among the Classes of Units by the Manager in a fair and equitable manner, and a creditor of the Fund may seek to satisfy its claims from the assets of the Fund as a whole, even though its claims relate only to a particular Class of Units.

### **Conflicts of Interest Risk**

The Manager, its directors and officers and affiliates and associates may engage in the promotion, management or investment management of any other fund or trust which invests primarily in securities to be held in the Fund, and may provide similar services to other investment funds with investment objectives and strategies similar to that of the Fund and other funds and clients and engage in other activities. Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Fund or the Manager, each will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage (in the case of officers) the business and affairs of the Manager and the Fund.

## **Cyber Security Risk**

With the increased use of technology in the course of business, the Funds are susceptible to operational, information security and related risks. Generally, cyber security incidents can result from deliberate attacks or unintentional events that threaten the integrity, confidentiality or availability of a Fund's information resources. A cyber security incident includes, but is not limited to, gaining unauthorized access to the Funds' electronic systems (e.g., through hacking or malicious software) to corrupt data, disrupt business operations or steal confidential or sensitive information, or may involve denial of service attacks which may cause system failures and disrupt business operations. Failures or breaches of the electronic systems of the Fund, Manager, other service providers (e.g., transfer agent, custodian, sub-custodians and prime brokers) or the issuers of securities in which a Fund invests have the ability to cause disruptions and negatively impact the Fund's business operations. These disruptions could potentially result in financial losses, interference with a Fund's ability to calculate their net asset values, impediments to trading, inability of a Fund to process transactions including redeeming units, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or compensation or additional compliance costs associated with corrective measures. Similar adverse consequences could result from cyber security incidents affecting the issuers of securities in which a Fund invests and counterparties with which a Fund engages in transactions. In addition, substantial costs may be incurred to prevent any cyber security incidents in the future. While the Funds have established business continuity plans and risk management systems seeking to address system breaches or failures, there are inherent limitations in such plans and systems and there is no guarantee that such efforts will succeed. Furthermore, the Funds cannot control the cyber security plans and systems of the Funds' service providers or issuers of securities in which a Fund invests.

## **Early Termination Risk**

In the event of the early termination of the Fund, the Fund would distribute to the Unitholders *pro rata* their interest in the assets of the Fund available for such distribution, subject to the rights of the Trustee or Manager to retain monies for costs and expenses. Certain assets held by the Fund may be illiquid and might have little or no marketable value. In addition, the securities held by the Fund would have to be sold by the Fund or distributed in kind to the Unitholders. It is possible that at the time of such sale or distribution certain securities held by the Fund would be worth less than the initial cost of such securities, resulting in a loss to the Unitholders.

## **Lack of Management Control by Unitholders Risk**

Investors will become Unitholders of the Fund. The Unitholders will not take part in the management or control of the Fund's business, which is the sole responsibility of the Manager. The Manager will have wide latitude in making investment decisions. The Manager, in certain circumstances, also has the right to dissolve the Fund. The Unitholders have certain limited voting rights, including the right to amend the Trust Declaration under certain circumstances, but do not have any authority or power to act for or bind the Fund. The Manager may require a Unitholder, at any time, to withdraw, in whole or in part, from the Fund.

## **Large Transaction Risk**

If a Unitholder has significant holdings in a Fund, the Fund is subject to the risk that such large Unitholder may request a significant purchase or redemption of Units, which may impact the cash flow of a Fund. Substantial purchases and redemptions by Unitholders within a short period of time could require the Manager to arrange for the Fund's positions to be acquired or liquidated more rapidly than would otherwise be desirable, which could adversely affect the value of the remaining Units. Large purchases and redemptions may result in: (a) the Fund maintaining an abnormally high cash balance; (b) large sales of

portfolio securities impacting market value; (c) increased transaction costs (e.g., commissions); (d) significant changes to the composition of the Fund's portfolio; (e) purchase and/or sale of investments at unfavourable prices; and/or (f) capital gains being realized which may increase taxable distributions to Unitholders. If this should occur, the returns of Unitholders that invest in the Fund may be adversely affected. In addition, regardless of the period of time in which redemptions occur, the resulting reduction in the Fund's assets could make it more difficult to generate a positive rate of return or recoup losses due to a reduced equity base.

### **Liability of Unitholders Risk**

The Fund is a unit trust and, as such, the Unitholders do not receive the protection of statutorily mandated limited liability as in the case of shareholders of most Canadian corporations. There is no guarantee therefore, that Unitholders could not be made party to legal actions in connection with the Fund. However, the Trust Declaration provides that no Unitholder, in its capacity as such, will be subject to any personal liability whatsoever, in tort, contract or otherwise, to any person in connection with the Fund's property or the obligations or the affairs of the Fund and all such persons shall look solely to the Fund's property for satisfaction of claims of any nature arising out of or in connection therewith and the Fund's property only shall be subject to levy or execution. Pursuant to the Trust Declaration, the Fund will indemnify and hold harmless out of the Fund's assets each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having limited liability.

In any event, it is considered that the risk of any personal liability of Unitholders is minimal and remote in the circumstances, in view of the anticipated equity of the Fund, and the nature of its activities, and the Manager intends to conduct the Fund's operations in such a way to minimize any such risk. In the event that a Unitholder should be required to satisfy any obligation of the Fund, such Unitholder will be entitled to reimbursement from any available assets of the Fund.

The prime brokerage agreement between the Fund and its prime broker(s) provides that no unitholder shall be held to have any personal liability under the prime brokerage agreement and that no recourse shall be had to such unitholder's private property for any obligations of the Fund under the prime brokerage agreement.

### **Liquidity of Investments Risk**

The Fund's investments may be subject to liquidity constraints because of insufficient depth or volume on the trading markets for the securities the Fund is or has invested in, or the securities may be subject to legal or contractual restrictions on their resale. Each securities exchange typically has the right to suspend or limit trading and/or quotations in all of the securities that it lists. The Fund may not be able to trade securities when it wants to do so or to realize what it perceives to be the securities' fair market value in the event of a trade. The trading of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other trading expenses than do trades of securities that are eligible for trading on securities exchanges or on over-the-counter markets or securities that are listed and hence more liquid. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

### **Operating History and Illiquidity of Units Risk**

The Fund is an investment trust. An investment in the Fund entails a degree of risk. There is not now, and there is not likely to develop, any market for the resale of the Units. Approval of the transfer by the Manager and satisfaction of certain requirements specified in the Trust Declaration would be required before any

transfer may occur. In addition, the Units are offered pursuant to prospectus and registration exemptions and, accordingly may not be transferred unless appropriate exemptions are available. The Units are subject to limited redemption rights which may be suspended or postponed in certain circumstances.

### **Performance Fee to the Manager Risk**

To the extent described in this Offering Memorandum, the Manager receives a Performance Fee in respect of each of the Class A Units, the Class F Units and the Class I Units based upon the appreciation, if any, in the Class Net Asset Value of the Class A Units, Class F Units and Class I Units. However, the Performance Fee theoretically may create an incentive for the Manager to make investments that are riskier than would be the case if such fee did not exist. In addition, because the Performance Fee is calculated on a basis that includes unrealized appreciation of the Fund's assets, it may be greater than if such compensation were based solely on realized gains.

### **Portfolio Turnover Risk**

The Manager adjusts the proportions of investments held in the Fund on a relatively frequent basis. In order to do so, the Manager actively trades on a frequent ongoing basis, such that the operation of the Fund may result in a high, annual portfolio turnover rate. The amount of leverage that the Fund operates at also exaggerates the turnover rate of the Fund. The Manager has not placed any limit on the rate of portfolio turnover, and portfolio securities may be sold without regard to the time that they have been held when, in the opinion of the Manager, investment considerations warrant such action. The high rate of portfolio turnover of the Fund involves correspondingly greater expenses than a lower turnover rate (e.g., greater transaction costs such as brokerage fees and market impact costs), and the greater the chance that a Unitholder receiving distributions of income or capital gains from the Fund in a year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

### **Prime Broker Risk**

Some or all of the assets of the Fund may be held in one or more margin accounts due to the fact that the Fund may from time to time sell securities short. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. The prime broker may also lend, pledge or hypothecate the assets of the Fund in such accounts, which may result in a potential loss of such assets. As a result, the assets of the Fund could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the prime broker experiences financial difficulty. In such cash, the Fund may experience losses due to insufficient assets of the prime broker to satisfy the claims of its creditors. In addition, the possibility of adverse market movements while its positions cannot be traded could adversely affect the total return to the Fund. See "Custodial Arrangements".

### **Securities Regulatory Risk**

The investment decisions for the Fund may, at times, be restricted as a result of aggregation limits. For example, corporate and/or regulatory requirements with respect to certain industries and markets may limit the aggregate amount of investment in certain issuers by the Fund and other funds or client accounts managed by Picton Mahoney. Exceeding these limits without reporting or the grant of a license, exemption or other corporate or regulatory consent may result in fines or other adverse consequences to the Manager and/or the Fund. As a consequence of these limits, the ability of the Fund to meet its investment objectives may be affected. In order to avoid exceeding these limits, the Manager may, among other actions, limit purchases, sell existing investments and/or transfer, outsource or limit voting rights in the securities held by the Fund.

## **Taxation of the Fund Risk**

Under special rules contained in the Tax Act, trusts that constitute “SIFT trusts” (as defined in the Tax Act) will generally be precluded from deducting certain amounts that would otherwise be deducted for tax purposes if they were paid or became payable to Unitholders in a particular taxation year. If the Fund were found to be a “SIFT trust”, the amounts available to be distributed by the Fund to its Unitholders could be materially reduced.

All Unitholders will be responsible for the preparation and filing of their own tax returns in respect of their investment in the Fund. Costs associated with the preparation and filing of such returns may be material. Potential investors should consult their own tax advisors for the specific Canadian federal and provincial and foreign tax consequences to them.

## **Trust Loss Restriction Rule Risk**

The Fund may be subject to loss restriction rules (the “**Loss Restriction Rules**”) contained in the Tax Act unless the Fund qualifies as an “investment fund” as defined in the Tax Act, which, among other things, requires that certain investment diversification restrictions are met, and that unitholders hold only fixed (and not discretionary) interests in the Fund. If the Fund experiences a “loss restriction event” (i) the Fund will be deemed to have a year-end for tax purposes (which would result in an allocation of the Fund's net income and net realized capital gains at such time to Unitholders so that the Fund is not liable for income tax on such amounts), and (ii) the Fund will be deemed to realize any unrealized capital losses and its ability to carry forward losses will be restricted. Generally, the Fund may have a loss restriction event when a person becomes a “majority-interest beneficiary” of the Fund or a group of persons becomes a “majority-interest group of beneficiaries” of the Fund, as those terms are defined in the Loss Restriction Rules.

## **US FATCA Compliance Risk**

Under U.S. tax rules, Unitholders may be required to provide identity and residency information to the Fund, which may be provided by the Fund to U.S. tax authorities, in order to avoid the FATCA Tax being imposed on certain U.S. source income and on sale proceeds received by the Fund. In certain circumstances, the Fund may be required to withhold the FATCA Tax from distributions it pays to Unitholders who have not provided the required information.

In March 2010, the U.S. enacted FATCA, which imposes certain reporting requirements on non-U.S. financial institutions. The governments of Canada and the United States have entered into the IGA which establishes a framework for cooperation and information sharing between the two countries and may provide relief from the FATCA Tax for Canadian entities, such as the Fund, provided that (i) the Fund complies with the terms of the IGA and the Canadian legislation implementing the IGA in Part XVIII of the Tax Act, and (ii) the government of Canada complies with the terms of the IGA. The Fund will endeavour to comply with the requirements imposed under the IGA and Part XVIII of the Tax Act. Under Part XVIII of the Tax Act, Unitholders are required to provide identity and residency and other information to the Fund (and may be subject to penalties for failing to do so), which, in the case of “Specified U.S. Persons” or certain non-U.S. entities controlled by “Specified U.S. Persons”, will be provided, along with certain financial information (for example, account balances), by the Fund to the CRA and from the CRA to the U.S. Internal Revenue Service. The Fund may be subject to the FATCA Tax if it cannot satisfy the applicable requirements under the IGA or Part XVIII of the Tax Act, or if the Canadian government is not in compliance with the IGA and if the Fund is otherwise unable to comply with any relevant and applicable U.S. legislation. Any such FATCA Tax in respect of the Fund would reduce the Fund’s distributable cash flow and net asset value.

**THE FOREGOING LIST OF “CERTAIN RISK FACTORS” DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN AN INVESTMENT IN THE FUND. PROSPECTIVE UNITHOLDERS SHOULD READ THE ENTIRE OFFERING MEMORANDUM AND CONSULT WITH THEIR OWN ADVISORS BEFORE DECIDING TO SUBSCRIBE.**

## **SECTION 17 – INVESTMENT RISK RATINGS OF THE FUND**

The methodology used to determine the investment risk level of the Fund for purposes of disclosure in this Offering Memorandum is the historical volatility risk as measured by the standard deviation of fund performance, which is the standard methodology outlined in Appendix F – *Investment Risk Classification Methodology* to National Instrument 81-102 – *Investment Funds*.

The investment risk level for a fund with at least 10 years of performance history will be based on such fund’s historical volatility, as measured by its 10-year standard deviation of performance. The investment risk level for a fund with less than 10 years of performance history will be based on the historical volatility of a reference index that reasonably approximates such fund’s historical performance, as measured by the reference index’s 10-year standard deviation of performance.

However, the Manager recognizes that other types of risk, both measurable and non-measurable, may exist and we remind you that the historical performance of a fund (or a reference index used as its proxy) may not be indicative of future returns and that the historical volatility of such fund (or a reference index used as its proxy) may not be indicative of its future volatility.

The risk rating categories of this methodology are:

**Low (standard deviation range of 0 to less than 6)** – for funds with a level of risk that is typically associated with investments in Canadian fixed-income funds and in money market funds;

**Low to Medium (standard deviation range of 6 to less than 11)** – for funds with a level of risk that is typically associated with investments in balanced funds and global and/or corporate fixed-income funds;

**Medium (standard deviation range of 11 to less than 16)** – for funds with a level of risk that is typically associated with investments in equity portfolios that are diversified among a number of large-capitalization Canadian and/ or international equity securities;

**Medium to High (standard deviation range of 16 to less than 20)** – for funds with a level of risk that is typically associated with investments in equity funds that may concentrate their investments in specific regions or in specific sectors of the economy; and

**High (standard deviation range of 20 or greater)** – for funds with a level of risk that is typically associated with investment in equity portfolios that may concentrate their investments in specific regions or in specific sectors of the economy where there is a substantial risk of loss (e.g., emerging markets, precious metals).

The investment risk level of the Fund is reviewed periodically.

Additionally, just as historical performance may not be indicative of future returns, the historical volatility of the Fund may not be indicative of its future volatility.

In accordance with the methodology described above, the Manager has rated the Fund's investment risk as Medium.

## **SECTION 18 – REPORTING TO UNITHOLDERS AND MEETINGS OF UNITHOLDERS**

### **18.1 Reporting to Unitholders**

The fiscal year end of the Fund is December 31<sup>st</sup>. Unitholders will be sent audited annual financial statements within 90 days of the Fund's fiscal year-end and unaudited semi-annual financial statements within 60 days of June 30<sup>th</sup>, or as otherwise required by law. Additional interim reporting to Unitholders will be at the discretion of the Manager. The Fund may enter into other agreements with certain Unitholders which may entitle such Unitholders to receive additional reporting. Unitholders will receive the applicable required tax form(s) within the time required by applicable law to assist Unitholders in making the necessary tax filings.

### **18.2 Meetings of Unitholders**

The Fund will not hold regular meetings; however, the Manager may convene a meeting of Unitholders, or a Class of Unitholders, as it considers appropriate or advisable from time to time. The Trustee must also call a meeting of Unitholders or of a Class of Unitholders on the written request of Unitholders holding not less than 50% of the outstanding Units (or Units of a Class with respect to a Class meeting) in accordance with the Trust Declaration, provided that in the event of a request to call a meeting of Unitholders made by such Unitholders, the Trustee shall not be obliged to call any such meeting until it has been satisfactorily indemnified by such Unitholders against all costs of calling and holding such meeting.

Units of a Class shall vote separately as a Class if the notice calling the meeting so provides.

The Manager will not vote any class I units of the Picton Underlying Funds.

Not less than 21 days' notice will be given of any meeting of Unitholders. The quorum at any meeting is two or more Unitholders present in person or by proxy representing not less than 10% of the Units, or Units of a Class, as applicable, then outstanding. If no quorum is present at such meeting when called, the meeting will be adjourned by the Manager to a date and time determined by the Manager, and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum, if notice of the adjourned meeting is given.

Any consent of Unitholders under the Trust Declaration must be given by not less than 50% of the Units or Units of a Class, as applicable.

## **SECTION 19 – AMENDMENT OF THE TRUST DECLARATION**

The Trust Declaration may be amended by the Manager, if the amendment is not a material change, is not one of the matters specified in the Trust Declaration as requiring Unitholder approval, does not adversely affect the pecuniary value of the interest of any Unitholder or restrict any protection provided for the Trustee or increase the responsibilities of the Trustee. In addition, certain amendments which are necessary or desirable to bring the Trust Declaration into conformity with current practice, to comply with any law, regulation or policy requirement applicable to the Fund, to correct any ambiguity, error or omission in the Trust Declaration, or to enhance the rights of or protect the interests of the Unitholders, may be made by the Manager and the Trustee without any prior notice to or approval of Unitholders. Without limiting the generality of the foregoing, the Manager and the Trustee may agree to amend the Trust Declaration to enhance rights of redemption or to adopt more stringent investment restrictions or make any other change

required such that the Fund may be a qualified investment under any applicable legislative or regulatory requirements, if the Manager deems such qualification to be desirable.

The Class attributes set by the Manager may be amended without notice to Unitholders if the amendment, in the opinion of the Manager, is for the protection of or benefit to Unitholders of that Class.

Any amendment which cannot be made in accordance with the above may be made, at any time, by the Manager and the Trustee to take effect after not less than 90 days' written notice of such amendment to the Unitholders, or earlier with the consent of Unitholders as provided for in the Trust Declaration.

The Fund may be terminated on the occurrence of certain events stipulated in the Trust Declaration. The Manager may resign as manager of the Fund, and if no successor is appointed, the Fund will be terminated. On termination of the Fund, the Trustee will distribute the assets of the Fund in cash or in kind in accordance with the Trust Declaration.

## **SECTION 20 – AUDITORS**

The auditors of the Fund are PricewaterhouseCoopers LLP, or such other party as the Manager may retain.

## **SECTION 21 – ADMINISTRATOR – VALUATION AGENT, RECORD KEEPER, TRANSFER AGENT AND REGISTRAR**

RBC Investor Services Trust, or such other party as the Manager may retain, will act as the Administrator and Valuation Agent of the Fund.

## **SECTION 22 – PRIME BROKERS**

### **22.1 Prime Brokers**

Goldman Sachs & Co. and Scotia Capital Inc., or such other party as the Manager may retain, will hold the assets of the Fund.

The prime broker has no responsibility for the preparation or accuracy of this Offering Memorandum.

### **22.2 Custodial Arrangements**

The assets of the Fund are held in the custody of the Fund's prime brokers (See "Prime Brokers") in New York, USA and Toronto, Ontario respectively. Each of the prime brokers is a "qualified custodian" under National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registration Exemptions*.

The Manager has entered into a prime brokerage agreement with each prime broker which contains provisions governing the relationship between the parties, such as where the assets of the Fund will be held, the manner in which the Fund's assets will be held, the standard of care of each prime broker, the responsibility for loss of the Fund's assets and the appointment of sub-custodians, where applicable.

In selecting the prime brokers of the Fund to act as custodians of the Fund's assets, the Manager considered such factors as: (i) ease of execution and speed of access to the markets on which the assets of the Fund are traded; (ii) the size, financial stability and strength of the prime broker; (iii) the reduction in the risk of loss to the Fund's assets through the selection of more than one prime broker to act as custodian; and (iv) the laws and regulations to which each prime broker is subject in its principal jurisdiction.

Although the Manager believes that the selection of large, financially sound and regulated prime brokers to act as custodians of the Fund's assets substantially reduces the risk of loss or misappropriation of the Fund's assets is in the best interests of the Fund, the assets of the Fund could nevertheless potentially be at risk of loss in the event of (i) the insolvency of a prime broker or (ii) an error or negligence on the part of a prime broker resulting in a loss to the Fund which is not reimbursable to the Fund under the terms of the applicable prime brokerage agreement.

The Manager monitors its custodial arrangements with the prime brokers of the Fund and may in the future appoint additional or different custodians if the Manager feels this is in the best interests of the Fund and will further reduce the risk of loss or misappropriation of the Fund's assets.

## **SECTION 23 – LEGAL COUNSEL**

McMillan LLP, or such other party as the Manager may retain, will act as the legal counsel of the Fund.

## **SECTION 24 – MATERIAL CONTRACTS**

The only material contract of the Fund is the Trust Declaration. A copy of the Trust Declaration will be made available to Unitholders upon request and may be inspected at the principal office of the Fund during normal business hours.

## **SECTION 25 – STATUTORY AND CONTRACTUAL RIGHTS OF ACTION**

Securities legislation in certain of the Canadian provinces provides purchasers of securities pursuant to an offering memorandum with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, if this Offering Memorandum and any amendment to it contains a "misrepresentation". However, these remedies, or notice with respect to these remedies, must be exercised within the time limits prescribed by applicable securities legislation. The following summaries of rights of action and/or rescission are subject to the express conditions of the applicable legislative provisions, which may be subject to change after the date of this Offering Memorandum, and purchasers should refer to the applicable legislative provisions for the complete text of these rights and/or consult with a legal advisor.

### **Rights of Purchasers in Ontario**

Section 130.1 of the *Securities Act* (Ontario) (the "Ontario Act") provides that every purchaser of securities pursuant to an offering memorandum (such as this Offering Memorandum) or any amendment thereto shall have a statutory right of action for damages or rescission against the issuer and any selling security holder in the event that the offering memorandum contains a misrepresentation (as defined in the Ontario Act). A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer and any selling security holder provided that:

- (a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer and the selling security holders, if any;
- (b) the issuer and the selling security holders, if any, will not be liable if they prove that the purchaser purchased the securities with knowledge of the misrepresentation;

- (c) the issuer and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered.

Section 138 of the Ontario Act provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of:
  - (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or
  - (ii) three years after the date of the transaction that gave rise to the cause of action.

This Offering Memorandum is being delivered in reliance on the exemption from the prospectus requirements contained under section 2.3 (the “accredited investor exemption”) and section 2.10 (the “minimum amount exemption”) of National Instrument 45-106 - *Prospectus Exemptions* (“NI 45-106”). The rights referred to in section 130.1 of the *Securities Act* (Ontario) do not apply in respect of an offering memorandum (such as this Offering Memorandum) delivered to a prospective purchaser in connection with a distribution made in reliance on the accredited investor exemption if the prospective purchaser is:

- (a) a Canadian financial institution or a Schedule III bank (each as defined in NI 45-106);
- (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
- (c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

The rights of action for rescission or damages are in addition to and do not derogate from any other right that the purchaser may have at law.

### **Rights for Purchasers in Alberta**

Securities legislation in Alberta provides that every purchaser of securities in reliance on the exemption set forth in section 2.10 (the “minimum amount exemption”) of NI 45-106 pursuant to an offering memorandum (such as this Offering Memorandum) shall have, in addition to any other rights they may have at law, a right of action for damages or rescission against the issuer and certain other persons if the offering memorandum or any amendment thereto contains a misrepresentation (as defined in the *Securities Act* (Alberta) (the “Alberta Act”)). However, such rights must be exercised within prescribed time limits.

Section 204 of the Alberta Act provides that where an offering memorandum (such as this Offering Memorandum), or any amendment to it, contains a misrepresentation, a purchaser who purchases securities offered by the offering memorandum or any amendment will be deemed to have relied upon the

misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for damages against the issuer, every director of the issuer at the date of the offering memorandum, and every person or company who signed the offering memorandum or, alternatively, for rescission against the issuer, provided that if the purchaser exercises its right of rescission against the issuer, the purchaser will not have a right of action for damages against the issuer or against any aforementioned person or company.

In Alberta, no action shall be commenced to enforce these rights of action more than:

- (a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action; or
- (b) in the case of any action other than an action for rescission, the earlier of:
  - (i) 180 days from the day that the purchaser first had knowledge of the facts giving rise to the cause of action, or
  - (ii) three years from the day of the transaction that gave rise to the cause of action.

In addition, no person or company referred to above is liable if the person or company proves that the purchaser had knowledge of the misrepresentation. In an action for damages, the defendant will not be liable for all or any part of the damages that it proves do not represent the depreciation in value of the Units as a result of the misrepresentation relied upon. The amount recoverable under this right of action will not exceed the price at which the Units were offered under this Offering Memorandum. The rights of action for rescission or damages are in addition to and without derogation from any other right the purchaser may have at law.

The foregoing summary is subject to the express conditions of the Alberta Act and the regulations promulgated thereunder and specific reference should be made to same. The rights of action for rescission or damages are in addition to and do not derogate from any other right that the purchaser may have at law.

### **Rights for Purchasers in Saskatchewan**

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the “Saskatchewan Act”) provides that in the event that an offering memorandum (such as this Offering Memorandum) or any amendment to it is sent or delivered to a purchaser contains a misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases Units covered by the offering memorandum or any amendment to it has a right of action against the issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

- (a) the issuer or a selling security holder on whose behalf the distribution is made;
- (b) every promoter and director of the issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;
- (c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;
- (d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and

- (e) every person who or company that sells securities on behalf of the issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the purchaser elects to exercise its right of rescission against the issuer or selling security holder, it shall have no right of action for damages against that party;
- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;
- (c) no person or company, other than the issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered; and
- (e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the issuer or selling security holder, will be liable if the person or company proves that:

- (a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; or
- (b) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which the issuer or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal

statement is made either before or contemporaneously with the purchase of the security, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the individual.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any other action, other than an action for rescission, the earlier of:
  - (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
  - (ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

### **Rights for Purchasers in Manitoba**

Section 141.1 of the *Securities Act* (Manitoba), as amended (the "Manitoba Act") provides that where an offering memorandum (such as this Offering Memorandum) or any amendment to it contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum is deemed to have relied on the representation if it was a misrepresentation at the time of purchase and has a right of rescission against the issuer or has a right of action for damages against (i) the issuer, (ii) every director of the issuer at the date of the offering memorandum, and (iii) every person or company who signed the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the purchaser chooses to exercise a right of rescission against the issuer, the purchaser shall have no right of action for damages against the parties (i), (ii) and (iii) listed above;

- (b) in an action for damages, a defendant will not be liable for all or any part of the damages that he or she proves do not represent the depreciation in value of the security as a result of the misrepresentation;
- (c) in no case shall the amount recoverable exceed the price at which the securities were offered under the offering memorandum; and
- (d) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser had knowledge of the misrepresentation.

In addition, no person or company, other than the issuer, will be liable if the person or company proves that:

- (a) the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge and consent;
- (b) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the expert's report, opinion or statement, or (B) was not a fair copy of, or an extract from, the expert's report, opinion or statement; or
- (c) with respect to any part of the offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed there had been a misrepresentation.

Not all defences upon which the issuer or others may rely are described herein. Please refer to the full text of the Manitoba Act for a complete listing.

Section 141.2 of the Manitoba Act provides that a purchaser of a security to whom an offering memorandum was required to be sent in compliance with Manitoba securities legislation, but was not sent within the prescribed time has a right of action for rescission or damages against the dealer, offeror or issuer who did not comply with the requirement.

Section 141.3 of the Manitoba Act also provides that a purchaser of a security to whom an offering memorandum is required to be sent may rescind the contract to purchase the security by sending a written notice of rescission to the issuer not later than midnight on the second day, excluding Saturdays and holidays, after the purchaser signs the agreement to purchase the securities.

Section 141.4 of the Manitoba Act provides that no action may be commenced to enforce any of the foregoing rights:

- (a) in the case of an action for rescission, more than 180 days after the day of the transaction that gave rise to the cause of action; or

- (b) in the case of any other action, other than an action for rescission, the earlier of:
  - (i) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) two years after the day of the transaction that gave rise to the cause of action.

The rights of action for damages or rescission under the Manitoba Act are in addition to and do not derogate from any other right which a purchaser may have at law.

### **Rights for Purchasers in Nova Scotia**

The right of action for damages or rescission described herein is conferred by section 138 of the *Securities Act* (Nova Scotia) (the “Nova Scotia Act”). Section 138 of the Nova Scotia Act provides, in relevant part, that in the event that an offering memorandum (such as this Offering Memorandum), together with any amendment thereto, or any advertising or sales literature (as such terms are defined in the Nova Scotia Act) contains a misrepresentation (as defined in the Nova Scotia Act), the purchaser will be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the issuer and, subject to certain additional defences, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, while still the owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the offering memorandum, provided that, among other limitations:

- (a) no action shall be commenced to enforce any of the foregoing rights more than 120 days after the date on which the initial payment was made for the securities;
- (b) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- (d) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- (a) the offering memorandum or amendment to the offering memorandum was sent or delivered to the purchaser without the person’s or company’s knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person’s or company’s knowledge or consent;
- (b) after delivery of the offering memorandum or amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum or amendment to the offering memorandum the person or company withdrew the person’s or company’s consent to the

offering memorandum or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or

- (c) with respect to any part of the offering memorandum or amendment to the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a misrepresentation, or (B) the relevant part of the offering memorandum or amendment to offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore, no person or company, other than the issuer, will be liable with respect to any part of the offering memorandum or amendment to the offering memorandum not purporting (a) to be made on the authority of an expert or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) believed that there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum or amendment to the offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum or an amendment to the offering memorandum.

The rights of action for rescission or damages under the Nova Scotia Act are in addition to and do not derogate from any other right the purchaser may have at law.

### **Rights for Purchasers in New Brunswick**

Section 150 of the *Securities Act* (New Brunswick) (the “New Brunswick Act”) provides that where an offering memorandum (such as this Offering Memorandum) contains a misrepresentation, a purchaser who purchases securities shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and:

- (a) the purchaser has a right of action for damages against the issuer and any selling security holder(s) on whose behalf the distribution is made, or
- (b) where the purchaser purchased the securities from a person referred to in paragraph (a), the purchaser may elect to exercise a right of rescission against the person, in which case the purchaser shall have no right of action for damages against the person.

This statutory right of action is available to New Brunswick purchasers whether or not such purchaser relied on the misrepresentation. However, there are various defences available to the issuer and the selling security holder(s). In particular, no person will be liable for a misrepresentation if such person proves that the purchaser purchased the securities with knowledge of the misrepresentation when the purchaser purchased the securities. Moreover, in an action for damages, the amount recoverable will not exceed the price at which the securities were offered under the offering memorandum and any defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

If the purchaser intends to rely on the rights described in (a) or (b) above, such purchaser must do so within strict time limitations. The purchaser must commence an action for rescission within 180 days after the date

of the transaction that gave rise to the cause of action. The purchaser must commence its action for damages within the earlier of:

- (a) one year after the purchaser first had knowledge of the facts giving rise to the cause of action; or
- (b) six years after the date of the transaction that gave rise to the cause of action.

The foregoing summary is subject to the express conditions of the New Brunswick Act and the regulations promulgated thereunder and specific reference should be made to same. The rights of action for rescission or damages under the New Brunswick Act are in addition to and do not derogate from any other right the purchaser may have at law.

### **Rights for Purchasers in Prince Edward Island**

Section 112 of the *Securities Act* (Prince Edward Island) (the “PEI Act”) provides to a purchaser who purchases, during the distribution period, a security offered by an offering memorandum (such as this Offering Memorandum) containing a misrepresentation, without regard to whether he or she relied on the misrepresentation, a right of action for damages against (a) the issuer, (b) the selling security holder on whose behalf the distribution is made, (c) every director of the issuer at the date of the offering memorandum, and (d) every person who signed the offering memorandum.

If an offering memorandum contains a misrepresentation, a purchaser, as described above, has a right of action for rescission against the issuer or the selling security holder on whose behalf the distribution is made. If the purchaser elects to exercise a right of action for rescission, the purchaser shall have no right of action for damages.

In addition, no person or company, other than the issuer and selling security holder, will be liable if the person proves that:

- (a) the offering memorandum was sent to the purchaser without the person’s knowledge or consent and that, on becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;
- (b) the person, on becoming aware of the misrepresentation in the offering memorandum, had withdrawn the person’s consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the report, statement or opinion of the expert, or (B) was not a fair copy of, or an extract from, the report, statement or opinion of the expert.

Not all defences upon which the issuer or others may rely are described herein. Please refer to the full text of the PEI Act for a complete listing.

In an action for damages, the defendant is not liable for any damages that he or she proves do not represent the depreciation in value of the security resulting from the misrepresentation. In addition, the amount recoverable must not exceed the price at which the securities purchased by the purchaser were offered.

Section 121 of the PEI Act provides that no action may be commenced to enforce any of the foregoing rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any action other than an action for rescission, the earlier of:
  - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) three years after the date of the transaction giving rise to the cause of action.

The rights of action for rescission or damages conferred are in addition to and do not derogate from any other right that the purchaser may have at law.

### **Rights for Purchasers in Newfoundland and Labrador**

In the event that an offering memorandum (such as this Offering Memorandum), or a record incorporated by reference in or deemed incorporated into the offering memorandum contains a misrepresentation when a person or company resident in Newfoundland and Labrador purchases securities offered by the offering memorandum, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the issuer, every director of the issuer at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, a right of rescission against the issuer, in which case the purchaser shall have no right of action for damages against the issuer, directors of the issuer or persons who have signed the offering memorandum, provided that, among other limitations:

- (a) no person or company shall be liable if the person or company proves that the purchaser had knowledge of the misrepresentation;
- (b) the amount recoverable under the above provisions shall not exceed the price at which the securities were offered under the offering memorandum; and
- (c) in an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- (a) the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable general notice to the issuer that it was sent without the person's or company's knowledge or consent;

- (b) on becoming aware of any misrepresentation in the offering memorandum the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a misrepresentation, or (B) the relevant part of the offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore, no person or company, other than the issuer, will be liable with respect to any part of the offering memorandum not purporting (a) to be made on the authority of an expert or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) believed that there had been a misrepresentation.

No action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action, other than an action for rescission, the earlier of:
  - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) three years after the date of the transaction that gave rise to the cause of action.

### **Rights for Purchasers in Yukon**

Securities legislation in the Yukon provides that if an offering memorandum (such as this Offering Memorandum) contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation:

- (a) a right of action for damages against:
  - (i) the issuer;
  - (ii) the selling security holder on whose behalf the distribution is made;
  - (iii) every director of the issuer at the date of the offering memorandum, and
  - (iv) every person who signed the offering memorandum; and
- (b) a right of rescission against:
  - (i) the issuer; or
  - (ii) the selling security holder on whose behalf the distribution is made.

If the purchaser chooses to exercise a right of rescission against the issuer, the purchaser has no right of action for damages against a person or company referred to above.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

If a misrepresentation is contained in the offering memorandum, no person is liable if the person proves that the purchaser purchased the securities with knowledge of the misrepresentation.

A person, other than the issuer or selling security holder, is not liable in an action for damages if the person proves that:

- (a) the offering memorandum was sent to the purchaser without the person's knowledge or consent, and that, on becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the person's knowledge and consent;
- (b) the person, on becoming aware of the misrepresentation, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe that:
  - (i) there had been a misrepresentation, or
  - (ii) the relevant part of the offering memorandum
    - (A) did not fairly represent the report, opinion or statement of the expert, or
    - (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

A person, other than the issuer or selling security holder, is not liable in an action for damages with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person

- (a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or
- (b) believed there had been a misrepresentation.

The amount recoverable shall not exceed the price at which the securities were offered under the offering memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

All or any one or more of the persons or companies that are found to be liable or accept liability in an action for damages are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all circumstances of the case, the court is satisfied that it would not be just and equitable.

The issuer, and every director of the issuer at the date of the offering memorandum who is not a selling security holder, is not liable if the issuer does not receive any proceeds from the distribution of the securities and the misrepresentation was not based on information provided by the issuer, unless the misrepresentation

- (a) was based on information previously publicly disclosed by the issuer;
- (b) was a misrepresentation at the time of its previous public disclosure; and
- (c) was not subsequently publicly corrected or superseded by the issuer before completion of the distribution of the securities being distributed.

No action may be commenced to enforce a right more than,

- (a) in the case of an action for rescission, 180 days after the date of the transaction giving rise to the cause of action; or
- (b) in the case of any action other than an action for rescission,
  - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) three years after the date of the transaction giving rise to the cause of action,

whichever period expires first.

The rights of action for rescission or damages conferred are in addition to and do not derogate from any other right that the purchaser may have at law.

### **Rights for Purchasers in Northwest Territories**

Securities legislation in the Northwest Territories provides that if an offering memorandum (such as this Offering Memorandum) contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation:

- (a) a right of action for damages against
  - (i) the issuer;
  - (ii) the selling security holder on whose behalf the distribution is made;
  - (iii) every director of the issuer at the date of the offering memorandum, and
  - (iv) every person who signed the offering memorandum; and
- (b) a right of rescission against:

- (i) the issuer; or
- (ii) the selling security holder on whose behalf the distribution is made.

If the purchaser chooses to exercise a right of rescission against the issuer, the purchaser has no right of action for damages against a person or company referred to above.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

If a misrepresentation is contained in the offering memorandum, no person is liable if the person proves that the purchaser purchased the securities with knowledge of the misrepresentation.

A person, other than the issuer or selling security holder, is not liable in an action for damages if the person proves that:

- (a) the offering memorandum was sent to the purchaser without the person's knowledge or consent, and that, on becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the person's knowledge and consent;
- (b) the person, on becoming aware of the misrepresentation, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe that
  - (i) there had been a misrepresentation, or
  - (ii) the relevant part of the offering memorandum
    - (A) did not fairly represent the report, opinion or statement of the expert, or
    - (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

A person, other than the issuer or selling security holder, is not liable in an action for damages with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person

- (a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation; or
- (b) believed there had been a misrepresentation.

The amount recoverable shall not exceed the price at which the securities were offered under the offering memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that

the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

All or any one or more of the persons or companies that are found to be liable or accept liability in an action for damages are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all circumstances of the case, the court is satisfied that it would not be just and equitable.

The issuer, and every director of the issuer at the date of the offering memorandum who is not a selling security holder, is not liable if the issuer does not receive any proceeds from the distribution of the securities and the misrepresentation was not based on information provided by the issuer, unless the misrepresentation

- (a) was based on information previously publicly disclosed by the issuer;
- (b) was a misrepresentation at the time of its previous public disclosure; and
- (c) was not subsequently publicly corrected or superseded by the issuer before completion of the distribution of the securities being distributed.

No action may be commenced to enforce a right more than,

- (a) in the case of an action for rescission, 180 days after the date of the transaction giving rise to the cause of action; or
- (b) in the case of any action other than an action for rescission,
  - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) three years after the date of the transaction giving rise to the cause of action,

whichever period expires first.

The rights of action for rescission or damages conferred are in addition to and do not derogate from any other right that the purchaser may have at law.

### **Rights for Purchasers in Nunavut**

Securities legislation in Nunavut provides that if an offering memorandum (such as this Offering Memorandum) contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied on the misrepresentation:

- (a) a right of action for damages against
  - (i) the issuer;
  - (ii) the selling security holder on whose behalf the distribution is made;
  - (iii) every director of the issuer at the date of the offering memorandum, and

- (iv) every person who signed the offering memorandum; and
- (b) a right of rescission against:
  - (i) the issuer; or
  - (ii) the selling security holder on whose behalf the distribution is made.

If the purchaser chooses to exercise a right of rescission against the issuer, the purchaser has no right of action for damages against a person or company referred to above.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

If a misrepresentation is contained in the offering memorandum, no person is liable if the person proves that the purchaser purchased the securities with knowledge of the misrepresentation.

A person, other than the issuer or selling security holder, is not liable in an action for damages if the person proves that:

- (a) the offering memorandum was sent to the purchaser without the person's knowledge or consent, and that, on becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the person's knowledge and consent;
- (b) the person, on becoming aware of the misrepresentation, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, opinion or statement of an expert, the person had no reasonable grounds to believe and did not believe that
  - (i) there had been a misrepresentation, or
  - (ii) the relevant part of the offering memorandum
    - (A) did not fairly represent the report, opinion or statement of the expert, or
    - (B) was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

A person, other than the issuer or selling security holder, is not liable in an action for damages with respect to any part of the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person

- (a) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or

- (b) believed there had been a misrepresentation.

The amount recoverable shall not exceed the price at which the securities were offered under the offering memorandum. In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

All or any one or more of the persons or companies that are found to be liable or accept liability in an action for damages are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all circumstances of the case, the court is satisfied that it would not be just and equitable.

The issuer, and every director of the issuer at the date of the offering memorandum who is not a selling security holder, is not liable if the issuer does not receive any proceeds from the distribution of the securities and the misrepresentation was not based on information provided by the issuer, unless the misrepresentation

- (a) was based on information previously publicly disclosed by the issuer;
- (b) was a misrepresentation at the time of its previous public disclosure; and
- (c) was not subsequently publicly corrected or superseded by the issuer before completion of the distribution of the securities being distributed.

No action may be commenced to enforce a right more than,

- (a) in the case of an action for rescission, 180 days after the date of the transaction giving rise to the cause of action; or
- (b) in the case of any action other than an action for rescission,
  - (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or
  - (ii) three years after the date of the transaction giving rise to the cause of action,

whichever period expires first.

The rights of action for rescission or damages conferred are in addition to and do not derogate from any other right that the purchaser may have at law.

### **Rights of Purchasers in British Columbia, Alberta and Québec**

Notwithstanding that the *Securities Act* (British Columbia), the *Securities Act* (Alberta) and the *Securities Act* (Québec) do not provide, or require the issuer to provide to purchasers resident in the Province of Alberta purchasing under the exemption contained in section 2.3 (the “accredited investor exemption”) of NI 45-106 and to purchasers resident in British Columbia and Québec any rights of action in circumstances where this Offering Memorandum or an amendment hereto contains a misrepresentation, the issuer hereby grants to such purchasers contractual rights of action that are equivalent to the statutory rights of action set forth above with respect to purchasers resident in Ontario.

The rights summarized above are in addition to and without derogation from any other rights or remedy which investors may have at law.

## **SECTION 26 – DIRECTORY**

Additional information as to the Fund and its advisors and agents:

### **Office of the Fund: Picton Mahoney Absolute Alpha Fund**

33 Yonge Street, Suite 830  
Toronto, Ontario M5E 1G4

### **Manager and Trustee: Picton Mahoney Asset Management**

33 Yonge Street, Suite 830  
Toronto, Ontario M5E 1G4  
Tel: (416) 955-4108  
Toll Free: 1-866-369-4108  
Fax: (416) 955-4100  
Email: [service@pictonmahoney.com](mailto:service@pictonmahoney.com)

### **Administrator: RBC Investor Services Trust**

155 Wellington Street West, 10th Floor  
Toronto, Ontario  
M5V 3L3

### **Prime Brokers:**

Goldman Sachs & Co.  
200 West Street, 6th Floor  
New York, New York  
USA  
10282

and

Scotia Capital Inc.  
Scotia Plaza, 65<sup>th</sup> Floor  
40 King Street West  
Box 4085, Station “A”  
Toronto, Ontario M5W 2X6

### **Auditors: PricewaterhouseCoopers LLP**

18 York Street  
Toronto, Ontario M5V 2T6

### **Legal Counsel: McMillan LLP**

Suite 4400, Brookfield Place  
181 Bay Street  
Toronto, Ontario M5J 2T3

**TO ALBERTA RESIDENTS PURCHASING UNITS IN RELIANCE ON THE EXEMPTION IN SECTION 2.10 OF NATIONAL INSTRUMENT 45-106 - PROSPECTUS EXEMPTIONS**

Date: March 19, 2021.

**CERTIFICATE**

This Offering Memorandum does not contain a misrepresentation.

**PICTON MAHONEY ABSOLUTE ALPHA FUND**

by its Manager,

**PICTON MAHONEY ASSET MANAGEMENT**

By: "*David Picton*"

David Picton

President

By: "*Arthur Galloway*"

Arthur Galloway

Chief Financial Officer



c/o RBC Investor Services Trust

155 Wellington Street West, 10th Floor

Toronto, Ontario M5V 3L3