

# **FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND**



**THINK AHEAD.  
STAY AHEAD.**



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## MANAGEMENT'S RESPONSIBILITY STATEMENT

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The accompanying financial statements have been prepared by Picton Mahoney Asset Management, the Manager of the Picton Mahoney Fortified Active Extension 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.

### **Picton Mahoney Asset Management**

Toronto, Ontario

August 28, 2020

## NOTICE TO UNITHOLDERS

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The auditor of the Fund has not reviewed these financial statements.

Picton Mahoney Asset Management, the Manager of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice.

# PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

## STATEMENTS OF FINANCIAL POSITION

As at June 30, 2020 (unaudited) and December 31, 2019

	June 30, 2020 \$	December 31, 2019 \$
<b>Assets</b>		
<b>Current assets</b>		
Long positions at fair value*	34,861,644	16,917,598
Cash	1,284,076	-
Options purchased	666,633	109,105
Due from Manager	191,407	152,787
Subscriptions receivable	74,661	500
Receivable for investments sold	176,530	-
Dividends receivable	46,413	22,442
	<u>37,301,364</u>	<u>17,202,432</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Short positions at fair value**	10,106,896	4,358,539
Options written	574,220	69,109
Cash overdraft	-	234,514
Management fee payable	53,993	5,280
Performance fee payable	83,349	-
Redemptions payable	45,425	373
Accrued liabilities	30,542	30,788
Payable for investments purchased	1,230,485	36,211
Interest payable	851	-
Dividends payable	15,310	7,737
	<u>12,141,071</u>	<u>4,742,551</u>
<b>Net Assets Attributable to Holders of Redeemable Units</b>	<u>25,160,293</u>	<u>12,459,881</u>
<b>Net Assets Attributable to Holders of Redeemable Units per Class</b>		
Class A	2,303,469	588,397
Class F	18,463,484	4,725,922
Class I	3,310,881	5,908,217
Class ETF***	1,082,459	1,237,345
<b>Number of Redeemable Units Outstanding</b>		
Class A	226,693	55,054
Class F	1,783,604	435,710
Class I	312,435	537,523
Class ETF***	110,000	120,000
<b>Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Class A	10.16	10.69
Class F	10.35	10.85
Class I	10.60	10.99
Class ETF***	9.84	10.31
* Long positions, at cost	32,156,820	15,642,058
** Short positions, at cost	<u>(10,849,401)</u>	<u>(4,502,037)</u>

\*\*\*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 six month periods ended June 30 (unaudited)

	2020 \$	2019 \$
<b>Income</b>		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	17,855	4,710
Dividends	281,360	73,304
Net realized gain (loss) on investments and options	(344,247)	32,756
Change in unrealized appreciation (depreciation) on investments and options	2,073,338	726,684
Interest and borrowing expense	(34,024)	(7,329)
Dividend expense	(96,738)	(23,015)
Net gains (losses) on investments and derivatives	<u>1,897,544</u>	<u>807,110</u>
Other income		
Foreign currency gain (loss) on cash and other assets and liabilities	12,791	(18,774)
Total Income	<u>1,910,335</u>	<u>788,336</u>
<b>Expenses</b>		
Transaction costs	171,381	22,370
Performance fees	75,219	3,618
Management fees	74,201	14,432
Administrative fees	24,010	12,787
Harmonized sales tax	22,143	6,914
Legal fees	11,100	8,794
Securityholder reporting fees	8,612	2,887
Withholding taxes	4,878	895
Independent Review Committee fees	3,458	3,888
Audit fees	1,166	744
Custody fees	612	6,026
Total Expense before Manager Absorption	<u>396,780</u>	<u>83,355</u>
Less: Expenses Absorbed by Manager	(38,620)	(41,618)
Total Expense after Manager Absorption	<u>358,160</u>	<u>41,737</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<u>1,552,175</u>	<u>746,599</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class</b>		
Class A	(203,006)	19,683
Class F	2,006,888	319,782
Class I	(50,638)	407,134
Class ETF***	(201,069)	-
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Class A	(1.19)	1.05
Class F	1.73	1.17
Class I	(0.13)	1.39
Class ETF***	(1.58)	-

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

# PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

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

For the six month periods ended June 30 (unaudited)

	2020 \$	2019 \$
<b>Net Assets Attributable to Holders of Redeemable Units at Beginning of Period</b>		
Class A	588,397	55,913
Class F	4,725,922	906,850
Class I	5,908,217	1,677,626
Class ETF***	1,237,345	-
	<u>12,459,881</u>	<u>2,640,389</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>		
Class A	(203,006)	19,683
Class F	2,006,888	319,782
Class I	(50,638)	407,134
Class ETF***	(201,069)	-
	<u>1,552,175</u>	<u>746,599</u>
<b>Redeemable Unit Transactions</b>		
Proceeds from redeemable units issued		
Class A	3,037,226	310,750
Class F	15,190,269	3,676,890
Class I	500,000	3,820,000
Class ETF***	425,538	-
	<u>19,153,033</u>	<u>7,807,640</u>
Redemption of redeemable units		
Class A	(1,119,148)	(74,127)
Class F	(3,459,595)	(415,309)
Class I	(3,046,698)	(47,982)
Class ETF***	(379,355)	-
	<u>(8,004,796)</u>	<u>(537,418)</u>
<b>Net Increase (Decrease) from Redeemable Unit Transactions</b>	<u>11,148,237</u>	<u>7,270,222</u>
<b>Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<u>12,700,412</u>	<u>8,016,821</u>
<b>Net Assets Attributable to Holders of Redeemable Units at End of Period</b>		
Class A	2,303,469	312,219
Class F	18,463,484	4,488,213
Class I	3,310,881	5,856,778
Class ETF***	1,082,459	-
	<u>25,160,293</u>	<u>10,657,210</u>

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

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

## STATEMENTS OF CASH FLOWS

For the six month periods ended June 30 (unaudited)

	2020 \$	2019 \$
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	1,552,175	746,599
Adjustments for:		
Unrealized foreign exchange (gain) loss on cash	(53,554)	21,315
Net realized (gain) loss on investments and options	344,247	(32,756)
Change in unrealized (appreciation) depreciation on investments and options	(2,073,338)	(726,684)
(Increase) decrease in due from manager	(38,620)	(22,913)
(Increase) decrease in dividends receivable	(23,971)	(10,336)
Increase (decrease) in interest payable	851	-
Increase (decrease) in dividends payable	7,573	3,571
Increase (decrease) in other payables and accrued liabilities	48,467	13,224
Increase (decrease) in performance fee payable	83,349	-
Purchase of long positions and repurchases of investments sold short	(68,005,492)	(13,419,834)
Proceeds from sales of long positions and on investments sold short	58,504,221	6,326,450
<b>Net Cash Generated (Used) by Operating Activities</b>	<u>(9,654,092)</u>	<u>(7,101,364)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from redeemable units issued	19,064,319	7,636,481
Amount paid on redemption of redeemable units	(7,945,191)	(426,269)
<b>Net Cash Generated (Used) by Financing Activities</b>	<u>11,119,128</u>	<u>7,210,212</u>
Unrealized foreign exchange gain (loss) on cash	53,554	(21,315)
Net increase (decrease) in cash	1,465,036	108,848
Cash, beginning of period	(234,514)	27,818
<b>Cash, End of Period</b>	<u>1,284,076</u>	<u>115,351</u>
Cash	1,284,076	115,351
Cash overdraft	-	-
<b>Net Cash (Overdraft)</b>	<u>1,284,076</u>	<u>115,351</u>
<b>Items classified as operating activities:</b>		
Interest received, net of withholding tax	17,855	4,710
Dividends received, net of withholding tax	252,511	62,073
Interest and borrowing expense paid	(33,173)	(7,329)
Dividends paid	(89,165)	(19,444)

Net of non-cash transfers and switches of \$14,553 (2019 - \$43,156)

# PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2020 (unaudited)

CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
<b>LONG POSITIONS (141.0%)</b>									
<b>Canadian Equities (101.6%)</b>									
<b>Energy (9.2%)</b>									
	55,482	Advantage Oil & Gas Ltd.	114,672	92,100	3,580	Morneau Shepell Inc.	106,348	113,450	
	11,566	Enerflex Ltd.	68,282	59,449	8,600	People Corp.	61,490	75,640	
	10,500	Keyera Corp.	206,189	217,035	5,543	People Corp., CDN	52,251	50,053	
	9,744	North American Construction Group Ltd.	106,164	82,921	7,722	SNC-Lavalin Group Inc.	218,118	176,911	
	15,485	Parex Resources Inc.	241,496	253,335	4,134	Thomson Reuters Corp.	363,703	381,320	
	13,500	Parkland Corp.	433,239	455,085	3,161	Toromont Industries Ltd.	202,957	212,957	
	13,475	PrairieSky Royalty Ltd.	114,028	115,616	4,811	Waste Connections Inc.	568,807	611,911	
	6,500	Spartan Delta Corp.	13,000	17,290			3,267,949	3,507,273	
	15,944	Suncor Energy Inc.	428,210	364,958	<b>Consumer Discretionary (4.9%)</b>				
	8,656	TC Energy Corp.	521,190	502,048	6,499	Aritzia Inc.	111,987	123,546	
	13,056	Tourmaline Oil Corp.	134,371	154,975	18,453	AutoCanada Inc.	173,790	197,447	
			2,380,841	2,314,812	4,642	BRP Inc.	220,128	268,772	
					6,122	Great Canadian Gaming Corp.	216,529	165,478	
					4,425	Magna International Inc.	240,321	267,536	
					4,900	Martinrea International Inc.	49,230	50,372	
					7,212	Park Lawn Corp.	170,861	161,693	
							1,182,846	1,234,844	
<b>Materials (15.5%)</b>					<b>Consumer Staples (2.5%)</b>				
	8,900	Americas Gold & Silver Corp.	27,528	31,506	10,501	Alimentation Couche-Tard Inc.	408,203	447,028	
	6,700	Artemis Gold Inc.	20,391	28,743	6,747	Maple Leaf Foods Inc.	170,625	192,357	
	18,922	Barrick Gold Corp.	558,931	691,221			578,828	639,385	
	18,300	Bluestone Resources Inc.	32,025	36,051	<b>Health Care (1.8%)</b>				
	20,200	Dundee Precious Metals Inc.	135,003	180,588	8,100	Burcon NutraScience Corp., Warrants, 2022-02-19	3,887	-	
	11,800	Dundee Precious Metals Inc., Warrants, 2021-05-13	-	11,092	6,300	Charlottes Web Holdings Inc.	42,525	32,949	
	7,737	ERO Copper Corp.	109,415	152,187	4,100	Charlottes Web Holdings Inc., Warrants, 2022-06-18	-	2,665	
	45,535	First Quantum Minerals Ltd.	403,484	492,689	15,600	Chartwell Retirement Residences	150,561	146,172	
	1,726	Franco-Nevada Corp.	256,723	327,336	9,881	Curaleaf Holdings Inc.	77,145	81,913	
	6,605	Intertape Polymer Group Inc.	84,736	79,128	1,300	Green Organic Dutchman Holdings Ltd., Warrants, 2022-12-19	-	78	
	15,132	K92 Mining Inc.	44,571	60,982	27,100	HEXO Corp., Warrants	-	813	
	16,421	Major Drilling Group International Inc.	73,521	70,446	5,500	HEXO Corp., Warrants, 2025-05-21	-	-	
	7,752	Norbord Inc.	206,429	240,234	1,691	HLS Therapeutics Inc.	35,473	30,759	
	12,182	Pan American Silver Corp., Rights, 2029-02-22	9,473	11,382	11,896	Kneat.com Inc.	23,654	20,699	
	49,034	Roxgold Inc.	47,947	75,022	50,000	Oncolytics Biotech Inc., Warrants, 2022-06-01	4,500	4,000	
	23,882	SEMAFO Inc.	78,489	110,574	23,200	Spectral Medical Inc.	13,920	12,760	
	35,300	SilverCrest Metals Inc., PP	264,750	416,209	11,600	Spectral Medical Inc., Warrants, 2022-06-18	-	-	
	18,540	Teranga Gold Corp.	121,830	228,042	3,430	Trulieve Cannabis Corp.	52,767	58,722	
	2,412	Trilogy Metals Inc.	8,891	6,512	2,650	Valens Co Inc., Warrants, 2021-04-09	-	742	
	31,633	Turquoise Hill Resources Ltd.	25,594	31,633	10,600	Well Health Technologies Corp.	23,320	30,316	
	6,571	Wheaton Precious Metals Corp.	326,271	392,354	681	Zymeworks Inc.	17,368	33,456	
	30,511	Yamana Gold Inc.	201,981	225,171			445,120	456,044	
			3,037,983	3,899,102					
<b>Industrial (13.9%)</b>									
	10,524	Air Canada	239,073	178,382					
	2,315	Andlauer Healthcare Group Inc.	41,118	84,984					
	2,401	Boyd Group Services Inc.	430,405	485,170					
	2,925	Canadian Pacific Railway Ltd.	892,293	1,010,061					
	667	Cargojet Inc.	60,355	106,720					
	22,302	Drone Delivery Canada Corp.	30,923	19,626					
	700	Drone Delivery Canada Corp., Warrants, 2021-03-25	108	88					



# PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2020 (unaudited)

CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
<b>Financials (31.9%)</b>					4,801		BSR Real Estate Investment Trust	65,629	68,986
	3,000	Bespoke Capital Acquisition Corp., Warrants, 2024-12-31	-	2,104	2,400		Canadian Apartment Properties REIT	116,039	116,616
	13,100	Brookfield Asset Management Inc.	584,601	585,308	2,944		Colliers International Group Inc.	229,330	229,338
	82,614	Element Fleet Management Corp.	791,937	836,880	5,233		European Residential Real Estate Investment Trust	24,502	21,560
	4,300	Element Fleet Management Corp., Preferred Series G	79,710	93,095	800		FirstService Corp.	100,946	109,400
	8,124	iA Financial Corp. Inc.	361,834	369,317	3,873		Granite Real Estate Investment Trust	254,923	271,342
	2,704	Intact Financial Corp.	320,421	349,384	7,679		Killam Apartment Real Estate Investment Trust	136,649	134,536
	2,200	Mercer Park Brand Acquisition Corp., Warrants, 2024-06-24	-	1,813	4,599		Minto Apartment Real Estate Investment Trust	93,081	91,520
	9,900	National Bank of Canada	605,992	609,048	13,323		NorthWest Healthcare Properties Real Estate Investment Trust	139,894	143,888
	20,823	Royal Bank of Canada	1,902,573	1,918,005	4,612		Real Matters Inc.	56,283	122,126
	7,954	Subversive Capital Acquisition Corp.	102,722	107,792	5,903		StorageVault Canada Inc.	17,112	18,831
	5,050	Subversive Capital Acquisition Corp., Warrants, 2024-08-26	1,318	4,127				1,451,044	1,534,447
	21,103	Sun Life Financial Inc.	1,025,053	1,052,829			<b>Total Canadian Equities - Long</b>	<b>23,084,462</b>	<b>25,588,515</b>
	24,200	Toronto-Dominion Bank	1,514,055	1,466,278	<b>Global Equities (36.8%)</b>				
	7,712	Trisura Group Ltd.	320,314	472,360	<b>United States Equities (27.8%)</b>				
	33,343	Uranium Participation Corp.	146,266	152,711	400		Abbott Laboratories	52,663	49,811
			7,756,796	8,021,051	1,350		Activision Blizzard Inc.	115,507	139,558
<b>Information Technology (9.5%)</b>					91		Adobe Inc.	40,649	53,954
	25,950	CloudMD Software & Services Inc., Warrants, 2022-06-02	4,185	4,671	970		Advanced Micro Devices Inc.	53,490	69,506
	200	Constellation Software Inc.	275,388	306,578	402		Agilent Technologies Inc.	39,721	48,385
	7,272	Docebo Inc.	118,958	261,647	69		Alphabet Inc., Class A	121,335	133,266
	2,842	Kinaxis Inc.	337,066	551,519	52		Amazon.com Inc.	147,747	195,392
	990	Shopify Inc.	666,654	1,276,872	345		American Tower Corp.	96,813	121,486
			1,402,251	2,401,287	1,970		Americold Realty Trust	86,628	97,399
<b>Communication Services (2.1%)</b>					2,627		Apollo Global Management Inc.	139,112	178,614
	564	Cogeco Communications Inc.	51,388	55,165	3,300		Bank of America Corp.	112,204	106,747
	400	Rogers Communications Inc.	23,062	21,820	2,527		Bank of New York Mellon Corp.	126,930	133,025
	2,800	Shaw Communications Inc.	62,639	61,992	300		Bill.Com Holdings Inc.	32,476	36,860
	16,717	TELUS Corp.	357,899	380,646	759		Blackstone Group Inc.	45,535	58,573
			494,988	519,623	1,779		Bristol-Myers Squibb Co.	132,485	142,473
<b>Utilities (4.2%)</b>					137		Burlington Stores Inc.	36,735	36,746
	28,090	AltaGas Ltd.	482,367	439,609	800		Capital One Financial Corp.	75,746	68,198
	11,253	Innervex Renewable Energy Inc.	218,704	214,932	650		Catalent Inc.	62,693	64,893
	4,131	Northland Power Inc.	116,047	140,371	45		Chipotle Mexican Grill Inc.	43,812	64,500
	13,600	Superior Plus Corp.	149,650	151,232	2,653		Conagra Brands Inc.	116,656	127,084
	14,224	TransAlta Corp.	119,048	114,503	1,250		Copart Inc.	135,102	141,768
			1,085,816	1,060,647	73		CoStar Group Inc.	55,664	70,660
<b>Real Estate (6.1%)</b>					850		CrowdStrike Holdings Inc.	78,198	116,106
	10,087	Automotive Properties Real Estate Investment Trust	100,319	93,406	661		Deere & Co.	145,867	141,480
	3,800	Boardwalk Real Estate Investment Trust	116,337	112,898	2,166		DR Horton Inc.	133,086	163,584
					2,100		DraftKings Inc.	113,959	95,131
					630		Edwards Lifesciences Corp.	64,718	59,301
					500		Facebook Inc.	138,312	154,636
					3,000		Host Hotels & Resorts Inc.	50,957	44,088

PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2020 (unaudited)

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 (\$)	
	85	Intuitive Surgical Inc.	62,187	65,970		19,025	Gold Road Resources Ltd.	22,864	29,794	
	980	JPMorgan Chase & Co.	129,024	125,548		3,704	Marvell Technology Group Ltd.	123,020	176,873	
	700	Live Nation Entertainment Inc.	46,387	42,264		700	NXP Semiconductors NV	99,585	108,726	
	700	LPL Financial Holdings Inc.	75,284	74,747				1,863,746	2,111,139	
	120	Lululemon Athletica Inc.	33,479	50,995						
	360	Mastercard Inc.	129,194	144,988						
	1,485	Micron Technology Inc.	95,175	104,203						
	772	Microsoft Corp.	165,772	213,985						
	1,700	Mobile Mini Inc.	83,745	68,305						
	3,000	Morgan Stanley	161,608	197,355						
	71	MSCI Inc.	18,186	32,281						
	160	Netflix Inc.	93,852	99,163						
	2,215	Newmont Corp.	168,364	186,260						
	250	NextEra Energy Inc.	76,814	81,778						
	1,804	NRG Energy Inc.	80,702	80,002						
	325	NVIDIA Corp.	117,464	168,168						
	840	PayPal Holdings Inc.	129,050	199,334						
	3,142	Pinterest Inc.	96,906	94,875						
	481	Postal Realty Trust Inc.	10,875	10,449						
	601	Procter & Gamble Co.	90,328	97,876						
	766	Q2 Holdings Inc.	83,856	89,505						
	800	QUALCOMM Inc.	83,386	99,383						
	196	RingCentral Inc.	48,074	76,084						
	230	Roper Technologies Inc.	99,360	121,627						
	260	ServiceNow Inc.	112,689	143,441						
	700	SiteOne Landscape Supply Inc.	65,486	108,660						
	1,788	Switch Inc.	44,142	43,397						
	500	Synopsys Inc.	93,580	132,796						
	750	Sysco Corp., Preferred	57,461	55,836						
	340	Thermo Fisher Scientific Inc.	146,280	167,793						
	1,670	TJX Cos Inc.	116,747	115,001						
	1,100	T-Mobile US Inc.	153,738	156,038						
	1,700	Tradeweb Markets Inc.	117,919	134,618						
	343	Vertex Pharmaceuticals Inc.	96,529	135,624						
	730	Walmart Inc.	114,364	119,093						
	3,000	Willscot Corp.	50,244	50,217						
	566	Zoetis Inc.	87,574	105,644						
	7,719	Zynga Inc.	80,241	100,297						
			6,110,866	7,006,824						
<b>International Equities (8.4%)</b>					<b>International Index Equivalents (0.6%)</b>					
	11,312	Adriatic Metals PLC	16,623	13,949		1,705	iPath Series B S&P 500 VIX Short-Term Futures ETF	71,140	78,840	
	240	Alibaba Group Holding Ltd.	65,554	70,508		575	iShares Russell 2000 Value ETF	73,414	76,326	
	544	Aon PLC	137,994	142,704				144,554	155,166	
	3,100	Athene Holding Ltd.	117,576	131,691				<b>8,119,166</b>	<b>9,273,129</b>	
	1,067	Atlantica Sustainable Infrastructure PLC	34,248	42,290						
	9,456	Brookfield Infrastructure Partners LP	507,655	528,307						
	4,105	Brookfield Renewable Partners LP	266,014	266,825						
	92,032	Champion Iron Ltd., TSE	176,563	243,885						
	8,748	Constellium SE	99,376	91,506						
	8,039	Endeavour Mining Corp.	196,674	264,081						
<b>Options (2.6%)</b>					<b>Total Purchased Options - Refer to Appendix A Transaction Costs</b>					
					<b>Total Long Positions</b>					
							<b>980,237</b>		<b>666,633</b>	
							<b>(27,045)</b>		<b>-</b>	
							<b>32,156,820</b>		<b>35,528,277</b>	
<b>SHORT POSITIONS (-42.2%)</b>					<b>SHORT POSITIONS (-42.2%)</b>					
<b>Canadian Equities (-16.5%)</b>					<b>Canadian Equities (-16.5%)</b>					
<b>Energy (-0.4%)</b>					<b>Energy (-0.4%)</b>					
					(12,400)	Ensign Energy Services Inc.	(24,397)	(12,896)		
					(2,200)	Imperial Oil Ltd.	(47,974)	(48,048)		
					(1,600)	Inter Pipeline Ltd.	(17,392)	(20,224)		
					(3,200)	Painted Pony Energy Ltd.	(5,738)	(1,504)		
					(4,164)	Paramount Resources Ltd.	(25,412)	(6,621)		
					(2,500)	Vermilion Energy Inc.	(35,914)	(15,100)		
							(156,827)	(104,393)		
<b>Materials (-2.3%)</b>					<b>Materials (-2.3%)</b>					
					(2,700)	Cascades Inc.	(36,034)	(39,933)		
					(9,400)	Endeavour Silver Corp.	(22,394)	(28,952)		
					(1,900)	First Majestic Silver Corp.	(23,811)	(25,650)		
					(5,300)	IAMGOLD Corp.	(27,140)	(28,567)		
					(1,350)	Kirkland Lake Gold Ltd.	(68,508)	(75,465)		
					(2,700)	Osisko Gold Royalties Ltd.	(30,824)	(36,612)		
					(2,800)	Pretium Resources Inc.	(31,852)	(31,808)		
					(5,200)	Silvercorp Metals Inc.	(28,254)	(37,752)		
					(21,100)	SilverCrest Metals Inc.	(193,421)	(262,695)		
							(462,238)	(567,434)		
<b>Industrial (-1.4%)</b>					<b>Industrial (-1.4%)</b>					
					(2,000)	ATS Automation Tooling Systems Inc.	(36,959)	(38,240)		
					(2,410)	Brookfield Infrastructure Corp.	(155,464)	(149,083)		
					(2,000)	Finning International Inc.	(30,593)	(37,020)		
					(1,300)	GFL Environmental Inc.	(28,224)	(33,137)		
					(700)	Ritchie Bros Auctioneers Inc.	(40,130)	(38,689)		
					(2,400)	Savaria Corp.	(28,808)	(29,904)		
					(800)	Stantec Inc.	(30,528)	(33,528)		
							(350,706)	(359,601)		

# PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2020 (unaudited)

CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
<b>Consumer Discretionary (-0.8%)</b>									
	(900)	Canada Goose Holdings Inc.	(23,976)	(28,368)	(750)	Canadian Utilities Ltd.	(24,975)	(25,350)	
	(250)	Canadian Tire Corp. Ltd.	(29,497)	(29,410)	(800)	Fortis Inc.	(43,655)	(41,304)	
	(1,150)	Dollarama Inc.	(49,779)	(51,934)	(2,200)	Hydro One Ltd.	(57,743)	(56,166)	
	(1,075)	Gildan Activewear Inc.	(29,636)	(22,607)	(1,600)	TransAlta Renewables Inc.	(28,211)	(23,344)	
	(675)	Linamar Corp.	(29,202)	(24,773)					
	(1,350)	MTY Food Group Inc.	(27,591)	(32,859)					
			(189,681)	(189,951)					
<b>Consumer Staples (-0.5%)</b>					<b>Real Estate (-0.9%)</b>				
	(1,800)	High Liner Foods Inc.	(10,892)	(10,440)	(1,300)	Allied Properties Real Estate Investment Trust	(52,674)	(53,248)	
	(1,005)	Metro Inc.	(53,702)	(56,280)	(600)	Altus Group Ltd.	(24,715)	(24,474)	
	(850)	North West Co Inc.	(26,257)	(25,228)	(4,750)	Choice Properties Real Estate Investment Trust	(60,369)	(60,515)	
	(505)	Premium Brands Holdings Corp.	(40,964)	(43,733)	(5,800)	Cominar Real Estate Investment Trust	(43,557)	(47,444)	
			(131,815)	(135,681)	(2,800)	First Capital Real Estate Investment Trust	(47,958)	(38,864)	
							(229,273)	(224,545)	
<b>Health Care (-0.2%)</b>					<b>Index Equivalents (-5.8%)</b>				
	(625)	Aurora Cannabis Inc.	(25,818)	(10,494)	(3,500)	BMO Laddered Preferred Share Index ETF	(29,684)	(28,805)	
	(1,000)	Bausch Health Cos Inc.	(28,586)	(24,840)	(62,342)	iShares S&P/TSX 60 Index ETF	(1,427,443)	(1,468,155)	
	(500)	Canopy Growth Corp.	(17,629)	(10,995)			(1,457,127)	(1,496,960)	
	(1,800)	Green Organic Dutchman Holdings Ltd.	(5,390)	(657)					
	(1,600)	Medical Facilities Corp.	(21,903)	(6,944)					
			(99,326)	(53,930)					
<b>Financials (-2.4%)</b>					<b>Total Canadian Equities - Short</b>				
	(1,700)	Alaris Royalty Corp.	(16,787)	(22,015)				<b>(4,139,425)</b>	<b>(4,181,834)</b>
	(1,300)	Bank of Montreal	(91,056)	(93,938)					
	(1,100)	Bank of Nova Scotia	(63,896)	(61,798)					
	(9,300)	ECN Capital Corp.	(39,076)	(35,898)					
	(150)	Fairfax Financial Holdings Ltd.	(62,745)	(62,915)					
	(6,650)	Fiera Capital Corp.	(59,404)	(63,175)					
	(850)	goeasy Ltd.	(36,815)	(46,478)					
	(2,100)	Great-West Lifeco Inc.	(47,312)	(49,980)					
	(700)	Home Capital Group Inc.	(13,443)	(14,126)					
	(3,100)	Laurentian Bank of Canada	(107,728)	(88,660)					
	(4,400)	Manulife Financial Corp.	(85,848)	(81,268)					
			(624,110)	(620,251)					
<b>Information Technology (-0.4%)</b>					<b>Global Equities (-23.4%)</b>				
	(600)	Descartes Systems Group Inc.	(43,170)	(43,002)					
	(800)	Lightspeed POS Inc.	(26,511)	(25,944)					
	(2,500)	Sierra Wireless Inc.	(28,179)	(30,475)					
			(97,860)	(99,421)					
<b>Communication Services (-0.5%)</b>					<b>United States Equities (-10.7%)</b>				
	(1,300)	BCE Inc.	(73,467)	(73,606)	(190)	3M Co.	(38,852)	(40,367)	
	(1,400)	Quebecor Inc.	(41,834)	(40,838)	(800)	8x8 Inc.	(18,966)	(17,434)	
			(115,301)	(114,444)	(120)	Align Technology Inc.	(32,144)	(44,855)	
					(600)	Altair Engineering Inc.	(30,385)	(32,484)	
<b>Utilities (-0.9%)</b>									
	(2,000)	Algonquin Power & Utilities Corp.	(36,778)	(35,100)	(1,500)	American Airlines Group Inc.	(23,918)	(26,702)	
	(1,099)	Boralex Inc.	(33,799)	(33,959)	(475)	American Express Co.	(59,427)	(61,590)	
					(100)	American Water Works Co Inc.	(16,979)	(17,524)	
					(160)	Aspen Technology Inc.	(21,262)	(22,579)	
					(1,100)	AT&T Inc.	(46,243)	(45,291)	
					(725)	Avangrid Inc.	(45,255)	(41,453)	
					(475)	Blackbaud Inc.	(39,428)	(36,928)	
					(60)	BlackRock Inc.	(44,339)	(44,463)	
					(125)	Boeing Co.	(29,323)	(31,207)	
					(450)	Brown-Forman Corp.	(39,234)	(39,017)	
					(375)	Cardinal Health Inc.	(27,275)	(26,656)	
					(250)	Cboe Global Markets Inc.	(33,623)	(31,762)	
					(775)	CH Robinson Worldwide Inc.	(73,711)	(83,452)	
					(700)	Charles Schwab Corp.	(37,293)	(32,168)	
					(400)	CIT Group Inc.	(11,452)	(11,294)	
					(140)	CME Group Inc.	(35,255)	(30,993)	
					(300)	Cognizant Technology Solutions Corp.	(23,417)	(23,217)	
					(700)	Comerica Inc.	(45,280)	(36,325)	
					(400)	Commerce Bancshares Inc.	(35,197)	(32,399)	
					(900)	Corning Inc.	(29,449)	(31,748)	
					(60)	Coupa Software Inc.	(21,439)	(22,640)	
					(400)	DENTSPLY SIRONA Inc.	(25,415)	(24,004)	



# PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

## APPENDIX A

### OPTIONS (0.3%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
Air Canada	Call Option	78	\$22	October, 2020	17,784	14,625
Air Canada	Call Option	35	\$28	October, 2020	3,535	3,133
Air Canada	Call Option	35	\$42	July, 2020	6,335	1
Altagas Ltd.	Call Option	129	\$16	July, 2020	8,184	3,999
Arc Resources Ltd.	Call Option	51	\$5	July, 2020	2,078	459
Arc Resources Ltd.	Call Option	21	\$7	July, 2020	347	-
Athene Holding Ltd.	Call Option	38	\$30	August, 2020	12,757	20,961
Athene Holding Ltd.	Call Option	15	\$40	August, 2020	1,683	1,481
Barrick Gold Corp.	Call Option	106	\$36	July, 2020	7,526	15,953
Biogen Inc.	Call Option	11	\$310	October, 2020	12,392	14,158
Biogen Inc.	Call Option	5	\$360	October, 2020	1,127	1,464
Brookfield Asset Management	Call Option	67	\$48	July, 2020	2,395	1,776
BRP Inc	Call Option	14	\$68	July, 2020	3,668	497
Element Fleet Management	Call Option	387	\$11	October, 2020	11,607	22,253
Element Fleet Management	Call Option	48	\$13	October, 2020	552	792
First Quantum Minerals Ltd.	Call Option	59	\$10	July, 2020	3,304	6,136
First Quantum Minerals Ltd.	Call Option	250	\$11	October, 2020	15,511	35,125
Inter Pipeline Ltd.	Call Option	48	\$15	July, 2020	792	168
iShares MSCI Emerging Market	Call Option	64	\$39	July, 2020	6,015	12,639
iShares S&P-TSX 60 Index ETF	Call Option	377	\$25	August, 2020	16,494	14,138
iShares S&P-TSX 60 Index ETF	Call Option	151	\$26	August, 2020	2,492	1,963
JPMorgan Chase & Co.	Call Option	45	\$100	July, 2020	13,739	7,263
JPMorgan Chase & Co.	Call Option	18	\$110	July, 2020	1,563	576
Laurentian Bank	Call Option	19	\$34	July, 2020	1,064	30
Manulife Financial Corp.	Call Option	24	\$17	July, 2020	1,968	3,960
Morgan Stanley	Call Option	76	\$51	July, 2020	11,513	8,488
Morgan Stanley	Call Option	30	\$55	July, 2020	1,341	776
National Bank Of Canada	Call Option	53	\$66	July, 2020	3,392	716
Parkland Corp.	Call Option	51	\$40	July, 2020	5,916	536
Simply Good Foods Co.	Call Option	13	\$30	August, 2020	1,856	221
Southwest Airlines Co.	Call Option	52	\$38	September, 2020	11,529	20,539
Southwest Airlines Co.	Call Option	26	\$48	September, 2020	1,158	2,656
Truist Financial Corp.	Call Option	38	\$40	July, 2020	7,886	4,270
Truist Financial Corp.	Call Option	15	\$45	July, 2020	1,019	163
Vermilion Energy Inc.	Call Option	25	\$8	July, 2020	1,650	175
					<b>202,172</b>	<b>222,090</b>
IMM Euro\$ Futures	Put Option	13	\$98	December, 2020	1,081	111
IMM Euro\$ Futures	Put Option	24	\$98	March, 2021	2,005	204
IMM Euro\$ Futures	Put Option	58	\$100	March, 2021	6,838	3,456
iPATH S&P 500 VIX Short-Term	Put Option	423	\$24	July, 2020	16,509	2,305
iShares 20+ Year Treasury	Put Option	28	\$149	July, 2020	2,061	248
iShares 20+ Year Treasury	Put Option	71	\$155	July, 2020	12,604	1,596
S&P 500 Index 3Wk	Put Option	6	\$2,670	September, 2020	64,120	40,533
S&P 500 Index 3Wk	Put Option	7	\$2,700	August, 2020	62,569	30,986
S&P 500 Index 3Wk	Put Option	14	\$2,810	September, 2020	205,741	139,762
S&P 500 Index 3Wk	Put Option	18	\$2,820	August, 2020	219,859	121,354
S&P 500 Index 3Wk	Put Option	6	\$2,890	July, 2020	30,276	15,486
S&P 500 Index 3Wk	Put Option	6	\$2,930	July, 2020	10,395	3,432
S&P 500 Index 3Wk	Put Option	14	\$2,980	July, 2020	100,663	63,210
S&P 500 Index 3Wk	Put Option	15	\$3,000	July, 2020	43,344	21,860
					<b>778,065</b>	<b>444,543</b>
<b>Total Purchased Options</b>					<b>980,237</b>	<b>666,633</b>
Air Canada	Written Call Option	(25)	\$22	July, 2020	(1,425)	(400)
Air Canada	Written Call Option	(117)	\$25	October, 2020	(17,433)	(14,742)
Altagas Ltd.	Written Call Option	(159)	\$20	July, 2020	(2,182)	(11)
Arc Resources Ltd.	Written Call Option	(76)	\$6	July, 2020	(1,406)	(34)
Aritzia Inc.	Written Call Option	(26)	\$21	July, 2020	(1,664)	(910)
Athene Holding Ltd.	Written Call Option	(57)	\$35	August, 2020	(9,708)	(19,020)
Barrick Gold Corp.	Written Call Option	(106)	\$38	July, 2020	(4,214)	(6,413)
Barrick Gold Corp.	Written Call Option	(34)	\$46	July, 2020	(1,802)	(136)

PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

**APPENDIX A**  
**OPTIONS (0.3%)**

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
Biogen Inc.	Written Call Option	(17)	\$335	October, 2020	(8,976)	(10,535)
Brookfield Asset Management	Written Call Option	(28)	\$52	July, 2020	(42)	(224)
Brookfield Asset Management	Written Call Option	(26)	\$54	July, 2020	(247)	(3)
BRP Inc	Written Call Option	(17)	\$60	July, 2020	(1,343)	(2,805)
BRP Inc	Written Call Option	(19)	\$74	July, 2020	(2,242)	(342)
Element Fleet Management	Written Call Option	(331)	\$12	October, 2020	(4,955)	(10,427)
Element Fleet Management	Written Call Option	(67)	\$12	July, 2020	(570)	(92)
Element Fleet Management	Written Call Option	(73)	\$13	July, 2020	(694)	(16)
Element Fleet Management	Written Call Option	(73)	\$14	October, 2020	(1,059)	(657)
First Quantum Minerals Ltd.	Written Call Option	(40)	\$12	July, 2020	(1,006)	(480)
First Quantum Minerals Ltd.	Written Call Option	(64)	\$12	October, 2020	(3,968)	(6,368)
First Quantum Minerals Ltd.	Written Call Option	(163)	\$13	October, 2020	(3,880)	(11,247)
Intact Financial Corp.	Written Call Option	(10)	\$160	July, 2020	(740)	-
Inter Pipeline Ltd.	Written Call Option	(24)	\$16	July, 2020	(132)	(11)
Intertape Polymer Group	Written Call Option	(45)	\$16	July, 2020	(653)	(2)
iPATH S&P 500 VIX Short-Term	Written Call Option	(58)	\$48	July, 2020	(32,706)	(5,569)
iShares MSCI Emerging Market	Written Call Option	(35)	\$40	July, 2020	(1,850)	(3,957)
iShares MSCI Emerging Market	Written Call Option	(28)	\$41	July, 2020	(832)	(1,354)
iShares S&P-TSX 60 Index ETF	Written Call Option	(566)	\$25	August, 2020	(14,858)	(12,452)
JPMorgan Chase & Co.	Written Call Option	(68)	\$105	July, 2020	(10,426)	(4,631)
Laurentian Bank	Written Call Option	(31)	\$36	July, 2020	(605)	(16)
Manulife Financial Corp.	Written Call Option	(29)	\$20	July, 2020	(906)	(232)
Morgan Stanley	Written Call Option	(113)	\$53	July, 2020	(8,948)	(6,387)
National Bank Of Canada	Written Call Option	(52)	\$68	July, 2020	(1,625)	(364)
National Bank Of Canada	Written Call Option	(22)	\$70	July, 2020	(1,848)	(44)
Norbord Inc.	Written Call Option	(19)	\$27	July, 2020	(931)	(8,123)
Parkland Corp.	Written Call Option	(77)	\$42	July, 2020	(4,543)	(809)
Silvercorp Metals Inc.	Written Call Option	(11)	\$8	July, 2020	(160)	(116)
Simply Good Foods Co.	Written Call Option	(13)	\$35	August, 2020	(668)	(443)
Southwest Airlines Co.	Written Call Option	(78)	\$43	September, 2020	(7,552)	(15,404)
Sun Life Financial Inc.	Written Call Option	(35)	\$52	July, 2020	(989)	(1,120)
Truist Financial Corp.	Written Call Option	(57)	\$43	July, 2020	(6,148)	(2,523)
Vermilion Energy Inc.	Written Call Option	(28)	\$10	July, 2020	(875)	(87)
					<u>(166,811)</u>	<u>(148,506)</u>
Air Canada	Written Put Option	(19)	\$12	July, 2020	(1,501)	(162)
Air Canada	Written Put Option	(3)	\$34	July, 2020	(900)	(5,123)
Altagas Ltd.	Written Put Option	(20)	\$14	July, 2020	(1,680)	(180)
Arc Resources Ltd.	Written Put Option	(20)	\$3	July, 2020	(825)	(11)
Aritzia Inc.	Written Put Option	(3)	\$17	July, 2020	(177)	(68)
Athene Holding Ltd.	Written Put Option	(9)	\$18	August, 2020	(2,104)	(491)
Barrick Gold Corp.	Written Put Option	(26)	\$25	July, 2020	(657)	(32)
Barrick Gold Corp.	Written Put Option	(12)	\$28	July, 2020	(471)	(48)
Biogen Inc.	Written Put Option	(3)	\$230	July, 2020	(1,108)	(633)
Brookfield Asset Management	Written Put Option	(14)	\$36	July, 2020	(340)	(210)
BRP Inc	Written Put Option	(10)	\$38	July, 2020	(990)	(280)
Element Fleet Management	Written Put Option	(10)	\$7	July, 2020	(195)	(1)
Element Fleet Management	Written Put Option	(24)	\$8	August, 2020	(396)	(288)
First Quantum Minerals Ltd.	Written Put Option	(34)	\$7	August, 2020	(859)	(408)
Genworth Mi Canada Inc.	Written Put Option	(7)	\$22	July, 2020	(588)	(126)
IMM Euro\$ Futures	Written Put Option	(13)	\$98	December, 2020	(206)	(111)
IMM Euro\$ Futures	Written Put Option	(24)	\$98	March, 2021	(382)	(204)
IMM Euro\$ Futures	Written Put Option	(58)	\$99	March, 2021	(1,998)	(494)
Intact Financial Corp.	Written Put Option	(4)	\$110	July, 2020	(596)	(82)
Inter Pipeline Ltd.	Written Put Option	(13)	\$11	July, 2020	(254)	(85)
Intertape Polymer Group	Written Put Option	(18)	\$10	July, 2020	(306)	(72)
iPATH S&P 500 VIX Short-Term	Written Put Option	(467)	\$21	July, 2020	(10,393)	(954)
iPATH S&P 500 VIX Short-Term	Written Put Option	(211)	\$23	July, 2020	(5,030)	(431)
iShares 20+ Year Treasury	Written Put Option	(106)	\$152	July, 2020	(11,523)	(1,083)
iShares MSCI Emerging Market	Written Put Option	(31)	\$34	July, 2020	(2,785)	(232)
iShares S&P-TSX 60 Index ETF	Written Put Option	(113)	\$22	July, 2020	(2,543)	(1,921)

# PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

## APPENDIX A

### OPTIONS (0.3%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
JPMorgan Chase & Co.	Written Put Option	(9)	\$75	August, 2020	(1,710)	(1,287)
Laurentian Bank	Written Put Option	(6)	\$26	July, 2020	(294)	(120)
Morgan Stanley	Written Put Option	(19)	\$42	July, 2020	(837)	(259)
National Bank Of Canada	Written Put Option	(14)	\$50	July, 2020	(1,036)	(203)
National Bank Of Canada	Written Put Option	(13)	\$54	July, 2020	(845)	(351)
Norbord Inc.	Written Put Option	(8)	\$15	July, 2020	(156)	(1)
S&P 500 Index 3Wk	Written Put Option	(21)	\$2,740	September, 2020	(263,461)	(173,338)
S&P 500 Index 3Wk	Written Put Option	(26)	\$2,760	August, 2020	(271,761)	(142,356)
S&P 500 Index 3Wk	Written Put Option	(21)	\$2,935	July, 2020	(126,305)	(72,077)
S&P 500 Index 3Wk	Written Put Option	(23)	\$2,965	July, 2020	(51,275)	(20,988)
Silvercorp Metals Inc.	Written Put Option	(44)	\$4	July, 2020	(1,067)	(2)
Sun Life Financial Inc.	Written Put Option	(12)	\$40	July, 2020	(948)	(168)
Truist Financial Corp.	Written Put Option	(7)	\$30	August, 2020	(736)	(834)
					<u>(769,238)</u>	<u>(425,714)</u>
<b>Total Written Options</b>					<b>(936,049)</b>	<b>(574,220)</b>

# PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

## FUND SPECIFIC NOTES

As at June 30, 2020 (unaudited)

### 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 June 30, 2020 and December 31, 2019.

ASSETS (LIABILITIES) AT FAIR VALUE AS AT JUNE 30, 2020				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	34,849,739	11,905	-	34,861,644
Options - Long	666,633	-	-	666,633
Equities - Short	(10,106,896)	-	-	(10,106,896)
Options - Short	(574,220)	-	-	(574,220)
<b>Total</b>	<b>24,835,256</b>	<b>11,905</b>	<b>-</b>	<b>24,847,161</b>

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2019				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	16,917,598	-	-	16,917,598
Options - Long	109,105	-	-	109,105
Equities - Short	(4,358,539)	-	-	(4,358,539)
Options - Short	(69,109)	-	-	(69,109)
<b>Total</b>	<b>12,599,055</b>	<b>-</b>	<b>-</b>	<b>12,599,055</b>

### 2. OTHER PRICE RISK

Using Beta as a measure of the relationship of the Fund's performance versus its index, if the S&P/TSX Composite Total Return Index were to increase or decrease by 10%, net assets would have increased or decreased by approximately \$2,572,482 (December 31, 2019 - \$1,379,965). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

### 3. CURRENCY RISK

Foreign currencies to which the Fund had exposure as at June 30, 2020 and December 31, 2019 were as follows:

FINANCIAL INSTRUMENTS				
June 30, 2020 Currency	Monetary \$	Non-Monetary \$	Total \$	Percentage of Net Assets %
United States Dollar	(543,880)	2,341,675	1,797,795	7.1%
European Euro	7,755	-	7,755	0.0%
Australian Dollar	35,490	9,764	45,254	0.2%
<b>Net Exposure</b>	<b>(500,635)</b>	<b>2,351,439</b>	<b>1,850,804</b>	<b>7.3%</b>

FINANCIAL INSTRUMENTS				
December 31, 2019 Currency	Monetary \$	Non-Monetary \$	Total \$	Percentage of Net Assets %
United States Dollar	809,263	1,260,651	2,069,914	16.6%
European Euro	8,002	(10,779)	(2,777)	0.0%
Australian Dollar	22,386	(13,815)	8,571	0.1%
<b>Net Exposure</b>	<b>839,651</b>	<b>1,236,057</b>	<b>2,075,708</b>	<b>16.7%</b>

If the Canadian dollar had strengthened or weakened by 5% in relation to all other currencies held in the investment portfolio, net assets would have decreased or increased by approximately \$92,540 (December 31, 2019 - \$103,785). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.



# PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 4. INTEREST RATE RISK

As of June 30, 2020 and December 31, 2019, the Fund did not have significant exposure to interest rate risk.

### 5. CREDIT RISK

As of June 30, 2020 and December 31, 2019, the Fund had no exposure to debt instruments.

All counterparties to derivative contracts had a rating of A-1 or higher as at June 30, 2020. All cash is held with a financial institution with a minimum credit rating of A-1+.

### 6. CONCENTRATION RISK

The table below summarizes the Fund's concentration risk as a percentage of net assets attributable to holders of redeemable units as at June 30, 2020 and December 31, 2019.

Jurisdiction	% of Net Assets	
	June 30, 2020	December 31, 2019
<b>Equities</b>		
Canada	85.1%	91.8%
United States	17.1%	14.5%
International	7.5%	3.7%
International Index Equivalents	-11.2%	-9.2%
<b>Derivatives</b>	0.3%	0.3%

### 7. LIQUIDITY RISK

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

June 30, 2020 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	10,106,896	-	-	10,106,896
Redemptions payable	45,425	-	-	45,425
Accrued liabilities and other payables	-	1,414,530	-	1,414,530
Derivative liabilities	574,220	-	-	574,220
<b>December 31, 2019 Financial Liabilities</b>	<b>On Demand \$</b>	<b>&lt; 3 months \$</b>	<b>&gt; 3 months \$</b>	<b>Total \$</b>
Short positions	4,358,539	-	-	4,358,539
Redemptions payable	373	-	-	373
Accrued liabilities and other payables	-	80,016	-	80,016
Derivative liabilities	69,109	-	-	69,109
Cash overdraft	234,514	-	-	234,514

# PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 8. FUND UNIT TRANSACTIONS

For the six month periods ended June 30 (unaudited)

	2020				2019		
	Class A	Class F	Class I	Class ETF	Class A	Class F	Class I
Units issued and outstanding, beginning of period	55,054	435,710	537,523	120,000	6,411	103,659	191,249
Units issued	313,917	1,713,804	62,719	40,000	31,685	371,185	375,624
Units reinvested	-	-	-	-	-	-	-
Units redeemed	(142,278)	(365,910)	(287,807)	(50,000)	(7,636)	(40,922)	(5,033)
<b>Units issued and outstanding, end of period</b>	<b>226,693</b>	<b>1,783,604</b>	<b>312,435</b>	<b>110,000</b>	<b>30,460</b>	<b>433,922</b>	<b>561,840</b>
<b>Weighted average number of units held during the period</b>	<b>170,028</b>	<b>1,157,458</b>	<b>379,021</b>	<b>126,923</b>	<b>18,823</b>	<b>272,654</b>	<b>292,587</b>

### 9. COMMISSIONS

For the six month periods ended June 30 (in \$000) (unaudited)

	2020	2019
Brokerage commissions	171	22
Soft Dollar commissions	26	4

### 10. TAX LOSS CARRY FORWARDS

As at December 31 (in \$000)

	2019
Net capital losses carry forward	76
Non-capital losses carry forward	-

### 11. STRUCTURED ENTITIES

The table below illustrates the Fund's investment in the underlying funds as at June 30, 2020 and December 31, 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
<b>As at June 30, 2020</b>			
iPath Series B S&P 500 VIX Short-Term Futures ETF	79	20,804,230	0.0%
iShares Russell 2000 Value ETF	76	10,125,128	0.0%
<b>As at December 31, 2019</b>			
ProShares VIX Short-Term Futures ETF	44	367,011	0.0%

# PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2020 (unaudited)

### 1. GENERAL INFORMATION

Picton Mahoney Fortified Active Extension 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 August 28, 2020.

On September 21, 2018, 5,001 Class A units, 5,000 Class F units, and 5,000 Class I units of the Fund were issued to the Manager of the Fund, for cash consideration of CAD \$10.00 per unit. These units are not redeemable until an additional \$500,000 has been invested by other investors in the aggregate in the Fund.

The Fund may issue an unlimited number of classes or series and may issue an unlimited number of units of each class or series. The Fund has created Class A, Class F, 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 June 30, 2020, the Fund currently has 4 Classes of Units: Class A, Class F, Class I and Class ETF. As at June 30, 2020, the Manager holds 1 unit of Class A.

The investment objective of the Fund is to provide long-term capital appreciation and to provide unitholders with an attractive risk-adjusted rate of return with similar volatility to the traditional equity market by taking long and short investment positions in an actively-managed portfolio comprised primarily of Canadian equity securities. The Fund may also invest in international equity securities, North American and international fixed income securities including high yield securities, derivative instruments, such as options, futures, forward contracts and swaps, securities of investment funds, and cash and cash equivalents. The Fund may engage in physical short sales and/or 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; among other things. Each Fund has obtained exemptive relief from the Canadian securities regulatory authorities to permit the Funds to engage in short sales and cash borrowing transactions in excess of the foregoing exposure limitations under NI 81-102 and use strategies generally prohibited for alternative mutual funds under NI 81-102, provided that (a) the aggregate market value of all securities sold short by the Fund does not exceed 100% of the Fund's

net asset value, (b) the aggregate value of all cash borrowing by the Fund does not exceed 100% of the Fund's net asset value, (c) the aggregate market value of securities sold short by the Fund combined with the aggregate value of cash borrowing by the Fund does not exceed 100% of the Fund's net asset value, and (d) the Fund's aggregate exposure to short selling, cash borrowing and specified derivatives does not exceed 300% of the Fund's net asset value. In addition, the relief permits the Fund to deposit portfolio assets with a borrowing agent as security in connection with a short sale of securities in excess of 25% of the net asset value of the Fund at the time of deposit.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Basis of Preparation

These financial statements have been prepared in accordance with those requirements of International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

#### (b) Classification

##### (i) Assets

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

##### (ii) Liabilities

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss. As such, the Fund classifies all of its investment portfolio as financial assets or liabilities as fair value through profit or loss. The Fund's policy requires the Manager to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

#### (c) Fair Value Measurements

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

# PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2020 (unaudited)

- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

### (d) Valuation of Investments and Derivatives

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets, which include equities, bonds, options, and warrants are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Securities not listed on any recognized public securities exchange are valued in the same manner based on available public quotations from recognized dealers in such securities. If market quotations are not readily available, securities will be valued at fair value as determined in good faith by or under the supervision of the Manager. The cost of investments represents the amount paid for each security and is determined on an average cost basis.

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

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

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

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

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

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

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

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

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

### (e) Cash

Cash is comprised of cash on demand deposit with a Canadian financial institution and is stated at fair value. Cash overdrafts are shown in current liabilities in the statement of financial position.

### (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.

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.

# PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2020 (unaudited)

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.

### (h) Foreign Currency Translation

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

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

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

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

### (j) Transaction Costs

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

### (k) Securities Lending Transactions

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

earned from these transactions is recognized on an accrual basis and included in the Statements of Comprehensive Income.

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

### (l) Structured Entities

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

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

The Fund may invest in underlying funds whose investment objectives range from achieving short- to long-term income and capital growth potential. Underlying funds may use leverage in a manner consistent with their respective investment objectives. Underlying funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportionate stake in the respective fund's net assets. The Fund's interests in underlying funds as at June 30 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.

### (m) 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

# PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2020 (unaudited)

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 June 30, 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 cur-

rency of the Fund. The prices of the foreign securities are denominated in foreign currencies which are converted to the Fund's functional currency for determining fair value and, accordingly, each Class Net Asset Value will be affected by fluctuations in the value of such foreign currencies relative to the Canadian dollar.

##### Interest rate risk:

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

##### Credit risk:

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

The Fund is exposed to credit risk. For other financial assets at amortized cost, the Manager considers both historical analysis and forward looking information in determining any expected credit loss. At June 30, 2020 and December 31, 2019, all receivables for investments sold, dividends receivable, 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.

# PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2020 (unaudited)

### **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.

### **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 (normally December 15) 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.

Subject to applicable securities legislation, all distributions paid on Class A, Class F and Class I units will be automatically reinvested in additional units unless the holder instructs the Fund to pay such distributions in cash, and all distributions paid on ETF units will be made in cash.

### **8. TAXATION**

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

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

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

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

# PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2020 (unaudited)

### 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 for the Fund is equal to 20% of the amount by which the performance of the applicable class exceeds the performance of the S&P/TSX Composite Index (TR), 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 shall be equal to the daily net asset value of the class of units of the Fund during the calendar quarter multiplied by 20% of the amount by which the total return of the class of units exceeds the total percentage increase or decrease in the S&P/TSX Composite Index (TR) since the end of the period for which the last performance fee was paid for the Class A units, Class F units, or Class ETF units, as the case may be, plus applicable taxes. If at any time the total return of the class of units of the Fund is less than its S&P/TSX Composite Index (TR), then no performance fee will be payable until the total return of the class of units of the Fund relative to the S&P/TSX Composite Index (TR) has exceeded the amount of the deficiency calculated on a percentage basis. 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.

#### (c) Fund-on-Fund Fees and Expenses

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









**THINK AHEAD.  
STAY AHEAD.**



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

### **Corporate Address**

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### **Fund Administration & Transfer Agent**

#### **Picton Mahoney Funds**

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### **Auditor**

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