

FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND



**THINK AHEAD.
STAY AHEAD.**

TABLE OF CONTENTS

- 2 Management’s Responsibility Statement
- 3 Notice to Unitholders
- 4 Picton Mahoney Fortified Market Neutral Alternative Fund Financial Statements
- 16 Notes to the Financial Statements

MANAGEMENT'S RESPONSIBILITY STATEMENT

The accompanying financial statements have been prepared by Picton Mahoney Asset Management, the Manager of the Picton Mahoney Fortified Market Neutral Alternative Fund (the "Fund"). The Manager is responsible for all of the information and representations contained in these financial statements.

The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgements. Management maintains appropriate processes to ensure that relevant and reliable financial information is produced.

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 MARKET NEUTRAL 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*	22,535,686	8,383,351
Cash	8,487,158	3,211,567
Options purchased	159,936	50,639
Unrealized gain on futures contracts	-	52,412
Deposits with brokers for securities sold short	4,432,004	5,104,037
Due from Manager	34,735	15,738
Subscriptions receivable	1,711,729	-
Receivable for investments sold	102,515	421,281
Dividends receivable	26,927	9,112
	<u>37,490,690</u>	<u>17,248,137</u>
Liabilities		
Current liabilities		
Short positions at fair value**	7,394,516	4,880,217
Options written	104,357	36,639
Unrealized loss on futures contracts	91,389	-
Management fee payable	55,535	6,030
Redemptions payable	10,185	-
Accrued liabilities	14,749	18,544
Payable for investments purchased	139,053	394,426
Dividends payable	19,511	13,982
Distributions payable	44	11,473
	<u>7,829,339</u>	<u>5,361,311</u>
Net Assets Attributable to Holders of Redeemable Units	<u>29,661,351</u>	<u>11,886,826</u>
Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	4,146,146	1,538,254
Class F	19,811,361	5,896,352
Class I	5,703,844	4,452,220
Number of Redeemable Units Outstanding		
Class A	405,403	156,368
Class F	1,920,841	597,628
Class I	548,718	450,065
Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	10.23	9.84
Class F	10.31	9.87
Class I	10.39	9.89
	<u>21,310,564</u>	<u>8,763,012</u>
	<u>(7,587,825)</u>	<u>(5,171,919)</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	48,800
Dividends	132,863
Net realized gain (loss) on investments and options	157,192
Net realized gain (loss) on futures contracts	(508,992)
Change in unrealized appreciation (depreciation) on investments, options and futures contracts	1,402,273
Interest and borrowing expense	(30,231)
Dividend expense	(112,149)
Net gains (losses) on investments and derivatives	<u>1,089,756</u>
Other income	
Foreign currency gain (loss) on cash and other assets and liabilities	(90,140)
Total Income	<u>999,616</u>
Expenses	
Performance fees	116,670
Management fees	79,311
Transaction costs	60,140
Harmonized sales tax	31,315
Administrative fees	16,912
Legal fees	8,794
Custody fees	7,866
Securityholder reporting fees	5,787
Independent Review Committee Expense	3,888
Withholding taxes	2,560
Audit fees	1,444
Total Expense before Manager Absorption	<u>334,687</u>
Less: Expenses Absorbed by Manager	(166,572)
Total Expense after Manager Absorption	<u>168,115</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>831,501</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class	
Class A	101,395
Class F	508,671
Class I	<u>221,435</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit	
Class A	0.39
Class F	0.44
Class I	<u>0.49</u>

PICTON MAHONEY FORTIFIED MARKET NEUTRAL 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	1,538,254
Class F	5,896,352
Class I	4,452,220
	<u>11,886,826</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	
Class A	101,395
Class F	508,671
Class I	221,435
	<u>831,501</u>
Redeemable Unit Transactions	
Proceeds from redeemable units issued	
Class A	2,659,426
Class F	14,007,989
Class I	3,255,000
	<u>19,922,415</u>
Reinvestments of distributions to holders of redeemable units	
Class A	1,484
Class F	5,673
Class I	4,272
	<u>11,429</u>
Redemption of redeemable units	
Class A	(154,413)
Class F	(607,324)
Class I	(2,229,083)
	<u>(2,990,820)</u>
Net Increase (Decrease) from Redeemable Unit Transactions	<u>16,943,024</u>
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>17,774,525</u>
Net Assets Attributable to Holders of Redeemable Units at End of Period	
Class A	4,146,146
Class F	19,811,361
Class I	5,703,844
Net Assets Attributable to Holders of Redeemable Units at End of Period	<u>29,661,351</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	831,501
Adjustments for:	
Unrealized foreign exchange (gain) loss on cash	92,240
Net realized (gain) loss on investments and options	(157,192)
Change in unrealized (appreciation) depreciation on investments, options and futures contracts	(1,402,273)
(Increase) decrease in due from manager	(18,997)
(Increase) decrease in dividends receivable	(17,815)
(Increase) decrease in deposits with brokers for securities sold short	672,033
Increase (decrease) in dividends payable	5,529
Increase (decrease) in other payables and accrued liabilities	45,710
Purchase of long positions and repurchases of investments sold short	(30,598,857)
Proceeds from sales of long positions and on investments sold short	20,685,901
Net Cash Generated (Used) by Operating Activities	<u>(9,862,220)</u>
Cash Flows from Financing Activities	
Proceeds from redeemable units issued	18,210,686
Amount paid on redemption of redeemable units	(2,980,635)
Net Cash Generated (Used) by Financing Activities	<u>15,230,051</u>
Unrealized foreign exchange gain (loss) on cash	(92,240)
Net increase (decrease) in cash	5,367,831
Cash, beginning of period	3,211,567
Cash, End of Period	<u>8,487,158</u>
Cash	8,487,158
Cash overdraft	-
Net Cash (Overdraft)	<u>8,487,158</u>
Items classified as operating activities:	
Interest received, net of withholding tax	48,800
Dividends received, net of withholding tax	112,488
Interest and borrowing expense paid	(30,231)
Dividends paid	<u>(106,620)</u>

PICTON MAHONEY FORTIFIED MARKET NEUTRAL 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 (76.5%)									
Canadian Equities (58.8%)									
Consumer Discretionary (3.9%)									
	5,800	BRP Inc.	251,811	271,440		17,000	GMP Capital Inc.	37,505	38,590
	4,811	Great Canadian Gaming Corp.	242,131	213,608		2,000	GMP Capital Inc., Preferred	25,180	26,000
	6,400	Park Lawn Corp.	166,517	184,128		4,500	Intact Financial Corp.	497,719	544,590
	2,700	Restaurant Brands International Inc.	229,365	245,889		200	Kinsale Capital Group Inc.	23,233	23,908
	6,062	Spin Master Corp.	258,839	229,568		13,500	Mercer Park Brand Acquisition Corp.	181,339	174,647
			<u>1,148,663</u>	<u>1,144,633</u>		6,750	Mercer Park Brand Acquisition Corp., Warrant, 2024-06-24	-	12,349
Communication Services (1.8%)									
	1,275	Cogeco Communications Inc.	92,355	120,080		1,200	Power Financial Corp.	38,554	36,144
	500	IAC/InterActiveCorp.	135,720	142,128		7,800	Royal Bank of Canada	786,654	811,746
	975	Rogers Communications Inc.	67,242	68,348		1,300	Sun Life Financial Inc.	67,563	70,499
	8,100	Shaw Communications Inc.	218,547	216,432		4,700	TMX Group Ltd.	399,580	428,170
			<u>513,864</u>	<u>546,988</u>		10,000	Toronto-Dominion Bank	745,958	765,200
						700	Tradeweb Markets Inc.	42,339	40,074
						3,000	Trisura Group Ltd.	89,156	89,970
						34,468	Uranium Participation Corp.	162,819	144,766
								<u>4,307,147</u>	<u>4,486,736</u>
Consumer Staples (3.7%)					Health Care (1.8%)				
	6,000	Alimentation Couche-Tard Inc.	430,196	494,460		2,100	CannaRoyalty Corp.	25,754	19,299
	15,072	Empire Co., Ltd.	423,048	497,075		5,300	Curaleaf Holdings Inc.	66,720	49,449
	235	Loblaw Cos Ltd.	14,904	15,757		6,900	Extendicare Inc.	57,661	57,891
	1,800	Maple Leaf Foods Inc.	55,256	51,624		12,500	Greenbrook TMS Inc.	39,407	40,625
	13,400	Waterloo Brewing Ltd.	53,729	47,972		7,400	MediPharm Labs Corp.	41,070	38,332
			<u>977,133</u>	<u>1,106,888</u>		7,100	OrganiGram Holdings Inc.	56,697	59,853
						20,400	SLANG Worldwide Inc.	48,359	34,476
						250	Thermo Fisher Scientific Inc.	90,854	95,941
						6,300	Valens Groworks Corp.	18,585	26,334
						8,150	Valens Groworks Corp., Warrant, 2021-04-09	-	9,291
						3,716	Zymeworks Inc.	78,994	106,909
								<u>524,101</u>	<u>538,400</u>
Energy (7.7%)					Industrials (10.7%)				
	7,249	Cameco Corp.	113,492	101,776		14,100	Air Canada	471,922	559,629
	11,600	Canadian Natural Resources Ltd.	429,971	409,596		4,500	Badger Daylighting Ltd.	174,358	215,010
	23,200	Cenovus Energy Inc.	276,350	267,960		2,125	Boyd Group Income Fund	281,258	351,624
	12,100	Encana Corp.	114,540	81,312		1,600	Brookfield Business Partners LP	83,307	81,584
	7,300	MEG Energy Corp.	40,027	36,646		600	Canadian National Railway Co.	73,618	72,720
	6,300	North American Construction Group Ltd.	94,567	88,893		2,250	Canadian Pacific Railway Ltd.	635,454	693,968
	5,700	Parex Resources Inc.	109,954	119,757		1,374	Cargojet Inc.	112,971	115,636
	11,600	Parkland Fuel Corp.	456,264	481,980		48,519	Drone Delivery Canada Corp.	75,794	55,312
	11,600	Pembina Pipeline Corp.	531,547	565,500		2,550	Drone Delivery Canada Corp., Warrants, 2021-03-25	393	689
	9,200	TORC Oil & Gas Ltd.	42,184	37,628		2,870	Morneau Shepell Inc.	80,666	84,866
	18,500	Whitecap Resources Inc.	94,922	78,625		11,326	People Corp.	84,707	91,741
			<u>2,303,818</u>	<u>2,269,673</u>		3,500	SNC-Lavalin Group Inc.	90,128	92,680
						4,300	TerrAscend Corp., 2019-09-16 **	32,852	28,997
Financials (15.1%)						1,894	Thomson Reuters Corp.	120,319	160,005
	10,898	Brookfield Asset Management Inc.	652,436	682,760		1,950	Toromont Industries Ltd.	116,221	121,037
	482	Canaccord Genuity Growth II Corp.	1,446	1,513		3,520	Waste Connections Inc.	382,950	440,352
	8,200	Canopy Rivers Inc.	30,770	26,158				<u>2,816,918</u>	<u>3,165,850</u>
	42,716	Element Fleet Management Corp.	361,868	408,365					
	3,700	Element Fleet Management Corp., Preferred	81,515	78,958					
	600	Equitable Group Inc.	43,013	43,554					
	16,500	Galaxy Digital Holdings Ltd.	38,500	38,775					

PICTON MAHONEY FORTIFIED MARKET NEUTRAL 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 (\$)
Information Technology (2.2%)						25,436	StorageVault Canada Inc.	70,667	73,256
	2,156	CGI Inc.	188,346	217,066		10,200	Summit Industrial Income REIT		
	100	Constellation Software Inc.	113,859	123,425				112,196	131,376
	1,012	Kinaxis Inc.	82,633	82,650				<u>1,210,044</u>	<u>1,306,542</u>
	3,709	Open Text Corp.	190,913	200,434					
	15,500	VersaPay Corp.	23,250	23,250					
			<u>599,001</u>	<u>646,825</u>					
Materials (6.5%)					Utilities (1.0%)				
	7,418	Agnico Eagle Mines Ltd.	404,216	498,045		4,900	Boralex Inc.	90,781	96,481
	38,200	Ascot Resources Ltd., 2019-09-22 **	26,740	26,098		2,700	Emera Inc.	143,609	144,477
	38,200	Ascot Resources Ltd., Warrant, 2020-05-21	-	-		1,800	Innergex Renewable Energy Inc.	25,836	25,092
	2,100	CCL Industries Inc.	133,866	134,862		4,800	TransAlta Corp.	43,124	40,896
	6,100	Chemtrade Logistics Income Fund	54,698	57,157				<u>303,350</u>	<u>306,946</u>
	13,800	Dundee Precious Metals Inc.	64,819	67,344	Total Canadian Equities - Long				
	5,800	ERO Copper Corp.	80,631	128,644				16,419,047	17,461,418
	4,200	First Quantum Minerals Ltd.	59,564	52,248	Global Equities (17.2%)				
	2,200	Franco-Nevada Corp.	230,284	244,526	United States (13.8%)				
	2,200	Harvest Health & Recreation Inc.	28,078	17,776		1,623	Abbott Laboratories	171,638	178,363
	3,000	Labrador Iron Ore Royalty Corp.	92,796	105,060		429	Acacia Communications Inc.	24,831	26,438
	11,700	Lundin Mining Corp.	80,672	84,357		2,700	Advanced Micro Devices Inc.	96,492	107,152
	492	Neo Performance Materials Inc.	8,315	6,155		600	Agilent Technologies Inc.	55,208	58,545
	5,900	Pan American Silver Corp., Right, 2029-02-22	-	-		40	Amazon.com Inc.	102,132	98,980
	73,200	Roxgold Inc.	67,786	79,056		3,830	Americold Realty Trust	144,271	162,257
	32,200	SEMAFO Inc.	121,096	166,152		5,100	Bank of America Corp.	190,071	193,268
	10,600	SilverCrest Metals Inc.	51,326	54,908		1,900	Blackstone Group LP	104,761	110,287
	4,100	Teck Resources Ltd.	124,398	123,902		2,300	Ciena Corp.	110,172	123,617
	4,700	TMAC Resources Inc.	25,625	29,140		300	CME Group Inc.	74,975	76,096
	2,100	Wheaton Precious Metals Corp.	60,098	66,507		131	CoStar Group Inc.	75,134	94,846
			<u>1,715,008</u>	<u>1,941,937</u>		700	Electronic Arts Inc.	89,770	92,625
Real Estate (4.4%)						3,800	Energy Transfer LP	76,913	69,916
	3,300	Allied Properties Real Estate Investment Trust	155,771	156,321		900	Etsy Inc.	73,843	72,175
	6,000	Artis Real Estate Investment Trust	70,355	69,780		1,015	First Republic Bank	123,027	129,518
	2,980	BSR Real Estate Investment Trust	33,690	39,837		500	Glaukos Corp.	47,614	49,264
	2,900	Colliers International Group Inc.	251,017	271,527		850	GoDaddy Inc.	85,623	77,918
	6,300	Cominar Real Estate Investment Trust	77,445	78,813		122	Intuitive Surgical Inc.	83,684	83,625
	6,700	CT Real Estate Investment Trust	80,732	95,274		800	IQVIA Holdings Inc.	154,137	168,204
	5,200	Dream Industrial Real Estate Investment Trust	53,525	61,360		1,000	JPMorgan Chase & Co.	144,979	146,094
	800	FirstService Corp.	87,663	100,800		325	Mastercard Inc.	94,993	112,344
	6,558	Minto Apartment Real Estate Investment Trust	123,867	123,356		800	Microsoft Corp.	121,448	140,041
	8,900	NorthWest Healthcare Properties Real Estate Investment Trust	93,116	104,842		200	MSCI Inc.	46,994	62,408
						300	NextEra Energy Inc.	70,478	80,310
						750	PayPal Holdings Inc.	90,655	112,178
						1,200	Postal Realty Trust Inc.	27,440	24,697
						750	QUALCOMM Inc.	79,325	74,553
						400	Roper Technologies Inc.	166,775	191,443
						270	Sage Therapeutics Inc.	53,083	64,598
						700	Salesforce.com Inc.	137,535	138,791
						3,359	Santander Consumer USA Holdings Inc.	92,950	105,169
						800	Synopsys Inc.	102,271	134,532
						1,000	Tempur Sealy International Inc.	88,562	95,876
						1,000	TJX Cos Inc.	64,155	69,101
						1,400	Twitter Inc.	70,929	63,848
						514	Vertex Pharmaceuticals Inc.	118,941	123,170
						3,900	Viavi Solutions Inc.	57,415	67,730

PICTON MAHONEY FORTIFIED MARKET NEUTRAL 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 (\$)
Information Technology (-0.2%)									
	(1,300)	Enghouse Systems Ltd.	(45,095)	(45,019)		(169)	CH Robinson Worldwide Inc.	(20,315)	(18,628)
			<u>(45,095)</u>	<u>(45,019)</u>		(241)	Charles Schwab Corp.	(15,006)	(12,657)
						(925)	CIT Group Inc.	(55,645)	(63,507)
						(800)	Comerica Inc.	(82,186)	(75,938)
						(300)	Cyrusone Inc.	(22,414)	(22,628)
						(400)	Eaton Vance Corp.	(18,705)	(22,544)
						(3,126)	First Horizon National Corp.	(64,114)	(60,987)
						(3,700)	Ford Motor Co.	(48,051)	(49,462)
						(775)	Franklin Resources Inc.	(34,695)	(35,243)
						(200)	GATX Corp.	(19,274)	(20,722)
						(1,200)	Harley-Davidson Inc.	(60,456)	(56,185)
						(1,200)	Heartland Express Inc.	(30,514)	(28,335)
						(300)	Hershey Co.	(42,958)	(52,543)
						(800)	Home Bancshares Inc.	(20,152)	(20,134)
						(125)	Home Depot Inc.	(30,907)	(33,970)
						(325)	Illinois Tool Works Inc.	(56,552)	(64,048)
						(700)	Inphi Corp.	(34,344)	(45,828)
						(300)	Intel Corp.	(22,334)	(18,766)
						(325)	International Business Machines Corp.	(56,800)	(58,565)
						(725)	Iron Mountain Inc.	(34,415)	(29,653)
						(350)	JM Smucker Co.	(51,866)	(52,683)
						(200)	Kansas City Southern	(30,256)	(31,838)
						(482)	Kohl's Corp.	(42,968)	(29,949)
						(80)	MarketAxess Holdings Inc.	(22,925)	(33,601)
						(500)	Myriad Genetics Inc.	(18,241)	(18,151)
						(50)	Netflix Inc.	(22,473)	(24,000)
						(650)	Omega Healthcare Investors Inc.	(30,402)	(31,215)
						(400)	Oracle Corp.	(25,356)	(29,778)
						(762)	PACCAR Inc.	(59,905)	(71,355)
						(100)	Public Storage	(26,436)	(31,123)
						(200)	Qorvo Inc.	(18,531)	(17,408)
						(4,600)	Range Resources Corp.	(58,346)	(41,957)
						(300)	Realty Income Corp.	(27,420)	(27,038)
						(575)	Robert Half International Inc.	(47,363)	(42,836)
						(500)	Southern Copper Corp.	(22,462)	(25,384)
						(300)	Starbucks Corp.	(31,078)	(32,863)
						(300)	Teradyne Inc.	(17,519)	(18,782)
						(120)	Tesla Inc.	(43,550)	(35,041)
						(400)	Texas Roadhouse Inc.	(27,963)	(28,053)
						(175)	Tiffany & Co.	(22,528)	(21,414)
						(300)	United Continental Holdings Inc.	(32,513)	(34,326)
						(150)	United Therapeutics Corp.	(22,595)	(15,301)
						(100)	WW Grainger Inc.	(38,446)	(35,051)
								<u>(2,082,451)</u>	<u>(2,108,726)</u>
Materials (-0.9%)									
	(13,900)	Endeavour Silver Corp.	(39,418)	(37,530)					
	(4,000)	First Majestic Silver Corp.	(27,810)	(41,360)					
	(2,300)	Hudbay Minerals Inc.	(20,631)	(16,307)					
	(11,000)	Largo Resources Ltd.	(26,917)	(19,910)					
	(6,100)	Osisko Gold Royalties Ltd.	(87,822)	(83,265)					
	(934)	Pretium Resources Inc.	(9,091)	(12,226)					
	(1,300)	Stelco Holdings Inc.	(21,532)	(19,760)					
	(10,500)	Yamana Gold Inc.	(33,925)	(34,860)					
			<u>(267,146)</u>	<u>(265,218)</u>					
Real Estate (-1.3%)									
	(100)	AvalonBay Communities Inc.	(27,768)	(26,550)					
	(700)	Boardwalk Real Estate Investment Trust	(29,935)	(27,888)					
	(500)	Canadian Apartment Properties Real Estate Investment Trust	(25,294)	(24,180)					
	(1,700)	First Capital Realty Inc.	(35,404)	(37,162)					
	(1,300)	H&R Real Estate Investment Trust	(30,200)	(29,692)					
	(3,800)	InterRent Real Estate Investment Trust	(53,507)	(52,440)					
	(3,200)	SmartCentres Real Estate Investment Trust	(106,953)	(106,272)					
	(7,400)	Tricon Capital Group Inc.	(78,436)	(74,000)					
			<u>(387,497)</u>	<u>(378,184)</u>					
Utilities (-0.4%)									
	(1,700)	AltaGas Canada Inc.	(39,137)	(40,681)					
	(700)	Avangrid Inc.	(47,232)	(46,193)					
	(1,500)	Hydro One Ltd.	(30,576)	(34,260)					
			<u>(116,945)</u>	<u>(121,134)</u>					
Total Canadian Equities - Short									
			(3,918,844)	(3,847,342)					
Global Equities (-11.9%)									
United States Equities(-7.0%)									
	(200)	AAON Inc.	(9,684)	(13,115)					
	(550)	Abbvie Inc.	(63,642)	(52,265)					
	(10,400)	AK Steel Holding Corp.	(35,946)	(32,209)					
	(300)	Albemarle Corp.	(30,278)	(27,602)					
	(350)	American Express Co.	(48,705)	(56,457)					
	(150)	Apple Inc.	(35,988)	(38,795)					
	(1,500)	AT&T Inc.	(63,737)	(65,684)					
	(180)	Autodesk Inc.	(33,883)	(38,316)					
	(800)	Avis Budget Group Inc.	(31,193)	(36,756)					
	(400)	Bank of New York Mellon Corp.	(26,484)	(23,077)					
	(400)	Blackbaud Inc.	(41,418)	(43,645)					
	(95)	BlackRock Inc.	(51,600)	(58,259)					
	(1,200)	Campbell Soup Co.	(61,006)	(62,834)					
	(600)	CBRE Group Inc.	(37,908)	(40,222)					
International Equities (-1.0%)									
	(200)	Bayerische Motoren Werke AG		(18,935)					(19,372)
	(1,600)	Brookfield Property Partners LP		(43,100)					(39,584)
	(1,100)	Brookfield Renewable Partners LP		(41,230)					(49,830)
	(400)	Carnival Corp.		(28,591)					(24,332)

PICTON MAHONEY FORTIFIED MARKET NEUTRAL 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 (\$)
	(1,200)	Cushman & Wakefield PLC	(31,088)	(28,038)
	(200)	Elastic NV	(21,926)	(19,512)
	(6,900)	Fortescue Metals Group Ltd.	(35,478)	(57,073)
	(400)	Lazard Ltd.	(19,506)	(17,976)
	(8,400)	Whitehaven Coal Ltd.	(34,319)	(28,193)
			<u>(274,173)</u>	<u>(283,910)</u>
Index Equivalents (-3.9%)				
	(2,877)	Industrial Select Sector SPDR Fund	(268,931)	(291,061)
	(825)	Invesco QQQ Trust Series 1	(190,763)	(201,318)
	(600)	iShares iBoxx \$ Investment Grade Corporate Bond ETF	(94,774)	(97,512)
	(2,700)	iShares iBoxx High Yield Corporate Bond ETF	(301,559)	(307,585)
	(300)	iShares JP Morgan USD Emerging Markets Bond ETF	(43,788)	(44,412)
	(1,700)	iShares MSCI Emerging Markets ETF	(94,688)	(95,323)
	(1,238)	SPDR EURO STOXX 50 ETF	(58,074)	(61,960)
	(1,000)	SPDR S&P Retail ETF	(57,286)	(55,367)
			<u>(1,109,863)</u>	<u>(1,154,538)</u>
		Total Global Equities - Short	<u>(3,466,487)</u>	<u>(3,547,174)</u>
Options (-0.4%)				
		Total Written Options - Refer to Appendix A	<u>(195,305)</u>	<u>(104,357)</u>
		Transaction Costs	<u>(7,189)</u>	<u>-</u>
		Total Short Positions	<u>(7,587,825)</u>	<u>(7,498,873)</u>
Total Future Contracts (-0.3%)				
		Futures Contracts - Refer to Appendix B		<u>(91,389)</u>
		TOTAL INVESTMENT PORTFOLIO (50.9%)	13,722,739	15,105,360
		Other Assets Net of Liabilities (49.1%)		<u>14,555,991</u>
		TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)		<u>29,661,351</u>

*CCY denotes local currency of security

** Securities restricted for resale until date indicated

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

APPENDIX A
OPTIONS (0.1%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
Agilent Technologies Inc.	Call Option	61	\$78	August, 2019	8,051	12,236
Agilent Technologies Inc.	Call Option	24	\$83	August, 2019	1,035	1,192
Aurora Cannabis Inc.	Call Option	75	\$11	August, 2019	1,875	2,813
Avis Budget Group Inc.	Call Option	23	\$35	August, 2019	3,006	7,439
Burlington Stores Inc.	Call Option	27	\$180	September, 2019	18,311	21,522
Burlington Stores Inc.	Call Option	9	\$190	September, 2019	3,532	4,057
Canadian Natural Resource	Call Option	95	\$39	July, 2019	5,700	570
Canadian Western Bank	Call Option	84	\$29	July, 2019	5,124	9,828
CI Financial Corp.	Call Option	62	\$21	July, 2019	2,015	3,720
Element Fleet Management	Call Option	88	\$10	July, 2019	2,728	748
Encana Corp.	Call Option	132	\$11	July, 2019	2,244	3
Financial Select Sector	Call Option	191	\$29	August, 2019	3,706	3,494
First Quantum Minerals Ltd.	Call Option	72	\$14	October, 2019	2,592	3,924
First Quantum Minerals	Call Option	99	\$15	July, 2019	4,752	297
Great Canadian Gaming	Call Option	13	\$54	October, 2019	1,495	1,040
Great Canadian Gaming	Call Option	33	\$50	October, 2019	6,600	4,785
iPATH S&P 500 VIX Short-Term	Call Option	112	\$30	July, 2019	3,951	2,561
iShares MSCI Emerging Market	Call Option	72	\$44	July, 2019	2,728	3,810
iShares MSCI Emerging Market	Call Option	29	\$46	July, 2019	152	200
iShares Russell 2000 Value	Call Option	41	\$123	July, 2019	3,509	4,688
iShares S&P/TSX 60 Index ETF	Call Option	451	\$25	July, 2019	7,216	3,608
Laurentian Bank	Call Option	50	\$44	July, 2019	2,000	6,000
Manulife Financial Corp.	Call Option	85	\$24	July, 2019	1,785	2,295
Maple Leaf Foods Inc.	Call Option	51	\$32	July, 2019	2,805	80
Paramount Resources	Call Option	98	\$7	July, 2019	2,646	2,352
Spdr S&P Retail ETF	Call Option	111	\$44	August, 2019	6,527	5,651
Spin Master Corp.	Call Option	33	\$46	October, 2019	1,980	733
Spin Master Corp.	Call Option	62	\$46	July, 2019	5,022	24
Synopsys Inc.	Call Option	14	\$125	July, 2019	3,495	9,605
Synopsys Inc.	Call Option	5	\$135	July, 2019	359	408
Uni-Select Inc.	Call Option	72	\$13	July, 2019	2,160	1,080
Xilinx Inc.	Call Option	14	\$135	September, 2019	8,617	5,534
Xilinx Inc.	Call Option	6	\$155	September, 2019	1,137	745
					128,855	127,042
iShares 20+ Year Treasury	Put Option	53	\$129	July, 2019	4,641	163
iShares 20+ Year Treasury	Put Option	48	\$126	July, 2019	314	167
iShares 20+ Year Treasury	Put Option	96	\$130	July, 2019	5,990	1,944
iShares iBoxx High Yield	Put Option	72	\$84	July, 2019	5,476	659
iShares S&P/TSX 60 Index	Put Option	106	\$23	July, 2019	265	317
iShares S&P/TSX 60 Index	Put Option	265	\$24	July, 2019	3,180	2,385
Kirkland Lake Gold Ltd.	Put Option	68	\$42	July, 2019	3,060	131
S&P 500 Index	Put Option	4	\$2,720	July, 2019	11,499	980
S&P 500 Index	Put Option	7	\$2,725	July, 2019	27,085	549
S&P 500 Index	Put Option	16	\$2,820	July, 2019	39,767	18,085
S&P 500 Index	Put Option	10	\$2,825	July, 2019	13,669	7,514
					114,946	32,894
Total Purchased Options					243,801	159,936
Agilent Technologies Inc.	Written Call Option	(91)	\$80	August, 2019	(6,541)	(9,573)
Aurora Cannabis Inc.	Written Call Option	(67)	\$12	August, 2019	(670)	(1,005)
Avis Budget Group Inc.	Written Call Option	(23)	\$37	August, 2019	(1,503)	(4,734)
Burlington Stores Inc.	Written Call Option	(38)	\$185	September, 2019	(19,218)	(23,339)
Canadian Natural Resource	Written Call Option	(95)	\$41	July, 2019	(2,376)	(333)
Canadian Western Bank	Written Call Option	(76)	\$30	July, 2019	(2,356)	(3,952)
CI Financial Corp.	Written Call Option	(44)	\$22	July, 2019	(440)	(660)
Element Fleet Management	Written Call Option	(123)	\$11	July, 2019	(1,107)	(33)
Encana Corp.	Written Call Option	(105)	\$12	July, 2019	(735)	(1)
Financial Select Sector	Written Call Option	(115)	\$29	August, 2019	(902)	(2,480)
First Quantum Minerals Ltd.	Written Call Option	(57)	\$15	October, 2019	(1,140)	(1,881)
First Quantum Minerals	Written Call Option	(79)	\$16	July, 2019	(2,212)	(23)
Great Canadian Gaming	Written Call Option	(49)	\$52	October, 2019	(7,105)	(5,390)
iPATH S&P 500 VIX Short-Term	Written Call Option	(60)	\$31	July, 2019	(1,254)	(862)
iPATH S&P 500 VIX Short-Term	Written Call Option	(39)	\$34	July, 2019	(1,019)	(331)

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

APPENDIX A

OPTIONS (0.1%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
iShares 20+ Year Treasury	Written Call Option	(14)	\$137	July, 2019	(823)	(338)
iShares MSCI Emerging Market	Written Call Option	(108)	\$45	July, 2019	(1,632)	(3,175)
iShares Russell 2000 Value	Written Call Option	(37)	\$125	July, 2019	(1,450)	(1,777)
iShares S&P/TSX 60 Index	Written Call Option	(236)	\$25	July, 2019	(2,596)	(590)
iShares S&P/TSX 60 Index	Written Call Option	(124)	\$26	July, 2019	(1,240)	(151)
Kirkland Lake Gold Ltd.	Written Call Option	(9)	\$52	July, 2019	(1,260)	(4,163)
Laurentian Bank	Written Call Option	(44)	\$46	July, 2019	(308)	(770)
Manulife Financial Corp.	Written Call Option	(85)	\$25	July, 2019	(510)	(193)
Maple Leaf Foods Inc.	Written Call Option	(51)	\$34	July, 2019	(969)	(7)
Paramount Resources	Written Call Option	(98)	\$8	July, 2019	(686)	(637)
Spdr S&P Retail ETF	Written Call Option	(84)	\$45	August, 2019	(3,513)	(2,884)
Spin Master Corp.	Written Call Option	(26)	\$48	October, 2019	(715)	(333)
Spin Master Corp.	Written Call Option	(57)	\$48	July, 2019	(855)	(5)
Synopsys Inc.	Written Call Option	(20)	\$130	July, 2019	(2,509)	(5,358)
Uni-Select Inc.	Written Call Option	(58)	\$14	July, 2019	(464)	(232)
Xilinx Inc.	Written Call Option	(21)	\$145	September, 2019	(7,189)	(4,308)
					<u>(75,297)</u>	<u>(79,518)</u>
Aurora Cannabis Inc.	Written Put Option	(22)	\$7	August, 2019	(176)	(132)
Avis Budget Group Inc.	Written Put Option	(8)	\$26	July, 2019	(608)	(18)
Burlington Stores Inc.	Written Put Option	(7)	\$150	July, 2019	(1,647)	(412)
Canadian Western Bank	Written Put Option	(25)	\$25	July, 2019	(1,050)	(125)
Cenovus Energy Inc.	Written Put Option	(36)	\$11	July, 2019	(684)	(630)
CI Financial Corp.	Written Put Option	(22)	\$18	July, 2019	(330)	(68)
Element Fleet Management	Written Put Option	(31)	\$8	July, 2019	(217)	(10)
Financial Select Sector	Written Put Option	(48)	\$25	July, 2019	(564)	(376)
First Quantum Minerals Ltd.	Written Put Option	(15)	\$10	July, 2019	(271)	(68)
Great Canadian Gaming	Written Put Option	(7)	\$42	July, 2019	(736)	(228)
iShares 20+ Year Treasury	Written Put Option	(67)	\$126	July, 2019	(2,451)	(394)
iShares 20+ Year Treasury	Written Put Option	(143)	\$128	July, 2019	(2,616)	(841)
iShares iBoxx High Yield	Written Put Option	(18)	\$80	July, 2019	(212)	(107)
iShares iBoxx High Yield	Written Put Option	(49)	\$82	July, 2019	(1,793)	(320)
iShares S&P/TSX 60 Index	Written Put Option	(398)	\$23	July, 2019	(2,189)	(1,592)
Jm Smucker Co/The	Written Put Option	(3)	\$115	July, 2019	(549)	(892)
Kirkland Lake Gold Ltd.	Written Put Option	(63)	\$40	July, 2019	(1,575)	(55)
Laurentian Bank	Written Put Option	(22)	\$38	July, 2019	(550)	(88)
Manulife Financial Corp.	Written Put Option	(24)	\$21	July, 2019	(432)	(84)
Paramount Resources	Written Put Option	(39)	\$5	August, 2019	(585)	(683)
Pretium Resources Inc.	Written Put Option	(12)	\$9	July, 2019	(300)	(5)
S&P 500 Index	Written Put Option	(8)	\$2,695	July, 2019	(23,773)	(497)
S&P 500 Index	Written Put Option	(12)	\$2,760	July, 2019	(43,687)	(4,351)
S&P 500 Index	Written Put Option	(2)	\$2,770	July, 2019	(8,588)	(1,398)
S&P 500 Index	Written Put Option	(11)	\$2,800	July, 2019	(22,970)	(10,278)
Spdr S&P Retail ETF	Written Put Option	(28)	\$38	July, 2019	(585)	(695)
Spin Master Corp.	Written Put Option	(10)	\$36	July, 2019	(600)	(375)
Uni-Select Inc.	Written Put Option	(18)	\$11	July, 2019	(270)	(117)
					<u>(120,008)</u>	<u>(24,839)</u>
Total Written Options					<u>(195,305)</u>	<u>(104,357)</u>

APPENDIX B

FUTURES CONTRACTS (0.4%)

Issuer	Number of Contracts	Fair Value (C\$)	Contracted Value (C\$)	Unrealized Gain/Loss
Mini S&P Canada 60 Index Futures, September 2019	(25)	(4,809,248)	(4,731,251)	(77,997)
S&P Canada 60 Index Futures, September 2019	(36)	(7,039,440)	(7,026,048)	(13,392)
				<u>(91,389)</u>
Total Futures Contracts				<u>(91,389)</u>

PICTON MAHONEY FORTIFIED MARKET NEUTRAL 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	22,406,551	129,135	-	22,535,686
Options - Long	159,936	-	-	159,936
Equities - Short	(7,394,516)	-	-	(7,394,516)
Options - Short	(104,357)	-	-	(104,357)
Futures - Short	(91,389)	-	-	(91,389)
Total	14,976,225	129,135	-	15,105,360

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2018				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	8,383,351	-	-	8,383,351
Options - Long	50,639	-	-	50,639
Futures - Long	52,412	-	-	52,412
Equities - Short	(4,880,217)	-	-	(4,880,217)
Options - Short	(36,639)	-	-	(36,639)
Total	3,569,546	-	-	3,569,546

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 \$125,124 (December 31, 2018 - (\$4,867)). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

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	1,223,811	1,433,286	2,657,097	9.0%
European Euro	18,746	(19,372)	(626)	0.0%
Australian Dollar	50,180	(68,415)	(18,235)	-0.1%
Net Exposure	1,292,737	1,345,499	2,638,236	8.9%

FINANCIAL INSTRUMENTS				
December 31, 2018 Currency	Monetary \$	Non-Monetary \$	Total \$	Percentage of Net Assets %
United States Dollar	2,781,188	(1,023,083)	1,758,105	14.8%
Australian Dollar	67,328	(62,101)	5,227	0.0%
Net Exposure	2,848,516	(1,085,184)	1,763,332	14.8%

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 \$131,912 (December 31, 2018 - \$88, 167). 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	45.8%	35.8%
United States	3.2%	-8.9%
International	2.1%	2.6%
Derivatives	-0.2%	0.5%

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

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	7,394,516	-	-	7,394,516
Distributions payable	44	-	-	44
Redemptions payable	10,185	-	-	10,185
Accrued liabilities and other payables	-	228,848	-	228,848
Derivative liabilities	195,746	-	-	195,746

December 31, 2018 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	4,880,217	-	-	4,880,217
Distributions payable	11,473	-	-	11,473
Accrued liabilities and other payables	-	432,982	-	432,982
Derivative liabilities	36,639	-	-	36,639

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	156,368	597,628	450,065
Units issued	264,276	1,382,590	319,073
Units reinvested	151	575	432
Units redeemed	(15,392)	(59,952)	(220,852)
Units issued and outstanding, end of period	405,403	1,920,841	548,718
Weighted average number of units held during the period	260,147	1,160,545	450,810

10. COMMISSIONS

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

	2019
Brokerage commissions	60
Soft Dollar commissions	13

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	95	1,046,036	0.0%
As at December 31, 2018			
None	-	-	-

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2019 (unaudited)

1. GENERAL INFORMATION

Picton Mahoney Fortified Market Neutral Alternative Fund (the "Fund") is an open-ended mutual fund trust established under the laws of the Province of Ontario pursuant to a trust agreement dated September 19, 2018 (the "Trust Declaration"). The Fund commenced operations on September 21, 2018. Picton Mahoney Asset Management acts as manager (the "Manager"), portfolio advisor (the "Portfolio Advisor"), and trustee (the "Trustee") for the Fund pursuant to the Trust Declaration. The Manager is responsible for the day-to-day business of the Fund, including the management of the Fund's investment portfolio. The address of the Fund's registered office is 33 Yonge Street, Suite 830, Toronto, Ontario, M5E 1G4. The financial statements are presented in Canadian dollars (CAD). These financial statements were authorized for issue by the Manager on 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 consistent long-term capital appreciation and to provide unitholders with an attractive risk-adjusted rate of return with less volatility than traditional equity markets and low correlation to major equity markets. The Fund invests in long and short positions in equity, derivatives such as options, futures, forward contracts and swaps, securities of investment funds, fixed income securities including high yield securities, cash and cash equivalents. The Fund may engage in borrowing for investment purposes.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

These financial statements have been prepared in accordance with those requirements of International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention, as

modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

(b) Classification

(i) Assets

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

(ii) Liabilities

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

(c) Fair Value Measurements

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

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

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

(d) Valuation of Investments and Derivatives

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets, which include equities, bonds, options, and warrants are based on quoted market prices at the close of trading on the reporting date. The

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2019 (unaudited)

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.

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2019 (unaudited)

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.

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2019 (unaudited)

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, 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 market interest rates. Market prices may also be affected by changes in market interest rates. Also, changes in the market interest rate may affect the borrowing expenses of the short positions held by the Fund.

Credit risk:

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

The Fund is exposed to credit risk. For other financial assets at amortized cost, the Manager considers both historical analysis and forward looking information in determining any expected credit loss. At December 31, 2018, all receivables for investments sold, dividends receivable, due from manager, due from manager, deposits with brokers for securities sold short, and cash are held with counterparties with a good credit quality and are due to be settled within one week. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

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

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2019 (unaudited)

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 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

PICTON MAHONEY FORTIFIED MARKET NEUTRAL ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2019 (unaudited)

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

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