

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND



**THINK AHEAD.  
STAY AHEAD.**



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## MANAGEMENT'S RESPONSIBILITY STATEMENT

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The accompanying financial statements have been prepared by Picton Mahoney Asset Management, the Manager of the Picton Mahoney Fortified Arbitrage Alternative Fund (the "Fund"). The Manager is responsible for all of the information and representations contained in these financial statements.

The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgements. Management maintains appropriate processes to ensure that relevant and reliable financial information is produced.

The financial statements have been audited by PricewaterhouseCoopers LLP. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on these financial statements. Their report is set out on the following page.

### **Picton Mahoney Asset Management**

Toronto, Ontario

March 30, 2021

## INDEPENDENT AUDITOR'S REPORT

To the Unitholders and Trustee of  
Picton Mahoney Fortified Arbitrage Alternative Fund (formerly Vertex  
Liquid Alternative Fund) (the Fund)

### Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2020 and 2019 and its financial performance and its cash flows for the year ended December 31, 2020 and for the period from January 17, 2019 (commencement of operations) to December 31, 2019 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

### What we have audited

The Fund's financial statements comprise:

- the statements of financial position as at December 31, 2020 and 2019;
- the statements of comprehensive income for the year ended December 31, 2020 and for the period from January 17, 2019 (commencement of operations) to December 31, 2019;
- the statements of changes in net assets attributable to holders of redeemable units for the year ended December 31, 2020 and for the period from January 17, 2019 (commencement of operations) to December 31, 2019;
- the statements of cash flows for the year ended December 31, 2020 and for the period from January 17, 2019 (commencement of operations) to December 31, 2019; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

### Other information

Management is responsible for the other information of the Fund. The other information comprises the 2020 Annual Management Report of Fund Performance of the Fund.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher

## INDEPENDENT AUDITOR'S REPORT

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than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

Toronto, Ontario

March 30, 2021

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## STATEMENTS OF FINANCIAL POSITION

As at

	December 31, 2020 \$	December 31, 2019 \$
<b>Assets</b>		
<b>Current assets</b>		
Long positions at fair value*	68,529,406	192,455,769
Cash	14,149,555	31,258,071
Cash, pledged as collateral	5,829,949	24,845,053
Options purchased	206,644	146,674
Unrealized gain on foreign exchange forward contracts at fair value	9,481,864	2,059,045
Subscriptions receivable	1,693,552	6,648,385
Receivable for investments sold	905,899	582,469
Dividends receivable	6,468	130,812
Interest and other receivable	25,463	26,944
	<u>100,828,800</u>	<u>258,153,222</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Short positions at fair value**	10,060,548	27,670,141
Options written	218,265	381,220
Unrealized loss on foreign exchange forward contracts at fair value	1,967,996	-
Margin borrowings	2,950,240	12,048,571
Management fee payable	59,703	25,840
Performance fee payable	550,629	58,805
Redemptions payable	306,426	7,933,840
Accrued liabilities	187,278	12,858
Payable for investments purchased	365,666	1,337,199
Dividends payable	561	44,556
	<u>16,667,312</u>	<u>49,513,030</u>
<b>Net Assets Attributable to Holders of Redeemable Units</b>	<u>84,161,488</u>	<u>208,640,192</u>
<b>Net Assets Attributable to Holders of Redeemable Units per Class</b>		
Class A	8,502,586	3,168,006
Class F	72,948,354	29,678,363
Class I	2,710,548	175,793,823
<b>Number of Redeemable Units Outstanding</b>		
Class A	727,387	313,264
Class F	6,129,733	2,914,364
Class I	216,048	17,062,872
<b>Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Class A	11.69	10.11
Class F	11.90	10.18
Class I	12.55	10.30
* Long positions, at cost	65,442,816	190,429,773
** Short positions, at cost	(9,626,292)	(26,580,565)

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Manager

David Picton

Arthur Galloway



President



CFO

## STATEMENTS OF COMPREHENSIVE INCOME

For the year ended December 31, 2020 and for the period from January 17, 2019 (commencement of operations) to December 31, 2019

	2020 \$	2019 \$
<b>Income</b>		
<b>Net gains (losses) on investments and derivatives</b>		
Interest for distribution purposes	651,748	448,814
Dividends	1,299,778	607,845
Net realized gain (loss) on investments and options	43,093,772	2,270,709
Net realized gain (loss) on foreign exchange forward contracts	7,405,669	611,375
Change in unrealized appreciation (depreciation) on investments, options and foreign exchange forward contracts	7,391,701	2,760,917
Interest and borrowing expense	(152,213)	(69,069)
Dividend expense	(692,149)	(618,596)
<b>Net gains (losses) on investments and derivatives</b>	<u>58,998,306</u>	<u>6,011,995</u>
<b>Other income</b>		
Foreign currency gain (loss) on cash and other assets and liabilities	(683,027)	282,872
<b>Total Income</b>	<u>58,315,279</u>	<u>6,294,867</u>
<b>Expenses</b>		
Performance fees	1,565,976	86,822
Transaction costs	999,353	240,858
Management fees	503,548	165,693
Harmonized sales tax	221,028	20,593
Administrative fees	160,666	163,358
Withholding taxes	141,836	65,529
Audit fees	104,900	15,284
Custody fees	42,255	12,420
Securityholder reporting fees	38,618	33,859
Legal fees	36,313	26,592
Independent Review Committee Expense	6,617	5,256
Total Expense before Manager Absorption	3,821,110	836,264
Less: Expenses Absorbed by Manager	-	(103,612)
<b>Total Expense after Manager Absorption</b>	<u>3,821,110</u>	<u>732,652</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<u>54,494,169</u>	<u>5,562,215</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class</b>		
Class A	860,828	46,129
Class F	7,883,140	453,621
Class I	45,750,201	5,062,465
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Class A	2.06	0.25
Class F	2.02	0.35
Class I	1.85	0.52

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the year ended December 31, 2020 and for the period from January 17, 2019 (commencement of operations) to December 31, 2019

	2020 \$	2019 \$		2020 \$	2019 \$
<b>Net Assets Attributable to Holders of Redeemable Units at Beginning of Year</b>			<b>Distributions to Holders of Redeemable Units</b>		
Class A	3,168,006	-	Net investment income		
Class F	29,678,363	-	Class A	-	-
Class I	175,793,823	-	Class F	-	-
	<u>208,640,192</u>	<u>-</u>	Class I	-	(224,347)
				<u>-</u>	<u>(224,347)</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>			<b>From capital gains</b>		
Class A	860,828	46,129	Class A	-	(34,347)
Class F	7,883,140	453,621	Class F	-	(246,813)
Class I	45,750,201	5,062,465	Class I	-	(2,235,094)
	<u>54,494,169</u>	<u>5,562,215</u>		<u>-</u>	<u>(2,516,254)</u>
<b>Redeemable Unit Transactions</b>			<b>Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>		
Proceeds from redeemable units issued				<u>(124,478,704)</u>	208,640,192
Class A	5,358,374	3,574,560	<b>Net Assets Attributable to Holders of Redeemable Units at End of Year</b>		
Class F	64,192,100	32,122,451	Class A	8,502,586	3,168,006
Class I	306,650,000	179,300,593	Class F	72,948,354	29,678,363
	<u>376,200,474</u>	<u>214,997,604</u>	Class I	2,710,548	175,793,823
Reinvestments of distributions to holders of redeemable units			<b>Net Assets Attributable to Holders of Redeemable Units at End of Year</b>		
Class A	-	34,347		<u>84,161,488</u>	208,640,192
Class F	-	246,813			
Class I	-	2,459,441			
	<u>-</u>	<u>2,740,601</u>			
Redemption of redeemable units					
Class A	(884,622)	(452,683)			
Class F	(28,805,249)	(2,897,709)			
Class I	(525,483,476)	(8,569,235)			
	<u>(555,173,347)</u>	<u>(11,919,627)</u>			
<b>Net Increase (Decrease) from Redeemable Unit Transactions</b>	<u>(178,972,873)</u>	<u>205,818,578</u>			



# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## STATEMENTS OF CASH FLOWS

For the year ended December 31, 2020 and for the period from January 17, 2019 (commencement of operations) to December 31, 2019

	2020 \$	2019 \$		2020 \$	2019 \$
<b>Cash Flows from Operating Activities</b>			<b>Cash Flows from Financing Activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	54,494,169	5,562,215	Proceeds from redeemable units issued	381,035,888	208,198,501
Adjustments for:			Amount paid on redemption of redeemable units	(562,681,342)	(3,835,069)
Unrealized foreign exchange (gain) loss on cash	68,041	(62,067)	Increase in margin borrowings	(9,098,331)	12,048,571
Net realized (gain) loss on investments and options	(43,093,772)	(2,270,709)	<b>Net Cash Generated (Used) by Financing Activities</b>	<b>(190,743,785)</b>	216,412,003
Change in unrealized (appreciation) depreciation on investments, options and foreign exchange forward contracts	(7,391,701)	(2,760,917)	Unrealized foreign exchange gain (loss) on cash	(68,041)	62,067
(Increase) decrease in interest and other receivables	1,481	(26,944)	Net increase (decrease) in cash	(36,055,579)	56,041,057
(Increase) decrease in dividends receivable	124,344	(130,812)	Cash, beginning of year	56,103,124	-
Increase (decrease) in dividends payable	(43,995)	44,556	<b>Cash, End of Year</b>	<b>19,979,504</b>	56,103,124
Increase (decrease) in other payables and accrued liabilities	174,420	12,858	Cash	14,149,555	31,258,071
Increase (decrease) in management fee payable	33,863	25,840	Cash, pledged as collateral	5,829,949	24,845,053
Increase (decrease) in performance fee payable	491,824	58,805	<b>Net Cash (Overdraft)</b>	<b>19,979,504</b>	56,103,124
Purchase of long positions and repurchases of investments sold short	(1,292,134,991)	(550,585,401)	<b>Items classified as operating activities:</b>		
Proceeds from sales of long positions and on investments sold short	1,441,964,523	389,761,630	Interest received, net of withholding tax	653,229	448,814
<b>Net Cash Generated (Used) by Operating Activities</b>	<b>154,688,206</b>	<b>(160,370,946)</b>	Dividends received, net of withholding tax	1,282,286	411,504
			Interest and borrowing expense paid	(152,213)	(12,358)
			Dividends paid	(736,144)	(574,040)

Net of non-cash transfers and switches of \$119,419 (2019 - \$150,718)

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2020

CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
<b>LONG POSITIONS (81.7%)</b>					14,300	Atlas Crest Investment Corp.		190,464	192,202
<b>Canadian Equities (7.7%)</b>					6,500	Better World Acquisition Corp.		85,562	91,505
<b>Industrial (0.7%)</b>					18,400	BowX Acquisition Corp.		244,982	240,511
41,600	People Corp., CDNX		626,723	626,080	6,400	BowX Acquisition Corp., Warrants, 2025-12-31		-	14,513
<b>Consumer Discretionary (1.5%)</b>					14,300	Capitol Investment Corp. V		185,063	187,647
28,679	Great Canadian Gaming Corp.		1,238,585	1,246,963	21,500	Capstar Special Purpose Acquisition Corp.		290,056	278,018
<b>Financials (5.0%)</b>					10,700	Capstar Special Purpose Acquisition Corp., Warrants, 2027-07-09		1,864	19,221
21,500	Bespoke Capital Acquisition Corp.		284,708	278,018	14,300	Carney Technology Acquisition Corp. II		181,860	186,919
10,700	Bespoke Capital Acquisition Corp., Warrants, 2024-12-31		5,374	16,358	14,300	Cascade Acquisition Corp.		186,850	190,380
15,300	Canaccord Genuity Growth II Corp.		46,388	48,195	21,500	CBRE Acquisition Holdings Inc.		274,609	286,236
8,900	Ceres Acquisition Corp.		116,546	110,268	21,500	CF Acquisition Corp. IV		276,446	281,853
4,611	Ceres Acquisition Corp., Warrants, 2025-04-13		390	4,406	9,441	CF Finance Acquisition Corp. II		123,954	132,547
22,992	Genworth MI Canada Inc.		1,002,796	998,083	19,700	CF Finance Acquisition Corp. III		259,320	269,299
74,300	Mercer Park Brand Acquisition Corp.		990,155	955,100	17,900	Chardan Healthcare Acquisition 2 Corp.		250,154	232,607
31,800	Mercer Park Brand Acquisition Corp., Warrants, 2024-06-24		21,064	40,513	17,900	Chardan Healthcare Acquisition 2 Corp., Warrants, 2025-03-05		1,284	22,577
115,100	Subversive Capital Acquisition Corp.		1,504,378	1,483,969	18,800	CHP Merger Corp.		252,597	245,739
28,000	Subversive Capital Acquisition Corp., Warrants, 2024-08-26		24,613	58,859	30,000	Churchill Capital Corp. II		421,963	395,577
14,300	Subversive Real Estate Acquisition REIT LP		188,293	179,449	42,900	Churchill Capital Corp. IV		574,421	547,092
			4,184,705	4,173,218	8,600	Churchill Capital Corp. IV, Warrants, 2025-09-18		1,184	16,654
<b>Communication Services (0.5%)</b>					21,500	Churchill Capital Corp. V		279,105	287,605
10,754	Cineplex Inc.		137,185	99,690	7,200	Climate Change crisis Real Impact I Acquisition Corp.		96,144	98,057
2,891	Cogeco Communications Inc.		290,914	282,913	2,961	CM Life Sciences Inc.		38,987	43,759
			428,099	382,603	22,200	Concord Acquisition Corp.		284,521	292,727
<b>Total Canadian Equities - Long</b>					28,600	Conx Corp.		376,428	380,760
			<b>6,478,112</b>	<b>6,428,864</b>	8,900	Crescent Acquisition Corp.		121,295	118,488
<b>Global Equities (72.5%)</b>					10,700	DD3 Acquisition Corp. II		136,869	143,134
<b>United States Equities (45.1%)</b>					3,600	Decarbonization Plus Acquisition Corp.		47,279	52,698
8,900	10X Capital Venture Acquisition Corp.		115,957	120,756	14,300	Delwinds Insurance Acquisition Corp.		182,647	185,825
12,500	Ackrell Spac Partners I Co.		160,863	163,868	14,300	DFP Healthcare Acquisitions Corp.		198,552	196,756
7,200	Aequi Acquisition Corp.		94,078	92,645	5,400	Digital Media Solutions Inc., Warrants, 2023-04-05		3,952	10,888
10,500	Aerojet Rocketdyne Holdings Inc.		702,576	706,974	3,718	dMY Technology Group Inc. III		48,942	53,430
7,400	Alexion Pharmaceuticals Inc.		1,484,621	1,472,967	28,600	DPCM Capital Inc.		374,935	401,529
10,700	Altitude Acquisition Corp.		136,997	141,089	14,300	E.Merge Technology Acquisition Corp.		190,897	186,372
25,542	Amplitude Healthcare Acquisition Corp.		340,237	325,730	2	E.Merge Technology Acquisition Corp., FS		-	27
12,764	Amplitude Healthcare Acquisition Corp., Warrants, 2026-12-01		5,894	23,579	4,800	E.Merge Technology Acquisition Corp., Warrants, 2025-07-30		457	9,173
14,500	Arko Corp., Warrants, 2025-12-31		21,392	25,123	7,200	East Resources Acquisition Co.		96,099	93,104

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2020

CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
	3,691	East Resources Acquisition Co., Warrants, 2027-07-01	264	5,361		7,200	Highcape Capital Acquisition Corp.	94,790	94,663
	10,700	EdtechX Holdings Acquisition Corp. II	136,666	140,680		17,900	Holicy Inc.	238,326	237,168
	17,900	Equity Distribution Acquisition Corp.	236,407	233,519		38,900	Hudson Executive Investment Corp.	522,551	535,728
	6,000	Equity Distribution Acquisition Corp., Warrants, 2025-09-09	-	13,680		16,100	Hudson Executive Investment Corp., Warrants, 2025-06-21	1,836	34,664
	7,200	Executive Network Partnering Corp.	237,309	229,595		14,300	IG Acquisition Corp.	189,990	196,756
	1,846	Executive Network Partnering Corp., Warrants, 2028-09-25	-	6,091		6,800	INSU Acquisition Corp. III	86,887	91,570
	25,300	Falcon Capital Acquisition Corp.	339,573	344,240		8,900	Jiya Acquisition Corp.	116,474	116,787
	35,700	FG New America Acquisition Corp.	476,723	483,016		12,500	Juniper Industrial Holdings Inc.	169,153	170,397
	14,300	Fintech Acquisition Corp. V	183,103	194,935		14,300	Juniper Industrial Holdings Inc., Warrants, 2026-11-13	6,181	33,521
	7,200	FirstMark Horizon Acquisition Corp.	95,499	97,232		5,400	KINS Technology Group Inc.	68,766	70,791
	2,400	FirstMark Horizon Acquisition Corp., Warrants, 2025-09-26	-	7,644		24,999	Landcadia Holdings III Inc.	328,270	333,774
	27,600	Foley Trasimene Acquisition Corp.	384,243	393,115		8,333	Landcadia Holdings III Inc., Warrants, 2027-10-01	-	23,674
	2	Foley Trasimene Acquisition Corp., FS	-	30		7,200	Lefteris Acquisition Corp.	94,378	99,983
	13,300	Foley Trasimene Acquisition Corp., Warrants, 2025-07-17	5,295	42,869		20,900	LGL Systems Acquisition Corp.	281,142	269,461
	10,700	Forest Road Acquisition Corp.	139,234	143,134		4,300	LGL Systems Acquisition Corp., Warrants, 2026-11-12	1,501	8,875
	21,500	Fortress Value Acquisition Corp. II	285,673	293,905		7,200	Lifesci Acquisition II Corp.	94,478	97,415
	4,435	Fortress Value Acquisition Corp. II, Warrants, 2027-08-10	270	13,899		10,700	Lionheart Acquisition Corp. II	141,675	137,408
	12,900	Fusion Acquisition Corp.	175,037	185,711		5,400	Lionheart Acquisition Corp. II, Warrants, 2026-02-14	-	7,774
	5,600	Fusion Acquisition Corp., Warrants, 2027-06-01	1,107	18,264		14,300	Live Oak Acquisition Corp. II	184,084	197,667
	10,400	GigCapital2 Inc., Rights	1,150	5,473		7,200	Lux Health Tech Acquisition Corp.	94,779	107,597
	10,700	GO Acquisition Corp.	141,936	138,908		19,163	Maxim Integrated Products Inc.	1,752,100	2,164,269
	3,691	GO Acquisition Corp., Warrants, 2027-08-31	185	7,054		15,400	MedTech Acquisition Corp.	196,772	206,006
	27,300	Golden Falcon Acquisition Corp.	348,824	361,714		48,300	Merida Merger Corp. I	630,519	627,648
	45,363	Gores Holdings IV Inc.	645,052	758,814		17,000	Merida Merger Corp. I, Warrants, 2026-11-07	12,537	21,658
	53,700	Gores Holdings V Inc.	716,420	711,503		21,500	Montes Archimedes Acquisition Corp.	285,410	278,566
	10,700	Gores Holdings V Inc., Warrants, 2027-08-10	-	27,400		10,750	Montes Archimedes Acquisition Corp., Warrants, 2025-12-31	-	19,722
	21,500	Gores Holdings VI Inc.	274,609	290,344		28,600	Mudrick Capital Acquisition Corp. II	365,837	378,938
	7,200	Greenrose Acquisition Corp.	96,149	92,920		14,300	NavSight Holdings Inc.	188,428	182,364
	7,200	Greenrose Acquisition Corp., Warrants, 2024-05-11	72	9,130		7,200	NavSight Holdings Inc., Warrants, 2030-01-01	-	11,741
	43,500	GS Acquisition Holdings Corp. II	599,947	604,067		3,600	Nebula Caravel Acquisition Corp.	46,092	49,533
	8,900	GS Acquisition Holdings Corp. II, Warrants, 2025-08-20	3,960	29,027		14,300	New Beginnings Acquisition Corp.	190,708	199,489
	7,300	GX Acquisition Corp.	100,163	102,302		17,900	NewHold Investment Corp.	238,837	228,274
	17,900	Healthcare Services Acquisition Corp.	230,157	233,063		8,900	NewHold Investment Corp., Warrants, 2025-03-10	613	15,874
						19,700	Northern Genesis Acquisition Corp.	259,846	446,239
						9,200	Northern Genesis Acquisition Corp., Warrants, 2027-07-31	162	66,105

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2020

CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
	20,172	Northern Genesis Sponsor LLC	3	3		8,950	Sports Entertainment Acquisition Corp., Warrants, 2025-10-30	-	15,393
	49,201	Northern Genesis Sponsor LLC, Warrants	65,036	62,682	20,900	Starboard value Acquisition Corp.	272,925	275,851	
	14,300	Omnichannel Acquisition Corp.	186,850	187,647	26,800	Supernova Partners Acquisition Co Inc.	351,391	396,402	
	35,800	Osprey Technology Acquisition Corp.	479,305	477,528	17,900	Tailwind Acquisition Corp.	235,180	236,940	
	10,700	Osprey Technology Acquisition Corp., Warrants, 2024-10-30	3,366	20,039	8,900	Tailwind Acquisition Corp., Warrants, 2027-09-07	-	15,874	
	7,200	OTR Acquisition Corp.	94,288	96,223	3,600	Thayer Ventures Acquisition Corp.	45,981	47,928	
	6,800	Parsley Energy Inc.	121,158	123,017	11,511	Tuscan Holdings Corp. II	152,829	161,462	
	10,700	Periphos Capital Partnering Corp.	340,192	355,926	11,100	Tuscan Holdings Corp. II, Warrants, 2025-07-16	1,776	33,232	
	23,400	Pershing Square Tontine Holdings Ltd.	642,157	826,377	10,700	TWC Tech Holdings II Corp.	141,452	143,543	
	7,200	Pine Island Acquisition Corp.	94,288	94,571	1	TWC Tech Holdings II Corp., FS	-	14	
	17,900	Property Solutions Acquisition Corp.	238,723	228,046	3,696	TWC Tech Holdings II Corp., Warrants, 2027-09-15	-	7,958	
	9,000	Property Solutions Acquisition Corp., Warrants, 2027-08-28	808	12,039	8,499	Varian Medical Systems Inc.	1,938,014	1,894,959	
	14,300	PTK Acquisition Corp.	193,653	184,732	10,700	Ventoux CCM Acquisition Corp.	137,410	140,407	
	12,600	PTK Acquisition Corp., Warrants, 2025-12-31	277	18,460	9,952	Virtusa Corp.	652,033	648,269	
	5,800	RealPage Inc.	650,630	644,633	28,600	Viveon Health Acquisition Corp.	367,737	374,202	
	14,300	Recharge Acquisition Corp.	189,950	194,752	10,156	Xilinx Inc.	1,717,516	1,834,324	
	14,300	Revolution Acceleration Acquisition Corp.	182,918	189,651	10,700	Zanite Acquisition Corp.	140,122	143,406	
	3,520	Rice Acquisition Corp.	46,205	50,719			<u>36,087,642</u>	<u>37,930,792</u>	
	7,200	Roman DBDR Tech Acquisition Corp.	93,840	95,397	<b>International Equities (27.4%)</b>				
	21,500	Sandbridge Acquisition Corp.	283,374	278,566	19,700	ACE Convergence Acquisition Corp.	263,336	256,499	
	10,700	Sandbridge Acquisition Corp., Warrants, 2027-09-14	-	17,721	10,700	ACE Convergence Acquisition Corp., Warrants, 2027-09-30	328	18,948	
	10,060	Seaport Global Acquisition Corp.	130,368	133,932	10,100	Acies Acquisition Corp.	132,376	137,681	
	35,800	Senior Connect Acquisition Corp. I	457,257	469,318	7,200	ACON S2 Acquisition Corp.	95,126	96,314	
	27,300	Seven Oaks Acquisition Corp.	348,824	359,975	17,200	AEA-Bridges Impact Corp.	228,508	237,754	
	34,826	Slack Technologies Inc.	1,917,829	1,874,116	19,600	Ajax I	261,843	309,882	
	5,000	SOC Telemed Inc., Warrants, 2021-12-17	2,501	7,771	7,200	Altimar Acquisition Corp.	94,356	110,624	
	15,000	Software Acquisition Group Inc. II	196,885	190,144	3,691	Altimeter Growth Corp.	49,570	61,130	
	6,300	Software Acquisition Group Inc. II, Warrants, 2027-03-17	-	10,835	28,600	Alussa Energy Acquisition Corp.	381,315	366,550	
	14,300	Spartacus Acquisition Corp.	189,368	183,275	14,300	Alussa Energy Acquisition Corp., Warrants, 2026-10-31	6,078	22,408	
	7,200	Spartacus Acquisition Corp., Warrants, 2027-10-31	-	10,274	8,900	AMERICAS TECHNOLOGY ACQUISITION CORP	113,337	116,561	
	35,800	Spartan Acquisition Corp. II	465,849	492,579	35,898	Apollo Strategic Growth Capital	478,222	475,176	
	17,900	Sports Entertainment Acquisition Corp.	236,868	230,782	8,366	Apollo Strategic Growth Capital, Warrants, 2027-10-29	-	20,038	
					12,100	Arclight Clean Transition Corp.	161,644	183,443	
					28,900	Artius Acquisition Inc.	397,912	391,381	
					7,100	Artius Acquisition Inc., Warrants, 2026-07-13	968	20,171	

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2020

CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
	25,000	Ascendant Digital Acquisition Corp.	335,134	326,781		7,200	FTAC Olympus Acquisition Corp., Warrants, 2025-08-28	377	17,428
	12,500	Ascendant Digital Acquisition Corp., Warrants, 2025-12-31	1,442	27,232		29,600	Galileo Acquisition Corp.	393,034	386,531
	21,500	Aspirational Consumer Lifestyle Corp.	286,989	273,088		18,900	Galileo Acquisition Corp., Warrants, 2026-10-31	3,515	20,226
	7,200	Aspirational Consumer Lifestyle Corp., Warrants, 2025-09-19	-	9,723		10,700	Genesis Park Acquisition Corp.	139,465	141,634
	21,600	Avanti Acquisition Corp.	276,366	282,889		13,500	Global Blue Group Holding AG, Warrants, 2025-08-31	14,639	28,206
	3,600	Avanti Acquisition Corp., Warrants, 2025-12-31	-	6,925		6,100	Health Sciences Acquisitions Corp. 2	82,642	99,552
	1,460	BCLS Acquisition Corp.	19,165	20,507		5,000	Helix Acquisition Corp.	65,665	68,987
	5,400	Bridgetown Holdings Ltd.	71,287	116,816		21,500	HIG Acquisition Corp.	281,835	285,688
	7,200	Broadstone Acquisition Corp.	94,962	92,187		14,300	Highland Transcend Partners I Corp.	184,084	195,845
	3,691	Broadstone Acquisition Corp., Warrants, 2028-09-15	-	5,267		19,700	Horizon Acquisition Corp.	255,156	251,480
	22,400	CC Neuberger Principal Holdings I	314,469	309,347		21,300	Horizon Acquisition Corp. II	279,751	294,428
	4,200	CC Neuberger Principal Holdings I, Warrants, 2025-12-31	314	12,574		1,780	Horizon Acquisition Corp., Warrants, 2025-08-19	-	3,288
	42,900	CC Neuberger Principal Holdings II	575,762	568,407		8,900	HPX Corp.	120,471	113,613
	10,700	CC Neuberger Principal Holdings II, Warrants, 2025-07-29	611	23,174		4,618	HPX Corp., Warrants, 2025-07-14	-	6,296
	32,200	Cerberus Telecom Acquisition Corp.	422,630	437,303		5,900	IHS Markit Ltd.	658,362	675,216
	6,783	CITIC Capital Acquisition Corp.	90,018	90,563		14,300	Investindustrial Acquisition Corp.	187,618	187,283
	35,800	Cohn Robbins Holdings Corp.	472,279	474,791		4,100	ION Acquisition Corp. 1 Ltd.	54,705	61,479
	11,900	Cohn Robbins Holdings Corp., Warrants, 2025-08-28	-	27,289		1	Jaws Acquisition Corp.	-	18
	14,300	Consonance-HFW Acquisition Corp.	187,143	188,558		7,200	Jaws Spitfire Acquisition Corp.	92,686	101,359
	13,600	Corner Growth Acquisition Corp.	173,013	181,061		7,100	Kismet Acquisition One Corp.	94,240	93,168
	28,600	D8 Holdings Corp.	385,469	370,194		5,400	Kismet Acquisition One Corp., Warrants, 2025-08-06	307	7,292
	7,200	D8 Holdings Corp., Warrants, 2027-08-05	-	9,631		5,400	L&F Acquisition Corp.	70,670	71,341
	12,500	Dragoneer Growth Opportunities Corp.	170,717	211,325		12,500	LIV Capital Acquisition Corp.	167,195	160,842
	3,732	Dragoneer Growth Opportunities Corp. II	50,668	55,723		12,500	LIV Capital Acquisition Corp., Warrants, 2025-01-10	621	11,147
	2,961	Dragoneer Growth Opportunities Corp., Warrants, 2025-08-14	470	16,145		21,500	Malacca Straits Acquisition Co., Ltd.	288,881	271,445
	17,898	Empower Ltd.	237,612	228,248		10,700	Malacca Straits Acquisition Co., Ltd., Warrants, 2027-06-30	202	14,313
	2	Empower Ltd., FS	-	27		14,400	Marquee Raine Acquisition Corp.	187,764	198,683
	5,966	Empower Ltd., Warrants, 2027-11-30	-	8,741		28,600	Motive Capital Corp.	365,294	384,039
	53,100	Far Peak Acquisition Corp.	685,511	700,171		17,898	NextGen Acquisition Corp.	237,629	229,616
	7,200	Frazier Lifesciences Acquisition Corp.	92,185	95,489		2	NextGen Acquisition Corp., FS	-	26
	21,500	FTAC Olympus Acquisition Corp.	282,549	282,127		5,966	NextGen Acquisition Corp., Warrants, 2025-12-31	-	11,325
						14,300	Oaktree Acquisition Corp. II	189,283	191,109
						3,695	Oaktree Acquisition Corp. II, Warrants, 2027-09-15	-	8,991
						14,300	One	190,259	196,210
						3,691	One, Warrants, 2025-08-17	283	9,875
						14,300	Peridot Acquisition Corp.	191,456	204,955
						21,500	Population Health Investment Co Inc.	280,917	286,236
						14,300	Prime Impact Acquisition I	188,583	193,295

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2020

CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
	16,100	Qell Acquisition Corp.	215,497	271,776		10,700	Union Acquisition Corp. II	142,909	141,771
	28,600	RedBall Acquisition Corp.	380,329	396,792		10,700	Union Acquisition Corp. II, Warrants, 2025-04-01	1,220	12,950
	4,800	RedBall Acquisition Corp., Warrants, 2022-08-17	397	13,698		21,500	Vector Acquisition Corp.	287,846	294,727
	1,852	Reinvent Technology Partners	24,676	27,275		10,700	VPC Impact Acquisition Holdings	142,829	144,088
	3,718	Reinvent Technology Partners Z	48,657	53,904		28,600	Vy Global Growth	382,300	379,667
	463	Reinvent Technology Partners, Warrants, 2025-09-16	-	1,917		5,720	Vy Global Growth, Warrants, 2030-01-30	-	15,012
	28,600	RMG Acquisition Corp. II	363,720	406,266		8,938	Willis Towers Watson PLC	2,434,192	2,399,019
	8,900	Sarissa Capital Acquisition Corp.	116,747	120,756		21,500	Yucaipa Acquisition Corp.	286,565	277,471
	11,000	SC Health Corp.	148,404	143,643		7,200	Yucaipa Acquisition Corp., Warrants, 2025-08-06	312	13,116
	3,428	SC Health Corp., Warrants, 2024-08-21	1,282	5,896				<u>21,783,821</u>	<u>23,092,294</u>
	27,200	SciON Tech Growth I	346,025	358,310			<b>Total Global Equities - Long</b>	<b>57,871,463</b>	<b>61,023,086</b>
	25,800	Social Capital Hedosophia Holdings Corp. III	358,220	551,216			<b>Global Debt (1.3%)</b>		
	18,200	Social Capital Hedosophia Holdings Corp. IV	247,002	317,427			<b>United States Bonds (1.3%)</b>		
	4,350	Social Capital Hedosophia HOLDings Corp. IV, Warrants, 2025-09-26	-	20,505	USD	441,536	Cincinnati Bell Inc. 7.000%, 2024-07-15	624,650	586,769
	35,800	Social Capital Hedosophia Holdings Corp. V	470,923	567,381	USD	360,546	Cincinnati Bell Inc. 8.000%, 2025-10-15	508,875	490,627
	5,250	Social Capital Hedosophia Holdings Corp. V, Warrants, 2025-12-31	-	23,610				<u>1,133,525</u>	<u>1,077,396</u>
	25,000	Social Capital Hedosophia Holdings Corp. VI	333,025	391,755			<b>International Bonds (0.0%)</b>		
	5,250	Social Capital Hedosophia Holdings Corp. VI, Warrants, 2025-12-31	-	21,871	USD	41	Delphi Technologies PLC 5.000%, 2025-10-01	53	60
	20,100	Sustainable Opportunities Acquisition Corp.	281,794	275,535			<b>Total Global Debt - Long</b>	<b>1,133,578</b>	<b>1,077,456</b>
	1	Sustainable Opportunities Acquisition Corp., FS	-	15			<b>Options (0.2%)</b>		
	2,000	Sustainable Opportunities Acquisition Corp., Warrants, 2025-06-26	728	5,733			<b>Total Purchased Options - Refer to Appendix A</b>	<b>198,218</b>	<b>206,644</b>
	7,200	Tekcorp Digital Acquisition Corp.	94,507	98,608			<b>Transaction Costs</b>	<b>(238,555)</b>	<b>-</b>
	3,718	Tiga Acquisition Corp.	48,461	50,115			<b>Total Long Positions</b>	<b>65,442,816</b>	<b>68,736,050</b>
	17,900	Tortoise Acquisition Corp. II	246,614	242,869			<b>SHORT POSITIONS (-12.2%)</b>		
	1,695	Tortoise Acquisition Corp. II, Warrants, 2027-06-14	-	6,154			<b>Global Equities (-11.9%)</b>		
	23,200	TPG Pace Tech Opportunities Corp.	307,281	328,080			<b>United States Equities (-7.7%)</b>		
	4,640	TPG Pace Tech Opportunities Corp., Warrants, 2027-10-09	-	12,709		(17,217)	Advanced Micro Devices Inc.	(1,854,219)	(2,011,607)
	32,200	Trebia Acquisition Corp.	442,213	441,815		(12,098)	Analog Devices Inc.	(1,891,231)	(2,276,939)
	1	Trebia Acquisition Corp., FS	-	15		(7,450)	Cincinnati Bell Inc.	(148,818)	(145,027)
	10,700	Trebia Acquisition Corp., Warrants, 2025-12-31	2,907	28,354		(5,754)	Navistar International Corp.	(329,053)	(322,253)
	21,500	Trepont Acquisition Corp. I	278,242	284,044		(800)	Pioneer Natural Resources Co.	(114,990)	(116,077)
	14,300	Turmeric Acquisition Corp.	188,724	187,101		(1,674)	S&P Global Inc.	(682,880)	(701,074)
						(2,576)	Salesforce.com Inc.	(741,412)	(730,304)
						(5,860)	Waddell & Reed Financial Inc.	(191,558)	(190,150)
								<u>(5,954,161)</u>	<u>(6,493,431)</u>
							<b>International Equities (-4.2%)</b>		
						(9,684)	Aon PLC	(2,567,526)	(2,606,523)
						(15,083)	AstraZeneca PLC	(973,401)	(960,594)
								<u>(3,540,927)</u>	<u>(3,567,117)</u>
							<b>Total Global Equities - Short</b>	<b>(9,495,088)</b>	<b>(10,060,548)</b>



# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2020

CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
		<b>Options (-0.3%)</b>					<b>TOTAL INVESTMENT PORTFOLIO (78.4%)</b>	<b>55,816,524</b>	<b>65,971,105</b>
		Total Written Options - Refer to Appendix A	(123,392)	(218,265)			Other Assets Net of Liabilities (21.6%)		18,190,383
		Transaction Costs	(7,812)	-			<b>TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)</b>		<b>84,161,488</b>
		Total Short Positions	(9,626,292)	(10,278,813)					
		<b>Foreign Currency Forward Contracts (8.9%)</b>							
		Total Currency Hedge - Refer to Appendix B		7,513,868					

\*CCY denotes local currency of debt security

## APPENDIX A

### OPTIONS (-0.1%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
National General Holdings	Call Option	349	\$30	January, 2021	188,076	197,858
					188,076	197,858
Great Canadian Gaming	Put Option	19	\$36	January, 2021	504	903
Social Capital Hedosophia	Put Option	165	\$10	February, 2021	9,638	7,883
					10,142	8,786
<b>Total Purchased Options</b>					<b>198,218</b>	<b>206,644</b>
Gores Holdings	Written Call Option	(144)	\$10	January, 2021	(28,048)	(59,623)
Gores Holdings IV Inc.	Written Call Option	(301)	\$13	January, 2021	(52,693)	(57,521)
Social Capital Hedosophia	Written Call Option	(258)	\$15	January, 2021	(40,641)	(97,786)
					(121,382)	(214,930)
National General Holdings	Written Put Option	(349)	\$30	January, 2021	(2,010)	(3,335)
					(2,010)	(3,335)
<b>Total Written Options</b>					<b>(123,392)</b>	<b>(218,265)</b>

## APPENDIX B

### FOREIGN EXCHANGE FORWARD CONTRACTS (8.9%)

Purchased Currency	Sold Currency	Forward Rate	Maturity Date	Fair Value (\$)	Counterparty	Credit Rating
CAD \$419,922,796	USD \$322,706,000	1.30126	2021-02-11	8,850,463	Canadian Imperial Bank of Commerce	A-1
CAD \$9,646,235	USD \$7,365,000	1.30974	2021-02-11	264,457	Canadian Imperial Bank of Commerce	A-1
CAD \$5,706,246	USD \$4,394,000	1.29865	2021-02-11	109,045	Canadian Imperial Bank of Commerce	A-1
CAD \$5,052,053	USD \$3,881,000	1.30174	2021-02-11	108,321	Canadian Imperial Bank of Commerce	A-1
CAD \$2,541,411	USD \$1,959,000	1.29730	2021-02-11	45,982	Canadian Imperial Bank of Commerce	A-1
CAD \$2,318,043	USD \$1,787,000	1.29717	2021-02-11	41,713	Canadian Imperial Bank of Commerce	A-1
CAD \$2,668,923	USD \$2,070,000	1.28934	2021-02-11	32,107	Canadian Imperial Bank of Commerce	A-1
CAD \$1,251,012	USD \$965,000	1.29639	2021-02-11	21,768	Canadian Imperial Bank of Commerce	A-1
CAD \$1,946,607	USD \$1,523,000	1.27814	2021-02-11	6,580	Canadian Imperial Bank of Commerce	A-1
CAD \$905,839	USD \$710,000	1.27583	2021-02-11	1,428	Canadian Imperial Bank of Commerce	A-1
<b>Unrealized gain on foreign exchange forward contracts at fair value</b>				<b>9,481,864</b>		
CAD \$988,259	USD \$777,000	1.27189	2021-02-11	(1,497)	Canadian Imperial Bank of Commerce	A-1
USD \$300,260,000	CAD \$384,443,896	0.78102	2021-02-11	(1,966,499)	Canadian Imperial Bank of Commerce	A-1
<b>Unrealized loss on foreign exchange forward contracts at fair value</b>				<b>(1,967,996)</b>		
<b>Net unrealized gain (loss) on foreign exchange forward contracts at fair value</b>				<b>7,513,868</b>		

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

### 1. ESTABLISHMENT OF THE FUND

Picton Mahoney Fortified Arbitrage Alternative Fund (formerly Vertex Liquid Alternative Fund) (the "Fund") was formed on January 3, 2019 under the laws of British Columbia. The Fund commenced operations on January 17, 2019. Picton Mahoney Asset Management acts as manager (the "Manager"), portfolio advisor (the "Portfolio Advisor") and trustee (the "Trustee") for the Fund. The Manager is responsible for the day-to-day business of the Fund, including the management of the Fund's investment portfolio. The address of the Fund's registered office is 33 Yonge Street, Suite 830, Toronto, Ontario, M5E 1G4. The financial statements are presented in Canadian dollars (CAD). These financial statements were authorized for issue by the Manager on March 30, 2021.

On October 21, 2019, the Manager and Vertex One Asset Management Inc. ("Vertex"), the previous manager for the Fund, entered into a purchase agreement (the "Purchase Agreement") pursuant to which the Manager acquired the investment fund management contracts for the Fund as of January 13, 2020 (the "Transaction").

Unitholders of the Fund approved the change of manager from Vertex to the Manager at a special meeting of the Fund's unitholders on November 28, 2019. Further details of the Transaction were provided in a management information circular that was sent to unitholders in connection with the meetings as required by securities regulations, which is also available under the Fund's profile at [www.sedar.com](http://www.sedar.com). On closing of the Transaction, the Manager became the investment fund manager and Portfolio Advisor of the Fund.

The Fund may issue an unlimited number of classes or series and may issue an unlimited number of units of each class or series. The Fund has created Class A, Class F, and Class I (formerly Class O) units.

Class A units are available to all investors. Class F units have lower fees than Class A units and are generally available only to investors who have fee-based accounts with dealers who have been approved by us to sell Class F units. Class I units are available to the Picton Mahoney Fortified Arbitrage Plus Alternative Fund, other investment funds managed by the Manager, institutional investors and to other investors on a case-by-case basis, all at the discretion of the Manager. There are no fees associated with this class in order to prevent fee duplication. As at December 31, 2020, the Fund currently has 3 classes of units: Class A, Class F, and Class I. The investment objective of the Fund is to generate consistent, positive returns, with low volatility and low correlation to equity markets by investing in securities in Canada, the United States and in other foreign jurisdictions.

The Fund falls within the definition of an "alternative mutual fund" set out in NI 81-102 as it is permitted to use strategies generally prohibited by other types of mutual funds, such as the ability to invest more than 10% of its NAV in securities of a single issuer, either directly or through the use of specified derivatives, the ability to borrow cash, up to 50% of its NAV, to use for investment purposes, the ability to sell securities short (the combined level of cash borrowing and short selling is limited to 50% of its NAV in aggregate), and the ability to use leverage through the use of cash borrowing, short selling and specified derivatives. The maximum aggregate exposure to these sources of leverage, as calculated in accordance with section 2.9.1 of NI 81-102, shall not exceed 300% of the fund's NAV.

### 2. BASIS OF ACCOUNTING

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit and loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Financial assets and financial liabilities at fair value through profit or loss

#### a) Classification

##### i. Assets

The Fund classifies its investments based on both Fund's business model for managing those financial assets and contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

##### ii. Liabilities

The fund makes short sales in which borrowed security is sold on anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

##### iii. Other financial assets and other financial liabilities

Other financial assets (held for collection) and other financial liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, where appropriate at the contract's effective interest rate. Due to their short-term nature, the fair value of other financial assets and financial liabilities carried at amortized cost approximates their carrying amount.

As such, the Fund classifies all of its investment portfolio as financial assets or liabilities as fair value through profit or loss.



# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

The Fund's policy requires the Manager to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

### b) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognized on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities are initially recognized at fair value. Transaction costs related to financial instruments at fair value through profit or loss are expensed as incurred in the Statements of Comprehensive Income.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

When the Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a gain or loss and is presented in the Statements of Comprehensive Income within net realized gain (loss) on investments and options.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statements of Comprehensive Income within net change in unrealized appreciation (depreciation) on investments and options in the period in which they arise.

All other financial assets and liabilities are measured at amortized cost due to their short-term nature.

### c) Income Recognition

Dividend income from financial assets at fair value through profit or loss is recognized in the Statements of Comprehensive Income within Dividend income when the Fund's right to receive payments is established. Interest on debt securities at fair value through profit or loss is recognized in the Statements of Comprehensive Income as Interest for distribution purposes which represents the coupon interest on debt instruments held by the Fund determined on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities. Interest on cash balances are also recognized in the Statements of Comprehensive Income as Interest for distribution purposes. Net realized gain (loss) and Net change in unrealized appreciation (depreciation) of investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds. Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognized in profit or loss as an expense.

#### Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets, which include equities, bonds, options, and warrants are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

Securities not listed on any recognized public securities exchange are valued in the same manner based on available public quotations from recognized dealers in such securities. If market quotations are not readily available, securities will be valued at fair value as determined in good faith by or under the supervision of the Manager. The cost of investments represents the amount paid for each security and is determined on an average cost basis.

The fair value of financial assets and liabilities that are not traded in an active market, including over-the-counter derivatives, is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants and which make the maximum use of observable inputs.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Investment fund units held as investments are valued at their respective Net Asset Values on the relevant valuation dates as reported by the investment fund manager, as these values are the most readily and regularly available.

Warrants, options, and futures that are not listed on any recognized public securities exchange are valued using the Black-Scholes model and based on observable market inputs.

Foreign exchange forward contracts are valued on each valuation day based on the difference between the value of the contract on the date the contract originated and the value of the contract on the valuation day.

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

The difference between fair value and the average cost is shown as the change in unrealized appreciation (depreciation) on investments, options and foreign exchange forward contracts.

Other financial assets (held for collection) and other financial liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, where appropriate at the contract's effective interest rate. Due to their short-term nature, the fair value of other financial assets and financial liabilities carried at amortized cost approximates their carrying amount.

### *Receivable for investments sold and payable for investments purchased*

Receivable for investments sold and payable for investments purchased represent trades that have been contracted for but not yet settled or delivered on the statements of financial position dates. These amounts are recognized initially at fair value and subsequently measured at amortized cost. At each reporting date, the Funds measure the loss allowance on receivable for investments sold and payable for investments purchased at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Funds measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganization, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by the Manager as any contractual payment which is more than 30 days past due or a significant deterioration in a counterparty credit quality. Any contractual payment which is more than 90 days past due is considered credit impaired.

### **Cash**

Cash is comprised of cash on deposit.

### **Collateral**

Cash collateral provided by the Fund is identified in the Statements of Financial Position as "Cash, pledged as collateral", if any. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its Statements of Financial Position separately from other assets and identifies the asset as "Investments, pledged as collateral". Where the party to whom the collateral is provided does not have the right to sell or re-pledge, the collateral provided is disclosed in the notes to the financial statements.

### **Forward contracts**

The Fund enters into forward contracts to manage risk or to achieve desired returns. Gains or losses are realized based on the settlement term of the forward contracts. These forward contracts are valued based on the difference between the contract rate and the current market prices for the underlying asset, adjusted to reflect credit risk and other relevant factors as applicable. The unrealized gain or loss is reflected in the Statements of Financial Position as Unrealized gain (loss) on foreign exchange forward contracts at fair value.

### **Options**

Option premiums paid or received by the Fund are, so long as the options are outstanding, reflected in the Schedule of Investment Portfolio. Exchange traded options are valued at their last traded market price where the last traded market price falls within the day's bid-ask spread. In cases where the last traded price is not within the day's bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances. Over the counter options are valued using industry-accepted modeling techniques on each valuation day.

Realized gains and losses relating to purchased options may arise from:

- i) Expiration of purchased options – realized losses will arise equal to the premium paid;
- ii) Exercise of the purchased options – for put options, realized gains will arise up to the intrinsic value of the option net of premiums paid and for call options, the premium will be added to the cost base of the security purchased; or
- iii) Closing of the purchased options – realized gains or losses will arise equal to the proceeds from selling the options to close the position, net of any premium paid.

Realized gains and losses relating to written options may arise from:

- i) Expiration of the written options – realized gains will arise equal to the premium received;
- ii) Exercise of the written options – for call options, realized gains or losses will arise equal to the sum of the premium received and the realized gain or loss from the disposition of the related portfolio investment at the exercise price of the option and for put option, the premium will be deducted from the cost base of the security purchased; or
- iii) Closing of the written options – realized gains or losses will arise equal to the cost of purchasing options to close the position net of any premium received.

Realized gains and losses related to options are included in Net realized gain (loss) on investments and options in the Statements of Comprehensive Income.

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

### Foreign currency translation

The Fund's subscriptions and redemptions are denominated in Canadian dollars which is also its functional and presentation currency. Assets and liabilities in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the year end. Purchases and sales of investments and income and expenses are translated into Canadian dollars at the rate of exchange prevailing at the transaction date. Foreign exchange gains and losses relating to cash are presented as Foreign currency gain (loss) on cash and other assets and liabilities and those related to investments and derivatives are included in Net realized gain (loss) on investments and options, Net realized gain (loss) on foreign exchange forward contracts, and Change in unrealized (depreciation) appreciation on investments, options and foreign exchange forward contracts.

### Leverage

Leverage occurs when the Fund borrows money or securities, or uses derivatives, to generate investment exposure that would otherwise not be possible. The Fund's aggregate exposure to its sources of leverage is calculated as the sum of the following: (i) the market value of short holdings; (ii) the amount of cash borrowed for investment purposes; and (iii) the notional value of the Fund's derivatives positions, excluding any derivatives used for hedging purposes. The Fund's exposure to leverage must not exceed 300% of the Fund's NAV.

The Fund has received exemptive relief from Canadian securities regulatory authorities from certain investment restrictions set out in NI 81-102 that would restrict the ability of the Fund to leverage their assets through borrowing, short sales and/or derivatives. Investment decisions may be made for the assets of the Fund that exceed the net asset value of the Fund. As a result, if these 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 a Fund's turnover, transaction and market impact costs, interest and other costs and expenses.

The Fund has also obtained exemptive relief such that the Fund is permitted to engage in short selling transactions and cash borrowing up to a combined maximum of 100% of its net asset value, which is in excess of the short sale and cash borrowing limits provided for both conventional mutual funds and alternative mutual funds in NI 81-102.

During the year January 1 to December 31, 2020, the Fund's aggregate exposure reached a low of 10.34% and a high of 21.37% of the Fund's NAV. As at December 31, 2020, the Fund's aggregate exposure was 17.50% of the Fund's NAV. The primary source of leverage was short positions in equity securities and margin borrowings, which is governed by a prime brokerage agreement between the Fund and CIBC.

### Margin Borrowings

Borrowings are recognized at fair value net of transaction costs incurred. They are subsequently valued at amortized cost; any difference is recognized in the Statements of Comprehensive Income over the period of the borrowing using the effective interest method.

The Fund has a margin borrowing facility for investment purposes up to 50% of its most recently calculated net asset value attributable to holders of redeemable units.

The margin borrowing facility has no maturity and bears interest at Canadian overnight rates plus agreed spread with CIBC. The margin borrowing facility can be settled by the Fund at its discretion without any penalty. The securities held with CIBC form collateral for the margin borrowings. As at December 31, 2020, the total value of securities held as collateral was \$41,817,898 (December 31, 2019 - \$11,724,987). The margin borrowings from CIBC are due on demand.

The carrying value of the margin borrowing approximates its fair value and is shown as "Margin borrowings" in the Statements of Financial Position. For the year January 1, 2020 to December 31, 2020, the average margin borrowing was \$7,723,528 (December 31, 2019 - \$1,301,303).

### Securities sold short

The Fund may sell a security it does not own in anticipation of a decline in the fair value of that security. It may also enter short positions to hedge against long positions. When the Fund sells a security short, it must deliver the security sold short to the purchaser at a future date. A gain, limited to the proceeds received on the security sold short, or a loss, unlimited in size, will be realized when the securities to cover the short sale obligation are acquired by the Fund. Securities sold short are reported in the financial statement as a liability at fair value through profit or loss as described above under recognition. Dividends and interest on these securities sold short are payable to the purchaser and are recognized in Dividend expense or Interest and borrowing expense in the Statements of Comprehensive Income.

### Valuation of Fund Units

The Fund's net asset value is calculated at the close of regular trading, normally 4:00pm (Eastern Time), on a day the Toronto Stock Exchange ("TSX") is open (a "Valuation Day"). The net asset value of the Fund will be calculated in Canadian dollars and the units of the Fund are denominated in Canadian dollars. The Fund's units are divided into the Class A, Class F, and Class I units. Each class is divided into units of equal value. When you invest in the Fund, you are purchasing units of a specific class of the Fund.

A separate net asset value per unit is calculated for each class of units (the "Unit Price"). The Unit Price is the price used for all purchases, switches, reclassifications and redemptions of units of that class (including purchases made on the reinvestment of distributions). The price at which units are issued or redeemed is based on the next applicable Unit Price determined after the receipt of the purchase or redemption order. The Unit Price of each class of the Fund is calculated by taking the fair value of all the investments and other assets allocated to the class and subtracting the liabilities allocated to that class. This gives us the net asset value for the class. The Unit Price for the class is obtained by dividing the net asset value for the class by the total number of units of the class that investors in a Fund are holding.

Although the purchases and redemptions of units are recorded on a class basis, the assets attributable to all of the class of a Fund are pooled to create one fund for investment purposes. Each class pays its proportionate share of fund costs in addition to its management fee and performance fee. The difference in fund costs, management fees and performance fees between each class means that each class has a different Unit Price. Any purchase, switch, reclassification or redemption instruction received after 4:00pm (Eastern Time) on Valuation Day will be processed on the next Valuation Day.

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

### **Increase (decrease) in net assets attributable to holders of redeemable units for each Class**

Increase (decrease) in net assets attributable to holders of redeemable units per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units for the period per class, divided by the weighted average units outstanding during the period for that class.

### **Net Assets attributable to holders of redeemable units and related per unit amounts**

The Fund issues three classes of redeemable units, which are redeemable at the holder's option and do not have identical rights. Such units are classified as financial liabilities. Redeemable units can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund's net asset value attributable to the unit class. Units are redeemable daily. The redeemable units are carried at the redemption amount that is payable at the Statements of Financial Position date if the holder exercises the right to put the unit back to the Fund. Redeemable units are issued and redeemed at the holder's option at prices based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of each class of redeemable units with the total number of outstanding redeemable units for each respective class. Investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit (NAV) for transactions with unitholders. As at December 31, 2020, there were no differences between the Fund's net asset value per security and its net assets per security calculated in accordance with IFRS.

A separate NAV is calculated for each Class of units of the Fund by taking the Class' proportionate share of the Fund's common assets less that Class' proportionate share of the Fund's common liabilities and deducting from this amount all liabilities that relate solely to a specific Class. The NAV per unit for each Class is determined by dividing the NAV of each Class by the number of units of that Class outstanding on the valuation date.

### **Classification of redeemable units issued by the Fund**

Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's units do not meet the criteria in IAS 32 for classification as equity and therefore, have been classified as financial liabilities.

### **Taxation**

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund has determined that it is in substance not taxable and therefore does not record income taxes in the Statements of Comprehensive Income nor does it recognize any deferred tax assets or liabilities in the Statements of Financial Position. As at December 31, 2020, the Fund had \$nil unused capital losses (December 31, 2019 - \$nil) which have no expiry and \$nil non-capital losses (December 31, 2019 - \$nil).

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

## **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements requires management to make judgments in applying its accounting policies and to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual amounts could differ from those estimates.

### **Fair value measurement of derivatives and securities not quoted in an active market**

The Fund holds financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources. Broker quotes as obtained from the pricing sources may be indicative and not executable. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk, volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. See Note 5 for more information on the fair value measurement of the Fund's financial instruments.

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

### 5. FAIR VALUE DISCLOSURE

The Fund utilizes a three tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The three levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair values are classified as Level 1 when the related security or derivative is actually traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The Fund's financial instruments which are recorded at fair value have been categorized based upon this fair value hierarchy. The following fair value hierarchy table presents information about the Fund's financial instruments measured at fair value as at December 31, 2020 and December 31, 2019.

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2020				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	67,384,860	67,090	-	67,451,950
Bonds - Long	-	1,077,456	-	1,077,456
Options - Long	206,644	-	-	206,644
Equities - Short	(10,060,548)	-	-	(10,060,548)
Options - Short	(218,265)	-	-	(218,265)
Forward Contracts, net	-	7,513,868	-	7,513,868
<b>Total</b>	<b>57,312,691</b>	<b>8,658,414</b>	<b>-</b>	<b>65,971,105</b>

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2019				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	139,140,786	53,314,983	-	192,455,769
Options - Long	110,537	36,137	-	146,674
Equities - Short	(27,670,141)	-	-	(27,670,141)
Options - Short	(361,433)	(19,787)	-	(381,220)
Forward Contracts, net	-	2,059,045	-	2,059,045
<b>Total</b>	<b>111,219,749</b>	<b>55,390,378</b>	<b>-</b>	<b>166,610,127</b>

#### Level 3 fair value measurements and sensitivity analysis

There were no level 3 securities held for assets and liabilities as at December 31, 2020 and December 31, 2019.

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

### 6. OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position where the Fund currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting in the Statements of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of the contracts.

The following table presents the recognized financial instruments that are offset, or subject to enforceable master netting arrangements or other similar agreements but not offset, as at December 31, 2020 and December 31, 2019, and shows in the 'Net' column what the net impact would be on the Fund's Statements of Financial Position if all set-off rights were exercised.

Financial Assets and Liabilities	Amounts Eligible for Offset			Net \$
	Gross Assets / (Liabilities) \$	Financial Instruments \$	Collateral received/paid \$	
<b>December 31, 2020</b>				
Derivative assets - Foreign exchange forward contracts	9,481,864	(1,967,996)	-	7,513,868
Derivative liabilities - Foreign exchange forward contracts	(1,967,996)	1,967,996	-	-
<b>December 31, 2019</b>				
Derivative assets - Foreign exchange forward contracts	2,059,045	-	-	2,059,045
Derivative liabilities - Foreign exchange forward contracts	-	-	-	-

### 7. INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

The Fund has determined that its investments in underlying funds, securitizations, asset-backed securities and mortgage-backed securities, if any, are unconsolidated structured entities. The determination is based on the fact that decision making about the underlying funds, securitizations, asset-backed securities and mortgage-backed securities is not governed by the voting right or other similar right held by the Fund.

The Fund may invest in underlying funds whose investment objectives range from achieving short-term to long-term income and capital growth potential. Underlying funds may use leverage in a manner consistent with their respective investment objectives and as permitted by Canadian securities regulatory authorities. Underlying funds finance their operations by issuing redeemable units which are puttable at the holders' option and entitles the holder to a proportionate value in the respective fund's Net Assets. The change in fair value of each of the underlying funds during the period is included in Net change in unrealized appreciation (depreciation) on investments and options in the Statements of Comprehensive Income.

The Fund does not provide and has not committed to providing any additional significant financial or other support to the unconsolidated structured entities other than its investments in the unconsolidated structured entities.

There was no interest in unconsolidated structured entities as at December 31, 2020 and December 31, 2019.

#### Investment Entity

The fund has determined that it meets the definition of an "investment entity" and as a result, it measures subsidiaries, if any, at fair value through profit or loss. An investment entity is an entity that: obtains funds from one or more investors for the purposes of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis. The most significant judgement that the Fund has made in determining that it meets this definition is that fair value is the primary measurement attribute used to measure and evaluate the performance of substantially all of its investments.

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

### 8. REDEEMABLE UNITS

Redeemable units transactions include amounts representing unit subscriptions, unit redemptions, and units reinvested. Units are redeemable daily. The Fund generally has no restrictions or specific capital requirements on the subscription and redemptions of units. In accordance with the objectives and the risk management policies outlined in note 11, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being managed by investing the majority of assets in investments that can be readily disposed. The following table summarizes the changes in the number of redeemable units for the years ended December 31:

	2020			2019		
	Class A	Class F	Class I	Class A	Class F	Class I
Units issued and outstanding, beginning of year	313,264	2,914,364	17,062,872	-	-	-
Units issued	500,139	5,867,552	28,308,807	354,545	3,176,126	17,655,355
Units reinvested	-	-	-	3,402	24,285	239,359
Units redeemed	(86,016)	(2,652,183)	(45,155,631)	(44,683)	(286,047)	(831,842)
<b>Units issued and outstanding, end of year</b>	<b>727,387</b>	<b>6,129,733</b>	<b>216,048</b>	<b>313,264</b>	<b>2,914,364</b>	<b>17,062,872</b>
<b>Weighted average number of units held during the year</b>	<b>418,208</b>	<b>3,909,139</b>	<b>24,752,919</b>	<b>182,830</b>	<b>1,297,673</b>	<b>9,739,817</b>

### 9. FEES AND EXPENSES

#### a) Management fees

As consideration for the services provided by the Manager, the Fund pays the Manager a management fee, monthly in arrears. The management fee is calculated daily, on each business day, as a percentage of the NAV of each class of Units that comprise the Fund. The management fee may vary from class to class and will be deducted as an expense of each Fund in the calculation of the net profits of such Fund. The management fee for each of the existing classes of Units is as follows:

Class A: 1/365 of 2% (2% per annum) of the aggregate NAV of the Class A Units on the preceding business day plus applicable taxes.

Class F: 1/365 of 1% (1% per annum) of the aggregate NAV of the Class F Units on the preceding business day plus applicable taxes.

Class I: No management fees are payable for Class I Units. Class I Units are not available for purchase directly by investors.

Management fees amounting to \$503,548 were incurred for the year ended December 31, 2020 (December 31, 2019 - \$165,693) of which \$59,703 (December 31, 2019 - \$25,840) were outstanding at year end.

#### b) Performance fees

The Manager is entitled to a performance fee in relation to each Class A Units and Class F Units that is equal to 15% of the amount by which the total return of the class of Units exceeds the previous high water mark for each applicable class of Units. Any day a performance fee is paid for the Fund, a high water mark is set, which is equal to the NAV of such Fund on such date, after deducting all fees and expenses. No further performance fee will be paid until the NAV, adjusted for any distributions since the high water mark was last set, exceeds this high water mark value. This high water mark is perpetual and cannot be reset. Deficiencies to the high water mark accrue for each day the Fund does not exceed the high water mark and performance fees will not be accrued until the class of Units of the Fund has exceeded the high water mark. There is no performance fee associated with Class I Units of the Fund.

Performance fees for the Fund will be calculated and accrued (and become payable) daily, and such accrued fees will be paid by the Fund quarterly such that, to the extent possible, the Unit price each day will reflect any performance fees payable at the end of such day. The Manager reserves the right to change the period for which any performance fee may be paid by a Fund to the Manager. Performance fees are subject to applicable taxes. No change in the Manager's performance fee payment policy will be made without at least 60 days notice to the unitholders. The Manager has reserved the right to change the period for which any performance fee may be paid by the Fund to the Manager.

Performance fees amounting to \$1,565,976 were incurred for the year ended December 31, 2020 (December 31, 2019 - \$86,822) of which \$550,629 (December 31, 2019 - \$58,805) were outstanding at year end.

#### c) Other fees and expenses

The Fund is responsible for the payment of all fees and expenses relating to its operation, including the fees and expenses of the record-keeper, audit, accounting, administration (other than advertising and promotional expenses which are paid for by the Manager), record keeping and legal fees and expenses, custody and safekeeping charges, all costs and expenses associated with the qualification for sale of units, 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 and all brokerage and other fees relating to the purchase and sale of the assets of the Fund. The Manager will pay for all expenses associated with the identification and management of the Fund's investments (other than direct expenses such as interest charges on margin borrowings and brokerage fees, which are the responsibility of the Fund).

At the discretion of the Manager, certain expenses, as defined in the simplified prospectus, were absorbed during the year in the amount of \$nil (December 31, 2019 - \$103,612).

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

### 10. SOFT DOLLAR COMMISSIONS

Soft dollar commissions relate to amounts paid to brokers in exchange for research or other services provided to the Manager. The Fund paid \$212,376 (December 31, 2019 – \$6,889) in soft dollar commissions during the year.

### 11. FINANCIAL RISK MANAGEMENT

The Fund may use various forms of leverage that increases the effect of any investment value changes on capital. These include the use of margin borrowings and derivatives. While borrowing and leverage present opportunities for increasing total return, they have the effect of potentially increasing losses as well. If the gains on financial assets made with borrowed funds are less than the costs of the leverage or, under certain circumstances, if the borrowing is terminated by the applicable lenders or counterparties in advance of its stated term, the value of the Fund's net assets attributable to holders of redeemable units will decrease. Therefore, any event that adversely affects the value of an investment by the Fund would be magnified to the extent leverage is employed. The cumulative effect of the use of leverage in a market that moves adversely to a leveraged investment could result in a substantial loss which would be greater than if leverage were not used.

The Fund's financial instruments consist of investments, investments pledged as collateral, cash, cash pledged as collateral, due from broker, dividends receivable, other receivable, subscriptions receivable, derivative financial instruments, securities sold short, dividends payable on securities sold short, management fees payable, accrued performance fees, margin borrowings, accounts payable and accrued liabilities, due to broker and redemptions payable. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The Manager maintains a risk management practice that includes daily monitoring of the returns-based risk profile of the Fund. The purpose of such practices is to minimize the potential adverse effect of each risk on the Fund's financial performance while being consistent with the Fund's investment objective. The risks include market risk (including interest rate risk, other price risk, and currency risk), credit risk and liquidity risk. These risks and related risk management practices employed by the Fund are discussed below:

#### a) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than interest rates and foreign currency exchange rates). The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities within specified limits and the Fund's other price risk is managed through diversification of the investment portfolio. The Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges. As at December 31, 2020 and December 31, 2019, the overall market exposures were as follows:

	December 31, 2020		December 31, 2019	
	Fair Value \$	% of Net Assets	Fair Value \$	% of Net Assets
Equities - Long	68,529,406	81.43%	192,455,769	92.24%
Options - Long	206,644	0.25%	146,674	0.07%
<b>Total market exposure</b>	<b>68,736,050</b>	<b>81.67%</b>	<b>192,602,443</b>	<b>92.31%</b>

	December 31, 2020		December 31, 2019	
	Fair Value \$	% of Net Assets	Fair Value \$	% of Net Assets
Equities - Short	(10,060,548)	(11.95%)	(27,670,141)	(13.26%)
Options - Short	(218,265)	(0.26%)	(381,220)	(0.18%)
<b>Total market exposure</b>	<b>(10,278,813)</b>	<b>(12.21%)</b>	<b>(28,051,361)</b>	<b>(13.44%)</b>

Short selling risk is the risk of loss related to short selling transactions. The Fund will profit from a short sale transaction if the value of the borrowed security declines in value from the time the Fund sells the stock to the time the Fund closes out its short position. There is no certainty that the security price will decline, and unlike long positions, where the risk of loss is limited to the amount of the initial investment, short positions may be closed out at a price that would result in a significant loss for the Fund. The Fund's discretion may be limited in an open short sale transaction. For example, the lender may recall the security unexpectedly, or go bankrupt thereby jeopardizing the recoverability of collateral. As well, the Fund may encounter difficulty repurchasing the security should that security's liquidity become compromised in the marketplace. The Fund mitigates such risk by shorting only liquid securities, and by depositing the appropriate collateral against the short positions.

As of December 31, 2020, if the Fund's net equity position and option investments had increased or decreased by 5%, with all other variables held constant, this would have approximately increased or decreased net assets by \$2,922,862 (December 31, 2019 – \$8,227,554). Actual results may differ from this sensitivity analysis and those results could be material.

The COVID-19 (coronavirus disease) pandemic has caused volatility in global financial markets as well as significant disruptions to global business activity. The continued impact of unanticipated market disruptions, including COVID-19 is uncertain and may exacerbate pre-existing political, social or economic risk, and may disproportionately affect certain issuers, industries or types of securities. Such unanticipated market and economic disruptions, including COVID-19, may be short-term or may last for an extended period of time, and could have effects that cannot necessarily be presently foreseen.



# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

### b) Interest rate risk

The Fund uses various forms of leverage that increase the Fund's interest costs. There is no guarantee that existing borrowing arrangements or other arrangements for obtaining leverage can be refinanced at rates as favourable to the Fund as those available in the past. Should interest rates increase or decrease by 25 basis points the Fund's borrowing costs would increase or decrease by approximately \$7,376 (December 31, 2019 – \$30,124). Actual results may differ from this sensitivity analysis and those results could be material. The Manager reviews the interest rate exposure on a regular basis.

As at December 31, 2020, the Fund's investment portfolio includes interest bearing corporate bonds. As a result, the Fund is subject to interest rate risk due to fluctuations in the prevailing level of market interest rates which could impact the Fund's cash flows and the fair values of its interest bearing investments.

If the yield curve had shifted in parallel by 1%, with all other variables held constant, net assets will increase or decrease by \$7,625 (December 31, 2019 - \$nil). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2020, the Fund's exposure to debt instruments by maturity were as follows:

Debt Instruments by Maturity Date	December 31, 2020 (\$)		
	Long Positions	Short Positions	Total
3-5 years	1,077,456	-	1,077,456
<b>Total</b>	<b>1,077,456</b>	<b>-</b>	<b>1,077,456</b>

As at December 31, 2019, the interest rate risk is minimal given that the Fund did not hold any interest bearing fixed income securities. The Fund had no significant interest rate risk due to fluctuations in the prevailing level of market interest rates which could impact the Fund's cash flows and the fair values of its interest-bearing investments.

### c) Currency risk

Currency risk is the risk that the value of net investments denominated in currencies, other than Canadian Dollars, the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. The Fund holds assets and liabilities, including cash, short-term investments, equities, and options that are denominated in currencies other than the Canadian Dollar. It is therefore exposed to currency risk, as the value of and cash flows associated with the securities denominated in other currencies fluctuate due to changes in exchange rates. The Manager reviews the currency positions of the Fund on a regular basis and the Fund may enter into foreign exchange forward contracts for hedging purposes to reduce its foreign currency exposure or to establish exposure to foreign currencies.

The currency risk reflects the net impact after taking into consideration the forward contracts. Foreign currencies to which the Fund had exposure as at December 31, 2020 and December 31, 2019 were as follows:

FINANCIAL INSTRUMENTS					
December 31, 2020 Currency	Monetary \$	Non-Monetary \$	Forward Currency Contracts \$	Total \$	Percentage of Net Assets %
United States Dollar	6,084,532	54,089,478	(60,995,298)	(821,288)	-1.0%
<b>Net Exposure</b>	<b>6,084,532</b>	<b>54,089,478</b>	<b>(60,995,298)</b>	<b>(821,288)</b>	<b>-1.0%</b>

FINANCIAL INSTRUMENTS					
December 31, 2019 Currency	Monetary \$	Non-Monetary \$	Forward Currency Contracts \$	Total \$	Percentage of Net Assets %
United States Dollar	(5,100,044)	153,547,162	(147,240,955)	1,206,163	0.6%
<b>Net Exposure</b>	<b>(5,100,044)</b>	<b>153,547,162</b>	<b>(147,240,955)</b>	<b>1,206,163</b>	<b>0.6%</b>

If the Canadian dollar had strengthened or weakened by 5% in relation to all other currencies held in the investment portfolio, net assets would have decreased or increased by approximately \$41,064 (December 31, 2019 - \$60,308). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

### d) Liquidity risk

Liquidity risk is the risk that a fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund's exposure to liquidity risk is concentrated in the cash redemptions of units, and borrowings at the daily valuation date. The Fund invests primarily in securities that are traded in active markets and can be readily disposed of. The Fund may, from time to time, invest in derivative contracts traded over the counter or in unlisted securities, which are not traded in an organized market and may be illiquid. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the credit worthiness of any particular issuer. Investments held as at December 31, 2020 that may be subject to liquidity risk have been identified on the Schedule of Investment Portfolio. The Fund retains sufficient cash to maintain liquidity.

There is no guarantee that existing borrowing facilities or arrangements for obtaining leverage, will remain in place for the life of the Fund. The Fund's borrowing facilities are subject to a security interest in favour of the relevant creditors. Following an event of default under such facilities, the creditors could direct sales of the collateral assets. The prices obtained in any such liquidation or foreclosure sales may not be sufficient to repay the Fund's obligations under the facilities, in which case the Fund would not have any remaining funds to distribute.

Further, most leveraged transactions require the posting of collateral. A decrease in fair value of such financial assets may result in the lender, including derivative counterparties, requiring the Fund to post additional collateral or otherwise sell assets at a time when it may not be in the Fund's best interest to do so. A failure of the Fund to continue to post the required collateral could result in a disposition of Fund's assets at times and prices, which could be disadvantageous to the Fund and could result in substantial losses having a material adverse effect on the Fund. To the extent that a creditor has a claim on the Fund, such claim would be senior to the rights of the redeemable participating unitholders.

Expiration or withdrawal of available financing for leverage positions, and the requirement to post collateral in respect of changes in the fair value of leveraged exposures, can rapidly result in adverse effects to the Fund's access to liquidity and its ability to maintain leveraged positions, and may cause the Fund to incur material losses.

The table below categorizes the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Amounts due to holders of redeemable units are disclosed as net assets attributable to holders of redeemable units on the statement of financial position and are due on demand.

December 31, 2020 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	10,060,548	-	-	10,060,548
Redemptions payable	306,426	-	-	306,426
Accrued liabilities and other payables	-	1,163,837	-	1,163,837
Derivative liabilities	2,186,261	-	-	2,186,261
Margin borrowings	2,950,240	-	-	2,950,240
<b>December 31, 2019 Financial Liabilities</b>	<b>On Demand \$</b>	<b>&lt; 3 months \$</b>	<b>&gt; 3 months \$</b>	<b>Total \$</b>
Short positions	27,670,141	-	-	27,670,141
Redemptions payable	-	7,933,840	-	7,933,840
Accrued liabilities and other payables	-	1,479,258	-	1,479,258
Derivative liabilities	-	381,220	-	381,220
Margin borrowings	12,048,571	-	-	12,048,571

### e) Credit risk

Credit risk is the risk that a loss could arise when a security issuer or counterparty to a financial instrument is unable to meet its financial obligations. The Fund's main credit risk is from corporate bonds, and derivative contracts. To maximize the credit quality of its investments, the Manager performs ongoing credit evaluations based upon factors surrounding the credit risk of customers, historical trends and other information.

The following table below shows debt as a percentage of net assets attributable to holders of redeemable units held under each credit rating. All counterparties to derivative contracts had a credit rating of A- or higher as at December 31, 2020.

Bond Ratings	December 31, 2020		
	Net	Long	Short
CCC+	1.28%	1.28%	0.00%
NR	0.00%	0.00%	0.00%

The above credit ratings are obtained and disclosed from the rating services in the following hierarchical order: 1) Moody's; 2) Standard & Poor's; 3) Fitch; 4) Dominion Bond Rating Service, using first available. All cash is held with a financial institution with a minimum credit rating of A+.

As at December 31, 2019, the Fund had no investments in debt instruments and therefore had no exposure to credit risk.

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

### (f) Concentration risk

The table below summarizes the Fund's concentration risk as a percentage of net assets attributable to holders of redeemable units as at December 31, 2020 and 2019.

Jurisdiction	% of Net Assets	
	2020	2019
<b>LONG POSITIONS</b>	<b>92.9%</b>	<b>93.3%</b>
<b>Canadian Equities</b>	<b>7.7%</b>	<b>92.2%</b>
Financials	5.0%	51.0%
Consumer Discretionary	1.5%	5.7%
Industrials	0.7%	5.7%
Communication Services	0.5%	2.9%
Health Care	0.0%	11.5%
Utilities	0.0%	8.2%
Information Technology	0.0%	5.4%
Energy	0.0%	0.9%
Materials	0.0%	0.9%
<b>Global Equities</b>	<b>72.5%</b>	<b>0.0%</b>
<b>United States Equities</b>	<b>45.1%</b>	<b>0.0%</b>
Financials	31.5%	0.0%
Information Technology	8.5%	0.0%
Health Care	4.0%	0.0%
Industrials	0.9%	0.0%
Energy	0.2%	0.0%
<b>International Equities</b>	<b>27.4%</b>	<b>0.0%</b>
Financials	26.6%	0.0%
Industrials	0.8%	0.0%
<b>Corporate Bonds</b>	<b>1.3%</b>	<b>0.0%</b>
United States	1.3%	0.0%
International	0.0%	0.0%
<b>Derivatives</b>	<b>11.4%</b>	<b>1.1%</b>
<b>SHORT POSITIONS</b>	<b>-14.5%</b>	<b>-13.4%</b>
<b>Global Equities</b>	<b>-11.9%</b>	<b>-13.2%</b>
<b>United States Equities</b>	<b>-7.7%</b>	<b>-11.0%</b>
Information Technology	-5.9%	-0.2%
Financials	-1.1%	-5.9%
Industrials	-0.4%	0.0%
Communication Services	-0.2%	0.0%
Energy	-0.1%	-0.1%
Consumer Discretionary	0.0%	-0.2%
Utilities	0.0%	-4.6%
<b>International Equities</b>	<b>-4.2%</b>	<b>-2.2%</b>
Financials	-3.1%	0.0%
Health Care	-1.1%	-2.2%
<b>Derivatives</b>	<b>-2.6%</b>	<b>-0.2%</b>

# PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

### 12. INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The increase in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2020 and 2019 is calculated as follows:

Class A	December 31, 2020	December 31, 2019
Increase in net assets attributable to holders of redeemable units	\$860,828	\$46,129
Weighted average units outstanding during the period	418,208	182,830
Increase in net assets attributable to holders of redeemable units per unit	2.06	0.25

  

Class F	December 31, 2020	December 31, 2019
Increase in net assets attributable to holders of redeemable units	\$7,883,140	\$453,621
Weighted average units outstanding during the period	3,909,139	1,297,673
Increase in net assets attributable to holders of redeemable units per unit	2.02	0.35

  

Class I	December 31, 2020	December 31, 2019
Increase in net assets attributable to holders of redeemable units	\$45,750,201	\$5,062,465
Weighted average units outstanding during the period	24,752,919	9,739,817
Increase in net assets attributable to holders of redeemable units per unit	1.85	0.52

### 13. COMPARATIVE FIGURES

For the year ended December 31, 2019, the Fund reported HST expenses in "Performance fees", "Management fees", "Securityholder reporting costs", "Other administrative expenses", "Audit fees", "Custody fees", "Legal fees", "Trustee fees" and "IRC fees" on the Statement of Comprehensive Income. For the year ended December 31, 2020, the Fund reported such expenses in "Harmonized sales tax" and revised the comparative amounts to conform to the current year presentation.

For the year ended December 31, 2019, the Fund reported trustee and administrative expenses in "Trustee fees" and "Other administrative expenses", respectively, on the Statements of Comprehensive Income. For the year ended December 31, 2020, the Fund reported such expenses in "Administrative fees" and revised the comparative amounts to conform to the current year presentation.

For the year ended December 31, 2019, the Fund reported securities borrowing fees and interest expenses in "Securities borrowing fees" and "Interest expense", respectively, on the Statements of Comprehensive Income. For the year ended December 31, 2020, the Fund reported such expenses in "Interest and borrowing expense" and revised the comparative amounts to conform to the current year presentation.

For the year ended December 31, 2019, the Fund reported net foreign exchange gain (loss) on cash in "Foreign exchange gain on cash" and "Change in unrealized foreign exchange gain on cash" on the Statements of Comprehensive Income. For the year ended December 31, 2020, the Fund reported such amounts in "Foreign currency gain (loss) on cash and other assets and liabilities" and revised the comparative amounts to conform to the current year presentation.

For the year ended December 31, 2019, the Fund reported realized gain (loss) on options and forwards in "Net realized gain on investments and derivatives" on the Statements of Comprehensive Income. For the year ended December 31, 2020, the Fund reported the realized gain (loss) on options in "Net realized gain (loss) on investments and options" and realized gain (loss) on forwards in "Net realized gain (loss) on foreign exchange forward contracts" and revised the comparative amounts to conform to the current year presentation. "Net realized (gain) loss on investments and options" and "Proceeds from sales of long positions and on investments sold short" on the Statements of Cash Flows have also been revised to conform to the presentation on the Statements of Comprehensive Income.

For the year ended December 31, 2019, the Fund reported investments and investments pledged as collateral in "Investments" and "Investments, Pledged as Collateral", respectively, on the Statements of Financial Position. For the year ended December 31, 2020, the Fund reported all investments in "Long Positions at fair value" and reported the value of investments pledged as collateral in Note 3 to the financial statements. The Fund revised the comparative amounts to conform to the current year presentation.







**THINK AHEAD.  
STAY AHEAD.**



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## **PICTON MAHONEY ASSET MANAGEMENT CORPORATE INFORMATION**

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