

FORTIFIED MULTI-STRATEGY 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 Multi-Strategy 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 Multi-Strategy 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 (loss) 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.
- 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.

INDEPENDENT AUDITOR'S REPORT

- 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 MULTI-STRATEGY ALTERNATIVE FUND

STATEMENTS OF FINANCIAL POSITION

As at

	December 31, 2020 \$	December 31, 2019 \$
Assets		
Current assets		
Long positions at fair value*	35,386,298	28,069,990
Cash	1,717,645	2,006,228
Options purchased	131,071	42,290
Unrealized gain on futures contracts	692,605	604,748
Unrealized gain on swap agreements	87,514	160,280
Credit default swap agreements at fair value	72,690	592,650
Deposits with brokers for securities sold short	-	5,698,384
Due from Manager	100,165	146,098
Subscriptions receivable	32,274	174,095
Dividends receivable	20,018	14,442
	<u>38,240,280</u>	<u>37,509,204</u>
Liabilities		
Current liabilities		
Short positions at fair value**	4,501,683	2,068,720
Options written	60,720	14,550
Unrealized loss on futures contracts	81,091	176,763
Unrealized loss on swap agreements	94,990	232,544
Management fee payable	24,087	29,058
Performance fee payable	346,171	-
Redemptions payable	454	38,251
Accrued liabilities	48,212	38,477
Payable for investments purchased	1,478,488	347,315
Dividends payable	11,875	1,298
	<u>6,647,771</u>	<u>2,946,976</u>
Net Assets Attributable to Holders of Redeemable Units	<u>31,592,509</u>	<u>34,562,228</u>
Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	6,349,092	5,717,095
Class F	23,039,309	22,712,929
Class I	11,707	10,645
Class ETF***	2,192,401	6,121,559
Number of Redeemable Units Outstanding		
Class A	576,071	552,615
Class F	2,044,379	2,163,857
Class I	1,001	1,001
Class ETF***	200,000	600,000
Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	11.02	10.35
Class F	11.27	10.50
Class I	11.70	10.63
Class ETF****	10.96	10.20
	<u>31,380,160</u>	<u>27,650,905</u>
	<u>(4,057,909)</u>	<u>(2,030,702)</u>
	<u>11.04</u>	<u>10.19</u>

* Long positions, at cost

** Short positions, at cost

**** Closing Market Price (TSX)

***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 (LOSS)

For the years ended December 31

	2020 \$	2019 \$
Income		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	30,450	20,660
Dividends	272,311	285,547
Distributions from underlying funds	416,613	13,039
Net realized gain (loss) on investments and options	(1,944,336)	(120,986)
Net realized gain (loss) on futures contracts, swaps, and credit default swaps	653,247	(22,890)
Change in unrealized appreciation (depreciation) on investments, options, futures contracts, swaps and credit default swaps	3,299,825	1,022,404
Interest and borrowing expense	(99,158)	(19,870)
Dividend expense	(115,271)	(11,575)
	<u>2,513,681</u>	<u>1,166,329</u>
Other income		
Foreign currency gain (loss) on cash and other assets and liabilities	(176,629)	(88,821)
Total Income	<u>2,337,052</u>	<u>1,077,508</u>
Expenses		
Management fees	396,218	158,060
Performance fees	377,064	101,130
Transaction costs	154,055	32,264
Harmonized sales tax	102,758	51,631
Administrative fees	67,852	42,284
Legal fees	39,300	60,594
Securityholder reporting fees	29,496	11,701
Independent Review Committee Expense	6,954	7,475
Audit fees	6,786	6,788
Withholding taxes	3,918	39,729
Custody fees	360	5,176
Total Expense before Manager Absorption	<u>1,184,761</u>	<u>516,832</u>
Less: Expenses Absorbed by Manager	(100,165)	(260,375)
Total Expense after Manager Absorption	<u>1,084,596</u>	<u>256,457</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>1,252,456</u>	<u>821,051</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	381,815	117,045
Class F	984,995	608,505
Class I	1,062	43,446
Class ETF***	(115,416)	52,055
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	0.57	0.50
Class F	0.40	0.63
Class I	1.06	2.89
Class ETF***	(0.39)	0.15

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

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

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

For the years ended December 31

	2020 \$	2019 \$
Net Assets Attributable to Holders of Redeemable Units at Beginning of Year		
Class A	5,717,095	451,623
Class F	22,712,929	2,673,445
Class I	10,645	1,068,285
Class ETF***	6,121,559	-
	<u>34,562,228</u>	<u>4,193,353</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Class A	381,815	117,045
Class F	984,995	608,505
Class I	1,062	43,446
Class ETF***	(115,416)	52,055
	<u>1,252,456</u>	<u>821,051</u>
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Class A	2,549,737	5,652,890
Class F	13,039,270	21,333,221
Class I	-	-
Class ETF***	824,070	7,290,389
	<u>16,413,077</u>	<u>34,276,500</u>
Redemption of redeemable units		
Class A	(2,299,555)	(504,463)
Class F	(13,697,885)	(1,902,242)
Class I	-	(1,101,086)
Class ETF***	(4,637,812)	(1,220,885)
	<u>(20,635,252)</u>	<u>(4,728,676)</u>
Net Increase (Decrease) from Redeemable Unit Transactions	<u>(4,222,175)</u>	<u>29,547,824</u>
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>(2,969,719)</u>	<u>30,368,875</u>
Net Assets Attributable to Holders of Redeemable Units at End of Year		
Class A	6,349,092	5,717,095
Class F	23,039,309	22,712,929
Class I	11,707	10,645
Class ETF***	2,192,401	6,121,559
Net Assets Attributable to Holders of Redeemable Units at End of Year	<u>31,592,509</u>	<u>34,562,228</u>

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

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

STATEMENTS OF CASH FLOWS

For the years ended December 31

	2020 \$	2019 \$
Cash Flows from Operating Activities		
Increase (decrease) in net assets attributable to holders of redeemable units	1,252,456	821,051
Adjustments for:		
Unrealized foreign exchange (gain) loss on cash	37,263	51,705
Net realized (gain) loss on investments and options	1,944,336	120,986
Change in unrealized (appreciation) depreciation on investments, options, futures contracts, swaps and credit default swaps	(3,299,825)	(1,022,404)
(Increase) decrease in due from manager	45,933	(132,963)
(Increase) decrease in dividends receivable	(5,576)	(6,009)
(Increase) decrease in deposits with brokers for securities sold short	5,698,383	(5,698,384)
(Increase) decrease in distributions receivable from underlying funds	-	17,244
Increase (decrease) in dividends payable	10,577	1,298
Increase (decrease) in other payables and accrued liabilities	4,764	53,210
Increase (decrease) in performance fee payable	346,171	-
Purchase of long positions and repurchases of investments sold short	(84,322,666)	(47,604,703)
Proceeds from sales of long positions and on investments sold short	82,155,015	26,551,110
Net Cash Generated (Used) by Operating Activities	<u>3,866,831</u>	<u>(26,847,859)</u>
Cash Flows from Financing Activities		
Proceeds from redeemable units issued	16,056,774	33,854,239
Amount paid on redemption of redeemable units	(20,174,925)	(4,442,259)
Net Cash Generated (Used) by Financing Activities	<u>(4,118,151)</u>	<u>29,411,980</u>
Unrealized foreign exchange gain (loss) on cash	(37,263)	(51,705)
Net increase (decrease) in cash	(251,320)	2,564,121
Cash (overdraft), beginning of year	2,006,228	(506,188)
Cash (Overdraft), End of Year	<u>1,717,645</u>	<u>2,006,228</u>
Cash	1,717,645	2,006,228
Cash overdraft	-	-
Net Cash (Overdraft)	<u>1,717,645</u>	<u>2,006,228</u>
Items classified as operating activities:		
Interest received, net of withholding tax	30,450	20,660
Dividends received, net of withholding tax	262,817	239,809
Interest and borrowing expense paid	(99,158)	(19,870)
Dividends paid	(104,694)	(10,277)

Net of non-cash transfers and switches of \$498,124 (2019 - \$248,166)

PICTON MAHONEY FORTIFIED MULTI-STRATEGY 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 (112.6%)					Consumer Staples (1.2%)				
Canadian Equities (84.9%)									
Energy (1.4%)									
	3,290	Canadian Natural Resources Ltd.	81,517	100,641		1,162	Alimentation Couche-Tard Inc.	51,794	50,408
	3,501	Enerflex Ltd.	26,270	22,967		2,896	Empire Co., Ltd.	94,748	100,752
	6,624	Enerplus Corp.	16,112	26,364		2,850	North West Co Inc.	96,536	92,454
	1,479	Keyera Corp.	30,071	33,455		8,137	SunOpta Inc.	88,877	120,997
	24,546	MEG Energy Corp.	98,883	109,230				<u>331,955</u>	<u>364,611</u>
	3,583	Pason Systems Inc.	25,219	28,234	Health Care (0.1%)				
	16,482	Seven Generations Energy Ltd.	103,471	108,946		2,728	Well Health Technologies Corp.	19,175	21,960
	146	Tourmaline Oil Corp.	2,176	2,505	Financials (2.0%)				
			<u>383,719</u>	<u>432,342</u>		6,629	Canaccord Genuity Group Inc.	65,491	73,980
Materials (2.7%)						3,563	Canadian Western Bank	103,180	101,973
	7,365	Argonaut Gold Inc.	19,172	20,180		6,162	CI Financial Corp.	102,525	97,236
	2,098	Canfor Corp.	35,002	48,212		533	Equitable Group Inc.	51,515	53,833
	8,425	Capstone Mining Corp.	16,528	20,052		2,381	Genworth MI Canada Inc.	103,514	103,359
	1,835	Cascades Inc.	27,756	26,699		721	Home Capital Group Inc.	15,508	21,414
	2,424	Chemtrade Logistics Income Fund	13,353	14,132		1,357	iA Financial Corp. Inc.	55,265	74,879
	6,873	Dundee Precious Metals Inc.	50,753	62,888		1,457	Onex Corp.	100,252	106,448
	5,310	First Quantum Minerals Ltd.	42,754	121,334				<u>597,250</u>	<u>633,122</u>
	3,586	Intertape Polymer Group Inc.	45,225	86,566	Information Technology (1.1%)				
	12,933	Jaguar Mining Inc.	98,032	107,861		4,495	Absolute Software Corp.	58,862	68,099
	28,626	Karora Resources Inc.	100,764	107,920		9,814	Celestica Inc.	78,221	100,790
	2,520	Major Drilling Group International Inc.	11,503	19,379		563	Docebo Inc.	35,505	46,588
	14,052	New Gold Inc.	32,919	39,346		462	Dye & Durham Ltd.	15,793	23,340
	1,260	Norbord Inc.	34,487	69,250		55	Shopify Inc.	69,226	79,053
	1,778	Turquoise Hill Resources Ltd.	26,417	28,146		580	TECSYS Inc.	27,190	28,896
	5,641	Victoria Gold Corp.	66,865	68,764				<u>284,797</u>	<u>346,766</u>
			<u>621,530</u>	<u>840,729</u>	Communication Services (0.6%)				
Industrial (2.0%)						136	Cogeco Communications Inc.	12,942	13,309
	7,772	CanWel Building Materials Group Ltd.	45,942	59,611		23,486	Corus Entertainment Inc.	71,380	100,520
	2,096	Exro Technologies Inc.	9,743	9,180		1,456	Rogers Communications Inc.	79,787	86,283
	2,990	Finning International Inc.	82,470	80,820				<u>164,109</u>	<u>200,112</u>
	2,166	Hardwoods Distribution Inc.	54,732	54,843	Utilities (0.8%)				
	9,560	Mullen Group Ltd.	75,709	104,204		2,679	Atco Ltd.	101,002	97,757
	2,920	Richelieu Hardware Ltd.	105,006	96,477		2,943	Capital Power Corp.	103,376	102,946
	961	TFI International Inc.	56,922	62,974		5,330	TransAlta Corp.	46,877	51,541
	3,246	Transcontinental Inc.	48,664	66,575				<u>251,255</u>	<u>252,244</u>
	6,259	Westshore Terminals Investment Corp.	99,940	97,578	Real Estate (1.7%)				
			<u>579,128</u>	<u>632,262</u>		4,697	Artis Real Estate Investment Trust	40,982	50,070
Consumer Discretionary (1.2%)						888	Colliers International Group Inc.	101,085	100,593
	3,862	AutoCanada Inc.	49,132	91,182		291	CT Real Estate Investment Trust	4,073	4,560
	3,120	Goodfood Market Corp.	26,075	37,814		1,357	DREAM Unlimited Corp.	24,851	28,836
	1,569	Linamar Corp.	107,589	105,782		232	FirstService Corp.	39,018	40,419
	3,344	Martinrea International Inc.	47,653	49,692					
	4,134	Sleep Country Canada Holdings Inc.	105,911	109,427					
			<u>336,360</u>	<u>393,897</u>					

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2020

CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
	3,593	H&R Real Estate Investment Trust	50,683	47,751
	5,243	Minto Apartment Real Estate Investment Trust	102,633	106,800
	2,380	Morguard North American Residential Real Estate Investment	37,165	37,961
	2,790	Real Matters Inc.	55,804	53,596
	2,907	True North Commercial Real Estate Investment Trust	16,333	18,343
	2,893	WPT Industrial Real Estate Investment Trust	49,233	53,258
			521,860	542,187
Index Equivalents (1.4%)				
	6,260	iShares Canadian Government Bond Index ETF	145,643	146,108
	10,770	iShares S&P/TSX 60 Index ETF	250,555	280,774
			396,198	426,882
Investment Funds (68.7%)				
	2,000	Bitcoin Fund, CAD	53,000	96,780
	8,500	Bitcoin Fund, USD	184,550	408,036
	136,261	Picton Mahoney Fortified Arbitrage Alternative Fund, Class I Units**	1,390,800	1,709,540
	700,263	Picton Mahoney Fortified Income Alternative Fund, Class I Units***	7,269,717	7,409,692
	929,667	Picton Mahoney Fortified Market Neutral Alternative Fund, Class I Units****	9,719,639	12,070,985
			18,617,706	21,695,033
		Total Canadian Equities - Long	23,105,042	26,782,147
Global Equities (27.3%)				
International Equities (0.2%)				
	1,000	XPeng Inc.	30,136	54,565
International Index Equivalents (27.1%)				
	8,650	db X-trackers Harvest CSI 300 China A-Shares Fund	385,084	441,465
	4,000	Global X Silver Miners ETF	232,227	232,479
	97,740	Invesco DB Base Metals Fund	2,146,559	2,149,226
	2,060	Invesco DB Energy Fund	25,470	28,449
	18,230	iShares Core MSCI Europe ETF	1,106,462	1,190,978
	590	iShares iBoxx \$ Investment Grade Corporate Bond ETF	103,850	103,827
	6,180	iShares MSCI Australia ETF	166,570	188,566
	9,460	iShares MSCI Brazil Capped ETF	425,246	446,769
	3,270	iShares MSCI Hong Kong ETF	98,892	102,650
	8,990	iShares MSCI India ETF	409,191	460,764

CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
	7,930	iShares MSCI Mexico Capped ETF	417,293	434,320
	7,790	iShares MSCI South Africa ETF	436,604	435,088
	11,500	iShares MSCI United Kingdom ETF	441,608	429,127
	740	iShares Russell 2000 ETF	145,460	184,837
	640	SPDR Gold Shares	143,122	145,427
	1,580	SPDR S&P 500 ETF Trust	651,531	752,590
	4,800	VanEck Vectors Gold Miners ETF	246,378	220,269
	2,000	VanEck Vectors Rare Earth/Strategic Metals ETF	105,854	167,709
	14,140	VanEck Vectors Russia ETF	417,191	435,046
			8,104,592	8,549,586
		Total Global Equities - Long	8,134,728	8,604,151
Options (0.4%)				
		Total Purchased Options - Refer to Appendix A	143,231	131,071
		Transaction Costs	(2,841)	-
		Total Long Positions	31,380,160	35,517,369
SHORT POSITIONS (-14.6%)				
Canadian Equities (-14.4%)				
Energy (-1.0%)				
	(1,104)	Cameco Corp.	(16,400)	(18,823)
	(21,685)	Crescent Point Energy Corp.	(62,317)	(64,404)
	(5,944)	Inter Pipeline Ltd.	(78,167)	(70,555)
	(7,227)	NexGen Energy Ltd.	(18,870)	(25,367)
	(2,266)	Pembina Pipeline Corp.	(74,335)	(68,207)
	(12,748)	Vermilion Energy Inc.	(80,415)	(72,409)
			(330,504)	(319,765)
Materials (-2.4%)				
	(5,323)	First Majestic Silver Corp.	(72,975)	(90,917)
	(14,231)	Largo Resources Ltd.	(15,227)	(19,639)
	(1,889)	Lithium Americas Corp.	(24,251)	(30,186)
	(5,233)	Lundin Gold Inc.	(61,824)	(57,197)
	(1,399)	Methanex Corp.	(57,127)	(81,828)
	(5,212)	Osisko Gold Royalties Ltd.	(73,848)	(84,070)
	(7,879)	Osisko Mining Inc.	(27,365)	(29,152)
	(23,567)	Premier Gold Mines Ltd.	(59,860)	(70,937)
	(3,259)	Seabridge Gold Inc.	(70,309)	(87,276)
	(4,201)	Stelco Holdings Inc.	(34,211)	(95,489)
	(3,355)	Teck Resources Ltd.	(61,791)	(77,501)
	(610)	Winpak Ltd.	(25,556)	(26,120)
			(584,344)	(750,312)
Industrial (-2.8%)				
	(4,663)	Aecon Group Inc.	(66,513)	(76,287)
	(2,388)	AG Growth International Inc.	(68,036)	(71,186)
	(1,719)	ATS Automation Tooling Systems Inc.	(32,690)	(38,420)
	(642)	Badger Daylighting Ltd.	(21,927)	(24,415)
	(2,810)	Ballard Power Systems Inc.	(56,067)	(83,682)
	(437)	Calian Group Ltd.	(25,834)	(28,912)

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2020

CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
		Total Return Swaps (0.0%)		
		Unrealized Appreciation/ (Depreciation) on Swaps - Refer to Appendix C		<u>(7,476)</u>
		Credit Default Swaps (0.2%)		
		Total Credit Default Swap Fair Value - Refer to Appendix D		<u>72,690</u>
		TOTAL INVESTMENT PORTFOLIO (100.1%)	<u>27,322,251</u>	<u>31,631,694</u>
		Other Assets Net of Liabilities (-0.1%)		<u>(39,185)</u>
		TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)		<u>31,592,509</u>

*CCY denotes local currency of debt security

**The Picton Mahoney Fortified Arbitrage Alternative Fund holds 2.03% of the net assets of Picton Mahoney Fortified Arbitrage Alternative Fund. Picton Mahoney Asset Management acts as the trustee and manager for all of the funds listed above.

***Picton Mahoney Fortified Income Alternative Fund holds 1.51% of the net assets of Picton Mahoney Fortified Income Alternative Fund. Picton Mahoney Asset Management acts as the trustee and manager for all of the funds listed above.

****The Picton Mahoney Fortified Market Neutral Alternative Fund holds 6.80% of the net assets of Picton Mahoney Fortified Market Neutral Alternative Fund. Picton Mahoney Asset Management acts as the trustee and manager for all of the funds listed above.

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

APPENDIX A

OPTIONS (0.2%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
CHF/USD Curr. 9 am.	Call Option	18	\$116	January, 2021	5,472	1,147
Crude Oil OPT IPE	Call Option	10	\$53	February, 2021	6,978	10,447
Gold Futures OPT(CMX)	Call Option	7	\$2,000	January, 2021	6,979	6,064
Gold Futures OPT(CMX)	Call Option	36	\$2,500	January, 2021	1,402	917
Gold Futures OPT(CMX)	Call Option	65	\$2,600	February, 2021	4,193	3,312
Invesco QQQ Trust	Call Option	50	\$335	January, 2021	7,535	1,338
iShares Russell 2000 ETF	Call Option	29	\$190	March, 2021	4,832	50,598
US Bond Futures	Call Option	22	\$183	January, 2021	10,794	1,314
Vaneck Vectors Gold Miners	Call Option	84	\$50	January, 2021	6,121	-
					<u>54,306</u>	<u>75,137</u>
CBOE VIX	Put Option	70	\$25	January, 2021	22,731	31,213
Crude Oil OPT IPE	Put Option	6	\$42	January, 2021	6,380	994
HG Copper Futures	Put Option	7	\$340	January, 2021	7,383	8,807
IMM Euro\$ Futures	Put Option	37	\$98	March, 2021	2,471	295
IMM Euro\$ Futures	Put Option	50	\$99	March, 2023	8,015	5,972
IMM Euro\$ Futures	Put Option	67	\$99	March, 2021	8,497	533
Invesco QQQ Trust	Put Option	26	\$288	January, 2021	13,824	3,346
iShares MSCI EAFE ETF	Put Option	50	\$68	January, 2021	5,357	1,210
iShares MSCI Emerging Market	Put Option	145	\$48	January, 2021	12,075	2,863
S&P 500 Index 3Wk	Put Option	22	\$2,500	January, 2021	2,192	701
					<u>88,925</u>	<u>55,934</u>
Total Purchased Options					143,231	131,071
CHF/USD Curr. 9 am.	Written Call Option	(18)	\$118	January, 2021	(1,138)	(143)
Crude Oil OPT IPE	Written Call Option	(10)	\$59	February, 2021	(2,493)	(2,803)
Gold Futures OPT(CMX)	Written Call Option	(1)	\$2,100	January, 2021	(319)	(191)
Gold Futures OPT(CMX)	Written Call Option	(6)	\$2,200	January, 2021	(3,132)	(535)
Gold Futures OPT(CMX)	Written Call Option	(36)	\$2,600	January, 2021	(436)	(459)
Gold Futures OPT(CMX)	Written Call Option	(32)	\$2,800	February, 2021	(795)	(815)
Invesco QQQ Trust	Written Call Option	(100)	\$345	January, 2021	(7,642)	(637)
iShares Russell 2000 ETF	Written Call Option	(29)	\$210	March, 2021	(992)	(13,799)
US Bond Futures	Written Call Option	(22)	\$185	January, 2021	(6,723)	(876)
Vaneck Vectors Gold Miners	Written Call Option	(84)	\$55	January, 2021	(2,165)	-
					<u>(25,835)</u>	<u>(20,258)</u>
CBOE VIX	Written Put Option	(70)	\$25	February, 2021	(26,566)	(30,323)
Crude Oil OPT IPE	Written Put Option	(6)	\$38	January, 2021	(2,685)	(382)
HG Copper Futures	Written Put Option	(7)	\$320	January, 2021	(2,343)	(2,341)
IMM Euro\$ Futures	Written Put Option	(37)	\$98	March, 2021	(587)	(295)
IMM Euro\$ Futures	Written Put Option	(50)	\$99	March, 2023	(3,959)	(3,583)
IMM Euro\$ Futures	Written Put Option	(40)	\$99	March, 2021	(2,075)	(319)
IMM Euro\$ Futures	Written Put Option	(27)	\$99	March, 2021	(924)	(215)
Invesco QQQ Trust	Written Put Option	(26)	\$268	January, 2021	(5,663)	(861)
iShares MSCI EAFE ETF	Written Put Option	(50)	\$65	January, 2021	(2,836)	(573)
iShares MSCI Emerging Market	Written Put Option	(145)	\$45	January, 2021	(5,062)	(1,570)
					<u>(52,700)</u>	<u>(40,462)</u>
Total Written Options					(78,535)	(60,720)

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

APPENDIX B

FUTURES CONTRACTS (1.9%)

Issuer	Number of Contracts	Fair Value (C\$)	Contracted Value (C\$)	Unrealized Gain/Loss (\$)
CMX HG Copper Future, March 2021	14	1,569,122	1,416,911	152,211
NYH (RBOB) Gasoline Futures, February 2021	4	302,941	237,126	65,815
WTI Crude Futures, February 2021	5	309,773	248,939	60,834
Brent Crude Futures, January 2021	5	329,966	272,954	57,012
ICE Gas Oil LS Futures, March 2021	5	270,725	214,669	56,056
Soybean Futures, March 2021	3	250,532	196,833	53,699
NY Harbor ULSD Futures, February 2021	3	238,442	189,290	49,152
CAD Currency Futures, March 2021	110	10,978,568	10,939,772	38,796
Corn Futures, March 2021	6	184,985	150,396	34,589
DAX Index Futures, March 2021	2	1,071,365	1,039,682	31,683
KCBT Wheat Futures, July 2021	2	77,364	58,222	19,142
Platinum Futures, April 2021	8	549,960	535,436	14,524
E-mini S&P 500 Futures, March 2021	4	955,182	941,193	13,989
NASDAQ 100 E-mini Futures, March 2021	2	656,645	643,920	12,725
E-mini DJIA Futures, March 2021	4	777,064	766,235	10,829
CBOT US 10 Year T-Note Futures, March 2021	27	4,749,611	4,743,579	6,032
Wheat Futures, March 2021	2	81,600	75,931	5,669
CBOT US 5 Year T-Note Futures, March 2021	14	2,250,262	2,245,106	5,156
EURO STOXX 50 Futures, March 2021	8	442,700	438,398	4,302
CAC40 10 Euro Futures, March 2021	2	172,435	172,045	390
				<u>692,605</u>
NYMEX Palladium Futures, March 2021	2	625,228	625,423	(195)
MTL Canadian 10-Year Futures, March 2021	31	4,622,100	4,622,410	(310)
EURO STOXX Bank Futures, March 2021	75	433,152	450,104	(16,952)
CBOE VIX Index Futures, January 2021	20	603,239	627,825	(24,586)
COMEX Gold 100 OZ Futures, June 2021	5	1,212,084	1,251,132	(39,048)
				<u>(81,091)</u>
Total Futures Contracts				<u>611,514</u>

APPENDIX C

TOTAL RETURN SWAPS (0.0%)

Quantity	Security Description	Expiry Date	Counterparty	Counterparty Credit Rating	Unrealized Gain / Loss (\$)
18,914	PM FSM LONG TRS	30-Oct-30	Goldman Sachs International	A-1	<u>87,514</u>
					<u>87,514</u>
(15,620)	PM FSM SHORT TRS	30-Oct-30	Goldman Sachs International	A-1	<u>(94,990)</u>
					<u>(94,990)</u>
Total Over the counter SWAPS at fair value					<u>(7,476)</u>

APPENDIX D

CREDIT DEFAULT SWAPS (0.2%)

Buy/Sell Protection	Referenced Entity	Fixed Rate	Expiry Date	Effective Date	Counterparty	Counterparty Credit Rating	Notional Amount	Fair Value (\$)
Sell	Markit CDX North America Investment Grade Index	1%	20-Dec-25	24-Sep-20	Goldman Sachs International	A-1	USD 2,300,000	<u>72,690</u>
								<u>72,690</u>
Total Credit Default Swaps Contracts at Fair Value								<u>72,690</u>

PICTON MAHONEY FORTIFIED MULTI-STRATEGY 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	35,386,298	-	-	35,386,298
Options - Long	131,071	-	-	131,071
Futures - Long	692,605	-	-	692,605
Equities - Short	(4,501,543)	(140)	-	(4,501,683)
Options - Short	(60,720)	-	-	(60,720)
Futures - Short	(81,091)	-	-	(81,091)
Credit default swaps	-	72,690	-	72,690
Total return swaps, net	-	(7,476)	-	(7,476)
Total	31,566,620	65,074	-	31,631,694

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2019				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities - Long	28,066,390	3,600	-	28,069,990
Options - Long	42,290	-	-	42,290
Futures - Long	604,748	-	-	604,748
Equities - Short	(2,068,720)	-	-	(2,068,720)
Options - Short	(14,550)	-	-	(14,550)
Futures - Short	(176,763)	-	-	(176,763)
Credit default swaps	-	592,650	-	592,650
Total return swaps, net	-	(72,264)	-	(72,264)
Total	26,453,395	523,986	-	26,977,381

2. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

As at December 31, 2020 and 2019

The following table shows the net impact of the Fund's statement of financial position if all set-off rights were exercised.

Financial Assets and Liabilities	Amounts Eligible for Offset			
	Gross Assets / (Liabilities) \$	Financial Instruments \$	Collateral received/paid \$	Net \$
December 31, 2020				
Derivative assets - Over the counter swaps	87,514	(87,514)	-	-
Derivative assets - Credit default swap agreements	72,690	-	-	72,690
Derivative liabilities - Over the counter swaps	(94,990)	87,514	-	(7,476)
December 31, 2019				
Derivative assets - Over the counter swaps	160,280	(160,280)	-	-
Derivative assets - Credit default swap agreements	592,650	-	-	592,650
Derivative liabilities - Over the counter swaps	(232,544)	160,280	-	(72,264)

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

3. OTHER PRICE RISK

Using Beta as a measure of the relationship of the Fund's performance versus its index, if the blended index consisting of 40% MSCI World 100% hedged to CAD Index (net total return); 40% ICE BofAML Global Broad Market Index (Hedged to CAD); 10% S&P GSCI Canadian Dollar Hedged Index TR; 5% FTSE TMX Canada 30 Day T-Bill Index; and 5% LBMA Gold Price were to increase or decrease by 10%, net assets would have increased or decreased by approximately \$2,974,506 (December 31, 2019 - \$1,654,480). 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.

4. 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	4,637,438	9,065,448	13,702,886	43.4%
European Euro	250,691	-	250,691	0.8%
British Pound	(927)	-	(927)	0.0%
Net Exposure	4,887,202	9,065,448	13,952,650	44.2%

FINANCIAL INSTRUMENTS				
December 31, 2019 Currency	Monetary \$	Non-Monetary \$	Total \$	Percentage of Net Assets %
United States Dollar	2,770,194	9,124,614	11,894,808	34.4%
European Euro	6,104	-	6,104	0.0%
British Pound	(878)	-	(878)	0.0%
Net Exposure	2,775,420	9,124,614	11,900,034	34.4%

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 \$697,633 (December 31, 2019 - \$595,002). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

5. INTEREST RATE RISK

As of December 31, 2020 and 2019, the Fund did not have significant exposure to interest rate risk.

6. CREDIT RISK

As of December 31, 2020 and 2019, the Fund had no exposure to debt instruments. All counterparties to derivative contracts had a rating of A-1 or higher as at December 31, 2020 and 2019. All cash is held with a financial institution with a minimum credit rating of A+.

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

7. UNDERLYING FUND EXPOSURE TO OTHER PRICE RISK, CURRENCY RISK, INTEREST RATE RISK, CREDIT RISK

The Fund may also be exposed to indirect other price risk, currency risk, interest rate risk, and credit risk through its investment in the underlying funds.

The table below summarizes the impact on the Fund's net assets, of reasonable possible changes in the returns of each of the strategies to which the Fund is exposed through the 3 underlying funds in which it invests at year-end. The impact on net assets is calculated by applying a 5% possible movement determined for each strategy as a percentage of the net assets of the Fund. The analysis is based on the assumption that the returns on each strategy have increased or decreased as disclosed with all other variables held constant. The underlying risk disclosures represent the market risks to which the various strategies are exposed; C,F,I,P representing Credit, Foreign Currency, Interest Rate, and Other Price Risks, respectively.

December 31, 2020				
Strategy	Underlying risk exposures	Number of Funds	Impact on net assets based on 5% increase or decrease	
			\$	
Canadian Equity	P	3	667,702	
US Equity	P	3	(308,906)	
International Equity	P	1	324,374	
Canadian Fixed Income	C,I	2	117,032	
US Fixed Income	C,F,I	2	257,405	
International Fixed Income	C,F,I	1	1,904	
Total			1,059,511	

December 31, 2019				
Strategy	Underlying risk exposures	Number of Funds	Impact on net assets based on 5% increase or decrease	
			\$	
Canadian Equity	P	2	595,063	
US Equity	P	2	121,855	
International Equity	P	2	(3,296)	
Canadian Fixed Income	C,I	1	239,685	
US Fixed Income	C,F,I	1	358,503	
International Fixed Income	C,F,I	1	7,156	
Total			1,318,966	

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

8. 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	115.3%	84.4%
Canadian Equities	84.9%	54.9%
Investment Funds	68.7%	47.8%
Materials	2.7%	0.9%
Industrials	2.0%	0.6%
Financials	2.0%	1.4%
Real Estate	1.7%	0.7%
Energy	1.4%	2.0%
Index Equivalents	1.4%	0.2%
Consumer Discretionary	1.2%	0.3%
Consumer Staples	1.2%	0.2%
Information Technology	1.1%	0.1%
Utilities	0.8%	0.4%
Communication Services	0.6%	0.2%
Health Care	0.1%	0.1%
Global Equities	27.3%	26.5%
International Index Equivalents	27.1%	26.5%
International Equities	0.2%	0.0%
Derivatives	3.1%	3.0%
SHORT POSITIONS	-15.2%	-6.3%
Canadian Equities	-14.4%	-2.7%
Industrials	-2.8%	-0.3%
Materials	-2.4%	-0.8%
Financials	-2.4%	-0.2%
Real Estate	-1.5%	-0.1%
Utilities	-1.2%	-0.1%
Consumer Discretionary	-1.1%	-0.3%
Energy	-1.0%	-0.5%
Information Technology	-1.0%	-0.1%
Consumer Staples	-0.6%	-0.1%
Health Care	-0.2%	-0.1%
Communication Services	-0.2%	-0.1%
Global Equities	0.0%	-3.4%
International Index Equivalents	0.0%	-3.4%
Derivatives	-0.8%	-0.2%

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

9. 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	4,501,683	-	-	4,501,683
Redemptions payable	454	-	-	454
Accrued liabilities and other payables	-	1,908,833	-	1,908,833
Derivative liabilities	236,801	-	-	236,801
December 31, 2019 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	2,068,720	-	-	2,068,720
Redemptions payable	38,251	-	-	38,251
Accrued liabilities and other payables	-	416,148	-	416,148
Derivative liabilities	423,857	-	-	423,857

10. 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	552,615	2,163,857	1,001	600,000	47,463	280,026	111,633	-
Units issued	248,796	1,254,407	-	80,000	555,119	2,068,128	-	720,000
Units reinvested	-	-	-	-	-	-	-	-
Units redeemed	(225,340)	(1,373,885)	-	(480,000)	(49,967)	(184,297)	(110,632)	(120,000)
Units issued and outstanding, end of year	576,071	2,044,379	1,001	200,000	552,615	2,163,857	1,001	600,000
Weighted average number of units held during the year	667,559	2,467,098	1,001	295,847	236,013	972,686	15,029	358,851

11. COMMISSIONS

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

	2020	2019
Brokerage commissions	154	32
Soft Dollar commissions	-	-

12. TAX LOSS CARRY FORWARDS

As at December 31 (in \$000)

	2020
Net capital losses carry forward	71
Non-capital losses carry forward	2039
	2040
	464

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

13. 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			
iShares Canadian Government Bond Index ETF	146	649,408	0.0%
iShares S&P/TSX 60 Index ETF	281	9,210,531	0.0%
Global X Silver Miners ETF	232	1,482,227	0.0%
Invesco DB Base Metals Fund	2,149	222,579	1.0%
Invesco DB Energy Fund	28	74,739	0.0%
iShares Core Msci Europe ETF	1,191	4,982,594	0.0%
iShares iBoxx \$ Investment Grade Corporate Bond ETF	104	70,528,116	0.0%
iShares MSCI Australia Index Fund	189	2,256,757	0.0%
iShares MSCI Brazil	447	8,349,185	0.0%
iShares MSCI India ETF	461	6,241,945	0.0%
iShares MSCI Mexico	434	1,663,156	0.0%
iShares MSCI South Africa Index Fund	435	554,152	0.1%
iShares MSCI United Kingdom ETF	429	3,635,034	0.0%
iShares Russell 2000 ETF	185	74,447,967	0.0%
SPDR Gold Shares	145	91,365,296	0.0%
SPDR S&P 500 ETF Trust	753	423,991,424	0.0%
Vaneck Vectors Gold Miners ETF	220	21,093,607	0.0%
Vaneck Vectors Russia ETF	435	2,098,303	0.0%
Vaneck Vectors Rare Earth/Strategic ETF	168	413,892	0.0%
DB X-trackers Harvest CSI 300 China A-Shares Fund	441	2,976,849	0.0%
iShares MSCI Hong Kong Index Fund	103	1,847,509	0.0%
Picton Mahoney Fortified Income Alternative Fund	7,410	490,323	1.51%
Picton Mahoney Fortified Arbitrage Alternative Fund	1,710	84,161	2.03%
Picton Mahoney Fortified Market Neutral Alternative Fund	12,071	177,497	6.80%
Bitcoin Fund, CAD	97	786,725	0.0%
Bitcoin Fund, USD	408	15,021,903	0.0%

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, 2019			
iShares DEX All Government Bond Index Fund	60	765,135	0.0%
Invesco DB Agriculture Fund	33	461,888	0.0%
Invesco DB Base Metals Fund	329	151,235	0.2%
iShares iBoxx \$ Investment Grade Corporate Bond ETF	816	45,651,678	0.0%
iShares iBoxx \$ High Yield Corporate Bond ETF	558	24,720,240	0.0%
iShares Core MSCI Europe ETF	2,435	5,436,588	0.0%
iShares MSCI Australia ETF	375	2,144,900	0.0%
iShares MSCI Brazil ETF	267	14,329,500	0.0%
iShares MSCI India ETF	268	7,225,839	0.0%
iShares MSCI Mexico Capped ETF	256	1,215,551	0.0%
iShares MSCI South Africa ETF	265	515,622	0.1%
iShares MSCI United Kingdom ETF	608	3,398,782	0.0%
iShares Russell 2000 ETF	380	62,781,907	0.0%
SPDR Gold Shares	106	56,545,419	0.0%
SPDR S&P 500 ETF Trust	1,503	404,648,957	0.0%
Vaneck Vectors Russia ETF	267	1,664,052	0.0%
DB X-trackers Harvest CSI 300 China A-Shares Fund	276	2,477,261	0.0%
iShares MSCI Hong Kong ETF	379	2,294,747	0.0%
Picton Mahoney Fortified Market Neutral Alternative Fund	13,190	73,923	17.9%
Picton Mahoney Fortified Income Alternative Fund	3,301	108,749	3.0%

14. LEVERAGE

During the year January 1 to December 31, 2020, the Fund's aggregate exposure reached a low of 154.61% and a high of 267.90% of the Fund's NAV. As at December 31, 2020, the Fund's aggregate exposure was 222.78% of the Fund's NAV. The primary source of leverage was short positions in equity securities.

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1. GENERAL INFORMATION

Picton Mahoney Fortified Multi-Strategy 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, and Class I and Class ETF. As at December 31, 2020, the Manager holds 1 unit of Class A and 1,001 units of Class I.

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. The Fund invests globally in long and short positions in equity securities, fixed income securities including high yield securities, derivatives such as options, futures, forward contracts, swaps, commodity derivatives, volatility-linked derivatives, currencies, securities of investment funds, 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 at 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,

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the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

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

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

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

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

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

Credit default swaps are agreements to mitigate credit risk exposure to certain issuing entities ("referenced entity") held by the Fund or to increase credit risk exposure to the referenced entity by creating a notional investment position for the Fund. Where a notional investment position is created, the credit risk exposure of the Fund is comparable to the exposure that would have resulted if the Fund was invested directly in the referenced entity. Under a credit default swap agreement, the protection buyer, whose intention is to reduce its credit risk exposure to the referenced entity, pays a premium to the protection seller, who assumes the credit risk of that entity defaulting. This premium is paid at regular intervals over the term of the swap agreement. In return for the premium paid, the protection buyer is entitled to receive from the protection seller full payment for a loss arising from a credit default event of the referenced entity. A credit default event may be triggered by bankruptcy, failure to pay or restructuring of the referenced entity. If a credit default event occurs, the swap may be settled by either the physical delivery of the bond for proceeds equal to par value, or a cash payment equal to the loss amount. Credit default swaps are valued daily based on dealer-supplied valuations determined using observable 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.

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A separate net asset value per unit is calculated for each class of units (the "Unit Price"). The Unit Price is the price used for all purchases, switches, reclassifications and redemptions of units of that class (including purchases made on the reinvestment of distributions). The price at which units are issued or redeemed is based on the next applicable Unit Price determined after the receipt of the purchase or redemption order.

The Unit Price of each class of the Fund is calculated by taking the fair value of all the investments and other assets allocated to the class and subtracting the liabilities allocated to that class. This gives us the net asset value for the class. The Unit Price for the class is obtained by dividing the net asset value for the class by the total number of units of the class that investors in a Fund are holding. Although the purchases and redemptions of units are recorded on a class basis, the assets attributable to all of the class of a Fund are pooled to create one fund for investment purposes.

Each class pays its proportionate share of fund costs in addition to its management fee and performance fee. The difference in fund costs, management fees and performance fees between each class means that each class has a different Unit Price.

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

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 and options' and 'Net realized gain (loss) on futures contracts, swaps, and credit default swaps' and 'Change in unrealized appreciation (depreciation) on investments, options, futures contracts, swaps and credit default swaps'.

(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.

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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 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

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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 distributions receivable from underlying funds, dividends receivable, due from manager, 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.

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

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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.

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 11 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

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NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and December 31, 2019

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, to discontinue, decrease or waive the performance fee at any time. For the year ended December 31, 2020, the Fund incurred performance fees of \$377,064 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.**



PICTON MAHONEY ASSET MANAGEMENT CORPORATE INFORMATION

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