

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS ALTERNATIVE FUND



**THINK AHEAD.
STAY AHEAD.**

TABLE OF CONTENTS

- 2 Management’s Responsibility Statement
- 3 Independent Auditor’s Report
- 5 Picton Mahoney Fortified Arbitrage Plus Alternative Fund Financial Statements
- 13 Notes to the Financial Statements

MANAGEMENT'S RESPONSIBILITY STATEMENT

The accompanying financial statements have been prepared by Picton Mahoney Asset Management, the Manager of the Picton Mahoney Fortified Arbitrage Plus 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 Plus Alternative Fund (formerly Vertex
Liquid Alternative Fund Plus) (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

INDEPENDENT AUDITOR'S REPORT

sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher 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 PLUS ALTERNATIVE FUND

STATEMENTS OF FINANCIAL POSITION

As at

	December 31, 2020 \$	December 31, 2019 \$
Assets		
Current assets		
Long positions at fair value*	481,208,706	125,041,430
Cash	33,834,675	1,931,242
Cash, pledged as collateral	46,683,394	-
Cash, pledged as collateral for derivative agreements	-	4,989,553
Options purchased	1,417,945	-
Unrealized gain on foreign exchange forward contracts at fair value	2,049,515	-
Unrealized gain on derivative agreements	-	1,333,103
Subscriptions receivable	3,157,215	206,152
Receivable for investments sold	5,272,374	-
Dividends receivable	48,105	-
Interest and other receivable	181,332	-
	<u>573,853,261</u>	<u>133,501,480</u>
Liabilities		
Current liabilities		
Short positions at fair value**	74,838,624	-
Options written	1,491,033	-
Unrealized loss on foreign exchange forward contracts at fair value	10,249	-
Margin borrowings	164,690,746	44,578,033
Management fee payable	224,853	82,049
Performance fee payable	3,856,331	330,233
Redemptions payable	34,156	151,213
Accrued liabilities	185,669	176,532
Payable for investments purchased	4,849,182	-
Dividends payable	4,386	-
	<u>250,185,229</u>	<u>45,318,060</u>
Net Assets Attributable to Holders of Redeemable Units	<u>323,668,032</u>	<u>88,183,420</u>
Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	29,089,392	9,148,008
Class F	<u>294,578,640</u>	<u>79,035,412</u>
Number of Redeemable Units Outstanding		
Class A	2,382,865	881,362
Class F	<u>23,693,765</u>	<u>7,554,501</u>
Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	12.21	10.38
Class F	<u>12.43</u>	<u>10.46</u>
* Long positions, at cost	<u>467,089,984</u>	<u>123,244,722</u>
** Short positions, at cost	<u>(75,927,074)</u>	<u>-</u>

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 \$
Income		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	71,159	34,483
Dividends	60,137	-
Distributions from underlying funds	(155,462)	310,923
Net realized gain (loss) on investments, options and derivative agreements	60,856,896	1,548,799
Net realized gain (loss) on foreign exchange forward contracts	(671,720)	-
Change in unrealized appreciation (depreciation) on investments, options, forward exchange forward contracts and derivative agreements	14,055,207	2,507,671
Interest and borrowing expense	(680,265)	(472,867)
Dividend expense	(4,393)	-
Net gains (losses) on investments and derivatives	<u>73,531,559</u>	<u>3,929,009</u>
Other income		
Foreign currency gain (loss) on cash and other assets and liabilities	(390,455)	-
Total Income	<u>73,141,104</u>	<u>3,929,009</u>
Expenses		
Performance fees	10,608,820	448,014
Management fees	1,705,249	516,499
Harmonized sales tax	1,177,853	54,286
Transaction costs	177,962	-
Securityholder reporting fees	107,364	55,007
Audit fees	106,260	7,105
Administrative fees	101,801	76,646
Custody fees	40,488	10,720
Legal fees	36,313	26,592
Withholding taxes	12,026	-
Independent Review Committee Expense	6,617	5,256
Total Expense before Manager Absorption	<u>14,080,753</u>	<u>1,200,125</u>
Less: Expenses Absorbed by Manager	-	(59,429)
Total Expense after Manager Absorption	<u>14,080,753</u>	<u>1,140,696</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>59,060,351</u>	<u>2,788,313</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	5,652,607	235,030
Class F	<u>53,407,744</u>	<u>2,553,283</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	3.78	0.53
Class F	<u>4.44</u>	<u>0.60</u>

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS 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 \$
Net Assets Attributable to Holders of Redeemable Units at Beginning of Year		
Class A	9,148,008	-
Class F	79,035,412	-
	<u>88,183,420</u>	<u>-</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Class A	5,652,607	235,030
Class F	53,407,744	2,553,283
	<u>59,060,351</u>	<u>2,788,313</u>
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Class A	21,207,110	9,604,810
Class F	227,775,532	88,753,556
	<u>248,982,642</u>	<u>98,358,366</u>
Reinvestments of distributions to holders of redeemable units		
Class A	2,912,873	-
Class F	27,039,522	-
	<u>29,952,395</u>	<u>-</u>
Redemption of redeemable units		
Class A	(6,918,333)	(691,832)
Class F	(65,640,048)	(12,271,427)
	<u>(72,558,381)</u>	<u>(12,963,259)</u>
Net Increase (Decrease) from Redeemable Unit Transactions	<u>206,376,656</u>	<u>85,395,107</u>
From capital gains		
Class A	(2,912,873)	-
Class F	(27,039,522)	-
	<u>(29,952,395)</u>	<u>-</u>
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>235,484,612</u>	<u>88,183,420</u>
Net Assets Attributable to Holders of Redeemable Units at End of Year		
Class A	29,089,392	9,148,008
Class F	294,578,640	79,035,412
Net Assets Attributable to Holders of Redeemable Units at End of Year	<u>323,668,032</u>	<u>88,183,420</u>

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 \$
Cash Flows from Operating Activities		
Increase (decrease) in net assets attributable to holders of redeemable units	59,060,351	2,788,313
Adjustments for:		
Unrealized foreign exchange (gain) loss on cash	35,374	-
Net realized (gain) loss on investments, options and derivative agreements	(60,856,896)	(1,548,799)
Change in unrealized (appreciation) depreciation on investments, options, forward exchange forward contracts and derivative agreements	(14,055,207)	(2,507,671)
(Increase) decrease in interest and other receivables	(181,332)	-
(Increase) decrease in dividends receivable	(48,105)	-
Increase (decrease) in dividends payable	4,386	-
(Increase) decrease in cash, pledged as collateral for derivative agreements	4,989,553	(4,989,553)
Increase (decrease) in other payables and accrued liabilities	9,137	176,532
Increase (decrease) in management fee payable	142,804	82,049
Increase (decrease) in performance fee payable	3,526,098	330,233
Purchase of long positions and repurchases of investments sold short	(1,062,701,831)	(123,866,862)
Proceeds from sales of long positions and on investments sold short	855,229,015	1,548,799
Net Cash Generated (Used) by Operating Activities	<u>(214,846,653)</u>	<u>(127,986,959)</u>
Cash Flows from Financing Activities		
Proceeds from redeemable units issued	245,646,992	98,111,106
Amount paid on redemption of redeemable units	(72,290,851)	(12,770,938)
Increase (decrease) in margin borrowings	120,112,713	44,578,033
Net Cash Generated (Used) by Financing Activities	<u>293,468,854</u>	<u>129,918,201</u>
Unrealized foreign exchange gain (loss) on cash	(35,374)	-
Net increase (decrease) in cash	78,622,201	1,931,242
Cash, beginning of year	1,931,242	-
Cash, End of Year	<u>80,518,069</u>	<u>1,931,242</u>
Cash	33,834,675	1,931,242
Cash, pledged as collateral	46,683,394	-
Net Cash (Overdraft)	<u>80,518,069</u>	<u>1,931,242</u>
Items classified as operating activities:		
Interest received, net of withholding tax	-	34,483
Dividends received, net of withholding tax	12,032	-
Interest and borrowing expense paid	(680,265)	(472,856)
Dividends paid	(7)	-

Net of non-cash transfers and switches of \$384,587 (2019 - \$41,108)

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS 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 (\$)
LONG POSITIONS (149.1%)									
Canadian Equities (14.6%)									
Industrial (1.6%)									
	336,600	People Corp., CDNX	5,070,010	5,065,830					
Consumer Discretionary (3.1%)									
	232,521	Great Canadian Gaming Corp.	10,058,649	10,110,013					
Financials (9.1%)									
	146,400	Bespoke Capital Acquisition Corp.	1,859,788	1,893,111		97,300	Atlas Crest Investment Corp.	1,276,063	1,307,779
	72,400	Bespoke Capital Acquisition Corp., Warrants, 2024-12-31	74,161	110,685		47,600	Better World Acquisition Corp.	618,705	670,098
	104,100	Canaccord Genuity Growth II Corp.	327,945	327,915		125,297	BowX Acquisition Corp.	1,640,598	1,637,786
	60,800	Ceres Acquisition Corp.	754,577	753,290		43,899	BowX Acquisition Corp., Warrants, 2025-12-31	83,946	99,551
	29,489	Ceres Acquisition Corp., Warrants, 2025-04-13	33,983	28,177		97,300	Capitol Investment Corp. V	1,247,482	1,276,789
	178,708	Genworth MI Canada Inc.	7,764,681	7,757,714		145,900	Capstar Special Purpose Acquisition Corp.	1,845,694	1,886,646
	505,183	Mercer Park Brand Acquisition Corp.	6,473,698	6,493,950		73,000	Capstar Special Purpose Acquisition Corp., Warrants, 2027-07-09	107,490	131,133
	216,466	Mercer Park Brand Acquisition Corp., Warrants, 2024-06-24	312,945	275,777		97,300	Carney Technology Acquisition Corp. II	1,237,410	1,271,831
	782,900	Subversive Capital Acquisition Corp.	10,217,445	10,093,827		97,300	Cascade Acquisition Corp.	1,253,418	1,295,383
	190,250	Subversive Capital Acquisition Corp., Warrants, 2024-08-26	362,586	399,924		146,000	CBRE Acquisition Holdings Inc.	1,864,790	1,943,740
	97,300	Subversive Real Estate Acquisition REIT LP	1,235,903	1,221,007		146,000	CF Acquisition Corp. IV	1,877,258	1,913,980
			29,417,712	29,355,377		49,519	CF Finance Acquisition Corp. II	664,497	695,220
Communication Services (0.8%)									
	69,946	Cineplex Inc.	679,836	648,399		133,800	CF Finance Acquisition Corp. III	1,772,835	1,829,047
	19,509	Cogeco Communications Inc.	1,859,598	1,909,151		121,600	Chardan Healthcare Acquisition 2 Corp.	1,547,675	1,580,166
			2,539,434	2,557,550		121,600	Chardan Healthcare Acquisition 2 Corp., Warrants, 2025-03-05	124,632	153,369
		Total Canadian Equities - Long	47,085,805	47,088,770		138,600	CHP Merger Corp.	1,786,048	1,811,672
Global Equities (131.8%)									
United States Equities (82.5%)									
	60,800	10X Capital Venture Acquisition Corp.	790,687	824,940		204,917	Churchill Capital Corp. II	2,668,997	2,702,013
	85,200	Ackrell Spac Partners I Co.	1,096,440	1,116,925		291,900	Churchill Capital Corp. IV	3,692,797	3,722,522
	48,600	Aequi Acquisition Corp.	619,360	625,355		58,400	Churchill Capital Corp. IV, Warrants, 2025-09-18	92,916	113,090
	80,100	Aerojet Rocketdyne Holdings Inc.	5,359,409	5,393,201		146,000	Churchill Capital Corp. V	1,895,383	1,953,040
	55,500	Alexion Pharmaceuticals Inc.	11,131,074	11,047,253		48,600	Climate Change crisis Real Impact I Acquisition Corp.	666,367	661,886
	73,000	Altitude Acquisition Corp.	934,651	962,570		18,939	CM Life Sciences Inc.	259,478	279,888
	163,358	Amplitude Healthcare Acquisition Corp.	2,074,972	2,083,260		150,900	Concord Acquisition Corp.	1,933,963	1,989,751
	81,636	Amplitude Healthcare Acquisition Corp., Warrants, 2026-12-01	110,802	150,806		193,800	Conx Corp.	2,516,344	2,580,115
	98,694	Arko Corp., Warrants, 2025-12-31	127,372	171,001		60,800	Crescent Acquisition Corp.	798,838	809,448
						73,000	DD3 Acquisition Corp. II	933,778	976,520
						24,300	Decarbonization Plus Acquisition Corp.	331,355	355,709
						97,300	Delwinds Insurance Acquisition Corp.	1,242,768	1,264,393
						97,300	DFP Healthcare Acquisitions Corp.	1,292,999	1,338,769
						36,500	Digital Media Solutions Inc., Warrants, 2023-04-05	36,437	73,592
						23,782	dMY Technology Group Inc. III	315,782	341,764
						194,600	DPCM Capital Inc.	2,567,532	2,732,081
						97,298	E.Merge Technology Acquisition Corp.	1,230,752	1,268,086
						32,366	E.Merge Technology Acquisition Corp., Warrants, 2025-07-30	45,644	61,851
						48,600	East Resources Acquisition Co.	617,868	628,451

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS 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 (\$)
	23,609	East Resources Acquisition Co., Warrants, 2027-07-01	25,091	34,289		121,600	Holicy Inc.	1,588,290	1,611,150
	73,000	EdtechX Holdings Acquisition Corp. II	932,395	959,780		264,494	Hudson Executive Investment Corp.	3,320,062	3,642,593
	121,596	Equity Distribution Acquisition Corp.	1,570,083	1,586,311		109,500	Hudson Executive Investment Corp., Warrants, 2025-06-21	140,838	235,760
	40,532	Equity Distribution Acquisition Corp., Warrants, 2025-09-09	66,606	92,411		97,300	IG Acquisition Corp.	1,261,069	1,338,769
	48,600	Executive Network Partnering Corp.	1,523,485	1,549,766		49,800	INSU Acquisition Corp. III	636,316	670,615
	11,804	Executive Network Partnering Corp., Warrants, 2028-09-25	45,125	38,949		60,800	Jiya Acquisition Corp.	778,580	797,829
	170,300	Falcon Capital Acquisition Corp.	2,278,966	2,317,154		85,100	Juniper Industrial Holdings Inc.	1,142,121	1,160,065
	243,316	FG New America Acquisition Corp.	3,212,744	3,292,034		97,300	Juniper Industrial Holdings Inc., Warrants, 2026-11-13	198,692	228,087
	97,300	Fintech Acquisition Corp. V	1,245,871	1,326,373		36,500	KINS Technology Group Inc.	464,808	478,495
	48,600	FirstMark Horizon Acquisition Corp.	650,722	656,313		170,298	Landcadia Holdings III Inc.	2,228,253	2,273,735
	16,200	FirstMark Horizon Acquisition Corp., Warrants, 2025-09-26	-	51,597		56,766	Landcadia Holdings III Inc., Warrants, 2027-10-01	-	161,273
	199,353	Foley Trasimene Acquisition Corp.	2,637,418	2,839,446		48,600	Lefteris Acquisition Corp.	624,845	674,888
	90,717	Foley Trasimene Acquisition Corp., Warrants, 2025-07-17	204,565	292,401		141,805	LGL Systems Acquisition Corp.	1,841,027	1,828,273
	73,000	Forest Road Acquisition Corp.	953,778	976,520		34,498	LGL Systems Acquisition Corp., Warrants, 2026-11-12	56,135	71,200
	145,900	Fortress Value Acquisition Corp. II	1,918,338	1,994,454		48,600	Lifesci Acquisition II Corp.	633,980	657,552
	28,365	Fortress Value Acquisition Corp. II, Warrants, 2027-08-10	74,819	88,897		73,000	Lionheart Acquisition Corp. II	918,192	937,459
	87,100	Fusion Acquisition Corp.	1,113,338	1,253,908		36,500	Lionheart Acquisition Corp. II, Warrants, 2026-02-14	43,824	52,546
	37,000	Fusion Acquisition Corp., Warrants, 2027-06-01	63,180	120,673		97,300	Live Oak Acquisition Corp. II	1,265,913	1,344,967
	70,500	GigCapital2 Inc., Rights	30,778	37,103		48,600	Lux Health Tech Acquisition Corp.	670,582	726,279
	72,997	GO Acquisition Corp.	923,495	947,651		137,684	Maxim Integrated Products Inc.	15,231,914	15,550,032
	23,608	GO Acquisition Corp., Warrants, 2027-08-31	37,786	45,115		112,100	MedTech Acquisition Corp.	1,432,350	1,499,560
	199,200	Golden Falcon Acquisition Corp.	2,545,264	2,639,318		328,400	Merida Merger Corp. I	4,267,311	4,267,489
	308,764	Gores Holdings IV Inc.	4,382,316	5,164,883		115,600	Merida Merger Corp. I, Warrants, 2026-11-07	176,211	147,274
	364,800	Gores Holdings V Inc.	4,668,583	4,833,450		145,900	Montes Archimedes Acquisition Corp.	1,877,985	1,890,363
	73,000	Gores Holdings V Inc., Warrants, 2027-08-10	131,952	186,934		72,950	Montes Archimedes Acquisition Corp., Warrants, 2025-12-31	-	133,831
	146,000	Gores Holdings VI Inc.	1,864,790	1,971,641		194,700	Mudrick Capital Acquisition Corp. II	2,490,502	2,579,695
	48,600	Greenrose Acquisition Corp.	619,832	627,213		97,300	NavSight Holdings Inc.	1,230,849	1,240,841
	48,600	Greenrose Acquisition Corp., Warrants, 2024-05-11	34,225	61,625		48,600	NavSight Holdings Inc., Warrants, 2030-01-01	65,596	79,253
	295,698	GS Acquisition Holdings Corp. II	3,939,154	4,106,236		24,300	Nebula Caravel Acquisition Corp.	311,124	334,348
	60,899	GS Acquisition Holdings Corp. II, Warrants, 2025-08-20	136,716	198,618		97,300	New Beginnings Acquisition Corp.	1,308,638	1,357,363
	49,882	GX Acquisition Corp.	666,183	699,046		121,600	NewHold Investment Corp.	1,555,461	1,550,732
	121,700	Healthcare Services Acquisition Corp.	1,564,810	1,584,567		60,800	NewHold Investment Corp., Warrants, 2025-03-10	89,581	108,443
	48,600	Highcape Capital Acquisition Corp.	634,811	638,977		133,800	Northern Genesis Acquisition Corp.	2,479,336	3,030,798
						63,100	Northern Genesis Acquisition Corp., Warrants, 2027-07-31	275,013	453,396
						129,014	Northern Genesis Sponsor LLC	17	16

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS 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 (\$)
	314,677	Northern Genesis Sponsor LLC, Warrants	402,926	400,898		182,400	Supernova Partners Acquisition Co Inc.	2,476,281	2,697,902
	97,300	Omnichannel Acquisition Corp.	1,249,589	1,276,789		121,600	Tailwind Acquisition Corp.	1,543,138	1,609,601
	243,100	Osprey Technology Acquisition Corp.	3,160,410	3,242,655		60,800	Tailwind Acquisition Corp., Warrants, 2027-09-07	82,296	108,443
	73,000	Osprey Technology Acquisition Corp., Warrants, 2024-10-30	122,139	136,713		24,300	Thayer Ventures Acquisition Corp.	310,373	323,513
	48,600	OTR Acquisition Corp.	631,594	649,503		92,322	Tuscan Holdings Corp. II	1,239,133	1,294,976
	49,200	Parsley Energy Inc.	876,776	890,067		75,000	Tuscan Holdings Corp. II, Warrants, 2025-07-16	158,304	224,542
	73,000	Periphas Capital Partnering Corp.	2,320,938	2,428,280		72,997	TWC Tech Holdings II Corp.	931,572	979,270
	158,845	Pershing Square Tontine Holdings Ltd.	5,285,062	5,609,651		23,637	TWC Tech Holdings II Corp., Warrants, 2027-09-15	39,951	50,892
	48,600	Pine Island Acquisition Corp.	631,744	638,358		64,501	Varian Medical Systems Inc.	14,425,660	14,381,308
	121,600	Property Solutions Acquisition Corp.	1,528,948	1,549,183		73,000	Ventoux CCM Acquisition Corp.	937,472	957,920
	60,700	Property Solutions Acquisition Corp., Warrants, 2027-08-28	60,773	81,198		74,148	Virtusa Corp.	4,760,138	4,829,969
	97,300	PTK Acquisition Corp.	1,228,393	1,256,955		194,500	Viveon Health Acquisition Corp.	2,500,868	2,544,832
	85,100	PTK Acquisition Corp., Warrants, 2025-12-31	86,486	124,680		74,544	Xilinx Inc.	14,107,175	13,463,752
	47,400	RealPage Inc.	5,312,373	5,268,210		73,000	Zanite Acquisition Corp.	945,995	978,380
	97,300	Recharge Acquisition Corp.	1,265,874	1,325,133	International Equities (49.3%)				
	97,300	Revolution Acceleration Acquisition Corp.	1,244,612	1,290,425		133,700	ACE Convergence Acquisition Corp.	1,711,463	1,740,810
	24,355	Rice Acquisition Corp.	335,744	350,929		73,000	ACE Convergence Acquisition Corp., Warrants, 2027-09-30	76,084	129,273
	48,600	Roman DBDR Tech Acquisition Corp.	641,819	643,930		68,100	Acies Acquisition Corp.	882,102	928,325
	145,900	Sandbridge Acquisition Corp.	1,825,411	1,890,363		48,600	ACON S2 Acquisition Corp.	637,583	650,122
	73,000	Sandbridge Acquisition Corp., Warrants, 2027-09-14	78,978	120,903		125,600	AEA-Bridges Impact Corp.	1,666,497	1,736,155
	64,340	Seaport Global Acquisition Corp.	837,018	856,577		133,800	Ajax I	1,835,277	2,115,422
	243,300	Senior Connect Acquisition Corp. I	3,107,558	3,189,529		48,600	Altimar Acquisition Corp.	668,597	746,711
	199,200	Seven Oaks Acquisition Corp.	2,545,264	2,626,629		23,609	Altimeter Growth Corp.	392,990	391,012
	274,774	Slack Technologies Inc.	15,008,354	14,786,610		194,600	Alussa Energy Acquisition Corp.	2,486,906	2,494,077
	33,800	SOC Telemed Inc., Warrants, 2021-12-17	56,681	52,535		97,300	Alussa Energy Acquisition Corp., Warrants, 2026-10-31	122,519	152,471
	113,900	Software Acquisition Group Inc. II	1,442,655	1,443,829		60,800	AMERICAS TECHNOLOGY ACQUISITION CORP	774,256	796,280
	42,600	Software Acquisition Group Inc. II, Warrants, 2027-03-17	43,927	73,268		244,506	Apollo Strategic Growth Capital	3,232,003	3,236,489
	97,300	Spartacus Acquisition Corp.	1,247,045	1,247,039		57,202	Apollo Strategic Growth Capital, Warrants, 2027-10-29	-	137,006
	48,600	Spartacus Acquisition Corp., Warrants, 2027-10-31	50,668	69,346		82,700	Arclight Clean Transition Corp.	1,123,012	1,253,781
	243,200	Spartan Acquisition Corp. II	3,230,229	3,346,235		194,697	Artius Acquisition Inc.	2,483,116	2,636,705
	121,600	Sports Entertainment Acquisition Corp.	1,635,126	1,567,773		48,699	Artius Acquisition Inc., Warrants, 2026-07-13	100,586	138,355
	60,800	Sports Entertainment Acquisition Corp., Warrants, 2025-10-30	-	104,570		170,300	Ascendant Digital Acquisition Corp.	2,178,101	2,226,030
	145,898	Starboard value Acquisition Corp.	1,890,258	1,925,654		85,200	Ascendant Digital Acquisition Corp., Warrants, 2025-12-31	142,670	185,611
						145,997	Aspirational Consumer Lifestyle Corp.	1,847,520	1,854,420
							259,479,668	266,970,809	

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS 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 (\$)
	48,699	Aspirational Consumer Lifestyle Corp., Warrants, 2025-09-19	56,290	65,765		92,007	Global Blue Group Holding AG, Warrants, 2025-08-31	176,745	192,236
	146,100	Avanti Acquisition Corp.	1,856,800	1,913,429		41,300	Health Sciences Acquisitions Corp. 2	618,807	674,013
	24,300	Avanti Acquisition Corp., Warrants, 2025-12-31	-	46,747		34,000	Helix Acquisition Corp.	460,617	469,112
	9,340	BCLS Acquisition Corp.	128,862	131,188		145,900	HIG Acquisition Corp.	1,877,723	1,938,691
	36,000	Bridgetown Holdings Ltd.	505,616	778,770		97,300	Highland Transcend Partners I Corp.	1,282,219	1,332,571
	48,600	Broadstone Acquisition Corp.	611,153	622,259		133,794	Horizon Acquisition Corp.	1,738,698	1,707,943
	23,609	Broadstone Acquisition Corp., Warrants, 2028-09-15	29,928	33,687		144,400	Horizon Acquisition Corp. II	1,886,806	1,996,025
	162,618	CC Neuberger Principal Holdings I	2,177,762	2,245,779		11,386	Horizon Acquisition Corp., Warrants, 2025-08-19	18,953	21,033
	29,699	CC Neuberger Principal Holdings I, Warrants, 2025-12-31	67,887	88,916		60,800	HPX Corp.	766,809	776,141
	291,900	CC Neuberger Principal Holdings II	3,766,067	3,867,555		29,532	HPX Corp., Warrants, 2025-07-14	32,520	40,261
	73,000	CC Neuberger Principal Holdings II, Warrants, 2025-07-29	118,920	158,103		47,600	IHS Markit Ltd.	5,314,442	5,447,502
	219,000	Cerberus Telecom Acquisition Corp.	2,843,842	2,974,202		97,300	Investindustrial Acquisition Corp.	1,271,007	1,274,310
	43,319	CITIC Capital Acquisition Corp.	577,971	578,374		27,800	ION Acquisition Corp. 1 Ltd.	377,982	416,860
	243,298	Cohn Robbins Holdings Corp.	3,102,993	3,226,698		48,600	Jaws Spitfire Acquisition Corp.	654,218	684,176
	81,166	Cohn Robbins Holdings Corp., Warrants, 2025-08-28	131,180	186,130		48,600	Kismet Acquisition One Corp.	607,964	637,738
	97,300	Consonance-HFW Acquisition Corp.	1,263,141	1,282,987		36,500	Kismet Acquisition One Corp., Warrants, 2025-08-06	44,011	49,291
	99,700	Corner Growth Acquisition Corp.	1,268,335	1,327,335		36,500	L&F Acquisition Corp.	469,772	482,215
	194,600	D8 Holdings Corp.	2,444,472	2,518,869		85,200	LIV Capital Acquisition Corp.	1,085,385	1,096,302
	48,600	D8 Holdings Corp., Warrants, 2027-08-05	52,945	65,012		85,200	LIV Capital Acquisition Corp., Warrants, 2025-01-10	65,616	75,981
	85,100	Dragoneer Growth Opportunities Corp.	1,365,732	1,438,698		145,900	Malacca Straits Acquisition Co., Ltd.	1,830,909	1,842,036
	23,868	Dragoneer Growth Opportunities Corp. II	344,429	356,380		73,000	Malacca Straits Acquisition Co., Ltd., Warrants, 2027-06-30	73,734	97,652
	18,939	Dragoneer Growth Opportunities Corp., Warrants, 2025-08-14	74,933	103,269		97,400	Marquee Raine Acquisition Corp.	1,270,013	1,343,868
	121,599	Empower Ltd.	1,566,936	1,550,719		194,700	Motive Capital Corp.	2,486,812	2,614,422
	1	Empower Ltd., FS	-	13		121,599	NextGen Acquisition Corp.	1,559,152	1,560,014
	40,533	Empower Ltd., Warrants, 2027-11-30	-	59,385		1	NextGen Acquisition Corp., FS	-	13
	361,700	Far Peak Acquisition Corp.	4,649,886	4,769,336		40,533	NextGen Acquisition Corp., Warrants, 2025-12-31	-	76,942
	48,700	Frazier Lifesciences Acquisition Corp.	623,528	645,875		97,300	Oaktree Acquisition Corp. II	1,248,504	1,300,341
	145,997	FTAC Olympus Acquisition Corp.	1,854,702	1,915,800		23,630	Oaktree Acquisition Corp. II, Warrants, 2027-09-15	34,493	57,500
	48,699	FTAC Olympus Acquisition Corp., Warrants, 2025-08-28	75,809	117,881		97,300	One	1,286,873	1,335,050
	201,600	Galileo Acquisition Corp.	2,614,320	2,632,591		23,609	One, Warrants, 2025-08-17	48,973	63,163
	128,600	Galileo Acquisition Corp., Warrants, 2026-10-31	98,690	137,622		97,300	Peridot Acquisition Corp.	1,308,979	1,394,551
	73,000	Genesis Park Acquisition Corp.	942,848	966,290		145,900	Population Health Investment Co Inc.	1,910,914	1,942,409
						97,300	Prime Impact Acquisition I	1,265,233	1,315,217
						109,400	Qell Acquisition Corp.	1,647,534	1,846,725
						194,599	RedBall Acquisition Corp.	2,613,744	2,699,837
						33,333	RedBall Acquisition Corp., Warrants, 2022-08-17	87,042	95,124
						11,848	Reinvent Technology Partners	168,220	174,491
						23,782	Reinvent Technology Partners Z	338,011	344,794

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS 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 (\$)
	2,962	Reinvent Technology Partners, Warrants, 2025-09-16	11,378	12,264		48,699	Yucaipa Acquisition Corp., Warrants, 2025-08-06	74,882	88,715
194,700		RMG Acquisition Corp. II	2,476,091	2,765,731				151,728,503	159,715,122
60,800		Sarissa Capital Acquisition Corp.	794,824	824,940			Total Global Equities - Long	411,208,171	426,685,931
74,400		SC Health Corp.	971,701	971,552			Global Debt (2.3%)		
21,922		SC Health Corp., Warrants, 2024-08-21	36,772	37,704			United States Bonds (2.3%)		
199,400		SciON Tech Growth I	2,536,670	2,626,726	USD	3,232,464	Cincinnati Bell Inc. 7.000%, 2024-07-15	4,303,654	4,295,710
175,300		Social Capital Hedosophia Holdings Corp. III	2,398,880	3,745,278	USD	2,305,954	Cincinnati Bell Inc. 8.000%, 2025-10-15	3,159,105	3,137,919
123,876		Social Capital Hedosophia Holdings Corp. IV	1,860,759	2,160,527				7,462,759	7,433,629
30,144		Social Capital Hedosophia Holdings Corp. IV, Warrants, 2025-09-26	-	142,093			International Bonds (0.0%)		
243,200		Social Capital Hedosophia Holdings Corp. V	3,391,750	3,854,367	USD	259	Delphi Technologies PLC 5.000%, 2025-10-01	379	376
35,200		Social Capital Hedosophia Holdings Corp. V, Warrants, 2025-12-31	-	158,302			Total Global Debt - Long	7,463,138	7,434,005
170,200		Social Capital Hedosophia Holdings Corp. VI	2,366,808	2,667,066			Options (0.4%)		
35,200		Social Capital Hedosophia Holdings Corp. VI, Warrants, 2025-12-31	-	146,642			Total Purchased Options - Refer to Appendix A	1,365,577	1,417,945
135,640		Sustainable Opportunities Acquisition Corp.	1,827,350	1,859,384			Transaction Costs	(32,707)	-
12,962		Sustainable Opportunities Acquisition Corp., Warrants, 2025-06-26	33,209	37,156			Total Long Positions	467,089,984	482,626,651
48,600		Tekcorp Digital Acquisition Corp.	646,903	665,601			SHORT POSITIONS (-23.5%)		
23,782		Tiga Acquisition Corp.	310,301	320,555			Global Equities (-23.0%)		
121,600		Tortoise Acquisition Corp. II	1,663,735	1,649,880			United States Equities (-14.8%)		
10,155		Tortoise Acquisition Corp. II, Warrants, 2027-06-14	29,907	36,872		(126,634)	Advanced Micro Devices Inc.	(15,256,483)	(14,795,720)
158,100		TPG Pace Tech Opportunities Corp.	2,140,876	2,235,754		(86,901)	Analog Devices Inc.	(16,020,372)	(16,355,452)
31,620		TPG Pace Tech Opportunities Corp., Warrants, 2027-10-09	-	86,610		(47,650)	Cincinnati Bell Inc.	(928,619)	(927,588)
218,999		Trebia Acquisition Corp.	2,830,123	3,004,878		(42,646)	Navistar International Corp.	(2,412,481)	(2,388,389)
73,033		Trebia Acquisition Corp., Warrants, 2025-12-31	139,547	193,531		(6,260)	Pioneer Natural Resources Co.	(899,842)	(908,299)
145,900		Trepont Acquisition Corp. I	1,903,713	1,927,539		(13,509)	S&P Global Inc.	(5,514,107)	(5,657,592)
97,300		Turmeric Acquisition Corp.	1,253,772	1,273,070		(20,381)	Salesforce.com Inc.	(5,869,316)	(5,778,074)
73,000		Union Acquisition Corp. II	940,278	967,220		(47,040)	Waddell & Reed Financial Inc.	(1,536,684)	(1,526,389)
73,000		Union Acquisition Corp. II, Warrants, 2025-04-01	65,589	88,352				(48,437,904)	(48,337,503)
145,900		Vector Acquisition Corp.	1,906,432	2,000,031			International Equities (-8.2%)		
73,000		VPC Impact Acquisition Holdings	953,096	983,030		(71,819)	Aon PLC	(19,377,413)	(19,330,642)
194,600		Vy Global Growth	2,629,741	2,583,328		(112,589)	AstraZeneca PLC	(7,263,075)	(7,170,479)
38,920		Vy Global Growth, Warrants, 2030-01-30	-	102,143				(26,640,488)	(26,501,121)
66,477		Willis Towers Watson PLC	18,149,784	17,842,832			Total Global Equities - Short	(75,078,392)	(74,838,624)
145,997		Yucaipa Acquisition Corp.	1,876,939	1,884,180			Options (-0.5%)		
							Total Written Options - Refer to Appendix A	(842,168)	(1,491,033)
							Transaction Costs	(6,514)	-
							Total Short Positions	(75,927,074)	(76,329,657)
							Foreign Currency Forward Contracts (0.6%)		
							Total Currency Hedge - Refer to Appendix B		2,039,266

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS ALTERNATIVE FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2020

CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
		TOTAL INVESTMENT PORTFOLIO (126.2%)	391,162,910	408,336,260
		Other Assets Net of Liabilities (-26.2%)		(84,668,228)
		TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)		323,668,032

*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	2,405	\$30	January, 2021	1,296,056	1,363,467
					<u>1,296,056</u>	<u>1,363,467</u>
Great Canadian Gaming	Put Option	122	\$36	January, 2021	13,115	5,795
Social Capital Hedosophia	Put Option	1,019	\$10	February, 2021	56,406	48,683
					<u>69,521</u>	<u>54,478</u>
Total Purchased Options					1,365,577	1,417,945
Gores Holdings	Written Call Option	(998)	\$10	January, 2021	(194,415)	(413,223)
Gores Holdings IV Inc.	Written Call Option	(2,043)	\$13	January, 2021	(357,741)	(390,417)
Social Capital Hedosophia	Written Call Option	(1,753)	\$15	January, 2021	(276,159)	(664,413)
					<u>(828,315)</u>	<u>(1,468,053)</u>
National General Holdings	Written Put Option	(2,405)	\$30	January, 2021	(13,853)	(22,980)
					<u>(13,853)</u>	<u>(22,980)</u>
Total Written Options					(842,168)	(1,491,033)

APPENDIX B

FOREIGN EXCHANGE FORWARD CONTRACTS (0.6%)

Purchased Currency	Sold Currency	Forward Rate	Maturity Date	Fair Value (\$)	Counterparty	Credit Rating
CAD \$384,443,896	USD \$300,260,000	1.28037	2021-02-11	1,966,498	Canadian Imperial Bank of Commerce	A-1
CAD \$13,307,994	USD \$10,412,000	1.27814	2021-02-11	44,982	Canadian Imperial Bank of Commerce	A-1
CAD \$6,696,664	USD \$5,235,000	1.27921	2021-02-11	28,216	Canadian Imperial Bank of Commerce	A-1
CAD \$6,228,602	USD \$4,882,000	1.27583	2021-02-11	9,819	Canadian Imperial Bank of Commerce	A-1
Unrealized gain on foreign exchange forward contracts at fair value				2,049,515		
CAD \$6,763,911	USD \$5,318,000	1.27189	2021-02-11	(10,249)	Canadian Imperial Bank of Commerce	A-1
Unrealized loss on foreign exchange forward contracts at fair value				(10,249)		
Net unrealized gain (loss) on foreign exchange forward contracts at fair value				2,039,266		

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS 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 Plus Alternative Fund (formerly Vertex Liquid Alternative Fund Plus) (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. 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 (formerly Class B) and Class F 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. As at December 31, 2020, the Fund currently has 2 classes of units: Class A and Class F.

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.

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

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

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, options and derivative agreements.

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, foreign exchange forward contracts, and derivative agreements 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.

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

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.

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" or "Cash, pledged as collateral for derivative agreements" described below. 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. Cash pledged by the Fund in respect of the derivative is not included as a component of cash.

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, options and derivative agreements in the Statements of Comprehensive Income.

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

Derivative Agreements

The Fund entered into derivative agreements with Canadian Imperial Bank of Commerce ("CIBC"), in order to obtain economic exposure to the Class I units (formerly Class O units) of Picton Mahoney Fortified Arbitrage Alternative Fund (formerly Vertex Liquid Alternative Fund) (the "Reference Fund") similar to what would be achieved by an investment directly in the Class I units of the Reference Fund.

Under the terms of the derivative agreements, the Fund agreed to acquire from CIBC Class I units of the Reference Fund at a specified future date, which is decided by the portfolio manager, at a price equal to the net asset value ("NAV") of the Class I units at the date the derivative agreements were entered into. CIBC, on the specified future date, will deliver Class I units of the Reference Fund, less forward fees. The Fund has also option to terminate the trades at a specified future date, which is decided by the portfolio manager, at its discretion without any penalty.

The Fund has agreed to pay a forward fee, on a monthly basis, which is a floating amount based on prevailing short-term market rates and a spread applied to the daily notional value of the derivative agreements.

During the term of the derivative agreements, the Fund will deposit cash, as pledge, in its margin account with CIBC. This pledge will be kept at 10% of the notional amount at the time the derivative agreements were entered into. The Fund's restricted cash has been pledged to the counterparty as security for performance by the Fund for its obligations under the derivative agreements.

The derivative agreements are valued each day by applying the value of the Reference Fund versus the notional cost amount less outstanding forward fees. The derivatives agreements are fair valued using the NAV of the Class I units of the Reference Fund at each valuation date. All unrealized gains (losses) from the derivative agreements are included in Net change in unrealized appreciation (depreciation) on investments, options and derivative agreements in the Statements of Comprehensive Income. When the agreements are partially closed out, closed out or expire, the gains (losses) realized are included in Net realized gain (loss) on investments, options and derivative agreements in the Statements of Comprehensive Income.

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 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 68.45% and a high of 133.30% of the Fund's NAV.

As at December 31, 2020, the Fund's aggregate exposure was 68.45% 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 \$140,321,997 (December 31, 2019 - \$240,525). 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 \$105,807,421 (December 31, 2019 - \$24,636,702).

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

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, and Class F 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.

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 two 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 of unused capital losses (December 31, 2019 - \$nil) and \$nil of non-capital losses (December 31, 2019 - \$168,934) expiring in 2039.

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 PLUS 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 tables present 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	473,345,610	429,091	-	473,774,701
Bonds - Long	-	7,434,005	-	7,434,005
Options - Long	1,417,945	-	-	1,417,945
Equities - Short	(74,838,624)	-	-	(74,838,624)
Options - Short	(1,491,033)	-	-	(1,491,033)
Forward Contracts, net	-	2,039,266	-	2,039,266
Total	398,433,898	9,902,362	-	408,336,260

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2019				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Reference Fund	125,041,430	-	-	125,041,430
Derivative agreements	-	1,333,103	-	1,333,103
Total	125,041,430	1,333,103	-	126,374,533

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 PLUS 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 \$	
December 31, 2020				
Derivative assets - Foreign exchange forward contracts	2,049,515	(10,249)	-	2,039,266
Derivative liabilities - Foreign exchange forward contracts	(10,249)	10,249	-	-
December 31, 2019				
Derivative assets - Foreign exchange forward contracts	-	-	-	-
Derivative liabilities - Foreign exchange forward contracts	-	-	-	-

7. INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

The Fund has determined that its investments in Reference Fund is an unconsolidated structured entity. The determination is based on the fact that decision making about the Reference Fund is not governed by the voting right or other similar right held by the Fund.

The Fund may invest in the Reference Fund whose investment objectives range from achieving short-term to long-term income and capital growth potential. Reference Fund may use leverage in a manner consistent with their respective investment objectives and as permitted by Canadian securities regulatory authorities. Reference Fund finances its operations by issuing redeemable units which are puttable at the holders' option and entitles the holder to a proportionate value in the fund's Net Assets. The change in fair value of the Reference Fund during the period is included in "Net change in unrealized appreciation (depreciation) on investments, options, foreign exchange forward contracts and derivative agreements 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.

Underlying Funds	Fair Value of Fund's Investment (in \$000s)	Underlying Fund's Net Assets (in \$000s)	% of Net Assets of the Underlying Fund
As at December 31, 2020			
None	-	-	-
As at December 31, 2019			
Picton Mahoney Fortified Arbitrage Alternative Fund, Class I	125,041	208,640	59.9%

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 PLUS 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 during the for the years ended December 31:

	2020		2019	
	Class A	Class F	Class A	Class F
Units issued and outstanding, beginning of year	881,362	7,554,501	-	-
Units issued	1,913,476	19,957,700	949,240	8,752,506
Units reinvested	249,711	2,277,511	-	-
Units redeemed	(661,684)	(6,095,947)	(67,878)	(1,198,005)
Units issued and outstanding, end of year	2,382,865	23,693,765	881,362	7,554,501
Weighted average number of units held during the year	1,494,202	12,027,707	442,203	4,289,898

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.

Management fees amounting to \$1,705,249 were incurred for the year ended December 31, 2020 (December 31, 2019 - \$516,499) of which \$224,853 (December 31, 2019 - \$82,049) 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.

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 \$10,608,820 were incurred for the year ended December 31, 2020 (December 31, 2019- \$448,014) of which \$3,856,331 (December 31, 2019 - \$330,233) 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 - \$59,429).

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS 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 \$18,368 in soft dollar commissions during the period (December 31, 2019 - \$nil).

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, derivative agreements, cash, cash pledged as collateral, subscriptions receivable, management fees payable, accrued performance fees, margin borrowings, accounts payable and accrued liabilities, 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

As of December 31, 2020, using Beta as a measure of the relationship of the Fund's performance versus its index, if the HFRI ED Merger Arbitrage Index (Hedged to Canadian dollar) were to increase or decrease by 10%, net assets would have increased or decreased by approximately \$29,222,571. As of December 31, 2019, if the market price of Class I units of the Reference Fund had increased or decreased by 5%, with all other variables held constant, this would have directly increased or decreased net assets by \$6,252,072 approximately. The indirect exposure through the derivative agreement in Class I units of the Reference Fund would have increased or decreased net assets by \$2,545,405 approximately. The combined impact of such 5% increase or decrease would have increased or decreased net assets by \$8,797,477 or 10% of the Fund's net assets, as a result of the Fund's leverage structure. 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.

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 \$411,727 (December 31, 2019 - \$235,383).

If the yield curve had shifted in parallel by 1%, with all other variables held constant, net assets will increase or decrease by \$52,391 (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	7,434,005	-	7,434,005
Total	7,434,005	-	7,434,005

As at December 31, 2019, the interest rate risk is minimal given that the Fund and the Reference 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.

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

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 were as follows:

FINANCIAL INSTRUMENTS					
December 31, 2020 Currency	Monetary \$	Non-Monetary \$	Forward Currency Contracts \$	Total \$	Percentage of Net Assets %
United States Dollar	38,479,623	373,117,055	(415,460,318)	(3,863,640)	-1.2%
Net Exposure	38,479,623	373,117,055	(415,460,318)	(3,863,640)	-1.2%

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 \$193,182. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2019, the Fund does not hold assets and liabilities, including cash and investments, that are denominated in currencies other than the Canadian dollar. It is therefore not directly exposed to currency risk. The Fund is exposed to indirect currency risk to the extent that the Reference Fund invests in such instruments. The table below summarizes the Reference Fund's exposure to currency risk as at December 31, 2019.

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%
Net Exposure	(5,100,044)	153,547,162	(147,240,955)	1,206,163	0.6%

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 \$50,858 (through direct and indirect ownership of the Reference Fund).

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 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 creditworthiness 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.

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

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	On Demand	< 3 months	> 3 months	Total
Financial Liabilities	\$	\$	\$	\$
Short positions	74,838,624	-	-	74,838,624
Redemptions payable	34,156	-	-	34,156
Accrued liabilities and other payables	-	9,120,421	-	9,120,421
Derivative liabilities	1,501,282	-	-	1,501,282
Margin borrowings	164,690,746	-	-	164,690,746

December 31, 2019	On Demand	< 3 months	> 3 months	Total
Financial Liabilities	\$	\$	\$	\$
Redemptions payable	-	151,213	-	151,213
Accrued liabilities and other payables	-	588,814	-	588,814
Margin borrowings	44,578,033	-	-	44,578,033

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.

December 31, 2020			
Bond Ratings	Net	Long	Short
CCC+	2.30%	2.30%	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 and the Reference Fund had no investments in debt instruments and therefore had no exposure to credit risk.

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS 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. As at December 31, 2019, the Fund was exposed to indirect concentration risk through the holdings of the Reference Fund. Concentration risk is disclosed for comparative purposes.

Jurisdiction	% of Net Assets	
	2020	2019
LONG POSITIONS	149.7%	93.3%
Canadian Equities	14.6%	92.2%
Financials	9.1%	51.0%
Consumer Discretionary	3.1%	5.7%
Industrials	1.6%	5.7%
Communication Services	0.8%	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%
Global Equities	131.8%	0.0%
United States Equities	82.5%	0.0%
Financials	55.9%	0.0%
Information Technology	16.6%	0.0%
Health Care	7.9%	0.0%
Industrials	1.7%	0.0%
Energy	0.3%	0.0%
Consumer Staples	0.1%	0.0%
International Equities	49.3%	0.0%
Financials	47.6%	0.0%
Industrials	1.6%	0.0%
Information Technology	0.1%	0.0%
Corporate Bonds	2.3%	0.0%
United States	2.3%	0.0%
International	0.0%	0.0%
Derivatives	1.0%	1.1%
SHORT POSITIONS	-23.5%	-13.4%
Global Equities	-23.0%	-13.2%
United States Equities	-14.8%	-11.0%
Information Technology	-11.4%	-0.2%
Financials	-2.2%	-5.9%
Industrials	-0.7%	0.0%
Communication Services	-0.3%	0.0%
Energy	-0.2%	-0.1%
Consumer Discretionary	0.0%	-0.2%
Utilities	0.0%	-4.6%
International Equities	-8.2%	-2.2%
Financials	-6.0%	0.0%
Health Care	-2.2%	-2.2%
Derivatives	-0.5%	-0.2%

PICTON MAHONEY FORTIFIED ARBITRAGE PLUS 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 December 31, 2019 is calculated as follows:

Class A	December 31, 2020	December 31, 2019
Increase in net assets attributable to holders of redeemable units	\$5,652,607	\$235,030
Weighted average units outstanding during the period	1,494,202	442,203
Increase in net assets attributable to holders of redeemable units per unit	3.78	0.53

Class F	December 31, 2020	December 31, 2019
Increase in net assets attributable to holders of redeemable units	\$53,407,744	\$2,553,283
Weighted average units outstanding during the period	12,027,707	4,289,898
Increase in net assets attributable to holders of redeemable units per unit	4.44	0.60

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 expense 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 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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