

FORTIFIED ACTIVE EXTENSION 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 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, 2019

NOTICE TO UNITHOLDERS

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, 2019 (unaudited) and December 31, 2018

	June 30, 2019 \$	December 31, 2018 \$
Assets		
Current assets		
Long positions at fair value*	12,786,016	3,138,099
Cash	115,351	27,818
Options purchased	57,928	16,859
Due from Manager	37,529	14,616
Subscriptions receivable	128,003	-
Receivable for investments sold	19,450	78,132
Dividends receivable	13,972	3,636
	<u>13,158,249</u>	<u>3,279,160</u>
Liabilities		
Current liabilities		
Short positions at fair value**	2,312,820	582,403
Options written	40,979	12,434
Management fee payable	11,942	657
Redemptions payable	67,993	-
Accrued liabilities	16,287	14,348
Payable for investments purchased	46,152	27,634
Dividends payable	4,866	1,295
	<u>2,501,039</u>	<u>638,771</u>
Net Assets Attributable to Holders of Redeemable Units	<u>10,657,210</u>	<u>2,640,389</u>
Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	312,219	55,913
Class F	4,488,213	906,850
Class I	<u>5,856,778</u>	<u>1,677,626</u>
Number of Redeemable Units Outstanding		
Class A	30,460	6,411
Class F	433,922	103,659
Class I	<u>561,840</u>	<u>191,249</u>
Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	10.25	8.72
Class F	10.34	8.75
Class I	<u>10.42</u>	<u>8.77</u>
	<u>12,359,655</u>	<u>3,393,002</u>
	<u>(2,399,393)</u>	<u>(635,003)</u>

* Long positions, at cost

** Short positions, at cost

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

Approved on behalf of the Manager

David Picton

Arthur Galloway




President

CFO

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the six month period ended June 30 (unaudited)

	2019 \$
Income	
Net gains (losses) on investments and derivatives	
Interest for distribution purposes	4,710
Dividends	73,304
Net realized gain (loss) on investments and options	32,756
Change in unrealized appreciation (depreciation) on investments and options	726,684
Interest and borrowing expense	(7,329)
Dividend expense	(23,015)
	<u>807,110</u>
Net gains (losses) on investments and derivatives	807,110
Other income	
Foreign currency gain (loss) on cash and other assets and liabilities	(18,774)
	<u>788,336</u>
Total Income	<u>788,336</u>
Expenses	
Transaction costs	22,370
Management fees	14,432
Administrative fees	12,787
Legal fees	8,794
Harmonized sales tax	6,914
Custody fees	6,026
Independent Review Committee Expense	3,888
Performance fees	3,618
Securityholder reporting fees	2,887
Withholding taxes	895
Audit fees	744
	<u>83,355</u>
Total Expense before Manager Absorption	<u>83,355</u>
Less: Expenses Absorbed by Manager	(41,618)
Total Expense after Manager Absorption	<u>41,737</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>746,599</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class	
Class A	19,683
Class F	319,782
Class I	<u>407,134</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit	
Class A	1.05
Class F	1.17
Class I	<u>1.39</u>

PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

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

For the six month period ended June 30 (unaudited)

	2019 \$
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period	
Class A	55,913
Class F	906,850
Class I	1,677,626
	<u>2,640,389</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	
Class A	19,683
Class F	319,782
Class I	407,134
	<u>746,599</u>
Redeemable Unit Transactions	
Proceeds from redeemable units issued	
Class A	310,750
Class F	3,676,890
Class I	3,820,000
	<u>7,807,640</u>
Redemption of redeemable units	
Class A	(74,127)
Class F	(415,309)
Class I	(47,982)
	<u>(537,418)</u>
Net Increase (Decrease) from Redeemable Unit Transactions	<u>7,270,222</u>
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>8,016,821</u>
Net Assets Attributable to Holders of Redeemable Units at End of Period	
Class A	312,219
Class F	4,488,213
Class I	5,856,778
	<u>10,657,210</u>
Net Assets Attributable to Holders of Redeemable Units at End of Period	<u>10,657,210</u>

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

STATEMENT OF CASH FLOWS

For the six month period ended June 30 (unaudited)

	2019 \$
Cash Flows from Operating Activities	
Increase (decrease) in net assets attributable to holders of redeemable units	746,599
Adjustments for:	
Unrealized foreign exchange (gain) loss on cash	21,315
Net realized (gain) loss on investments and options	(32,756)
Change in unrealized (appreciation) depreciation on investments and options	(726,684)
(Increase) decrease in due from manager	(22,913)
(Increase) decrease in dividends receivable	(10,336)
Increase (decrease) in dividends payable	3,571
Increase (decrease) in other payables and accrued liabilities	13,224
Purchase of long positions and repurchases of investments sold short	(13,419,834)
Proceeds from sales of long positions and on investments sold short	6,326,450
Net Cash Generated (Used) by Operating Activities	<u>(7,101,364)</u>
Cash Flows from Financing Activities	
Proceeds from redeemable units issued	7,636,481
Amount paid on redemption of redeemable units	(426,269)
Net Cash Generated (Used) by Financing Activities	<u>7,210,212</u>
Unrealized foreign exchange gain (loss) on cash	(21,315)
Net increase (decrease) in cash	108,848
Cash, beginning of period	27,818
Cash, End of Period	<u>115,351</u>
Cash	115,351
Cash overdraft	-
Net Cash (Overdraft)	<u>115,351</u>
Items classified as operating activities:	
Interest received, net of withholding tax	4,710
Dividends received, net of withholding tax	62,073
Interest and borrowing expense paid	(7,329)
Dividends paid	<u>(19,444)</u>

PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2019 (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 (\$)
LONG POSITIONS (120.4%)					Canadian Equities (97.5%)				
Communication Services (2.5%)					Health Care (1.8%)				
	600	Cogeco Communications Inc.	48,479	56,508	2,097		Intact Financial Corp.	234,015	253,779
	1,350	Rogers Communications Inc.	92,511	94,635	5,200		Mercer Park Brand Acquisition Corp.	69,849	67,271
	4,500	Shaw Communications Inc.	122,206	120,240	2,600		Mercer Park Brand Acquisition Corp., Warrant, 2024-06-24	-	4,757
			263,196	271,383	400		Power Financial Corp.	12,860	12,048
Consumer Discretionary (5.4%)					7,900		Royal Bank of Canada	809,171	822,153
	3,000	BRP Inc.	129,740	140,400	2,600		Sun Life Financial Inc.	134,057	140,998
	2,100	Great Canadian Gaming Corp.	101,281	93,240	2,200		TMX Group Ltd.	191,038	200,420
	2,900	Park Lawn Corp.	77,859	83,433	10,800		Toronto-Dominion Bank	807,108	826,416
	1,550	Restaurant Brands International Inc.	132,931	141,159	15,427		Uranium Participation Corp.	69,897	64,793
	3,100	Spin Master Corp.	134,840	117,397				3,174,544	3,260,058
			576,651	575,629	Industrials (16.6%)				
Consumer Staples (5.3%)							Akumin Inc.	10,154	8,930
	3,710	Alimentation Couche-Tard Inc.	278,100	305,741	700		CannaRoyalty Corp.	8,585	6,433
	7,249	Empire Co., Ltd.	210,096	239,072	2,600		Curaleaf Holdings Inc.	32,388	24,258
	800	Maple Leaf Foods Inc.	24,340	22,944	2,900		Extendicare Inc.	24,230	24,331
			512,536	567,757	3,300		MediPharm Labs Corp.	18,315	17,094
Energy (15.1%)					2,800		OrganiGram Holdings Inc.	23,508	23,604
	2,750	Cameco Corp.	43,163	38,610	10,000		SLANG Worldwide Inc.	22,153	16,900
	8,100	Canadian Natural Resources Ltd.	305,240	286,011	1,500		TerrAscend Corp., 2019-09-16 **	11,460	10,115
	12,800	Cenovus Energy Inc.	154,968	147,840	2,300		Valens Groworks Corp.	6,785	9,614
	5,250	Enbridge Inc.	252,519	248,325	2,650		Valens Groworks Corp., Warrants, 2021-04-09	-	3,021
	5,450	Encana Corp.	59,343	36,624	1,700		Zymeworks Inc.	37,641	48,909
	3,500	MEG Energy Corp.	19,096	17,570				195,219	193,209
	3,100	North American Construction Group Ltd.	47,550	43,741	Information Technology (3.6%)				
	2,625	Parex Resources Inc.	52,322	55,151	1,535		CGI Inc.	139,801	154,544
	6,100	Parkland Fuel Corp.	243,776	253,455	50		Constellation Software Inc.	57,575	61,713
	5,250	Pembina Pipeline Corp.	245,078	255,938	751		Kinaxis Inc.	63,750	61,334
	4,300	Suncor Energy Inc.	190,372	175,655	1,775		Open Text Corp.	91,767	95,921
	2,700	TORC Oil & Gas Ltd.	12,341	11,043	5,300		VersaPay Corp.	7,950	7,950
	8,600	Whitecap Resources Inc.	44,367	36,550				360,843	381,462
			1,670,135	1,606,513	Financials (30.6%)				
	1,850	Bank of Montreal	186,643	183,002			Air Canada	212,884	250,047
	7,050	Brookfield Asset Management Inc.	428,843	441,683	1,700		Badger Daylighting Ltd.	67,323	81,226
	94	Canaccord Genuity Growth II Corp.	282	295	875		Boyd Group Income Fund	120,990	144,786
	3,400	Canopy Rivers Inc.	12,759	10,846	1,825		Canadian National Railway Co.	218,644	221,190
	19,185	Element Fleet Management Corp.	171,192	183,409	1,500		Canadian Pacific Railway Ltd.	427,546	462,645
	200	Equitable Group Inc.	14,107	14,518	571		Cargojet Inc.	46,698	48,055
	6,600	Galaxy Digital Holdings Ltd.	15,065	15,510	27,017		Drone Delivery Canada Corp.	39,390	30,799
	8,000	GMP Capital Inc.	17,658	18,160	700		Drone Delivery Canada Corp.	108	189
					1,500		Morneau Shepell Inc.	44,162	44,355
					1,400		SNC-Lavalin Group Inc.	36,109	37,072
					1,300		Thomson Reuters Corp.	95,016	109,824
					1,100		Toromont Industries Ltd.	68,573	68,277
					2,150		Waste Connections Inc.	248,211	268,965
								1,625,654	1,767,430

PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2019 (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 (\$)
Materials (9.5%)					Global Equities (22.4%)				
	3,800	Agnico Eagle Mines Ltd.	212,579	255,132	United States (18.1%)				
	1,050	CCL Industries Inc.	66,911	67,431	590	Abbott Laboratories	61,805	64,839	
	3,200	Chemtrade Logistics Income Fund	28,998	29,984	130	Acacia Communications Inc.	7,537	8,011	
	6,000	Dundee Precious Metals Inc.	27,845	29,280	1,125	Advanced Micro Devices Inc.	40,306	44,647	
	2,800	ERO Copper Corp.	41,951	62,104	300	Agilent Technologies Inc.	27,312	29,272	
	1,700	First Quantum Minerals Ltd.	24,502	21,148	15	Amazon.com Inc.	38,519	37,117	
	1,800	Franco-Nevada Corp.	186,545	200,070	1,700	Americold Realty Trust	66,738	72,020	
	800	Harvest Health & Recreation Inc.	10,226	6,464	2,200	Bank of America Corp.	84,302	83,370	
	1,200	Labrador Iron Ore Royalty Corp.	36,049	42,024	700	Blackstone Group LP	38,139	40,632	
	5,000	Lundin Mining Corp.	33,361	36,050	1,000	Ciena Corp.	50,770	53,746	
	1,500	Pan American Silver Corp., Right, 2029-02-22	-	-	150	CME Group Inc.	37,247	38,048	
	35,700	Roxgold Inc.	33,261	38,556	35	CoStar Group Inc.	19,873	25,341	
	14,200	SEMAFO Inc.	54,824	73,272	350	Electronic Arts Inc.	45,346	46,312	
	2,500	SilverCrest Metals Inc.	11,599	12,950	1,800	Energy Transfer LP	36,248	33,118	
	2,100	Teck Resources Ltd.	64,088	63,462	400	Etsy Inc.	32,647	32,078	
	2,000	TMAC Resources Inc.	10,906	12,400	470	First Republic Bank	59,715	59,974	
	1,800	Wheaton Precious Metals Corp.	52,621	57,006	200	Glaukos Corp.	18,886	19,706	
			896,266	1,007,333	400	GoDaddy Inc.	40,108	36,667	
Real Estate (5.6%)					175	IAC/InterActiveCorp.	50,718	49,745	
	1,700	Allied Properties Real Estate Investment Trust	81,761	80,529	63	Intuitive Surgical Inc.	42,792	43,184	
	3,000	Artis Real Estate Investment Trust	35,177	34,890	330	IQVIA Holdings Inc.	62,687	69,384	
	1,000	BSR Real Estate Investment Trust	11,300	13,368	500	JPMorgan Chase & Co.	72,774	73,047	
	1,400	Colliers International Group Inc.	121,964	131,082	120	Mastercard Inc.	36,617	41,481	
	2,900	Cominar Real Estate Investment Trust	35,700	36,279	425	Microsoft Corp.	69,514	74,397	
	3,800	CT Real Estate Investment Trust	51,061	54,036	100	MSCI Inc.	23,695	31,204	
	1,900	Dream Industrial Real Estate Investment Trust	21,980	22,420	150	NextEra Energy Inc.	39,030	40,155	
	450	FirstService Corp.	52,662	56,700	350	PayPal Holdings Inc.	46,238	52,350	
	2,781	Minto Apartment Real Estate Investment Trust	53,006	52,311	500	Postal Realty Trust Inc.	11,433	10,291	
	3,100	NorthWest Healthcare Properties Real Estate Investment Trust	32,552	36,518	375	QUALCOMM Inc.	36,993	37,277	
	7,000	StorageVault Canada Inc.	19,643	20,160	175	Roper Technologies Inc.	76,367	83,757	
	4,300	Summit Industrial Income REIT	48,619	55,384	135	Sage Therapeutics Inc.	29,556	32,299	
			565,425	593,677	350	Salesforce.com Inc.	71,909	69,395	
Utilities (1.5%)					1,600	Santander Consumer USA Holdings Inc.	44,870	50,095	
	2,200	Boralex Inc.	40,700	43,318	375	Synopsis Inc.	51,192	63,062	
	1,600	Emera Inc.	85,298	85,616	400	Tradeweb Markets Inc.	24,221	22,899	
	1,100	Innergex Renewable Energy Inc.	15,789	15,334	100	Kinsale Capital Group Inc.	11,456	11,954	
	2,300	TransAlta Corp.	20,627	19,596	450	Tempur Sealy International Inc.	39,693	43,144	
			162,414	163,864	125	Thermo Fisher Scientific Inc.	45,449	47,971	
Total Canadian Equities - Long					225	TJX Cos Inc.	14,554	15,548	
			10,002,883	10,388,315	700	Twitter Inc.	35,419	31,924	
					225	Vertex Pharmaceuticals Inc.	52,635	53,917	
					950	Viavi Solutions Inc.	13,458	16,498	
					300	Walmart Inc.	39,202	43,315	
					365	Walt Disney Co	64,073	66,603	
					300	Zoetis Inc.	40,975	44,491	
							1,853,018	1,944,285	
International Equities (4.1%)									
					1,400	Atlantica Yield plc	39,258	41,473	
					3,500	Brookfield Infrastructure Partners LP	188,129	196,453	
					600	Brookfield Business Partners LP	31,240	30,594	

PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2019 (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 (\$)
	29,400	Champion Iron Ltd.	61,754	82,614					
	1,100	Elixinol Global Ltd.	2,637	3,783					
	1,274	Endeavour Mining Corp.	25,542	27,200					
	4,100	Telefonaktiebolaget LM Ericsson	51,865	50,898					
			<u>400,425</u>	<u>433,015</u>					
		Index Equivalents (0.2%)							
	600	iPath Series B S&P 500 VIX Short-Term Futures ETN	22,025	20,401					
		Total Global Equities - Long	2,275,468	2,397,701					
		Options (0.5%)							
		Total Purchased Options - Refer to Appendix A	89,003	57,928					
		Transaction Costs	(7,699)	-					
		Total Long Positions	12,359,655	12,843,944					
		SHORT POSITIONS (-22.0%)							
		Canadian Equities (-11.4%)							
		Consumer Discretionary(-0.6%)							
	(60)	Canadian Tire Corp Ltd.	(8,649)	(8,561)					
	(325)	Linamar Corp.	(15,376)	(15,886)					
	(300)	MTY Food Group Inc.	(17,269)	(19,608)					
	(800)	Sleep Country Canada Holdings Inc.	(15,971)	(15,200)					
			<u>(57,265)</u>	<u>(59,255)</u>					
		Communication Services(-0.3%)							
	(300)	TELUS Corp.	(14,779)	(14,523)					
	(700)	Quebecor Inc.	(22,224)	(21,833)					
			<u>(37,003)</u>	<u>(36,356)</u>					
		Consumer Staples(-0.7%)							
	(750)	Jamieson Wellness Inc.	(14,497)	(15,083)					
	(400)	Metro Inc.	(19,764)	(19,656)					
	(200)	Premium Brands Holdings Corp.	(14,900)	(17,902)					
	(480)	Saputo Inc.	(20,106)	(18,816)					
	(500)	Village Farms International Inc.	(8,666)	(7,500)					
			<u>(77,933)</u>	<u>(78,957)</u>					
		Energy (-1.0%)							
	(3,400)	Ensign Energy Services Inc.	(17,504)	(14,586)					
	(1,100)	Husky Energy Inc.	(16,382)	(13,651)					
	(978)	Inter Pipeline Ltd.	(21,824)	(19,922)					
	(3,200)	Painted Pony Energy Ltd.	(5,738)	(3,072)					
	(2,164)	Paramount Resources Ltd.	(19,460)	(14,131)					
	(1,000)	PrairieSky Royalty Ltd.	(18,381)	(18,400)					
	(900)	Vermilion Energy Inc.	(30,068)	(25,605)					
			<u>(129,357)</u>	<u>(109,367)</u>					
		Financials (-2.6%)							
	(500)	Alaris Royalty Corp.	(9,710)	(9,405)					
	(200)	Bank of Nova Scotia	(14,275)	(14,068)					
	(325)	Canadian Western Bank	(10,486)	(9,708)					
	(750)	CI Financial Corp.	(14,877)	(16,005)					
	(4,600)	ECN Capital Corp.	(18,055)	(19,412)					
	(2,000)	Fiera Capital Corp.	(23,779)	(22,560)					
	(250)	goeasy Ltd.	(10,452)	(13,250)					
	(900)	Great-West Lifeco Inc.	(29,198)	(27,135)					
	(1,100)	Home Capital Group Inc.	(19,063)	(21,329)					
	(775)	Laurentian Bank of Canada	(32,574)	(34,860)					
	(1,500)	Manulife Financial Corp.	(33,403)	(35,700)					
	(450)	National Bank of Canada	(27,783)	(27,995)					
	(50)	Onex Corp.	(3,777)	(3,950)					
	(800)	Power Corp of Canada	(24,367)	(22,568)					
			<u>(271,799)</u>	<u>(277,945)</u>					
		Health Care (-0.5%)							
	(1,650)	Aurora Cannabis Inc.	(16,846)	(16,929)					
	(200)	Canopy Growth Corp.	(10,572)	(10,574)					
	(600)	Cronos Group Inc.	(14,759)	(12,606)					
	(622)	Green Organic Dutchman Holdings Ltd.	(3,725)	(2,009)					
	(1,100)	Medical Facilities Corp.	(16,959)	(13,629)					
	(93)	TGOD Acquisitions, Warrant, 2023-07-15	-	-					
			<u>(62,861)</u>	<u>(55,747)</u>					
		Industrials (-1.0%)							
	(600)	ATS Automation Tooling Systems Inc.	(12,399)	(12,780)					
	(300)	Finning International Inc.	(7,157)	(7,161)					
	(300)	NFI Group Inc.	(9,921)	(11,070)					
	(550)	Richelieu Hardware Ltd.	(13,350)	(12,139)					
	(425)	Ritchie Bros Auctioneers Inc.	(19,133)	(18,509)					
	(450)	TFI International Inc.	(18,716)	(17,834)					
	(550)	Wajax Corp.	(10,179)	(8,652)					
	(350)	WestJet Airlines Ltd.	(6,612)	(10,759)					
	(200)	Westshore Terminals Investment Corp.	(3,900)	(4,396)					
			<u>(101,367)</u>	<u>(103,300)</u>					
		Materials (-0.9%)							
	(4,500)	Endeavour Silver Corp.	(11,647)	(12,150)					
	(425)	Enghouse Systems Ltd.	(14,554)	(14,718)					
	(500)	First Majestic Silver Corp.	(3,367)	(5,170)					
	(800)	Hudbay Minerals Inc.	(7,192)	(5,672)					
	(3,700)	Largo Resources Ltd.	(7,542)	(6,697)					
	(2,000)	Osisko Gold Royalties Ltd.	(28,721)	(27,300)					
	(600)	Pretium Resources Inc.	(5,807)	(7,854)					
	(500)	Stelco Holdings Inc.	(8,282)	(7,600)					
	(2,700)	Yamana Gold Inc.	(8,804)	(8,964)					
			<u>(95,916)</u>	<u>(96,125)</u>					

PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2019 (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 (\$)
Real Estate (-0.9%)					Real Estate (-0.9%)				
	(200)	Boardwalk Real Estate Investment Trust	(8,551)	(7,968)	(100)	GATX Corp.		(9,637)	(10,361)
	(150)	Canadian Apartment Properties Real Estate Investment Trust	(7,571)	(7,254)	(250)	Harley-Davidson Inc.		(12,215)	(11,705)
	(600)	First Capital Realty Inc.	(12,485)	(13,116)	(100)	Heartland Express Inc.		(2,543)	(2,361)
	(500)	H&R Real Estate Investment Trust	(11,615)	(11,420)	(40)	Hershey Co.		(5,694)	(7,006)
	(1,300)	InterRent Real Estate Investment Trust	(18,308)	(17,940)	(150)	Home Bancshares Inc.		(3,757)	(3,775)
	(650)	SmartCentres Real Estate Investment Trust	(21,735)	(21,587)	(25)	Home Depot Inc.		(6,105)	(6,794)
	(1,900)	Tricon Capital Group Inc.	(20,116)	(19,000)	(30)	Illinois Tool Works Inc.		(4,892)	(5,912)
			<u>(100,381)</u>	<u>(98,285)</u>	(200)	Inphi Corp.		(11,121)	(13,094)
					(100)	Intel Corp.		(7,445)	(6,255)
Utilities (-0.3%)					(100)	International Business Machines Corp.		(17,611)	(18,020)
	(700)	AltaGas Canada Inc.	(16,107)	(16,751)	(200)	Iron Mountain Inc.		(9,608)	(8,180)
	(450)	Hydro One Ltd.	(9,168)	(10,278)	(100)	JM Smucker Co.		(15,353)	(15,052)
			<u>(25,275)</u>	<u>(27,029)</u>	(70)	Kansas City Southern		(10,567)	(11,143)
Index Equivalents (-2.6%)					(125)	Kohl's Corp.		(11,076)	(7,767)
	(11,300)	iShares S&P/TSX 60 Index ETF	(268,515)	(278,545)	(35)	MarketAxess Holdings Inc.		(12,309)	(14,700)
			<u>(268,515)</u>	<u>(278,545)</u>	(150)	Myriad Genetics Inc.		(5,772)	(5,445)
Total Canadian Equities - Short					(8)	Netflix Inc.		(3,596)	(3,840)
			(1,227,672)	(1,220,911)	(100)	Omega Healthcare Investors Inc.		(4,662)	(4,802)
Global Equities (-10.2%)					(150)	Oracle Corp.		(10,150)	(11,167)
United States Equities(-5.7%)					(50)	PACCAR Inc.		(3,856)	(4,682)
	(60)	AAON Inc.	(2,905)	(3,934)	(20)	Public Storage		(5,287)	(6,225)
	(125)	Abbvie Inc.	(13,284)	(11,878)	(100)	Qorvo Inc.		(9,266)	(8,704)
	(3,300)	AK Steel Holding Corp.	(11,714)	(10,220)	(1,400)	Range Resources Corp.		(17,199)	(12,770)
	(50)	Albemarle Corp.	(5,294)	(4,600)	(100)	Realty Income Corp.		(9,140)	(9,013)
	(100)	American Express Co.	(14,950)	(16,130)	(200)	Robert Half International Inc.		(16,423)	(14,900)
	(35)	Apple Inc.	(8,697)	(9,052)	(175)	Southern Copper Corp.		(8,193)	(8,884)
	(400)	AT&T Inc.	(16,926)	(17,516)	(100)	Starbucks Corp.		(10,359)	(10,954)
	(65)	Autodesk Inc.	(13,365)	(13,836)	(125)	Teradyne Inc.		(7,331)	(7,826)
	(30)	AvalonBay Communities Inc.	(8,330)	(7,965)	(50)	Tesla Inc.		(16,671)	(14,600)
	(250)	Avangrid Inc.	(16,851)	(16,498)	(175)	Texas Roadhouse Inc.		(12,298)	(12,273)
	(200)	Avis Budget Group Inc.	(8,194)	(9,189)	(75)	Tiffany & Co.		(9,655)	(9,177)
	(150)	Bank of New York Mellon Corp.	(9,936)	(8,654)	(35)	United Continental Holdings Inc.		(3,790)	(4,005)
	(150)	Blackbaud Inc.	(15,563)	(16,367)	(50)	United Therapeutics Corp.		(7,060)	(5,100)
	(25)	BlackRock Inc.	(14,528)	(15,331)	(35)	WW Grainger Inc.		(13,496)	(12,268)
	(200)	Brighthouse Financial Inc.	(9,188)	(9,589)			<u>(611,874)</u>	<u>(608,316)</u>	
	(325)	Campbell Soup Co.	(16,957)	(17,017)	International Equities (-0.8%)				
	(200)	CBRE Group Inc.	(12,509)	(13,407)	(100)	Bayerische Motoren Werke AG		(9,468)	(9,686)
	(30)	CH Robinson Worldwide Inc.	(3,633)	(3,307)	(500)	Brookfield Property Partners LP		(13,413)	(12,370)
	(79)	Charles Schwab Corp	(5,053)	(4,149)	(150)	Brookfield Renewable Partners LP		(5,643)	(6,795)
	(275)	CIT Group Inc.	(17,592)	(18,881)	(200)	Carnival Corp.		(14,059)	(12,166)
	(180)	Comerica Inc.	(18,953)	(17,086)	(400)	Cushman & Wakefield PLC		(10,363)	(9,346)
	(100)	Cyrusone Inc.	(7,471)	(7,543)	(100)	Elastic NV		(10,963)	(9,756)
	(75)	Eaton Vance Corp.	(3,513)	(4,227)	(1,800)	Fortescue Metals Group Ltd.		(10,173)	(14,887)
	(750)	First Horizon National Corp.	(14,394)	(14,632)	(75)	Lazard Ltd.		(3,657)	(3,370)
	(1,200)	Ford Motor Co.	(15,625)	(16,042)	(2,300)	Whitehaven Coal Ltd.		(8,998)	(7,719)
	(275)	Franklin Resources Inc.	(12,312)	(12,506)			<u>(86,737)</u>	<u>(86,095)</u>	

PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2019 (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 (\$)
Index Equivalents (-3.7%)					Options (-0.4%)				
	(178)	Industrial Select Sector SPDR Fund	(17,327)	(18,008)	Total Written Options - Refer to Appendix A				
	(275)	Invesco QQQ Trust Series 1	(65,873)	(67,106)	Transaction Costs				
	(225)	iShares iBoxx \$ Investment Grade Corporate Bond ETF	(35,540)	(36,567)	Total Short Positions				
	(1,150)	iShares iBoxx High Yield Corporate Bond ETF	(130,564)	(131,010)	TOTAL INVESTMENT PORTFOLIO (98.4%)				
	(100)	iShares JP Morgan USD Emerging Markets Bond ETF	(14,596)	(14,804)	Other Assets Net of Liabilities (1.6%)				
	(800)	iShares MSCI Emerging Markets ETF	(44,907)	(44,858)	TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)				
	(179)	SPDR S&P 500 ETF Trust	(66,934)	(68,535)					
	(300)	SPDR S&P Retail ETF	(17,186)	(16,610)					
			(392,927)	(397,498)					
Total Global Equities - Short			(1,091,538)	(1,091,909)					

*CCY denotes local currency of security

** Securities restricted for resale until date indicated

APPENDIX A

OPTIONS (0.1%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
Agilent Technologies Inc.	Call Option	25	\$78	August, 2019	3,300	5,015
Agilent Technologies Inc.	Call Option	10	\$83	August, 2019	432	497
Aurora Cannabis Inc.	Call Option	20	\$11	August, 2019	500	750
Avis Budget Group Inc.	Call Option	8	\$35	August, 2019	1,045	2,587
Burlington Stores Inc.	Call Option	11	\$180	September, 2019	7,460	8,768
Burlington Stores Inc.	Call Option	4	\$190	September, 2019	1,569	1,803
Canadian Natural Resource	Call Option	39	\$39	July, 2019	2,340	234
Canadian Western Bank	Call Option	5	\$29	July, 2019	305	585
CI Financial Corp.	Call Option	18	\$21	July, 2019	585	1,080
Element Fleet Management	Call Option	30	\$10	July, 2019	930	255
Encana Corp.	Call Option	44	\$11	July, 2019	748	1
Financial Select Sector	Call Option	82	\$29	August, 2019	1,591	1,500
First Quantum Minerals Ltd.	Call Option	31	\$14	October, 2019	1,116	1,690
First Quantum Minerals	Call Option	33	\$15	July, 2019	1,584	99
Great Canadian Gaming	Call Option	4	\$54	October, 2019	460	320
Great Canadian Gaming	Call Option	11	\$50	October, 2019	2,200	1,595
iPATH S&P 500 VIX Short-Term	Call Option	47	\$30	July, 2019	1,658	1,075
iShares MSCI Emerging Market	Call Option	34	\$44	July, 2019	1,288	1,799
iShares MSCI Emerging Market	Call Option	13	\$46	July, 2019	67	89
iShares Russell 2000 Value	Call Option	17	\$123	July, 2019	1,455	1,944
iShares S&P/TSX 60 Index ETF	Call Option	186	\$25	July, 2019	2,976	1,488
Laurentian Bank	Call Option	6	\$44	July, 2019	240	720
Manulife Financial Corp.	Call Option	17	\$24	July, 2019	357	459
Maple Leaf Foods Inc.	Call Option	14	\$32	July, 2019	770	22
Paramount Resources	Call Option	21	\$7	July, 2019	567	504
Spdr S&P Retail ETF	Call Option	48	\$44	August, 2019	2,823	2,444
Spin Master Corp.	Call Option	11	\$46	October, 2019	660	244
Spin Master Corp.	Call Option	17	\$46	July, 2019	1,441	7
Synopsys Inc.	Call Option	6	\$125	July, 2019	1,497	4,116
Synopsys Inc.	Call Option	2	\$135	July, 2019	143	163
Uni-Select Inc.	Call Option	31	\$13	July, 2019	930	465
Xilinx Inc.	Call Option	4	\$135	September, 2019	2,462	1,581
Xilinx Inc.	Call Option	2	\$155	September, 2019	379	248
					45,878	44,147

PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

APPENDIX A

OPTIONS (0.1%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
iShares 20+ Year Treasury	Put Option	22	\$129	July, 2019	1,926	67
iShares 20+ Year Treasury	Put Option	21	\$126	July, 2019	137	73
iShares 20+ Year Treasury	Put Option	41	\$130	July, 2019	2,558	830
iShares iBoxx High Yield	Put Option	30	\$84	July, 2019	2,281	274
iShares S&P/TSX 60 Index	Put Option	46	\$23	July, 2019	115	137
iShares S&P/TSX 60 Index	Put Option	114	\$24	July, 2019	1,368	1,026
Kirkland Lake Gold Ltd.	Put Option	28	\$42	July, 2019	1,260	54
S&P 500 Index	Put Option	1	\$2,720	July, 2019	2,875	245
S&P 500 Index	Put Option	2	\$2,725	July, 2019	7,739	157
S&P 500 Index	Put Option	7	\$2,820	July, 2019	17,398	7,912
S&P 500 Index	Put Option	4	\$2,825	July, 2019	5,468	3,006
					43,125	13,781
Total Purchased Options					89,003	57,928
Agilent Technologies Inc.	Written Call Option	(38)	\$80	August, 2019	(2,731)	(3,997)
Aurora Cannabis Inc.	Written Call Option	(18)	\$12	August, 2019	(180)	(270)
Avis Budget Group Inc.	Written Call Option	(8)	\$37	August, 2019	(523)	(1,647)
Burlington Stores Inc.	Written Call Option	(16)	\$185	September, 2019	(8,092)	(9,827)
Canadian Natural Resource	Written Call Option	(39)	\$41	July, 2019	(976)	(137)
Canadian Western Bank	Written Call Option	(4)	\$30	July, 2019	(124)	(208)
CI Financial Corp.	Written Call Option	(13)	\$22	July, 2019	(130)	(195)
Element Fleet Management	Written Call Option	(41)	\$11	July, 2019	(369)	(11)
Encana Corp.	Written Call Option	(36)	\$12	July, 2019	(252)	-
Financial Select Sector	Written Call Option	(49)	\$29	August, 2019	(385)	(1,057)
First Quantum Minerals Ltd.	Written Call Option	(25)	\$15	October, 2019	(500)	(825)
First Quantum Minerals	Written Call Option	(27)	\$16	July, 2019	(756)	(8)
Great Canadian Gaming	Written Call Option	(17)	\$52	October, 2019	(2,465)	(1,870)
iPATH S&P 500 VIX Short-Term	Written Call Option	(25)	\$31	July, 2019	(522)	(359)
iPATH S&P 500 VIX Short-Term	Written Call Option	(17)	\$34	July, 2019	(444)	(144)
iShares 20+ Year Treasury	Written Call Option	(6)	\$137	July, 2019	(353)	(145)
iShares MSCI Emerging Market	Written Call Option	(51)	\$45	July, 2019	(770)	(1,499)
iShares Russell 2000 Value	Written Call Option	(15)	\$125	July, 2019	(588)	(721)
iShares S&P/TSX 60 Index	Written Call Option	(127)	\$25	July, 2019	(1,397)	(317)
iShares S&P/TSX 60 Index	Written Call Option	(34)	\$26	July, 2019	(340)	(42)
Kirkland Lake Gold Ltd.	Written Call Option	(4)	\$52	July, 2019	(560)	(1,850)
Laurentian Bank	Written Call Option	(5)	\$46	July, 2019	(35)	(88)
Manulife Financial Corp.	Written Call Option	(17)	\$25	July, 2019	(102)	(39)
Maple Leaf Foods Inc.	Written Call Option	(14)	\$34	July, 2019	(266)	(2)
Paramount Resources	Written Call Option	(21)	\$8	July, 2019	(147)	(136)
Spdr S&P Retail ETF	Written Call Option	(36)	\$45	August, 2019	(1,505)	(1,236)
Spin Master Corp.	Written Call Option	(9)	\$48	October, 2019	(247)	(115)
Spin Master Corp.	Written Call Option	(15)	\$48	July, 2019	(225)	(1)
Synopsis Inc.	Written Call Option	(9)	\$130	July, 2019	(1,129)	(2,411)
Uni-Select Inc.	Written Call Option	(25)	\$14	July, 2019	(200)	(100)
Xilinx Inc.	Written Call Option	(6)	\$145	September, 2019	(2,054)	(1,231)
					(28,367)	(30,488)
Aurora Cannabis Inc.	Written Put Option	(6)	\$7	August, 2019	(48)	(36)
Avis Budget Group Inc.	Written Put Option	(3)	\$26	July, 2019	(228)	(7)
Burlington Stores Inc.	Written Put Option	(3)	\$150	July, 2019	(705)	(176)
Canadian Western Bank	Written Put Option	(1)	\$25	July, 2019	(42)	(5)
Cenovus Energy Inc.	Written Put Option	(15)	\$11	July, 2019	(285)	(262)
CI Financial Corp.	Written Put Option	(6)	\$18	July, 2019	(90)	(19)
Element Fleet Management	Written Put Option	(10)	\$8	July, 2019	(70)	(3)
Financial Select Sector	Written Put Option	(21)	\$25	July, 2019	(247)	(165)
First Quantum Minerals Ltd.	Written Put Option	(5)	\$10	July, 2019	(90)	(22)
Great Canadian Gaming	Written Put Option	(2)	\$42	July, 2019	(210)	(65)
iShares 20+ Year Treasury	Written Put Option	(28)	\$126	July, 2019	(1,025)	(165)
iShares 20+ Year Treasury	Written Put Option	(62)	\$128	July, 2019	(1,135)	(365)
iShares iBoxx High Yield	Written Put Option	(8)	\$80	July, 2019	(94)	(47)
iShares iBoxx High Yield	Written Put Option	(21)	\$82	July, 2019	(768)	(137)
iShares S&P/TSX 60 Index	Written Put Option	(172)	\$23	July, 2019	(946)	(688)

PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

APPENDIX A

OPTIONS (0.1%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
Jm Smucker Co/The	Written Put Option	(1)	\$115	July, 2019	(183)	(297)
Kirkland Lake Gold Ltd.	Written Put Option	(26)	\$40	July, 2019	(650)	(23)
Laurentian Bank	Written Put Option	(2)	\$38	July, 2019	(50)	(8)
Manulife Financial Corp.	Written Put Option	(5)	\$21	July, 2019	(90)	(17)
Paramount Resources	Written Put Option	(9)	\$5	August, 2019	(134)	(157)
Pretium Resources Inc.	Written Put Option	(3)	\$9	July, 2019	(75)	(1)
S&P 500 Index	Written Put Option	(3)	\$2,695	July, 2019	(8,914)	(186)
S&P 500 Index	Written Put Option	(5)	\$2,760	July, 2019	(18,203)	(1,813)
S&P 500 Index	Written Put Option	(1)	\$2,770	July, 2019	(4,294)	(699)
S&P 500 Index	Written Put Option	(5)	\$2,800	July, 2019	(10,441)	(4,672)
Spdr S&P Retail ETF	Written Put Option	(12)	\$38	July, 2019	(251)	(298)
Spin Master Corp.	Written Put Option	(3)	\$36	July, 2019	(180)	(112)
Uni-Select Inc.	Written Put Option	(7)	\$11	July, 2019	(106)	(46)
					<u>(49,554)</u>	<u>(10,491)</u>
Total Written Options					<u>(77,921)</u>	<u>(40,979)</u>

PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

FUND SPECIFIC NOTES

As at June 30, 2019 (unaudited)

1. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following tables illustrate the classifications of the Fund's financial instruments within the fair value hierarchy as at June 30, 2019 and December 31, 2018.

ASSETS (LIABILITIES) AT FAIR VALUE AS AT JUNE 30, 2019				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	12,735,118	50,898	-	12,786,016
Options - Long	57,928	-	-	57,928
Equities - Short	(2,312,820)	-	-	(2,312,820)
Options - Short	(40,979)	-	-	(40,979)
Total	10,439,247	50,898	-	10,490,145

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2018				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	3,138,099	-	-	3,138,099
Options - Long	16,859	-	-	16,859
Equities - Short	(582,403)	-	-	(582,403)
Options - Short	(12,434)	-	-	(12,434)
Total	2,560,121	-	-	2,560,121

2. SECURITIES LENDING TRANSACTIONS

The Fund has entered into a securities lending program with its 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 consists primarily of fixed income securities. As at June 30, 2019, there was \$nil (Collateral - \$nil) of securities on loan.

Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which the Fund's custodian is entitled to receive. For the six month period ended June 30, 2019, securities lending income was \$nil.

3. 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 \$996,062 (December 31, 2018- \$230,505). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

4. CURRENCY RISK

Foreign currencies to which the Fund had exposure as at June 30, 2019 and December 31, 2018 were as follows:

FINANCIAL INSTRUMENTS				
June 30, 2019 Currency	Monetary \$	Non-Monetary \$	Total \$	Percentage of Net Assets %
United States Dollar	84,736	1,110,927	1,195,663	11.2%
European Euro	9,374	(9,686)	(312)	0.0%
Australian Dollar	16,194	(18,825)	(2,631)	0.0%
Net Exposure	110,304	1,082,416	1,192,720	11.2%

PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

FINANCIAL INSTRUMENTS				
December 31, 2018 Currency	Monetary \$	Non-Monetary \$	Total \$	Percentage of Net Assets %
United States Dollar	356,700	148,450	505,150	19.1%
Australian Dollar	9,984	(8,319)	1,665	0.1%
Net Exposure	366,684	140,131	506,815	19.2%

If the Canadian dollar had strengthened or weakened by 5% in relation to all other currencies held in the investment portfolio, net assets would have decreased or increased by approximately \$59,636 (December 31, 2018 - \$25,341). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

5. INTEREST RATE RISK

As of June 30, 2019 and December 31, 2018, the Fund did not have significant exposure to interest rate risk.

6. CREDIT RISK

As of June 30, 2019 and December 31, 2018, 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, 2019 and December 31, 2018. All cash is held with a financial institution with a minimum credit rating of A-1+.

7. 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, 2019 and December 31, 2018.

Jurisdiction	% of Net Assets	
	June 30, 2019	December 31, 2018
Equities		
Canada	86.1%	88.7%
United States	8.7%	4.9%
International	3.5%	3.3%
Derivatives	0.1%	0.1%

8. LIQUIDITY RISK

The tables below categorize 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, 2019 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	2,312,820	-	-	2,312,820
Redemptions payable	67,993	-	-	67,993
Accrued liabilities and other payables	-	79,247	-	79,247
Derivative liabilities	40,979	-	-	40,979
December 31, 2018 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	582,403	-	-	582,403
Accrued liabilities and other payables	-	43,934	-	43,934
Derivative liabilities	12,434	-	-	12,434

PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

9. FUND UNIT TRANSACTIONS

For the six month period ended June 30 (unaudited)

	2019		
	Class A	Class F	Class I
Units issued and outstanding, beginning of period	6,411	103,659	191,249
Units issued	31,685	371,185	375,624
Units redeemed	(7,636)	(40,922)	(5,033)
Units issued and outstanding, end of period	30,460	433,922	561,840
Weighted average number of units held during the period	18,823	272,654	292,587

10. COMMISSIONS

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

	2019
Brokerage commissions	22
Soft Dollar commissions	4

11. TAX LOSS CARRY FORWARDS

As at December 31 (in \$000)

	2018
Net capital losses carry forward	-
Non-capital losses carry forward	-

12. STRUCTURED ENTITIES

The table below illustrates the Fund's investment in the underlying funds as at June 30, 2019 and December 31, 2018.

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 June 30, 2019			
iPath Series B S&P 500 VIX Short-Term Futures ETN	20,401	1,046,036	2.0%
As at December 31, 2018			
None	-	-	-

PICTON MAHONEY FORTIFIED ACTIVE EXTENSION ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2019 (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, 2019.

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 and Class I 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.

As at June 30, 2019, the Fund currently has 3 Classes of Units: Class A, Class F, and Class I.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

(b) Classification

(i) Assets

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

(ii) Liabilities

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

(c) Fair Value Measurements

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

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

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

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(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.

(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, and Class I units. Each class is divided into units of equal value. When you invest in the Fund, you are purchasing units of a specific class of the Fund.

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

The Unit Price of each class of the Fund is calculated by taking the fair value of all the investments and other assets allocated to the class and subtracting the liabilities allocated to that class. This gives us the net asset value for the class. The Unit Price for the class is obtained by dividing the net asset value for the class by the total number of units of the class that investors in a Fund are holding.

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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, 2019 and December 31, 2018, 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 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

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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, 2019 and December 31, 2018, 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 mar-

ket 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, 2019 and December 31, 2018, 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.

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.

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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 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 and Class I 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

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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 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 and Class F 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 or the Class F units, plus applicable taxes. The performance fee in respect of each of the Class A units and Class F 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 or the Class F 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. The Manager will waive performance fees in the Fund until December 31, 2019, while reserving the option of extending the waiver or discontinuing after that date.

(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

Corporate Address

Picton Mahoney Asset Management

33 Yonge Street, Suite. 830
Toronto, Ontario
Canada M5E 1G4

Telephone: 416.955.4108

Toll free: 1.866.369.4108

Fax: 416.955.4100

Email: service@pictonmahoney.com

www.pictonmahoney.com

Auditor

PricewaterhouseCoopers LLP

18 York Street, Suite 2600
Toronto, Ontario
Canada M5J 0B2

Fund Administration & Transfer Agent

Picton Mahoney Funds

C/O RBC Investor Services Trust,
Shareholder Services
155 Wellington Street West, 3rd Floor
Toronto, ON
Canada M5V 3L3