

FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND



**THINK AHEAD.
STAY AHEAD.**

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MANAGEMENT'S RESPONSIBILITY STATEMENT

The accompanying financial statements have been prepared by Picton Mahoney Asset Management, the Manager of the Picton Mahoney Fortified Market Neutral 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 Market Neutral Alternative Fund (the Fund)

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2020 and 2019 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (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 years then ended;
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Other information

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

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

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially

inconsistent with the financial statements of the Fund or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Patrizia Perruzza.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 30, 2021

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

STATEMENTS OF FINANCIAL POSITION

As at

	December 31, 2020 \$	December 31, 2019 \$
Assets		
Current assets		
Long positions at fair value*	172,548,771	63,680,565
Cash	23,311,984	18,862,516
Options purchased	1,510,019	482,913
Unrealized gain on futures contracts	420,264	-
Deposits with brokers for securities sold short	67,433,267	14,264,260
Due from Manager	44,995	142,144
Subscriptions receivable	768,097	34,186
Receivable for investments sold	6,061,181	12,053
Dividends receivable	204,899	70,610
Interest and other receivable	6,474	-
	<u>272,309,951</u>	<u>97,549,247</u>
Liabilities		
Current liabilities		
Short positions at fair value**	88,440,574	21,682,959
Options written	893,254	308,697
Unrealized loss on futures contracts	412,661	377,825
Management fee payable	113,822	51,578
Performance fee payable	2,514,036	-
Redemptions payable	176,966	146,145
Accrued liabilities	50,173	46,692
Payable for investments purchased	2,089,414	955,430
Interest payable	4,785	11,347
Dividends payable	117,642	46,059
	<u>94,813,327</u>	<u>23,626,732</u>
Net Assets Attributable to Holders of Redeemable Units	<u>177,496,624</u>	<u>73,922,515</u>
Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	19,711,051	9,251,353
Class F	130,515,722	42,100,683
Class I	12,070,941	13,189,689
Class ETF***	15,198,910	9,380,790
Number of Redeemable Units Outstanding		
Class A	1,644,511	896,958
Class F	10,662,633	4,026,383
Class I	929,667	1,244,859
Class ETF***	1,290,000	930,000
Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	11.99	10.31
Class F	12.24	10.46
Class I	12.98	10.60
Class ETF****	11.78	10.09
* Long positions, at cost	140,420,081	59,176,781
** Short positions, at cost	(86,787,801)	(22,383,714)
**** Closing Market Price (TSX)	11.81	10.12

***Class ETF units were first issued on July 5, 2019.

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 years ended December 31

	2020 \$	2019 \$
Income		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	162,043	171,341
Dividends	1,601,697	489,088
Net realized gain (loss) on investments and options	5,201,195	(986,095)
Net realized gain (loss) on futures contracts	(7,154,744)	(2,312,317)
Change in unrealized appreciation (depreciation) on investments, options and futures contracts	26,102,037	5,040,237
Interest and borrowing expense	(352,464)	(80,198)
Dividend expense	(1,159,635)	(361,131)
Net gains (losses) on investments and derivatives	<u>24,400,129</u>	<u>1,960,925</u>
Other income		
Foreign currency gain (loss) on cash and other assets and liabilities	545,888	(225,040)
Total Income	<u>24,946,017</u>	<u>1,735,885</u>
Expenses		
Performance fees	3,548,698	199,006
Transaction costs	1,159,485	234,235
Management fees	960,590	328,346
Harmonized sales tax	453,703	92,174
Administrative fees	89,220	64,264
Withholding taxes	46,860	11,365
Securityholder reporting fees	46,760	19,665
Legal fees	39,300	60,594
Audit fees	26,832	14,676
Independent Review Committee fees	6,954	7,475
Custody fees	576	10,842
Total Expense before Manager Absorption	<u>6,378,978</u>	<u>1,042,642</u>
Less: Expenses Absorbed by Manager	(44,995)	(367,021)
Total Expense after Manager Absorption	<u>6,333,983</u>	<u>675,621</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>18,612,034</u>	<u>1,060,264</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	1,990,114	90,412
Class F	12,207,538	686,873
Class I	2,531,252	332,386
Class ETF***	1,883,130	(49,407)
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	1.87	0.19
Class F	2.04	0.33
Class I	2.29	0.50
Class ETF***	1.96	(0.08)

***Class ETF units were first issued on July 5, 2019.

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

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

For the years ended December 31

	2020 \$	2019 \$		2020 \$	2019 \$
Net Assets Attributable to Holders of Redeemable Units at Beginning of Year			Distributions to Holders of Redeemable Units		
Class A	9,251,353	1,538,254	Net investment income		
Class F	42,100,683	5,896,352	Class A	-	(8,314)
Class I	13,189,689	4,452,220	Class F	-	(36,258)
Class ETF***	9,380,790	-	Class I	-	(11,416)
	<u>73,922,515</u>	<u>11,886,826</u>	Class ETF***	-	(8,458)
				<u>-</u>	<u>(64,446)</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units			From return of capital		
Class A	1,990,114	90,412	Class A	-	(4)
Class F	12,207,538	686,873	Class F	-	(20)
Class I	2,531,252	332,386	Class I	-	(6)
Class ETF***	1,883,130	(49,407)	Class ETF***	-	(5)
	<u>18,612,034</u>	<u>1,060,264</u>		<u>-</u>	<u>(35)</u>
Redeemable Unit Transactions			Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Proceeds from redeemable units issued				<u>103,574,109</u>	<u>62,035,689</u>
Class A	10,768,539	8,221,777	Net Assets Attributable to Holders of Redeemable Units at End of Year		
Class F	89,759,175	38,336,289	Class A	19,711,051	9,251,353
Class I	-	12,644,000	Class F	130,515,722	42,100,683
Class ETF***	15,797,617	10,961,078	Class I	12,070,941	13,189,689
	<u>116,325,331</u>	<u>70,163,144</u>	Class ETF***	15,198,910	9,380,790
Reinvestments of distributions to holders of redeemable units			Net Assets Attributable to Holders of Redeemable Units at End of Year		
Class A	-	9,563		<u>177,496,624</u>	<u>73,922,515</u>
Class F	-	36,681			
Class I	-	15,694			
Class ETF***	-	-			
	<u>-</u>	<u>61,938</u>			
Redemption of redeemable units					
Class A	(2,298,955)	(600,335)			
Class F	(13,551,674)	(2,819,234)			
Class I	(3,650,000)	(4,243,189)			
Class ETF***	(11,862,627)	(1,522,418)			
	<u>(31,363,256)</u>	<u>(9,185,176)</u>			
Net Increase (Decrease) from Redeemable Unit Transactions	84,962,075	61,039,906			

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

***Class ETF units were first issued on July 5, 2019.

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

STATEMENTS OF CASH FLOWS

For the years ended December 31

	2020 \$	2019 \$		2020 \$	2019 \$
Cash Flows from Operating Activities			Cash Flows from Financing Activities		
Increase (decrease) in net assets attributable to holders of redeemable units	18,612,034	1,060,264	Distributions to holders of redeemable units, net of reinvested distributions	-	(14,016)
Adjustments for:			Proceeds from redeemable units issued	115,066,105	69,921,290
Unrealized foreign exchange (gain) loss on cash	525,020	213,252	Amount paid on redemption of redeemable units	(30,807,120)	(8,831,363)
Net realized (gain) loss on investments and options	(5,201,195)	986,095	Net Cash Generated (Used) by Financing Activities	84,258,985	61,075,911
Change in unrealized (appreciation) depreciation on investments, options and futures contracts	(26,102,037)	(5,040,237)	Unrealized foreign exchange gain (loss) on cash	(525,020)	(213,252)
(Increase) decrease in due from manager	97,149	(126,406)	Net increase (decrease) in cash	4,974,488	15,864,201
(Increase) decrease in interest and other receivables	(6,474)	-	Cash, beginning of year	18,862,516	3,211,567
(Increase) decrease in dividends receivable	(134,289)	(61,498)	Cash, End of Year	23,311,984	18,862,516
(Increase) decrease in deposits with brokers for securities sold short	(53,169,007)	(9,160,223)	Cash	23,311,984	18,862,516
Increase (decrease) in interest payable	(6,562)	11,347	Cash overdraft	-	-
Increase (decrease) in dividends payable	71,583	32,077	Net Cash (Overdraft)	23,311,984	18,862,516
Increase (decrease) in other payables and accrued liabilities	65,725	73,696	Items classified as operating activities:		
Increase (decrease) in performance fee payable	2,514,036	-	Interest received, net of withholding tax	155,569	171,341
Purchase of long positions and repurchases of investments sold short	(435,315,152)	(122,435,797)	Dividends received, net of withholding tax	1,420,548	416,225
Proceeds from sales of long positions and on investments sold short	418,764,672	89,235,720	Interest and borrowing expense paid	(359,026)	(68,851)
Net Cash Generated (Used) by Operating Activities	(79,284,497)	(45,211,710)	Dividends paid	(1,088,052)	(329,054)

Net of non-cash transfers and switches of \$525,315 (2019 - \$207,668)

PICTON MAHONEY FORTIFIED MARKET NEUTRAL 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 (98.2%)									
Canadian Equities (67.0%)									
Energy (7.3%)									
	70,300	Advantage Oil & Gas Ltd.	153,672	120,213		18,300	Rupert Resources Ltd.	59,145	94,245
	60,500	Enbridge Inc.	2,446,053	2,462,955		40,400	SilverCrest Metals Inc.	245,780	573,276
	19,500	Enerflex Ltd.	109,453	127,920		7,900	SSR Mining Inc.	199,879	201,924
	124,000	Freehold Royalties Ltd.	595,200	646,040		48,800	Teranga Gold Corp.	314,507	666,608
	18,500	Gibson Energy Inc.	367,094	380,360		1,281,300	Trevali Mining Corp.	225,520	249,854
	31,500	Keyera Corp.	660,235	712,530		640,650	Trevali Mining Corp., Warrants, 2022-12-31	11,520	38,439
	52,900	North American Construction Group Ltd.	661,860	658,076		24,000	Trilogy Metals Inc.	74,670	60,960
	53,400	Parex Resources Inc.	817,253	935,568		27,800	Wheaton Precious Metals Corp.	1,460,466	1,477,848
	57,600	Parkland Corp.	2,064,226	2,326,464				16,538,148	22,238,339
	83,500	Pinnacle Renewable Energy Inc.	469,945	759,015	Industrial (6.8%)				
	70,800	PrairieSky Royalty Ltd.	632,469	714,372		34,500	Air Canada	637,716	785,565
	27,700	Spartan Delta Corp.	59,816	82,546		7,800	Boyd Group Services Inc.	1,482,143	1,712,568
	60,500	Suncor Energy Inc.	1,373,857	1,291,675		23,100	CAE Inc.	541,049	814,737
	56,600	Tourmaline Oil Corp.	802,090	971,256		4,800	Canadian Pacific Railway Ltd.	1,582,821	2,119,344
	147,900	Whitecap Resources Inc.	476,235	718,794		2,800	Cargojet Inc.	298,168	601,524
			11,689,458	12,907,784		178,019	Drone Delivery Canada Corp.	165,911	145,976
						2,550	Drone Delivery Canada Corp., Warrants, 2021-03-25	393	198
						65,900	Drone Delivery Canada Corp., Warrants, 2022-08-05	-	16,475
Materials (12.5%)						30,300	Heroux-Devtek Inc.	394,811	427,230
	10,600	Agnico Eagle Mines Ltd.	983,576	949,654		12,794	Thomson Reuters Corp.	1,229,692	1,332,879
	41,400	Altius Minerals Corp.	532,362	566,766		7,050	Toromont Industries Ltd.	531,135	628,860
	117,300	Artemis Gold Inc.	403,681	750,720		13,400	Waste Connections Inc.	1,673,566	1,748,968
	118,000	Caldas Gold Corp.	265,500	286,740		200,000	Xebec Adsorption Inc.	1,160,000	1,710,000
	278,000	Caldas Gold Corp., Warrants, 2025-07-25	-	191,820				9,697,405	12,044,324
	34,100	Canfor Corp.	591,442	783,618	Consumer Discretionary (3.4%)				
	35,200	Cascades Inc.	513,447	512,160		43,700	AutoCanada Inc.	586,759	1,031,757
	32,200	CCL Industries Inc.	1,610,179	1,860,838		18,800	BRP Inc.	1,134,519	1,580,892
	272,400	Discovery Metals Corp.	339,476	533,904		25,100	Gildan Activewear Inc.	786,335	893,309
	152,250	Discovery Metals Corp., Warrants, 2022-08-07	-	31,973		17,500	Magna International Inc.	1,151,547	1,576,925
	87,000	Dundee Precious Metals Inc.	651,471	796,050		33,300	Park Lawn Corp.	863,789	930,402
	34,850	Dundee Precious Metals Inc., Warrants, 2021-05-13	-	40,078				4,522,949	6,013,285
	39,000	ERO Copper Corp.	665,367	796,380	Consumer Staples (0.8%)				
	196,400	First Quantum Minerals Ltd.	2,275,080	4,487,740		7,800	Alimentation Couche-Tard Inc.	341,168	338,364
	3,100	Franco-Nevada Corp.	568,273	494,760		23,000	Maple Leaf Foods Inc.	604,522	649,060
	89,000	Freemgold Ventures Ltd., Warrants, 2022-07-29	-	-		81,600	Waterloo Brewing Ltd.	288,061	440,640
	117,100	Hudbay Minerals Inc.	828,091	1,043,361				1,233,751	1,428,064
	46,600	Intertape Polymer Group Inc.	835,091	1,124,924	Health Care (1.8%)				
	47,900	K92 Mining Inc.	174,729	364,519		4,900	Andlauer Healthcare Group Inc.	82,396	200,606
	65,900	Major Drilling Group International Inc.	387,239	506,771		41,200	Burcon NutraScience Corp., Warrants, 2022-02-19	19,771	59,328
	37,150	Marathon Gold Corp., Warrants, 2021-05-26	2,374	36,779		16,900	Carebook Technologies Inc., Warrants	-	-
	13,000	Norbord Inc.	416,680	714,480		10,800	Charlottes Web Holdings Inc., Warrants, 2022-06-18	-	6,156
	25,000	Nutrien Ltd.	1,525,843	1,531,000		16,700	Chartwell Retirement Residences	163,017	186,873
	62,100	Orla Mining Ltd.	344,678	426,006		26,100	Curaleaf Holdings Inc.	221,986	397,764
	20,050	Osisko Mining Inc., Warrants, 2021-12-23	-	-		11,200	Green Organic Dutchman Holdings Ltd., Warrants, 2022-12-19	-	336
	42,000	Pan American Silver Corp., Rights, 2029-02-22	32,082	44,144					

PICTON MAHONEY FORTIFIED MARKET NEUTRAL 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 (\$)
Global Equities (29.8%)					United States Equities (22.9%)				
	3,750	Abbott Laboratories	514,168	523,088		13,800	Simply Good Foods Co.	416,612	551,346
	5,700	Activision Blizzard Inc.	506,638	674,258		11,000	Spirit Realty Capital Inc.	507,480	562,942
	560	Adobe Inc.	297,688	356,805		1,300	SVB Financial Group	568,980	642,324
	6,600	Advanced Micro Devices Inc.	470,834	771,134		28,400	Switch Inc.	621,970	592,292
	575	Airbnb Inc.	79,469	107,538		1,925	Synopsys Inc.	378,238	635,773
	170	Amazon.com Inc.	514,304	705,385		920	Teladoc Health Inc.	260,702	234,369
	2,060	American Tower Corp.	592,522	589,081		1,730	Thermo Fisher Scientific Inc.	857,728	1,026,588
	4,120	Apple Inc.	614,532	696,473		3,250	T-Mobile US Inc.	466,455	558,346
	3,975	Avalara Inc.	720,718	835,027		1,300	Twilio Inc.	495,840	560,623
	7,300	Bristol-Myers Squibb Co.	562,615	576,891		3,325	United Rentals Inc.	795,725	982,382
	7,500	Cheesecake Factory Inc.	355,276	354,108		6,200	W R Berkley Corp.	536,539	524,638
	11,700	Coca-Cola Co.	773,132	817,433		3,600	Walmart Inc.	608,854	661,129
	11,700	Conagra Brands Inc.	527,835	540,484		30,963	WillScot Mobile Mini Holdings Corp.	634,105	913,983
	2,200	Constellation Brands Inc.	599,118	613,953		15,700	Wyndham Destinations Inc.	744,459	897,280
	5,900	Copart Inc.	763,078	956,487		3,640	Zoetis Inc.	663,722	767,482
	295	CoStar Group Inc.	232,443	347,372				<u>32,931,496</u>	<u>40,712,017</u>
	3,650	CrowdStrike Holdings Inc.	478,188	984,983	International Equities (6.1%)				
	5,400	Crown Holdings Inc.	650,654	689,335		61,300	Adriatic Metals PLC	90,253	140,413
	2,470	Deere & Co.	566,368	846,640		20,800	Athene Holding Ltd.	939,715	1,143,175
	5,700	DR Horton Inc.	348,328	500,483		37,100	Brookfield Infrastructure Partners LP	2,076,288	2,336,556
	5,650	DraftKings Inc.	317,529	335,143		33,750	Brookfield Renewable Partners LP	1,304,665	1,854,563
	2,100	Edwards Lifesciences Corp.	215,728	244,077		313,400	Champion Iron Ltd.	678,217	1,444,774
	18,900	Equitable Holdings Inc.	542,754	616,171		56,870	Endeavour Mining Corp.	1,675,351	1,684,489
	3,600	Exact Sciences Corp.	455,905	607,652		94,500	Gold Road Resources Ltd.	117,366	123,094
	2,000	Facebook Inc.	623,229	696,011		10,100	Marvell Technology Group Ltd.	329,015	611,716
	450	Intuitive Surgical Inc.	364,623	469,016		3,300	NXP Semiconductors NV	497,703	668,509
	6,500	JPMorgan Chase & Co.	920,922	1,052,266		585,700	Talon Metals Corp.	165,643	298,707
	3,000	LPL Financial Holdings Inc.	324,475	398,329		7,400	Triton International Ltd.	419,371	457,333
	8,400	MasTec Inc.	609,955	729,634				<u>8,293,587</u>	<u>10,763,329</u>
	2,350	Mastercard Inc.	955,694	1,068,642	International Index Equivalent (0.8%)				
	3,825	Match Group Inc.	590,426	736,756		8,300	iShares Russell 2000 Value ETF	1,245,614	1,393,150
	5,500	Micron Technology Inc.	409,230	526,786	Total Global Equities - Long				
	3,316	Microsoft Corp.	741,191	939,631				<u>42,470,697</u>	<u>52,868,496</u>
	15,100	Morgan Stanley	917,285	1,318,338	Options (0.9%)				
	3,800	nCino Inc.	361,823	350,551	Total Purchased Options - Refer to Appendix A				
	5,200	Newmont Corp.	354,454	396,759	Transaction Costs				
	2,800	NextEra Energy Inc.	193,375	275,209	Total Long Positions				
	2,300	NIKE Inc.	379,814	414,535				<u>140,420,081</u>	<u>174,058,790</u>
	53,242	Northern Genesis Sponsor LLC	7	7	SHORT POSITIONS (-50.5%)				
	129,863	Northern Genesis Sponsor LLC, Warrants	172,133	165,445	Canadian Equities (-18.8%)				
	1,220	NVIDIA Corp.	549,045	811,644		(43,900)	ARC Resources Ltd.	(276,170)	(263,400)
	2,125	PayPal Holdings Inc.	416,619	634,037		(45,887)	Ensign Energy Services Inc.	(122,443)	(41,757)
	17,700	Pershing Square Tontine Holdings Ltd.	474,308	625,080		(42,400)	Freehold Royalties Ltd.	(226,961)	(220,904)
	1,966	Pershing Square Tontine Holdings Ltd., Warrants, 2021-07-24	-	24,045		(29,600)	Imperial Oil Ltd.	(656,519)	(715,136)
	13,450	Pinterest Inc.	551,284	1,129,215		(27,600)	Inter Pipeline Ltd.	(339,438)	(327,612)
	3,300	Procter & Gamble Co.	543,175	584,972		(23,700)	Paramount Resources Ltd.	(165,402)	(118,500)
	3,550	QUALCOMM Inc.	480,763	688,988		(44,700)	Vermilion Energy Inc.	(453,277)	(253,896)
	15,400	Repay Holdings Corp.	509,610	534,634				<u>(2,240,210)</u>	<u>(1,941,205)</u>
	1,280	RingCentral Inc.	366,077	617,993	Energy (-1.1%)				
	1,600	ServiceNow Inc.	864,746	1,121,996					

PICTON MAHONEY FORTIFIED MARKET NEUTRAL 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 (\$)
Materials (-1.3%)					Utilities (-2.0%)				
	(30,800)	Endeavour Silver Corp.	(154,370)	(198,044)	(33,000)	Algonquin Power & Utilities Corp.	(627,752)	(691,350)	
	(21,900)	First Majestic Silver Corp.	(297,205)	(374,052)	(4,600)	Boralex Inc.	(215,166)	(217,304)	
	(9,200)	Kirkland Lake Gold Ltd.	(541,961)	(483,920)	(4,800)	Brookfield Infrastructure Corp.	(340,248)	(442,512)	
	(53,000)	New Pacific Metals Corp.	(327,064)	(425,590)	(2,700)	Canadian Utilities Ltd.	(89,758)	(83,943)	
	(10,400)	Pretium Resources Inc.	(147,846)	(151,736)	(13,300)	Fortis Inc.	(702,894)	(691,600)	
	(59,000)	Silvercorp Metals Inc.	(550,017)	(502,090)	(26,100)	Hydro One Ltd.	(774,452)	(747,765)	
	(14,800)	Victoria Gold Corp.	(167,236)	(180,412)	(27,400)	TransAlta Renewables Inc.	(456,905)	(596,224)	
			<u>(2,185,699)</u>	<u>(2,315,844)</u>			<u>(3,207,175)</u>	<u>(3,470,698)</u>	
Industrial (-2.1%)					Real Estate (-1.7%)				
	(34,900)	Aecon Group Inc.	(530,446)	(570,964)	(13,700)	Allied Properties Real Estate Investment Trust	(522,831)	(518,271)	
	(22,900)	ATS Automation Tooling Systems Inc.	(444,767)	(511,815)	(10,500)	Altus Group Ltd.	(559,639)	(515,970)	
	(4,800)	Calian Group Ltd.	(284,462)	(317,568)	(40,100)	Choice Properties Real Estate Investment Trust	(514,176)	(521,701)	
	(19,900)	GFL Environmental Inc.	(675,634)	(738,489)	(32,300)	Cominar Real Estate Investment Trust	(259,041)	(261,953)	
	(4,500)	Ritchie Bros Auctioneers Inc.	(343,483)	(398,160)	(15,300)	CT Real Estate Investment Trust	(239,297)	(239,751)	
	(8,700)	Stantec Inc.	(346,985)	(359,136)	(56,400)	First Capital Real Estate Investment Trust	(893,931)	(764,220)	
	(94,300)	Xepec Adsorption Inc.	(664,445)	(848,700)	(11,700)	SmartCentres Real Estate Investment Trust	(275,434)	(270,036)	
			<u>(3,290,222)</u>	<u>(3,744,832)</u>			<u>(3,264,349)</u>	<u>(3,091,902)</u>	
Consumer Discretionary (-0.9%)					Total Canadian Equities - Short				
	(1,300)	Canadian Tire Corp. Ltd.	(209,439)	(217,529)			(32,308,657)	(33,593,558)	
	(4,700)	Dollarama Inc.	(230,476)	(243,836)	Global Equities (-31.2%)				
	(7,900)	MTY Food Group Inc.	(303,453)	(457,805)	United States Equities (-17.1%)				
	(9,700)	Restaurant Brands International Inc.	(690,305)	(754,951)	(2,750)	3M Co.	(596,689)	(612,376)	
			<u>(1,433,673)</u>	<u>(1,674,121)</u>	(7,000)	8x8 Inc.	(263,031)	(307,403)	
Consumer Staples (-0.5%)					(3,600)	Alliance Data Systems Corp.	(323,405)	(339,852)	
	(14,900)	Metro Inc.	(883,358)	(846,320)	(5,300)	Allstate Corp.	(639,918)	(742,269)	
Health Care (-0.2%)					(1,900)	Alteryx Inc.	(308,808)	(294,805)	
	(7,875)	Aurora Cannabis Inc.	(186,726)	(83,475)	(13,100)	American Airlines Group Inc.	(245,546)	(263,192)	
	(12,900)	Bausch Health Cos Inc.	(334,504)	(340,689)	(6,300)	American Express Co.	(833,826)	(970,447)	
	(12,100)	Green Organic Dutchman Holdings Ltd.	(24,116)	(2,844)	(1,900)	Assurant Inc.	(318,866)	(329,734)	
			<u>(545,346)</u>	<u>(427,008)</u>	(8,200)	AT&T Inc.	(324,593)	(300,450)	
Financials (-8.3%)					(4,700)	Ball Corp.	(571,070)	(557,943)	
	(22,100)	Bank of Montreal	(1,805,252)	(2,138,838)	(7,100)	Blackbaud Inc.	(566,398)	(520,653)	
	(2,400)	Fairfax Financial Holdings Ltd.	(980,609)	(1,041,240)	(4,000)	Cardinal Health Inc.	(277,301)	(272,942)	
	(40,000)	Fiera Capital Corp.	(387,557)	(427,200)	(3,300)	Centene Corp.	(253,889)	(252,378)	
	(40,800)	Great-West Lifeco Inc.	(1,156,373)	(1,238,280)	(3,900)	CH Robinson Worldwide Inc.	(504,757)	(466,402)	
	(9,000)	IGM Financial Inc.	(271,184)	(310,590)	(240)	Chipotle Mexican Grill Inc.	(405,012)	(424,000)	
	(23,300)	Intact Financial Corp.	(3,335,921)	(3,511,776)	(3,500)	Citizens Financial Group Inc.	(151,260)	(159,454)	
	(41,900)	Laurentian Bank of Canada	(1,398,653)	(1,307,280)	(1,400)	Clorox Co.	(378,735)	(360,144)	
	(99,200)	Manulife Financial Corp.	(1,941,965)	(2,246,880)	(500)	CME Group Inc.	(125,964)	(115,966)	
	(10,100)	TMX Group Ltd.	(1,336,465)	(1,284,114)	(1,500)	Coherent Inc.	(254,355)	(286,688)	
	(18,000)	Toronto-Dominion Bank	(1,294,542)	(1,294,560)	(5,700)	Comerica Inc.	(368,863)	(405,644)	
			<u>(13,908,521)</u>	<u>(14,800,758)</u>	(1,200)	DENTSPLY SIRONA Inc.	(76,245)	(80,048)	
Information Technology (-0.1%)					(3,400)	Dick's Sporting Goods Inc.	(255,246)	(243,479)	
	(23,400)	Blackberry Ltd.	(236,304)	(197,496)	(2,400)	DISH Network Corp.	(121,162)	(98,883)	
Communication Services (-0.6%)					(21,100)	Enerpac Tool Group Corp.	(586,275)	(607,788)	
	(12,200)	BCE Inc.	(689,195)	(664,046)	(4,100)	EPR Properties	(191,010)	(169,760)	
	(12,800)	Quebecor Inc.	(424,605)	(419,328)					
			<u>(1,113,800)</u>	<u>(1,083,374)</u>					

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

APPENDIX A

OPTIONS (0.4%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
Allied Properties Real Estate	Call Option	291	\$35	January, 2021	22,407	87,300
Bank Of Montreal	Call Option	278	\$100	January, 2021	30,302	5,977
Bank Of Montreal	Call Option	139	\$104	January, 2021	4,135	281
Brookfield Asset Management	Call Option	253	\$50	January, 2021	71,093	71,599
Element Fleet Management	Call Option	812	\$14	January, 2021	26,800	4,060
Element Fleet Management	Call Option	647	\$15	April, 2021	24,424	23,292
Enbridge	Call Option	518	\$39	January, 2021	39,886	96,607
Endeavour Mining Corp.	Call Option	258	\$32	January, 2021	58,437	7,998
ERO Copper Corp.	Call Option	278	\$21	April, 2021	32,248	48,650
ERO Copper Corp.	Call Option	69	\$25	April, 2021	3,519	4,658
Gibson Energy Inc.	Call Option	310	\$21	January, 2021	15,810	9,300
Hudbay Minerals Inc.	Call Option	667	\$9	January, 2021	14,341	22,011
Intact Financial Corp.	Call Option	130	\$155	January, 2021	22,230	13,650
Kinross Gold Corp.	Call Option	834	\$10	January, 2021	22,727	13,344
Kirkland Lake Gold Ltd.	Call Option	436	\$56	January, 2021	63,656	18,530
Laurentian Bank	Call Option	453	\$32	January, 2021	22,537	9,060
Lundin Mining Corp.	Call Option	638	\$9	January, 2021	13,079	147,378
Mag Silver Corp.	Call Option	528	\$23	January, 2021	59,928	174,240
Mag Silver Corp.	Call Option	185	\$27	January, 2021	6,151	13,875
Palomar Holdings Inc.	Call Option	132	\$80	April, 2021	72,772	259,820
Prairiesky Royalty Ltd.	Call Option	516	\$11	April, 2021	26,316	28,380
Pretium Resources Inc.	Call Option	311	\$19	January, 2021	29,856	153
Primo Water Corp.	Call Option	556	\$22	April, 2021	55,322	38,920
Silvercorp Metals Inc.	Call Option	570	\$9	January, 2021	22,088	13,395
Suncor Energy Inc.	Call Option	556	\$24	January, 2021	31,692	5,838
Superior Plus Corp.	Call Option	492	\$13	April, 2021	15,129	13,530
TC Energy Corp.	Call Option	590	\$56	February, 2021	41,890	32,155
Toronto-Dominion Bank	Call Option	267	\$70	January, 2021	39,249	47,526
Toronto-Dominion Bank	Call Option	536	\$74	January, 2021	32,160	3,283
Whitecap Resources Inc.	Call Option	697	\$4	January, 2021	11,710	95,489
Yamana Gold Inc.	Call Option	834	\$8	January, 2021	12,927	4,170
					<u>944,821</u>	<u>1,314,469</u>
Brookfield Property Partners	Put Option	135	\$15	January, 2021	7,223	1,080
Brookfield Property Partners	Put Option	336	\$17	January, 2021	35,616	5,040
IMM Euro\$ Futures	Put Option	126	\$98	March, 2021	10,525	1,003
IMM Euro\$ Futures	Put Option	118	\$99	March, 2023	19,393	14,094
IMM Euro\$ Futures	Put Option	203	\$100	March, 2021	23,932	1,616
IMM Euro\$ Futures	Put Option	120	\$100	June, 2022	17,799	6,689
IMM Euro\$ Futures	Put Option	162	\$100	March, 2022	16,055	6,450
iShares iBoxx High Yield Corp. Bond	Put Option	466	\$82	January, 2021	75,550	3,562
iShares iBoxx Invest Grade Corp. Bond	Put Option	192	\$125	January, 2021	5,143	2,253
iShares iBoxx Invest Grade Corp. Bond	Put Option	427	\$133	January, 2021	39,614	10,064
iShares S&P-TSX 60 Index ETF	Put Option	1,723	\$26	January, 2021	52,121	27,568
S&P 500 Index 3Wk	Put Option	103	\$3,610	January, 2021	177,595	116,131
					<u>480,566</u>	<u>195,550</u>
Total Purchased Options					1,425,387	1,510,019
Allied Properties Real Estate	Written Call Option	(291)	\$37	January, 2021	(8,512)	(39,285)
Bank Of Montreal	Written Call Option	(416)	\$102	January, 2021	(22,048)	(2,647)
Brookfield Asset Management	Written Call Option	(253)	\$52	January, 2021	(6,135)	(33,776)
Brookfield Property Partners	Written Call Option	(47)	\$20	January, 2021	(917)	(588)
BRP Inc	Written Call Option	(77)	\$82	January, 2021	(15,323)	(26,180)
Element Fleet Management	Written Call Option	(647)	\$16	April, 2021	(13,911)	(12,293)
Enbridge	Written Call Option	(518)	\$41	January, 2021	(19,037)	(26,159)
Endeavour Mining Corp.	Written Call Option	(193)	\$34	January, 2021	(28,757)	(2,992)
Endeavour Mining Corp.	Written Call Option	(161)	\$40	January, 2021	(21,574)	(8)
ERO Copper Corp.	Written Call Option	(361)	\$23	April, 2021	(24,909)	(39,710)
Gibson Energy Inc.	Written Call Option	(186)	\$22	January, 2021	(3,627)	(2,046)
Hudbay Minerals Inc.	Written Call Option	(467)	\$10	January, 2021	(3,970)	(3,736)
Intact Financial Corp.	Written Call Option	(130)	\$160	January, 2021	(10,270)	(4,550)

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

APPENDIX A

OPTIONS (0.4%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
Kinross Gold Corp.	Written Call Option	(834)	\$11	January, 2021	(10,008)	(5,004)
Kirkland Lake Gold Ltd.	Written Call Option	(436)	\$58	January, 2021	(43,164)	(9,810)
Laurentian Bank	Written Call Option	(323)	\$34	January, 2021	(2,423)	(132)
Lundin Mining Corp.	Written Call Option	(638)	\$10	January, 2021	(6,061)	(85,492)
Mag Silver Corp.	Written Call Option	(739)	\$25	January, 2021	(40,645)	(131,170)
Palomar Holdings Inc.	Written Call Option	(132)	\$90	April, 2021	(45,097)	(172,369)
Prairiesky Royalty Ltd.	Written Call Option	(465)	\$12	April, 2021	(12,323)	(13,950)
Pretium Resources Inc.	Written Call Option	(249)	\$21	January, 2021	(12,201)	(13)
Primo Water Corp.	Written Call Option	(556)	\$24	April, 2021	(27,244)	(16,680)
S&P 500 Index 3Wk	Written Call Option	(22)	\$3,790	January, 2021	(5,389)	(10,090)
Silvercorp Metals Inc.	Written Call Option	(399)	\$10	January, 2021	(5,786)	(6,185)
Suncor Energy Inc.	Written Call Option	(389)	\$25	January, 2021	(13,323)	(2,529)
Suncor Energy Inc.	Written Call Option	(250)	\$27	January, 2021	(8,313)	(373)
Superior Plus Corp.	Written Call Option	(344)	\$14	April, 2021	(2,408)	(3,374)
TC Energy Corp.	Written Call Option	(531)	\$58	February, 2021	(17,125)	(13,541)
Toronto-Dominion Bank	Written Call Option	(401)	\$72	January, 2021	(29,674)	(16,842)
Toronto-Dominion Bank	Written Call Option	(402)	\$76	January, 2021	(10,151)	(1,005)
Whitecap Resources Inc.	Written Call Option	(488)	\$4	January, 2021	(2,684)	(43,188)
Yamana Gold Inc.	Written Call Option	(667)	\$9	January, 2021	(1,668)	(128)
					<u>(474,677)</u>	<u>(725,845)</u>
Bank Of Montreal	Written Put Option	(83)	\$90	January, 2021	(4,565)	(1,162)
Brookfield Property Partners	Written Put Option	(505)	\$16	January, 2021	(33,835)	(4,545)
Endeavour Mining Corp.	Written Put Option	(52)	\$26	January, 2021	(6,448)	(1,196)
Endeavour Mining Corp.	Written Put Option	(40)	\$27	January, 2021	(5,560)	(1,500)
ERO Copper Corp.	Written Put Option	(83)	\$14	April, 2021	(3,673)	(1,785)
IMM Euro\$ Futures	Written Put Option	(126)	\$98	March, 2021	(2,005)	(1,003)
IMM Euro\$ Futures	Written Put Option	(203)	\$99	March, 2021	(6,995)	(1,616)
IMM Euro\$ Futures	Written Put Option	(120)	\$99	June, 2022	(7,797)	(2,867)
IMM Euro\$ Futures	Written Put Option	(162)	\$99	March, 2022	(7,868)	(2,580)
IMM Euro\$ Futures	Written Put Option	(118)	\$99	March, 2023	(7,649)	(8,456)
Intact Financial Corp.	Written Put Option	(26)	\$135	January, 2021	(3,744)	(481)
Inter Pipeline Ltd.	Written Put Option	(149)	\$10	January, 2021	(2,161)	(1,267)
iShares iBoxx High Yield Corp. Bond	Written Put Option	(466)	\$80	January, 2021	(49,030)	(2,375)
iShares iBoxx Invest Grade Corp. Bond	Written Put Option	(641)	\$129	January, 2021	(27,848)	(6,125)
iShares S&P-TSX 60 Index ETF	Written Put Option	(1,895)	\$25	January, 2021	(36,953)	(18,003)
Kinross Gold Corp.	Written Put Option	(167)	\$8	January, 2021	(3,257)	(1,253)
Kirkland Lake Gold Ltd.	Written Put Option	(87)	\$48	January, 2021	(9,918)	(2,610)
Laurentian Bank	Written Put Option	(91)	\$26	January, 2021	(1,775)	(622)
Laurentian Bank	Written Put Option	(91)	\$28	January, 2021	(3,572)	(819)
Mag Silver Corp.	Written Put Option	(158)	\$19	January, 2021	(9,717)	(545)
Nutrien Ltd.	Written Put Option	(78)	\$44	January, 2021	(6,552)	(152)
Palomar Holdings Inc.	Written Put Option	(32)	\$60	January, 2021	(8,241)	(173)
Prairiesky Royalty Ltd.	Written Put Option	(155)	\$8	January, 2021	(2,248)	(313)
Pretium Resources Inc.	Written Put Option	(124)	\$14	January, 2021	(6,696)	(4,340)
Primo Water Corp.	Written Put Option	(209)	\$17	April, 2021	(11,286)	(10,450)
S&P 500 Index 3Wk	Written Put Option	(11)	\$3,465	January, 2021	(28,509)	(4,274)
S&P 500 Index 3Wk	Written Put Option	(92)	\$3,560	January, 2021	(112,090)	(67,394)
Silvercorp Metals Inc.	Written Put Option	(285)	\$6	January, 2021	(6,911)	(279)
Suncor Energy Inc.	Written Put Option	(167)	\$21	January, 2021	(6,388)	(9,269)
Superior Plus Corp.	Written Put Option	(197)	\$11	January, 2021	(2,266)	(245)
TC Energy Corp.	Written Put Option	(89)	\$46	February, 2021	(5,340)	(4,717)
TC Energy Corp.	Written Put Option	(89)	\$48	January, 2021	(3,226)	(2,136)
Toronto-Dominion Bank	Written Put Option	(133)	\$64	January, 2021	(7,847)	(798)
Whitecap Resources Inc.	Written Put Option	(209)	\$3	January, 2021	(1,359)	(1)
Yamana Gold Inc.	Written Put Option	(167)	\$6	January, 2021	(585)	(433)
Yamana Gold Inc.	Written Put Option	(125)	\$7	January, 2021	(2,188)	(1,625)
					<u>(446,102)</u>	<u>(167,409)</u>
Total Written Options					(920,779)	(893,254)

APPENDIX B

FUTURE CONTRACTS (0.0%)

Issuer	Number of Contracts	Fair Value (C\$)	Contracted Value (C\$)	Unrealized Gain/Loss (\$)
S&P TSX 60 Futures, March 2021	(156)	(32,101,680)	(32,521,944)	420,264
E-mini S&P 500 Futures, March 2021	(118)	(28,177,854)	(27,765,193)	(412,661)
Total Futures Contracts				<u>7,603</u>

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

FUND SPECIFIC NOTES

As at December 31, 2020 and December 31, 2019

1. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table illustrates the classifications of the Fund's financial instruments within the fair value hierarchy as at December 31, 2020 and 2019.

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2020				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	161,505,860	10,069,576	-	171,575,436
Bonds - Long	-	973,335	-	973,335
Options - Long	1,510,019	-	-	1,510,019
Futures - Long	420,264	-	-	420,264
Equities - Short	(88,440,574)	-	-	(88,440,574)
Options - Short	(893,254)	-	-	(893,254)
Futures - Short	(412,661)	-	-	(412,661)
Total	73,689,654	11,042,911	-	84,732,565

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2019				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	63,680,565	-	-	63,680,565
Options - Long	482,913	-	-	482,913
Equities - Short	(21,028,515)	(666)	-	(21,029,181)
Bonds - Short	-	(653,778)	-	(653,778)
Options - Short	(308,697)	-	-	(308,697)
Futures - Short	(377,825)	-	-	(377,825)
Total	42,448,441	(654,444)	-	41,793,997

2. OTHER PRICE RISK

Using Beta as a measure of the relationship of the Fund's performance versus its index, if the S&P/TSX Composite Total Return Index were to increase or decrease by 10%, net assets would have increased or decreased by approximately \$3,407,509 (December 31, 2019 - \$384,449). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

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

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

3. CURRENCY RISK

Foreign currencies to which the Fund had exposure as at December 31, 2020 and 2019 were as follows:

FINANCIAL INSTRUMENTS				
December 31, 2020 Currency	Monetary \$	Non-Monetary \$	Total \$	Percentage of Net Assets %
United States Dollar	10,800,206	(7,220,817)	3,579,389	2.0%
Australian Dollar	14,906	217,579	232,485	0.1%
European Euro	(457)	-	(457)	0.0%
Net Exposure	10,814,655	(7,003,238)	3,811,417	2.1%

FINANCIAL INSTRUMENTS				
December 31, 2019 Currency	Monetary \$	Non-Monetary \$	Total \$	Percentage of Net Assets %
United States Dollar	5,827,351	6,325,390	12,152,741	16.4%
Australian Dollar	129,007	(123,635)	5,372	0.0%
European Euro	65,892	(86,236)	(20,344)	0.0%
Net Exposure	6,022,250	6,115,519	12,137,769	16.4%

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 \$190,571 (December 31, 2019 - \$606,888). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

4. INTEREST RATE RISK

If the yield curve had shifted in parallel by 1%, with all other variables held constant, net assets will increase or decrease by \$37,405 (December 31, 2019 - \$0). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2020 and 2019, 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
Greater than 5 years	973,335	-	973,335
Total	973,335	-	973,335

Debt Instruments by Maturity Date	December 31, 2019 (\$)		
	Long Positions	Short Positions	Total
3-5 years	-	(653,778)	(653,778)
Total	-	(653,778)	(653,778)

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

5. CREDIT RISK

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 and 2019.

December 31, 2020			
Bond Ratings	Net	Long	Short
BBB+	0.55%	0.55%	0.00%

December 31, 2019			
Bond Ratings	Net	Long	Short
BB	-0.88%	0.00%	-0.88%

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

6. CONCENTRATION RISK

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

Jurisdiction	% of Net Assets	
	December 31, 2020	December 31, 2019
LONG POSITIONS	98.4%	86.7%
Canadian Equities	67.0%	61.8%
Financials	20.2%	17.2%
Materials	12.5%	10.2%
Energy	7.3%	5.9%
Industrials	6.8%	10.0%
Information Technology	5.0%	3.5%
Real Estate	4.1%	5.0%
Consumer Discretionary	3.4%	5.4%
Utilities	2.9%	1.8%
Health Care	1.8%	1.2%
Communication Services	1.6%	0.3%
Consumer Staples	0.8%	1.3%
Investment Funds	0.6%	0.0%
Global Equities	29.8%	24.2%
United States Equities	22.9%	20.1%
Information Technology	7.2%	4.6%
Financials	3.0%	4.5%
Industrials	2.7%	1.2%
Health Care	2.5%	3.4%
Communication Services	2.1%	1.8%
Consumer Staples	2.1%	1.4%
Consumer Discretionary	1.9%	1.0%
Materials	0.6%	0.0%
Real Estate	0.6%	0.3%
Utilities	0.2%	0.6%
Energy	0.0%	0.1%
Index Equivalents	0.0%	1.2%
International Equities	6.9%	4.1%
Utilities	2.4%	2.0%
Materials	2.1%	1.4%
Index Equivalents	0.8%	0.0%
Information Technology	0.7%	0.4%
Financials	0.6%	0.0%
Industrials	0.3%	0.3%

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

Jurisdiction	% of Net Assets	
	December 31, 2020	December 31, 2019
Corporate Bonds		
Canada	0.5%	0.0%
Derivatives	1.1%	0.7%
SHORT POSITIONS	-50.7%	-30.2%
Canadian Equities	-18.8%	-12.3%
Financials	-8.3%	-4.2%
Industrials	-2.1%	-0.6%
Utilities	-2.0%	-0.5%
Real Estate	-1.7%	-1.4%
Materials	-1.3%	-1.9%
Energy	-1.1%	0.0%
Consumer Discretionary	-0.9%	-0.7%
Communication Services	-0.6%	-0.4%
Consumer Staples	-0.5%	-0.7%
Health Care	-0.2%	-0.3%
Information Technology	-0.1%	-0.1%
Energy	0.0%	-1.5%
Corporate Bonds		
Canada	0.0%	-0.9%
Global Equities	-31.2%	-16.1%
United States Equities	-17.1%	-14.9%
Utilities	-0.5%	-0.6%
Consumer Staples	-1.0%	-0.4%
Materials	-1.0%	-0.4%
Communication Services	-1.1%	-0.3%
Health Care	-1.1%	-0.9%
Real Estate	-1.2%	-0.9%
Consumer Discretionary	-1.5%	-0.9%
Industrials	-2.3%	-1.5%
Financials	-3.5%	-2.5%
Information Technology	-3.9%	-1.8%
Energy	0.0%	-0.2%
Investment Funds	0.0%	-4.5%
International Equities	-14.1%	-1.2%
Health Care	-0.2%	0.0%
Real Estate	-0.2%	-0.4%
Communication Services	-0.3%	-0.1%
Information Technology	-0.3%	0.0%
Materials	-0.5%	-0.1%
Index Equivalents	-12.6%	0.0%
Consumer Discretionary	0.0%	-0.1%
Energy	0.0%	-0.1%
Financials	0.0%	-0.1%
Industrials	0.0%	0.0%
Investment Funds	0.0%	0.0%
Utilities	0.0%	-0.3%
Derivatives	-0.7%	-0.9%

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

7. LIQUIDITY RISK

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

December 31, 2020 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	88,440,574	-	-	88,440,574
Redemptions payable	176,966	-	-	176,966
Accrued liabilities and other payables	-	4,889,872	-	4,889,872
Derivative liabilities	1,305,915	-	-	1,305,915

December 31, 2019 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	21,682,959	-	-	21,682,959
Redemptions payable	146,145	-	-	146,145
Accrued liabilities and other payables	-	1,111,106	-	1,111,106
Derivative liabilities	686,522	-	-	686,522

8. FUND UNIT TRANSACTIONS

For the years ended December 31

	2020				2019			
	Class A	Class F	Class I	Class ETF	Class A	Class F	Class I	Class ETF
Units issued and outstanding, beginning of year	896,958	4,026,383	1,244,859	930,000	156,368	597,628	450,065	-
Units issued	959,737	7,886,513	-	1,460,000	798,061	3,696,082	1,203,418	1,080,000
Units reinvested	-	-	-	-	933	3,535	1,508	-
Units redeemed	(212,184)	(1,250,263)	(315,192)	(1,100,000)	(58,404)	(270,862)	(410,132)	(150,000)
Units issued and outstanding, end of year	1,644,511	10,662,633	929,667	1,290,000	896,958	4,026,383	1,244,859	930,000
Weighted average number of units held during the year	1,063,482	5,971,186	1,107,398	961,202	464,767	2,098,020	668,460	627,241

9. COMMISSIONS

For the years ended December 31 (in \$000)

	2020	2019
Brokerage commissions	1,159	234
Soft Dollar commissions	187	63

10. TAX LOSS CARRY FORWARDS

As at December 31 (in \$000)

	2020
Net capital losses carry forward	2,627
Non-capital losses carry forward	2040

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

11. STRUCTURED ENTITIES

The table below illustrates the Fund's investment in the underlying funds as at December 31, 2020 and 2019.

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			
Bitcoin Fund, CAD	1,026	786,725	0.0%
iShares Russell 2000 Value ETF	1,393	15,021,903	0.0%
As at December 31, 2019			
iShares Russell 2000 Value ETF	684	12,824,046	0.0%
ProShares VIX Short-Term Futures ETF	221	367,011	0.1%

12. LEVERAGE

During the year January 1 to December 31, 2020, the Fund's aggregate exposure reached a low of 101.77% and a high of 242.51% of the Fund's NAV. As at December 31, 2020, the Fund's aggregate exposure was 101.77% of the Fund's NAV. The primary source of leverage was short positions in equity securities.

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

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As at December 31, 2020 and December 31, 2019

1. GENERAL INFORMATION

Picton Mahoney Fortified Market Neutral Alternative Fund (the "Fund") is an open-ended mutual fund trust established under the laws of the Province of Ontario pursuant to a trust agreement dated September 19, 2018 (the "Trust Declaration"). The Fund commenced operations on September 21, 2018. Picton Mahoney Asset Management acts as manager (the "Manager"), portfolio advisor (the "Portfolio Advisor"), and trustee (the "Trustee") for the Fund pursuant to the Trust Declaration. 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.

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

Class A units are available to all investors. Class F units are available to investors who are enrolled in a dealer sponsored fee for service or wrap program and who are subject to an annual asset based fee rather than commissions on each transaction or, at the discretion of the Manager, any other investor for whom the Manager does not incur distribution costs. Class I units are available to institutional investors or to other investors on a case-by-case basis, all at the discretion of the Manager. Class ETF units are listed and issued and sold on a continuous basis and will be available to investors that purchase such units on the TSX through a registered broker or dealer in the province or territory where the investor resides.

As at December 31, 2020, the Fund currently has 4 Classes of Units: Class A, Class F, Class I and Class ETF. As at December 31, 2020, the Manager holds 1 unit of Class A.

The investment objective of the Fund is to provide consistent long-term capital appreciation and to provide unitholders with an attractive risk-adjusted rate of return with less volatility than traditional equity markets and low correlation to major equity markets. The Fund invests in long and short positions in equity, derivatives such as such as options, futures, forward contracts and swaps, securities of investment funds, fixed income securities including high yield securities, cash and cash equivalents. The Fund may engage in borrowing for investment purposes.

The Fund is considered an "alternative fund" meaning it has received exemptions from National Instrument 81-102 - Investment Funds ("NI 81-102") to permit it to use strategies generally prohibited by conventional mutual funds, such as the ability to borrow, up to 50% of the Fund's net asset value, cash to use for investment purposes; sell, up to 50% of the Fund's net asset value, securities short (the combined level of cash borrowing and short selling is limited to 50% in aggregate); and leverage up to 300% of the Fund's net asset value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Fund.

(a) Basis of Preparation

These financial statements have been prepared in accordance with those requirements of International Financial Reporting Standards. 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 or loss.

(b) Classification

(i) Assets

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the 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 a borrowed security is sold in 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. 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.

(c) Fair Value Measurements

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.

(d) Valuation of Investments and Derivatives

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.

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

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

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

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

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

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

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.

(e) Cash

Cash is comprised of cash on demand deposit with a Canadian financial institution and is stated at fair value.

(f) Investment Transactions and Income Recognition

Investment transactions are accounted for as of the trade date. Expenses are recorded on an accrual basis. Dividend income is recorded on the ex-dividend date. The interest for distribution purposes shown on the statement of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. Realized gains and losses on sale of investments and unrealized appreciation and depreciation in 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. Income, common expenses and gains (losses) are allocated to each Class of the Fund based on the Class' prorated share of total Net Asset Value. Interest and borrowing expense and dividend expense on short sales are included within net gains (losses) on investments and derivatives.

Distributions received from investment fund holdings are recognized by the Fund in the same form in which they were received from the underlying funds and are recognized on the distribution date.

(g) Valuation of Fund Units

The Fund's net asset value is calculated at the close of regular trading, normally 4:00pm (Eastern Time), on a day the Toronto Stock Exchange ("TSX") is open (a "Valuation Day"). The net asset value of the Fund will be calculated in Canadian dollars and the units of the Fund are denominated in Canadian dollars.

The Fund's units are divided into the Class A, Class F, Class I, and Class ETF 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.

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Any purchase, switch, reclassification or redemption instruction received after 4:00pm (Eastern Time) on Valuation Day will be processed on the next Valuation Day.

ETF units of the Fund are available for purchase or sale on the TSX through a registered broker or dealer. The cut-off time for ETF units of the Fund is 2:00pm (Eastern Time) on a trading day.

(h) Foreign Currency Translation

The Fund's functional and presentation currency is Canadian dollars. The fair value of foreign investments and other assets and liabilities are translated into Canadian dollars at the exchange rates prevailing at the close of each valuation day. Purchases and sales of foreign securities and the related income and expenses are translated into Canadian dollars at rates of exchange prevailing on the respective dates of such transactions.

Foreign exchange gains and losses relating to cash and other assets and liabilities are presented as 'Foreign currency gain (loss) on cash and other assets and liabilities' and those relating to other financial assets and liabilities are presented within 'Net realized gain (loss) on investments, options, and foreign exchange forward contracts and 'Change in unrealized appreciation (depreciation) on investments, options, and foreign exchange forward contracts.

(i) Increase (decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

Increase (decrease) in net assets attributable to holders of redeemable units per unit of each Class of the Fund is determined by dividing the net increase in net assets attributable to holders of redeemable units from each Class of Units by the weighted average number of Units outstanding of that Class during the year.

(j) Transaction Costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchange, and transfer taxes and duties. Such costs are expensed and included in "Transaction costs" in the Statement of Comprehensive Income.

(k) Securities Lending Transactions

The Fund may enter into securities lending transactions. These transactions involve the temporary exchange of securities as collateral with a commitment to deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the Statements of Comprehensive Income.

The Fund has entered into a securities lending program with their custodian, RBC Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund will receive collateral of at least 102% of the value of the securities on loan. Collateral will generally be comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or a permitted supranational agency as defined in National Instrument 81-102. Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which the Fund's custodian, RBC Investor Services Trust, is entitled to receive.

(l) 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.

(m) Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Picton Mahoney has determined that all of the underlying funds in which the Fund invests are unconsolidated structured entities. In making this determination, Picton Mahoney evaluated the fact that decision making about the underlying funds' activities is not governed by voting or similar rights held by the Fund and other investors in any underlying funds.

The Fund may invest in underlying funds whose investment objectives range from achieving short- to long-term income and capital growth potential. Underlying funds may use leverage in a manner consistent with their respective investment objectives. Underlying funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportionate stake in the respective fund's net assets. The Fund's interests in underlying funds as at December 31, 2020 and December 31, 2019, held in the form of redeemable units, are included at their fair value in the Statement of Financial Position, which represent the Fund's maximum exposure in these underlying funds. The Fund does not provide and has not committed to provide any additional significant financial or other support to the underlying funds. The change in fair value of each of the underlying funds during the periods is included in 'Change in unrealized appreciation (depreciation) of investments, options, and foreign exchange forward contracts' in the Statement of Comprehensive Income.

(n) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis

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or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

These financial statements, include estimates and assumptions by management that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the period. Actual results could differ from these estimates. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements.

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 recognized valuation techniques and may be determined using reputable pricing sources or indicative prices from market makers.

Where no market data is available, the Fund may value positions using its own models, which are 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. 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.

4. FINANCIAL INSTRUMENTS RISKS

The Fund is exposed to various financial risks, including market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk. The investment team reviews and rebalances the portfolio on a regular and ongoing basis to maintain the risk reward targets. Portfolios within each strategy are reviewed relative to each other and to their benchmark. Active industry and security allocations are analyzed. All investments may result in a risk of loss of capital.

Please refer to the Fund Specific Notes for details of the Fund's financial instruments risks.

Price risk:

The Fund trades in financial instruments, taking positions in traded and over-the-counter instruments which may include derivatives. As of December 31, 2020 and December 31, 2019, the Fund held or had exposure to long and short equity positions in publicly traded companies whose securities are actively traded on a recognized public exchange. Equities are susceptible to price risk arising from uncertainties about future prices of those instruments (other than those arising from interest rate risk or currency risk).

Short sales entail certain risks, including the risk that a short sale of a security may expose a Fund to losses if the value of the security increases. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover

the short position. In addition, a short sale by a Fund requires the Fund to borrow securities in order that the short sale may be transacted. There is no assurance that the lender of the securities will not require the security to be paid back by a Fund before the Fund wants to do so, possibly requiring the Fund to borrow the security elsewhere or purchase the security on the market at an unattractive price. Moreover, the borrowing of securities entails the payment of a borrowing fee. The borrowing fee may increase during the borrowing period, adding to the expense of the short sale strategy. There is also no guarantee that the securities sold short can be repurchased by a Fund due to supply and demand constraints in the equity markets. Finally, in order to maintain the appropriate ratios between the long portfolio and the short portfolio of a Fund, the Manager may be required to buy or sell short securities at unattractive prices. The maximum risk resulting for financial instruments held long is determined by the fair value of the instrument.

Currency risk:

Currency risk is the risk that the cash and securities held by the Fund as well as due to and due from broker balances may be valued in or have exposure to currencies other than the Canadian dollar which is the functional currency of the Fund. The prices of the foreign securities are denominated in foreign currencies which are converted to the Fund's functional currency for determining fair value and, accordingly, each Class Net Asset Value will be affected by fluctuations in the value of such foreign currencies relative to the Canadian dollar.

Interest rate risk:

Interest rate risk arises when a fund invests in interest-bearing financial instruments and from the possibility that changes in the prevailing levels of market interest rates will affect future cash flows or fair values of such financial instruments. There is minimal fair value sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates. Market prices may also be affected by changes in market interest rates. Also, changes in the market interest rate may affect the borrowing expenses of the short positions held by the Fund.

Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing the Fund's rights to its assets in the case of an insolvency of any such party.

The Fund is exposed to credit risk. For other financial assets at amortized cost, the Manager considers both historical analysis and forward looking information in determining any expected credit loss. At December 31, 2020, all receivables for investments sold, dividends receivable, due from manager, due from manager, deposits with brokers for securities sold short, and cash are held with counterparties with a good credit quality and are due to be settled within one week. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

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As at December 31, 2020 and December 31, 2019

Liquidity Risk:

Liquidity risk is the risk that a Fund will not be able to generate sufficient cash availability to execute its payment obligations. The Fund primarily invests in liquid securities that are readily realizable in an active market which is essential if the Fund is required to fund daily redemptions in the course of operations. The Fund from time to time may invest in restricted securities through private placements. However, this type of investment does not constitute a significant percentage of the Fund's Net Asset Value. The Fund may also maintain a cash reserve to accommodate normal-type redemptions. All liabilities of the Fund mature in one year or less. Redeemable units are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity will be representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

Concentration risk:

Concentration risk arises as a result of the concentration of financial instrument exposures within the same category, whether it is geographic region, asset type or industry sector.

Leverage Risk:

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.

Pursuant to the terms of the exemptive relief, the Fund's aggregate gross exposure, calculated as the sum of the following, must not exceed three times the Fund's net asset value: (i) the aggregate market value of the Fund's long positions; (ii) the aggregate market value of physical short sales on equities, fixed income securities or other portfolio assets; and (iii) the aggregate notional value of the Fund's specified derivatives positions excluding any specified derivatives used for hedging purposes. If the Fund's aggregate gross exposure exceeds three times the Fund's net asset value, the Fund must, as quickly as is commercially reasonable, take all necessary steps to reduce the aggregate gross exposure to three times the Fund's net asset value or less.

5. CAPITAL MANAGEMENT

The capital of a Fund is represented by the issued and outstanding units and the net asset value attributable to participating unitholders. The Manager utilizes the capital of the Fund in accordance with the Fund's investment objectives, strategies and restrictions, as outlined in the Fund's prospectus, while maintaining sufficient liquidity to meet normal redemptions. The Fund does not have any externally imposed capital requirements.

6. REDEEMABLE UNIT TRANSACTIONS

The Fund is permitted to have an unlimited number of Classes of Units having such terms and conditions as the Manager may determine. Additional Classes may be offered in future on different terms, including having different fee and dealer compensation terms and different minimum subscription levels. Each Unit of a Class represents an undivided ownership interest in the Net Asset Value of the Fund attributable to that Class of Units.

Investors may be admitted to the Fund or may acquire additional Units on a daily basis. Units of the Fund are offered at the Class Net Asset Value per Unit calculated as of the applicable Valuation Date. The minimum initial investment in the Fund is \$2,000 for all Classes and the Manager has the discretion to accept a lesser initial subscription, provided, in each case, that the issuance of Units in respect of such subscription shall otherwise be exempt from the prospectus requirements of applicable securities legislation. Subsequent investments are subject to an additional minimum investment of CAD \$500 subject to applicable securities legislation. The capital of the Fund is represented by issued redeemable Units with no par value. The Units are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's Net Asset Value per Unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of Units other than as described above. The relevant movements are shown on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units and in the Fund Specific Notes of each Fund.

IAS 32, Financial Instrument - Recognition and Measurement, requires that units of an entity that 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 have been classified as financial liabilities. The Fund has multiple series of units that carry different management fee rates and therefore do not have identical features. As all units are equally subordinate, the units also would not meet the requirements of IAS 32 and therefore do not meet the conditions to be classified as equity.

Generally, all orders to purchase ETF units directly from a Fund must be placed by a Designated Broker or an "ETF Dealer", which is a registered dealer (that may or may not be a Designated Broker) that has entered into an agreement with us authorizing the dealer to subscribe for, purchase and redeem ETF units from one or more Funds on a continuous basis from time to time. For each Prescribed Number of Units issued, an ETF Dealer must deliver payment consisting of, either: (i) a group of securities or assets representing the constituents of the Fund (a "Basket of Securities") for each Prescribed Number of Units for which the subscription order has been accepted and cash, in an amount sufficient so that the value of the securities and cash received is equal to the aggregate net asset value of the Prescribed Number of Units next determined following the receipt of the subscription order; or (ii) cash only, securities other than Baskets of Securities or a combination of securities other than Baskets of Securities and cash, in an amount sufficient so that the value of the securities and cash received is equal to the aggregate net asset value of the Prescribed Number of Units next determined following the receipt of the subscription order. When you redeem ETF units of a Fund, you receive the proceeds of your sale in cash at a redemption price per unit equal to 95% of the closing trading price on the effective date of the cash redemption request, subject to a maximum redemption price of the applicable net asset value per unit. As unitholders will generally be able to sell ETF units at the market price on the TSX or another exchange or marketplace through a registered broker or dealer subject only to customary brokerage commissions.

7. DISTRIBUTIONS

The Fund intends to distribute net income and net realized capital gains, if any, to Unitholders at the end of each taxation year to ensure that the Fund is not liable for income tax under Part I of the Income Tax Act (Canada) (the "Act"), after taking into account any loss carry forwards and capital gains refunds.

All annual distributions paid on Class A, Class F, Class I and Class ETF units will be automatically reinvested in additional units.

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8. TAXATION

The Fund qualifies as a “mutual fund trust” and will be subject to tax in each taxation year under Part I of the Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. The Fund deducts, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains, it will generally not be liable in such year for any tax on its net income or profit under Part I of the Tax Act. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statement of Financial Position as a deferred tax asset.

Non-capital losses have expiry periods of up to 20 years and can be offset against future taxable income. Net capital losses can be carried forward indefinitely and offset against future taxable capital gains. For tax loss carry forward information, please refer to Note 10 in the Fund Specific Notes.

The Fund is required to include in income for each taxation year any dividends received by it in a taxation year and all interest that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year. In computing its income, the Fund will take into account any loss carry-forwards, any capital gains refund and all deductible expenses, including management fees.

Gains and losses realized by the Fund on the disposition of securities will generally be reported as capital gains and capital losses. The Fund will elect under section 39(4) of the Tax Act so that all gains or losses realized on the disposition of securities that are “Canadian securities” (as defined in the Tax Act), including Canadian securities acquired in connection with short sales, will be deemed to be capital gains or losses to the Fund. Generally, gains and losses realized by the Fund from derivative securities and in respect of short sales of securities (other than Canadian securities) will be treated as income and losses of the Fund, except where a derivative is used to hedge securities held on capital account provided there is sufficient linkage and subject to detailed rules in the Tax Act. Whether gains or losses realized by the Fund in respect of a particular security (other than a Canadian security) is on income or capital account will depend largely on factual considerations. Losses incurred by the Fund in a taxation year cannot be allocated to unitholders, but may be deducted by the Fund in future years in accordance with the Tax Act.

9. OPERATING EXPENSES

The Manager is responsible for the day-to-day operations of the Fund. The Fund pays its own operating expenses, other than advertising costs and costs of dealer compensation programs, which are paid by the Manager. Operating expenses include, but are not limited to, brokerage commissions and fees, taxes, audit and legal fees, fees of the members of the Independent Review Committee (“IRC”), costs and fees in connection with the operation of the IRC, safekeeping and custodial fees, interest expenses, operating, administrative and systems costs, investor servicing costs and costs of financial and other reports to investors, as well as prospectuses, annual information forms and fund facts.

With the exception of Class specific expenses, all other expenses are allocated to each Class of the Fund based on the Class’ pro-rated share of total Net Asset Value of the Fund. The Manager may from time to time waive any portion of the fees and reimbursement of expenses otherwise payable to it, but no such waiver affects its right to received fees and reimbursement of expenses subsequently accruing to it.

10. RELATED PARTY TRANSACTIONS

(a) Management Fees

The Manager receives a management fee payable for providing its services to the Fund. The management fee varies for each class of units. The management fee is calculated and accrued daily based on a percentage of the net asset value of the class of units of the Fund, plus applicable taxes, and is payable on the last business day of each calendar quarter. This fee differs among the classes of units of the Fund. The annual management fee payable by the Fund to the Manager on Class A units is 1.95% and on Class F units and Class ETF units is 0.95%. The management fee for Class I units of the Fund is negotiated by the investor and paid directly by the investor, and would not exceed the management fee payable on Class A units of the Fund.

Management Fee Distributions

The Manager may, in its discretion, agree to charge a reduced management fee as compared to the fee that the Manager otherwise would be entitled to receive from the Fund with respect to investments in the Fund by unitholders who hold a minimum amount of units during any period and/or meet other criteria as determined by the Manager from time to time. In such cases, an amount equal to the difference between the management fee otherwise chargeable and the reduced fee payable by the Fund will be distributed regularly by the Fund to those unitholders as “Management Fee Distributions”. The Manager reserves the right, in its discretion, to discontinue or change Management Fee Distributions at any time.

(b) Performance Fees

The Manager receives a performance fee in respect of each of the Class A units, Class F units, and Class ETF units of the Fund. The performance fee for each class shall be calculated and become a liability of the Fund on each Valuation Day and shall be payable at the end of each calendar quarter.

The performance fee is equal to 20% of the amount by which the performance of the applicable class exceeds an annual hurdle rate of return equal to 2%, for each of the Class A units, Class F units, or Class ETF units, plus applicable taxes. The performance fee in respect of each of the Class A units, Class F units, and Class ETF units of the Fund on a particular Valuation Day shall be equal to the product of, (a) 20% of the positive difference between (i) the Unit Price on the Valuation Day; and (ii) the greatest Unit Price on any previous Valuation Day or the Unit Price on the date when the units of the class were first issued, where no performance fee liability has previously arisen in respect of units of the class (the “High Water Mark”); less (iii) the hurdle amount (the “Hurdle Amount”) per unit on the Valuation Day; and (b) the number of units outstanding on the applicable Valuation Day on which the performance fee is determined, plus applicable taxes.

The Hurdle Amount per unit is the product of (a) 2% for each calendar year (prorated for the number of days in the year); (b) the Unit Price on the applicable Valuation Day; and (c) the number of days since the most recently determined High Water Mark or the beginning of the current calendar year, whichever is most recent. The Manager may make such adjustments to the Unit Price, the High Water Mark and/or the Hurdle Amount per unit as are determined by the Manager to be necessary to account for the payment of any distributions on units, any unit splits or consolidations or any other event or matter that would, in the opinion of the Manager, impact upon the computation of the performance fee. Any such determination of the Manager shall, absent manifest error, be binding on all unitholders. Investors in Class I units may negotiate a different performance fee than the one described herein or no performance fee at all. Any performance fee for Class I units will be paid directly to the Manager. The Manager reserves the right, in its discretion,

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to discontinue, decrease or waive the performance fee at any time.
For the year ended December 31, 2020, the Fund incurred performance fees of \$3,548,698 plus applicable taxes.

(c) Fund-on-Fund Fees and Expenses

When the Fund invests in an underlying fund, the underlying fund may pay a management and performance fee and other expenses in addition to the fees and expenses payable by the Fund. The fees and expenses of the underlying fund will have an impact on the management expense ratio of the Fund. However, the Fund will not pay a management or performance fee that, to a reasonable person, would duplicate a fee payable by the underlying fund(s) for the same service. In addition, the Fund will not pay any sales charges, redemption fees or short-term trading fees for its purchase or redemption of units of any underlying fund that is managed by the Manager, or that, in respect of the other underlying funds, to a reasonable person, would duplicate a fee payable by an investor in any underlying fund.

**THINK AHEAD.
STAY AHEAD.**



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