

FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND



**THINK AHEAD.
STAY AHEAD.**

TABLE OF CONTENTS

- 2 Management’s Responsibility Statement
- 3 Notice to Unitholders
- 4 Picton Mahoney Fortified Multi-Strategy 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 Multi-Strategy Alternative Fund (the "Fund"). The Manager is responsible for all of the information and representations contained in these financial statements.

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

Picton Mahoney Asset Management

Toronto, Ontario

August 28, 2020

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 MULTI-STRATEGY ALTERNATIVE FUND

STATEMENTS OF FINANCIAL POSITION

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

	June 30, 2020 \$	December 31, 2019 \$
Assets		
Current assets		
Long positions at fair value*	30,445,506	28,069,990
Cash	4,214,874	2,006,228
Options purchased	302,585	42,290
Unrealized gain on futures contracts	637,173	604,748
Unrealized gain on swap agreements	89,629	160,280
Credit default swap agreements at fair value	39,797	592,650
Deposits with brokers for securities sold short	4,982,212	5,698,383
Due from Manager	185,483	146,098
Subscriptions receivable	61,290	174,095
Dividends receivable	15,458	14,442
	<u>40,974,007</u>	<u>37,509,204</u>
Liabilities		
Current liabilities		
Short positions at fair value**	5,569,602	2,068,720
Options written	247,363	14,550
Unrealized loss on futures contracts	255,346	176,763
Unrealized loss on swap agreements	77,713	232,544
Credit default swap agreements at fair value	1,118	-
Management fee payable	108,220	29,058
Redemptions payable	123,975	38,251
Accrued liabilities	33,092	38,477
Payable for investments purchased	10,454	347,315
Dividends payable	15,624	1,298
	<u>6,442,507</u>	<u>2,946,976</u>
Net Assets Attributable to Holders of Redeemable Units	<u>34,531,500</u>	<u>34,562,228</u>
Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	6,878,841	5,717,095
Class F	24,911,564	22,712,929
Class I	10,247	10,645
Class ETF***	2,730,848	6,121,559
Number of Redeemable Units Outstanding		
Class A	698,790	552,615
Class F	2,483,423	2,163,857
Class I	1,001	1,001
Class ETF***	280,000	600,000
Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	9.84	10.35
Class F	10.03	10.50
Class I	10.24	10.63
Class ETF***	9.75	10.20
	<u>29,787,459</u>	<u>27,650,905</u>
	<u>(5,770,934)</u>	<u>(2,030,702)</u>

* Long positions, at cost

** Short positions, at cost

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

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

Approved on behalf of the Manager

David Picton

Arthur Galloway




President

CFO

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the six month periods ended June 30 (unaudited)

	2020 \$	2019 \$
Income		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	21,570	387
Dividends	155,265	68,232
Distributions from underlying funds	115,722	1,617
Net realized gain (loss) on investments and options	(1,827,741)	25,375
Net realized gain (loss) on foreign exchange futures contracts	(965,711)	59,087
Change in unrealized appreciation (depreciation) on investments, options and futures contracts	440,950	329,507
Interest and borrowing expense	(24,973)	(11,573)
Dividend expense	(51,659)	-
Net gains (losses) on investments and derivatives	<u>(2,136,577)</u>	<u>472,632</u>
Other income		
Foreign currency gain (loss) on cash and other assets and liabilities	61,414	15,446
Total Income	<u>(2,075,163)</u>	<u>488,078</u>
Expenses		
Management fees	204,216	35,445
Transaction costs	87,674	5,908
Performance fees	64,679	44,625
Harmonized sales tax	37,200	13,910
Administrative fees	33,260	8,162
Securityholder reporting fees	14,776	2,124
Legal fees	11,100	8,794
Independent Review Committee Expense	3,458	3,888
Audit fees	2,922	744
Custody fees	360	3,316
Withholding taxes	-	10,477
Total Expense before Manager Absorption	459,645	137,393
Less: Expenses Absorbed by Manager	(39,385)	(86,687)
Total Expense after Manager Absorption	<u>420,260</u>	<u>50,706</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>(2,495,423)</u>	<u>437,372</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	(371,619)	64,661
Class F	(1,741,422)	329,517
Class I	(398)	43,194
Class ETF***	(381,984)	-
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	(0.55)	0.53
Class F	(0.66)	0.64
Class I	(0.40)	1.46
Class ETF***	(1.01)	-

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

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

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

For the six month periods ended June 30 (unaudited)

	2020 \$	2019 \$
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Class A	5,717,095	451,623
Class F	22,712,929	2,673,445
Class I	10,645	1,068,285
Class ETF***	6,121,559	-
	<u>34,562,228</u>	<u>4,193,353</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Class A	(371,619)	64,661
Class F	(1,741,422)	329,517
Class I	(398)	43,194
Class ETF***	(381,984)	-
	<u>(2,495,423)</u>	<u>437,372</u>
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Class A	2,295,407	1,739,207
Class F	11,011,839	6,103,660
Class I	-	-
Class ETF***	723,667	-
	<u>14,030,913</u>	<u>7,842,867</u>
Redemption of redeemable units		
Class A	(762,042)	(366,930)
Class F	(7,071,782)	(565,448)
Class I	-	(1,101,086)
Class ETF***	(3,732,394)	-
	<u>(11,566,218)</u>	<u>(2,033,464)</u>
Net Increase (Decrease) from Redeemable Unit Transactions	<u>2,464,695</u>	<u>5,809,403</u>
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>(30,728)</u>	<u>6,246,775</u>
Net Assets Attributable to Holders of Redeemable Units at End of Period		
Class A	6,878,841	1,888,561
Class F	24,911,564	8,541,174
Class I	10,247	10,393
Class ETF***	2,730,848	-
Net Assets Attributable to Holders of Redeemable Units at End of Period	<u>34,531,500</u>	<u>10,440,128</u>

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

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

STATEMENTS OF CASH FLOWS

For the six month periods ended June 30 (unaudited)

	2020 \$	2019 \$
Cash Flows from Operating Activities		
Increase (decrease) in net assets attributable to holders of redeemable units	(2,495,423)	437,372
Adjustments for:		
Unrealized foreign exchange (gain) loss on cash	101,260	(687)
Net realized (gain) loss on investments and options	1,827,741	(25,375)
Change in unrealized (appreciation) depreciation on investments, options and futures contracts	(440,950)	(329,507)
(Increase) decrease in due from manager	(39,385)	(23,126)
(Increase) decrease in dividends receivable	(1,016)	7,399
(Increase) decrease in deposits with brokers for securities sold short	716,171	-
(Increase) decrease in distributions receivable from underlying funds	-	17,244
Increase (decrease) in dividends payable	14,326	-
Increase (decrease) in other payables and accrued liabilities	73,777	28,035
Purchase of long positions and repurchases of investments sold short	(48,003,681)	(9,812,053)
Proceeds from sales of long positions and on investments sold short	47,893,862	4,767,471
Net Cash Generated (Used) by Operating Activities	<u>(353,318)</u>	<u>(4,933,227)</u>
Cash Flows from Financing Activities		
Proceeds from redeemable units issued	13,857,928	7,425,771
Amount paid on redemption of redeemable units	(11,194,704)	(1,862,833)
Net Cash Generated (Used) by Financing Activities	<u>2,663,224</u>	<u>5,562,938</u>
Unrealized foreign exchange gain (loss) on cash	(101,260)	687
Net increase (decrease) in cash	2,309,906	629,711
Cash (overdraft), beginning of period	2,006,228	(506,188)
Cash (Overdraft), End of Period	<u>4,214,874</u>	<u>124,210</u>
Cash	4,214,874	124,210
Cash overdraft	-	-
Net Cash (Overdraft)	<u>4,214,874</u>	<u>124,210</u>
Items classified as operating activities:		
Interest received, net of withholding tax	21,570	387
Dividends received, net of withholding tax	154,249	65,154
Interest and borrowing expense paid	(24,973)	(11,573)
Dividends paid	(37,333)	-

Net of non-cash transfers and switches of \$285,790 (2019 - \$167,296)

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2020 (unaudited)

CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
LONG POSITIONS (89.1%)					Consumer Discretionary (1.6%)				
Canadian Equities (73.9%)									
Energy (2.0%)									
	18,546	Advantage Oil & Gas Ltd.	37,067	30,786	1,204	A&W Revenue Royalties Income Fund	32,416	31,689	
	3,664	Cameco Corp.	53,269	51,003	1,309	Aritzia Inc.	19,379	24,884	
	4,028	Enerflex Ltd.	19,927	20,704	5,099	AutoCanada Inc.	36,277	54,559	
	1,963	Keyera Corp.	40,907	40,575	1,963	BRP Inc.	103,887	113,658	
	42,062	MEG Energy Corp.	160,536	158,574	2,356	Magna International Inc.	124,694	142,444	
	523	Parex Resources Inc.	7,634	8,556	14,021	Martinrea International Inc.	110,345	144,136	
	35,725	Peyto Exploration & Development Corp.	65,945	63,948	2,211	Park Lawn Corp.	44,811	49,571	
	3,664	PrairieSky Royalty Ltd.	34,349	31,437			471,809	560,941	
	47,210	Seven Generations Energy Ltd.	122,812	143,046					
	2,834	Tourmaline Oil Corp.	35,307	33,640					
	51,788	Whitecap Resources Inc.	125,208	115,487					
			702,961	697,756					
Materials (3.9%)					Consumer Staples (0.7%)				
	13,837	Alamos Gold Inc.	160,381	175,176	4,689	Empire Co., Ltd.	144,315	152,439	
	2,486	Americas Gold & Silver Corp.	8,393	8,800	1,701	Maple Leaf Foods Inc.	44,407	48,496	
	19,622	Dundee Precious Metals Inc.	142,715	175,421	5,104	Rogers Sugar Inc.	23,941	23,887	
	7,680	Eldorado Gold Corp.	96,791	100,531			212,663	224,822	
	14,316	First Quantum Minerals Ltd.	114,523	154,899					
	13,146	Intertape Polymer Group Inc.	155,943	157,489					
	48,786	Karora Resources Inc.	26,539	23,661					
	2,748	Major Drilling Group International Inc.	11,016	11,789					
	32,408	New Pacific Metals Corp.	206,399	179,218					
	2,440	Norbord Inc.	61,798	75,616					
	23,145	Novo Resources Corp.	67,283	87,257					
	18,582	Roxgold Inc.	23,806	28,430					
	5,157	Teranga Gold Corp.	50,196	63,431					
	4,477	Trilogy Metals Inc.	11,880	12,088					
	15,781	Turquoise Hill Resources Ltd.	11,378	15,781					
	1,570	Winpak Ltd.	70,300	65,296					
	1,696	Yamana Gold Inc.	12,098	12,516					
			1,231,439	1,347,399					
Industrial (1.7%)					Health Care (0.1%)				
	2,225	Aecon Group Inc.	31,291	32,841	2,072	Charlottes Web Holdings Inc.	12,654	10,837	
	2,760	Air Canada	47,121	46,782	3,410	Chartwell Retirement Residences	33,215	31,952	
	131	Canadian Pacific Railway Ltd.	42,896	45,237			45,869	42,789	
	3,892	CanWel Building Materials Group Ltd.	17,218	17,242					
	336	Cargojet Inc.	45,801	53,760					
	1,141	Heroux-Devtek Inc.	11,126	11,615					
	1,034	Morneau Shepell Inc.	33,446	32,767					
	1,675	Richelieu Hardware Ltd.	47,460	48,374					
	1,982	SNC-Lavalin Group Inc.	41,186	45,408					
	5,482	Transcontinental Inc.	79,055	82,778					
	9,972	Westshore Terminals Investment Corp.	142,500	166,632					
			539,100	583,436					
					Financials (1.7%)				
					4,545	AGF Management Ltd.	23,111	22,816	
					1,502	Atrium Mortgage Investment Corp.	15,222	16,807	
					9,174	CI Financial Corp.	131,113	158,435	
					4,057	Element Fleet Management Corp.	35,131	41,097	
					1,055	Firm Capital Mortgage Investment Corp.	11,213	11,879	
					3,339	iA Financial Corp. Inc.	128,801	151,791	
					916	National Bank of Canada	58,842	56,352	
					1,570	Sun Life Financial Inc.	71,362	78,327	
					523	Toronto-Dominion Bank	29,010	31,689	
					131	Trisura Group Ltd.	6,250	8,024	
							510,055	577,217	
					Information Technology (1.2%)				
					18,178	Celestica Inc.	141,159	169,419	
					2,725	Open Text Corp.	144,722	157,096	
					59	Shopify Inc.	73,245	76,096	
							359,126	402,611	
					Communication Services (0.4%)				
					43,809	Corus Entertainment Inc.	146,343	125,294	
					2,732	Stingray Group Inc.	14,601	14,398	
							160,944	139,692	
					Utilities (1.0%)				
					8,785	AltaGas Ltd.	133,407	137,485	
					4,057	Atco Ltd.	151,662	163,375	
					2,961	Innergex Renewable Energy Inc.	55,328	56,555	
							340,397	357,415	

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2020 (unaudited)

CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
Real Estate (2.0%)					International Index Equivalents (14.3%)				
	2,099	Artis Real Estate Investment Trust	16,367	15,847	4,400	db X-trackers Harvest CSI 300 China A-Shares Fund	162,397	178,047	
	2,829	Automotive Properties Real Estate Investment Trust	21,370	26,197	2,120	Invesco DB Agriculture Fund	38,892	38,995	
	751	Boardwalk Real Estate Investment Trust	21,748	22,312	180	Invesco DB Base Metals Fund	3,452	3,337	
	4,711	CT Real Estate Investment Trust	58,826	63,975	22,940	iShares Core MSCI Europe ETF	1,400,809	1,336,013	
	5,365	Dream Unlimited Corp.	49,043	48,070	2,210	iShares iBoxx \$ Investment Grade Corporate Bond ETF	395,703	404,850	
	1,050	Granite Real Estate Investment Trust	68,341	73,563	8,070	iShares MSCI Australia ETF	217,955	211,804	
	2,617	InterRent Real Estate Investment Trust	37,911	37,502	730	iShares MSCI Brazil Capped ETF	35,415	28,595	
	1,832	Killam Apartment Real Estate Investment Trust	31,537	32,097	7,150	iShares MSCI Hong Kong ETF	218,432	208,109	
	5,234	Minto Apartment Real Estate Investment Trust	107,418	104,157	4,360	iShares MSCI India ETF	185,199	172,331	
	5,163	NorthWest Healthcare Properties Real Estate Investment Trust	48,651	55,760	760	iShares MSCI Mexico Capped ETF	40,543	33,000	
	2,879	Real Matters Inc.	58,793	76,236	3,530	iShares MSCI South Africa ETF	205,893	169,430	
	4,951	Slate Office REIT	18,824	18,121	2,900	iShares MSCI South Korea ETF	190,180	225,653	
	2,492	Slate Retail REIT	25,419	24,197	3,700	iShares MSCI Taiwan ETF	178,959	202,686	
	8,477	True North Commercial Real Estate Investment Trust	44,949	47,132	9,660	iShares MSCI United Kingdom ETF	394,263	338,924	
	1,861	WPT Industrial Real Estate Investment Trust	28,046	32,698	1,110	iShares Russell 2000 ETF	216,724	216,464	
			637,243	677,864	700	SPDR Gold Shares	153,017	159,572	
					2,020	SPDR S&P 500 ETF Trust	804,924	848,377	
					5,960	VanEck Vectors Russia ETF	174,334	168,440	
							5,017,091	4,944,627	
							Total Global Equities - Long	5,034,152	4,959,990
Index Equivalents (0.8%)					Options (0.9%)				
	2,310	iShares Canadian Government Bond Index ETF	54,194	54,401	Total Purchased Options - Refer to Appendix A				
	9,080	iShares S&P/TSX 60 Index ETF	195,933	213,834	Transaction Costs				
			250,127	268,235	Total Long Positions				
							29,787,459	30,748,091	
Investment Funds (56.8%)					SHORT POSITIONS (-16.8%)				
	147,414	Picton Mahoney Fortified Arbitrage Alternative Fund, Class I Units**	1,504,644	1,599,813	Canadian Equities (-16.1%)				
	605,560	Picton Mahoney Fortified Income Alternative Fund, Class I Units***	6,235,510	6,169,262	Energy (-1.7%)				
	1,053,874	Picton Mahoney Fortified Market Neutral Alternative Fund, Class I Units****	11,018,211	11,836,264	(12,699)	ARC Resources Ltd.	(59,706)	(57,907)	
			18,758,365	19,605,339	(42,268)	Birchcliff Energy Ltd.	(59,549)	(48,186)	
			24,220,098	25,485,516	(85,952)	Denison Mines Corp.	(46,212)	(41,257)	
					(25,399)	Husky Energy Inc.	(102,187)	(113,280)	
					(2,379)	Imperial Oil Ltd.	(52,962)	(51,957)	
					(25,574)	Kelt Exploration Ltd.	(30,938)	(35,804)	
					(22,247)	Paramount Resources Ltd.	(35,901)	(35,373)	
					(3,021)	Pembina Pipeline Corp.	(105,690)	(102,533)	
					(15,965)	Vermilion Energy Inc.	(108,483)	(96,429)	
							(601,628)	(582,726)	
Global Equities (14.3%)					Materials (-3.7%)				
United States Equities (0.0%)									
	2,400	Forum Merger II Corp., Warrants, 2025-09-30	17,061	15,363	(9,422)	Canfor Corp.	(90,267)	(110,897)	
					(2,664)	Cascades Inc.	(35,604)	(39,401)	
					(7,983)	First Majestic Silver Corp.	(94,448)	(107,771)	

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2020 (unaudited)

CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
	(11,778)	Golden Star Resources Ltd.	(43,706)	(46,523)					
	(22,508)	Hudbay Minerals Inc.	(73,280)	(92,508)					
	(4,711)	IAMGOLD Corp.	(23,213)	(25,392)					
	(1,963)	Kirkland Lake Gold Ltd.	(113,805)	(109,732)					
	(8,637)	Lithium Americas Corp.	(39,730)	(60,459)					
	(9,684)	Lundin Gold Inc.	(115,477)	(123,374)					
	(13,610)	Maverix Metals Inc.	(84,386)	(82,341)					
	(8,506)	Osisko Gold Royalties Ltd.	(119,039)	(115,341)					
	(5,496)	Seabridge Gold Inc.	(111,758)	(131,025)					
	(7,759)	Stelco Holdings Inc.	(49,713)	(59,356)					
	(2,702)	West Fraser Timber Co., Ltd.	(101,239)	(128,939)					
	(49,422)	Western Forest Products Inc.	(37,472)	(45,962)					
			<u>(1,133,137)</u>	<u>(1,279,021)</u>					
		Industrial (-2.4%)							
	(4,140)	AG Growth International Inc.	(115,601)	(113,105)					
	(11,647)	Alexco Resource Corp.	(36,609)	(35,523)					
	(6,283)	ATS Automation Tooling Systems Inc.	(121,315)	(120,131)					
	(3,939)	Badger Daylighting Ltd.	(105,401)	(117,067)					
	(255,084)	Bombardier Inc.	(106,959)	(107,135)					
	(19,044)	Chorus Aviation Inc.	(46,526)	(56,751)					
	(1,801)	Finning International Inc.	(33,126)	(33,337)					
	(1,439)	GFL Environmental Inc.	(33,623)	(36,680)					
	(6,615)	NFI Group Inc.	(103,425)	(110,140)					
	(411)	Ritchie Bros Auctioneers Inc.	(22,521)	(22,716)					
	(586)	Stantec Inc.	(23,467)	(24,559)					
	(10,432)	Xebec Adsorption Inc.	(33,918)	(42,771)					
			<u>(782,491)</u>	<u>(819,915)</u>					
		Consumer Discretionary (-1.1%)							
	(3,644)	Canada Goose Holdings Inc.	(106,930)	(114,859)					
	(1,353)	Dollarama Inc.	(57,566)	(61,101)					
	(5,823)	Gildan Activewear Inc.	(104,459)	(122,458)					
	(8,865)	Goodfood Market Corp.	(38,871)	(41,311)					
	(607)	Linamar Corp.	(23,259)	(22,277)					
	(2,094)	Transat AT Inc.	(13,656)	(11,999)					
			<u>(344,741)</u>	<u>(374,005)</u>					
		Consumer Staples (-0.9%)							
	(1,055)	Metro Inc.	(61,611)	(59,080)					
	(13,348)	Neptune Wellness Solutions Inc.	(47,318)	(50,589)					
	(1,211)	North West Co Inc.	(36,701)	(35,942)					
	(1,311)	Premium Brands Holdings Corp.	(111,467)	(113,533)					
	(8,506)	Village Farms International Inc.	(37,676)	(55,119)					
			<u>(294,773)</u>	<u>(314,263)</u>					
		Health Care (-0.3%)							
	(14,491)	Auxly Cannabis Group Inc.	(5,508)	(4,202)					
	(21,200)	MediPharm Labs Corp.	(37,131)	(24,380)					
	(114,635)	Supreme Cannabis Co Inc.	(28,949)	(29,232)					
	(874)	Theratechnologies Inc.	(2,671)	(2,386)					
	(15,384)	Valens Co Inc.	(39,317)	(36,922)					
			<u>(113,576)</u>	<u>(97,122)</u>					
		Financials (-2.2%)							
	(393)	Alaris Royalty Corp.	(4,297)	(5,089)					
	(1,561)	Bank of Montreal	(110,069)	(112,798)					
	(279)	Fairfax Financial Holdings Ltd.	(106,130)	(117,021)					
	(3,973)	First National Financial Corp.	(117,815)	(112,198)					
	(645)	Home Capital Group Inc.	(10,914)	(13,016)					
	(3,950)	Laurentian Bank of Canada	(113,568)	(112,970)					
	(7,283)	Manulife Financial Corp.	(136,008)	(134,514)					
	(2,940)	Sprott Inc.	(122,961)	(143,443)					
			<u>(721,762)</u>	<u>(751,049)</u>					
		Information Technology (-1.0%)							
	(16,969)	Blackberry Ltd.	(115,088)	(112,335)					
	(336)	Descartes Systems Group Inc.	(21,384)	(24,081)					
	(3,402)	Lightspeed POS Inc.	(112,953)	(110,327)					
	(7,654)	Sierra Wireless Inc.	(88,621)	(93,302)					
			<u>(338,046)</u>	<u>(340,045)</u>					
		Communication Services (-0.3%)							
	(948)	BCE Inc.	(52,785)	(53,676)					
	(1,332)	Quebecor Inc.	(40,819)	(38,854)					
			<u>(93,604)</u>	<u>(92,530)</u>					
		Utilities (-0.7%)							
	(815)	Borex Inc.	(23,857)	(25,184)					
	(570)	Canadian Utilities Ltd.	(18,517)	(19,266)					
	(4,235)	Capital Power Corp.	(119,146)	(118,495)					
	(448)	Emera Inc.	(24,006)	(23,932)					
	(2,339)	Hydro One Ltd.	(59,953)	(59,715)					
			<u>(245,479)</u>	<u>(246,592)</u>					
		Real Estate (-1.8%)							
	(1,151)	Allied Properties Real Estate Investment Trust	(46,696)	(47,145)					
	(9,138)	Crombie Real Estate Investment Trust	(116,167)	(116,966)					
	(8,254)	First Capital Real Estate Investment Trust	(111,151)	(114,566)					
	(11,778)	H&R Real Estate Investment Trust	(102,822)	(114,953)					
	(6,412)	Morguard Real Estate Investment Trust	(32,085)	(33,022)					
	(10,783)	Summit Industrial Income REIT	(117,360)	(123,465)					
	(13,357)	Tricon Capital Group Inc.	(117,526)	(122,217)					
			<u>(643,807)</u>	<u>(672,334)</u>					
		Total Canadian Equities - Short	(5,313,044)	(5,569,602)					
		Options (-0.7%)							
		Total Written Options - Refer to Appendix A	(455,302)	(247,363)					
		Transaction Costs	(2,588)	-					
		Total Short Positions	(5,770,934)	(5,816,965)					

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2020 (unaudited)

CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
		Futures Contracts (1.1%)		
		Total Futures Contracts - Refer to Appendix B		381,827
		Total Return Swaps (0.0%)		
		Unrealized Appreciation/ (Depreciation) on Swaps - Refer to Appendix C		11,916
		Credit Default Swaps (0.1%)		
		Total Credit Default Swap Fair Value - Refer to Appendix D		38,679
		TOTAL INVESTMENT PORTFOLIO (73.5%)	24,016,525	25,363,548
		Other Assets Net of Liabilities (26.5%)		9,167,952
		TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)		34,531,500

*CCY denotes local currency of debt security

**The Picton Mahoney Fortified Multi-Strategy Alternative Fund holds 0.54% of the net assets of Picton Mahoney Fortified Arbitrage Alternative Fund. Picton Mahoney Asset Management acts as the trustee and manager for all of the funds listed above.

***The Picton Mahoney Fortified Multi-Strategy Alternative Fund holds 1.86% of the net assets of Picton Mahoney Fortified Income Alternative Fund. Picton Mahoney Asset Management acts as the trustee and manager for all of the funds listed above.

****The Picton Mahoney Fortified Multi-Strategy Alternative Fund holds 13.12% of the net assets of Picton Mahoney Fortified Market Neutral Alternative Fund. Picton Mahoney Asset Management acts as the trustee and manager for all of the funds listed above.

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

APPENDIX A

OPTIONS (0.2%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
Chicago Board Options Exchange	Call Option	50	\$40	November, 2020	30,598	25,878
Cloudflare Inc.	Call Option	126	\$42	July, 2020	18,983	15,874
Cloudflare Inc.	Call Option	63	\$46	July, 2020	3,485	4,076
Corn Futures	Call Option	35	\$360	July, 2020	7,990	12,811
Flir Systems Inc.	Call Option	34	\$45	July, 2020	3,917	3,242
Gold Futures OPT(CMX)	Call Option	5	\$1,950	September, 2020	28,267	20,430
Gold Futures OPT(CMX)	Call Option	4	\$2,200	November, 2020	19,097	11,114
iShares Russell 2000 ETF	Call Option	62	\$155	July, 2020	6,729	1,098
Lean Hogs	Call Option	9	\$65	July, 2020	3,648	61
Silver Futures OPT(CMX)	Call Option	4	\$21	July, 2020	5,290	2,806
Silver Futures OPT(CMX)	Call Option	6	\$22	August, 2020	10,330	9,071
US Bond Futures	Call Option	17	\$184	July, 2020	8,716	6,512
US Bond Futures	Call Option	12	\$185	July, 2020	10,632	3,575
Vaneck Vectors Gold Miners	Call Option	130	\$40	July, 2020	7,995	4,781
					<u>165,677</u>	<u>121,329</u>
C\$ Curr. 9 am.	Put Option	17	\$70	July, 2020	4,495	116
Crude Oil OPT IPE	Put Option	14	\$12	July, 2020	13,983	572
Crude Oil OPT IPE	Put Option	14	\$16	July, 2020	14,975	763
EUR USD 9Am	Put Option	17	\$1	July, 2020	5,616	145
IMM Euro\$ Futures	Put Option	40	\$98	December, 2020	3,326	341
IMM Euro\$ Futures	Put Option	26	\$98	September, 2020	2,600	221
IMM Euro\$ Futures	Put Option	37	\$98	March, 2021	2,471	315
IMM Euro\$ Futures	Put Option	67	\$99	March, 2021	8,497	2,281
iPATH S&P 500 VIX Short-Term	Put Option	130	\$32	July, 2020	4,190	3,630
iShares iBoxx Invest Grade Corp. Bond	Put Option	110	\$130	July, 2020	6,120	2,622
S&P 500 Index 3Wk	Put Option	8	\$2,700	August, 2020	69,284	35,412
S&P 500 Index 3Wk	Put Option	20	\$2,820	August, 2020	235,699	134,838
					<u>371,256</u>	<u>181,256</u>
Total Purchased Options					536,933	302,585
Chicago Board Options Exchange	Written Call Option	(50)	\$40	October, 2020	(33,855)	(29,624)
Cloudflare Inc.	Written Call Option	(189)	\$44	July, 2020	(17,700)	(19,306)
Corn Futures	Written Call Option	(35)	\$370	July, 2020	(5,583)	(8,938)
Flir Systems Inc.	Written Call Option	(34)	\$50	July, 2020	(1,364)	(810)
Gold Futures OPT(CMX)	Written Call Option	(5)	\$2,250	September, 2020	(21,024)	(3,677)
Gold Futures OPT(CMX)	Written Call Option	(4)	\$2,450	November, 2020	(12,754)	(4,685)
iShares Russell 2000 ETF	Written Call Option	(93)	\$160	July, 2020	(3,186)	(380)
Lean Hogs	Written Call Option	(9)	\$70	July, 2020	(1,451)	(61)
Silver Futures OPT(CMX)	Written Call Option	(4)	\$23	July, 2020	(2,182)	(735)
Silver Futures OPT(CMX)	Written Call Option	(6)	\$24	August, 2020	(5,240)	(4,086)
US Bond Futures	Written Call Option	(17)	\$186	July, 2020	(5,428)	(3,618)
US Bond Futures	Written Call Option	(12)	\$189	July, 2020	(5,692)	(1,532)
Vaneck Vectors Gold Miners	Written Call Option	(130)	\$44	July, 2020	(2,957)	(708)
					<u>(118,416)</u>	<u>(78,160)</u>
C\$ Curr. 9 am.	Written Put Option	(17)	\$68	July, 2020	(932)	(116)
Crude Oil OPT IPE	Written Put Option	(14)	\$10	July, 2020	(11,602)	(381)
Crude Oil OPT IPE	Written Put Option	(14)	\$14	July, 2020	(11,805)	(572)
EUR USD 9Am	Written Put Option	(17)	\$1	July, 2020	(1,758)	(145)
IMM Euro\$ Futures	Written Put Option	(40)	\$98	December, 2020	(634)	(341)
IMM Euro\$ Futures	Written Put Option	(26)	\$98	September, 2020	(413)	(221)
IMM Euro\$ Futures	Written Put Option	(37)	\$98	March, 2021	(587)	(315)
IMM Euro\$ Futures	Written Put Option	(40)	\$99	March, 2021	(2,075)	(681)
IMM Euro\$ Futures	Written Put Option	(27)	\$99	March, 2021	(924)	(230)
iPATH S&P 500 VIX Short-Term	Written Put Option	(130)	\$30	July, 2020	(802)	(443)
iShares iBoxx Invest Grade Corp. Bond	Written Put Option	(110)	\$126	July, 2020	(2,178)	(1,498)
S&P 500 Index 3Wk	Written Put Option	(30)	\$2,760	August, 2020	(303,176)	(164,260)
					<u>(336,886)</u>	<u>(169,203)</u>
Total Written Options					(455,302)	(247,363)

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

APPENDIX B

FUTURES CONTRACTS (1.1%)

Issuer	Number of Contracts	Fair Value (C\$)	Contracted Value (C\$)	Unrealized Gain/Loss
COMEX Gold 100 OZ Futures, December 2020	10	2,479,385	2,338,609	140,776
NYH (RBOB) Gasoline Futures, November 2020	4	246,069	173,475	72,594
WTI Crude Futures, November 2020	4	216,177	147,866	68,311
CMX HG Copper Future, September 2020	12	1,114,865	1,048,467	66,398
IPE Brent Crude Oil Futures, October 2020	4	227,508	170,910	56,598
NYMEX Palladium Futures, September 2020	2	535,784	490,457	45,327
NASDAQ 100 E-mini Futures, September 2020	4	1,105,644	1,066,658	38,986
CBOT US 5 Year T-Note Futures, September 2020	64	10,960,695	10,935,150	25,545
NY Harbor ULSD Futures, November 2020	3	214,961	189,459	25,502
ICE Gas Oil LS Futures, December 2020	4	200,078	175,290	24,788
CBOT Corn Futures, December 2020	13	310,298	292,592	17,706
E-mini S&P 500 Futures, September 2020	8	1,683,568	1,668,232	15,336
CBOT US 10 Year T-Note Futures, September 2020	26	4,928,354	4,915,202	13,152
MTL Canadian 10-Year Futures, September 2020	31	4,768,420	4,757,040	11,380
Platinum Futures, October 2020	7	405,767	397,377	8,390
EURO STOXX 50 Futures, September 2020	12	591,638	586,957	4,681
CBOT Soybean Futures, November 2020	5	300,406	298,703	1,703
				<u>637,173</u>
CBOT Wheat Futures, December 2020	5	169,910	179,955	(10,045)
KCBT Wheat Futures, December 2020	5	153,906	166,675	(12,769)
EURO STOXX Bank Futures, September 2020	110	529,210	548,959	(19,749)
DAX Index Futures, September 2020	2	942,735	963,004	(20,269)
CBOE VIX Index Futures, December 2020	10	396,002	418,059	(22,057)
CBOE VIX Index Futures, July 2020	15	630,776	662,704	(31,928)
CAD Currency Futures, September 2020	106	10,628,667	10,767,196	(138,529)
				<u>(255,346)</u>
Total Futures Contracts				<u>381,827</u>

APPENDIX C

TOTAL RETURN SWAPS (0.0%)

Quantity	Security Description	Expiry Date	Counterparty	Counterparty Credit Rating	Unrealized Gain / Loss (\$)
(31,517)	PM FSM SHORT TRS	08-Oct-20	Goldman Sachs International	A-1	<u>89,629</u>
					<u>89,629</u>
35,313	PM FSM LONG TRS	08-Oct-20	Goldman Sachs International	A-1	<u>(77,713)</u>
					<u>(77,713)</u>
Total Over the counter SWAPS at fair value					<u>11,916</u>

APPENDIX D

CREDIT DEFAULT SWAPS (0.1%)

Buy / Sell Protection	Referenced Entity	Fixed Rate	Expiry Date	Effective date	Counterparty	Counterparty Credit Rating	Notional Amount	Fair Value
Sell	Markit CDX North America Investment Grade Index	1%	20-Jun-25	27-Mar-20	Goldman Sachs International	A-1	USD 2,500,000	<u>39,797</u>
								<u>39,797</u>
Sell	Markit CDX North America High Yield Index	5%	20-Jun-25	30-Jun-20	Goldman Sachs International	A-1	USD 142,500	<u>(1,118)</u>
								<u>(1,118)</u>
Total Credit Default Swaps Contracts at Fair Value								<u>38,679</u>

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

FUND SPECIFIC NOTES

As at June 30, 2020 (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, 2020 and December 31, 2019.

ASSETS (LIABILITIES) AT FAIR VALUE AS AT JUNE 30, 2020				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	30,445,506	-	-	30,445,506
Options - Long	302,585	-	-	302,585
Futures - Long	637,173	-	-	637,173
Equities - Short	(5,569,602)	-	-	(5,569,602)
Options - Short	(247,363)	-	-	(247,363)
Futures - Short	(255,346)	-	-	(255,346)
Credit default swaps	-	38,679	-	38,679
Total return swaps	-	11,916	-	11,916
Total	25,312,953	50,595	-	25,363,548

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

2. OTHER PRICE RISK

Using Beta as a measure of the relationship of the Fund's performance versus its index, if the blended index consisting of 40% MSCI World 100% hedged to CAD Index (net total return); 40% ICE BofAML Global Broad Market Index (Hedged to CAD); 10% S&P GSCI Canadian Dollar Hedged Index TR; 5% FTSE TMX Canada 30 Day T-Bill Index; and 5% LBMA Gold Price were to increase or decrease by 10%, net assets would have increased or decreased by approximately \$3,208,894 (December 31, 2019 - \$1,654,480). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

3. CURRENCY RISK

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

FINANCIAL INSTRUMENTS				
June 30, 2020 Currency	Monetary \$	Non-Monetary \$	Total \$	Percentage of Net Assets %
United States Dollar	5,758,953	4,992,688	10,751,641	31.1%
European Euro	38,726	-	38,726	0.1%
British Pound	(880)	-	(880)	0.0%
Net Exposure	5,796,799	4,992,688	10,789,487	31.2%

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

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

If the Canadian dollar had strengthened or weakened by 5% in relation to all other currencies held in the investment portfolio, net assets would have decreased or increased by approximately \$539,474 (December 31, 2019 - 595,002). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

4. INTEREST RATE RISK

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

5. CREDIT RISK

As of June 30, 2020 and December 31, 2019, the Fund had no exposure to debt instruments. All counterparties to derivative contracts had a rating of A-1 or higher as at June 30, 2020 and December 31, 2019. All cash is held with a financial institution with a minimum credit rating of A-1+.

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

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

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

June 30, 2020				
Strategy	Underlying risk exposures	Number of Funds	Impact on net assets based on 5% increase or decrease \$	
Canadian Equity	P	3	514,336	
US Equity	P	3	166,072	
International Equity	P	2	5,451	
Canadian Fixed Income	C,I	1	95,755	
US Fixed Income	C,F,I	2	195,772	
International Fixed Income	C,F,I	2	2,882	
Total			980,268	

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

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

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, 2020 and December 31, 2019.

Jurisdiction	% of Net Assets	
	June 30, 2020	December 31, 2019
Equities		
Canada	57.8%	48.8%
International Index Equivalents	14.3%	26.5%
Derivatives	1.4%	2.8%

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 amount in the tables are the contractual undiscounted cash flows. Amounts due to holders of redeemable units are disclosed as net assets attributable to holders of redeemable units on the statement of financial position and are due on demand.

June 30, 2020 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	5,569,602	-	-	5,569,602
Redemptions payable	123,975	-	-	123,975
Accrued liabilities and other payables	-	167,390	-	167,390
Derivative liabilities	581,540	-	-	581,540

December 31, 2019 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	2,068,720	-	-	2,068,720
Redemptions payable	38,251	-	-	38,251
Accrued liabilities and other payables	-	416,148	-	416,148
Derivative liabilities	423,857	-	-	423,857

9. FUND UNIT TRANSACTIONS

For the six month periods ended June 30 (unaudited)

	2020				2019		
	Class A	Class F	Class I	Class ETF	Class A	Class F	Class I
Units issued and outstanding, beginning of period	552,615	2,163,857	1,001	600,000	47,463	280,026	111,633
Units issued	224,104	1,062,531	-	70,000	174,000	604,818	-
Units reinvested	-	-	-	-	-	-	-
Units redeemed	(77,929)	(742,965)	-	(390,000)	(36,565)	(55,935)	(110,632)
Units issued and outstanding, end of period	698,790	2,483,423	1,001	280,000	184,898	828,909	1,001
Weighted average number of units held during the period	679,416	2,648,954	1,001	379,231	121,873	511,140	29,606

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

10. COMMISSIONS

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

	2020	2019
Brokerage commissions	88	-
Soft Dollar commissions	-	-

11. TAX LOSS CARRY FORWARDS

As at December 31 (in \$000)

	2019
Net capital losses carry forward	71
Non-capital losses carry forward	93

12. STRUCTURED ENTITIES

The table below illustrates the Fund's investment in the underlying funds as at June 30, 2020 and December 31, 2019.

Underlying Funds	Fair Value of Fund's Investment (in \$000s)	Underlying Fund's Net Assets (in \$000s)	% of Net Assets of the Underlying Fund
As at June 30, 2020			
iShares Canadian Government Bond Index ETF	54	637,099	0.0%
iShares S&P/TSX 60 Index	214	8,230,725	0.0%
Invesco DB Agriculture Fund	39	448,677	0.0%
Invesco DB Base Metals Fund	3	148,251	0.0%
iShares Core MSCI Europe ETF	1,336	4,541,318	0.0%
iShares iBoxx \$ Investment Grade Corporate Bond ETF	405	74,418,854	0.0%
iShares MSCI Australia ETF	212	1,521,806	0.0%
iShares MSCI Brazil Capped ETF	29	7,023,278	0.0%
iShares MSCI India ETF	172	3,643,157	0.0%
iShares MSCI Mexico Capped ETF	33	1,007,061	0.0%
iShares MSCI South Korea ETF	226	5,865,231	0.0%
iShares MSCI South Africa ETF	169	416,667	0.0%
iShares MSCI Taiwan ETF	203	5,169,679	0.0%
iShares MSCI United Kingdom ETF	339	2,774,418	0.0%
iShares Russell 2000 ETF	216	50,454,067	0.0%
SPDR Gold Shares	160	91,885,647	0.0%
SPDR S&P 500 ETF Trust	848	372,452,892	0.0%
Vaneck Vectors Russia ETF	168	1,303,885	0.0%
db X-trackers Harvest CSI 300 China A-Shares Fund	178	1,838,595	0.0%
iShares MSCI Hong Kong ETF	208	1,689,103	0.0%
Picton Mahoney Fortified Income Alternative Fund	6,169	331,118	1.86%
Picton Mahoney Fortified Arbitrage Alternative Fund	1,600	293,631	0.54%
Picton Mahoney Fortified Market Neutral Alternative Fund	11,836	90,244	13.12%
As at December 31, 2019			
iShares Canadian Government Bond Index ETF	60	765,135	0.0%
db X-trackers Harvest CSI 300 China A-Shares Fund	276	2,477,261	0.0%
Invesco DB Agriculture Fund	33	461,888	0.0%
Invesco DB Base Metals Fund	329	151,235	0.2%
iShares Core MSCI Europe ETF	2,435	5,436,588	0.0%
iShares iBoxx \$ Investment Grade Corporate Bond ETF	816	45,651,678	0.0%
iShares iBoxx \$ High Yield Corporate Bond ETF	558	24,720,240	0.0%
iShares MSCI Australia ETF	375	2,144,900	0.0%
iShares MSCI Brazil Capped ETF	267	14,329,500	0.0%
iShares MSCI Hong Kong ETF	379	2,294,747	0.0%
iShares MSCI India ETF	268	7,225,839	0.0%
iShares MSCI Mexico Capped ETF	256	1,215,551	0.0%
iShares MSCI South Africa ETF	265	515,622	0.1%
iShares MSCI United Kingdom ETF	608	3,398,782	0.0%
iShares Russell 2000 ETF	380	62,781,907	0.0%
SPDR Gold Shares	106	56,545,419	0.0%
SPDR S&P 500 ETF Trust	1,503	404,648,957	0.0%
VanEck Vectors Russia ETF	267	1,664,052	0.0%
Picton Mahoney Fortified Income Alternative Fund	3,301	108,749	3.0%
Picton Mahoney Fortified Market Neutral Alternative Fund	13,190	73,923	17.8%

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2020 (unaudited)

1. GENERAL INFORMATION

Picton Mahoney Fortified Multi-Strategy Alternative Fund (the "Fund") is an open-ended mutual fund trust established under the laws of the Province of Ontario pursuant to a trust agreement dated September 19, 2018 (the "Trust Declaration"). The Fund commenced operations on September 21, 2018. Picton Mahoney Asset Management acts as manager (the "Manager"), portfolio advisor (the "Portfolio Advisor"), and trustee (the "Trustee") for the Fund pursuant to the Trust Declaration. The Manager is responsible for the day-to-day business of the Fund, including the management of the Fund's investment portfolio. The address of the Fund's registered office is 33 Yonge Street, Suite 830, Toronto, Ontario, M5E 1G4. The financial statements are presented in Canadian dollars (CAD). These financial statements were authorized for issue by the Manager on August 28, 2020.

On September 21, 2018, 5,001 Class A units, 5,000 Class F units, and 5,000 Class I units of the Fund were issued to the Manager of the Fund, for cash consideration of CAD \$10.00 per unit. These units are not redeemable until an additional \$500,000 has been invested by other investors in the aggregate in the Fund. On September 27, 2018, an additional 105,000 Class I units of the Fund were issued to the Manager of the Fund, for cash consideration of CAD \$10.00 per unit totaling \$1,050,000.

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

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

As at June 30, 2020, the Fund currently has 4 Classes of Units: Class A, Class F, and Class I and Class ETF. As at June 30, 2020, the Manager holds 1 unit of Class A and 1,001 units of Class I.

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

The Fund is considered an "alternative fund" meaning it has received exemptions from National Instrument 81-102 – Investment Funds ("NI 81-102") to permit it to use strategies generally prohibited by conventional mutual funds, such as the ability to borrow, up to 50% of the Fund's net asset value, cash to use for investment purposes; sell, up to 50% of the Fund's net asset value, securities short (the combined level of cash borrowing and short selling is limited to 50% in aggregate); and leverage up to 300% of the Fund's net asset value; among other things. Each Fund has obtained exemptive relief from the Canadian securities regulatory authorities to permit the Funds to engage in short sales and cash borrowing transactions in excess of the foregoing exposure limitations under NI 81-102 and use strategies generally prohibited for alternative mutual funds under NI 81-102, provided that (a) the aggregate market value of all securities sold short by the Fund does not exceed 100% of the Fund's net asset value, (b) the ag-

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

(b) Classification

(i) Assets

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

(ii) Liabilities

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

(c) Fair Value Measurements

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

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

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2020 (unaudited)

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

(d) Valuation of Investments and Derivatives

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets, which include equities, bonds, options, and warrants are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

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

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

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

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

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

Credit default swaps are agreements to mitigate credit risk exposure to certain issuing entities ("referenced entity") held by the Fund or to increase credit risk exposure to the referenced entity by creating a notional investment position for the Fund. Where a notional investment position is created, the credit risk exposure of the Fund is comparable to the exposure that would have resulted if the Fund was invested directly in the referenced entity. Under a credit default swap agreement, the protection buyer, whose intention is to reduce its credit risk exposure to the referenced entity, pays a premium to the protection seller, who assumes the credit risk of that entity defaulting. This premium is paid at regular intervals over the term of the swap agreement. In return for the premium paid, the protection buyer is entitled to receive

from the protection seller full payment for a loss arising from a credit default event of the referenced entity. A credit default event may be triggered by bankruptcy, failure to pay or restructuring of the referenced entity. If a credit default event occurs, the swap may be settled by either the physical delivery of the bond for proceeds equal to par value, or a cash payment equal to the loss amount. Credit default swaps are valued daily based on dealer-supplied valuations determined using observable inputs.

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

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

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

Receivable for investments sold and payable for investments purchased

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

(e) Cash

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

(f) Investment Transactions and Income Recognition

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

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2020 (unaudited)

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

(g) Valuation of Fund Units

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

The Fund's units are divided into the Class A, Class F, Class I, and Class ETF units. Each class is divided into units of equal value. When you invest in the Fund, you are purchasing units of a specific class of the Fund.

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

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

Although the purchases and redemptions of units are recorded on a class basis, the assets attributable to all of the class of a Fund are pooled to create one fund for investment purposes.

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

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

(h) Foreign Currency Translation

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

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

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

Increase (decrease) in net assets attributable to holders of redeemable units per unit of each Class of the Fund is determined by dividing the net increase in net assets attributable to holders of redeemable units from

each Class of Units by the weighted average number of Units outstanding of that Class during the year.

(j) Transaction Costs

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

(k) Securities Lending Transactions

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

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

(l) Structured Entities

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

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

The Fund may invest in underlying funds whose investment objectives range from achieving short- to long-term income and capital growth potential. Underlying funds may use leverage in a manner consistent with their respective investment objectives. Underlying funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportionate stake in the respective fund's net assets. The Fund's interests in underlying funds as at June 30, 2020 and December 31, 2019, held in the form of redeemable units, are included at their fair value in the Statement of Financial Position, which represent the Fund's maximum exposure in these underlying funds. The Fund does not provide and has not committed to provide any additional significant financial or other support to the underlying funds. The change in fair value of each of the underlying funds during the periods is included in 'Change in unrealized appreciation (depreciation) of investments, options, and foreign exchange forward contracts' in the Statement of Comprehensive Income.

(m) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2020 (unaudited)

recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Fair value measurement of derivatives and securities not quoted in an active market

The Fund holds financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using recognized valuation techniques and may be determined using reputable pricing sources or indicative prices from market makers.

Where no market data is available, the Fund may value positions using its own models, which are based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by the Manager, independent of the party that created them.

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

4. FINANCIAL INSTRUMENTS RISKS

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

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

Price Risk:

The Fund trades in financial instruments, taking positions in traded and over-the-counter instruments which may include derivatives. As of June 30, 2020 and December 31, 2019, the Fund held or had exposure to long and short equity positions in publicly traded companies whose securities are actively traded on a recognized public exchange. Equities are susceptible to price risk arising from uncertainties about future prices of those instruments (other than those arising from interest rate risk or currency risk).

Short sales entail certain risks, including the risk that a short sale of a security may expose a Fund to losses if the value of the security increases. A short sale creates the risk of a theoretically unlimited loss, in that the price

of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. In addition, a short sale by a Fund requires the Fund to borrow securities in order that the short sale may be transacted. There is no assurance that the lender of the securities will not require the security to be paid back by a Fund before the Fund wants to do so, possibly requiring the Fund to borrow the security elsewhere or purchase the security on the market at an unattractive price. Moreover, the borrowing of securities entails the payment of a borrowing fee. The borrowing fee may increase during the borrowing period, adding to the expense of the short sale strategy. There is also no guarantee that the securities sold short can be repurchased by a Fund due to supply and demand constraints in the equity markets. Finally, in order to maintain the appropriate ratios between the long portfolio and the short portfolio of a Fund, the Manager may be required to buy or sell short securities at unattractive prices. The maximum risk resulting for financial instruments held long is determined by the fair value of the instrument.

Currency risk:

Currency risk is the risk that the cash and securities held by the Fund as well as due to and due from broker balances may be valued in or have exposure to currencies other than the Canadian dollar which is the functional 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 June 30, 2020, all distributions receivable from underlying funds, dividends receivable, due from manager, and cash are held with counterparties with a good credit quality and are due to be settled within one week. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2020 (unaudited)

Liquidity risk:

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

Concentration risk:

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

Leverage Risk:

The Fund has received exemptive relief from Canadian securities regulatory authorities from certain investment restrictions set out in NI 81-102 that would restrict the ability of the Fund to leverage their assets through borrowing, short sales and/or derivatives. Investment decisions may be made for the assets of the Fund that exceed the net asset value of the Fund. As a result, if these investment decisions are incorrect, the resulting losses will be more than if investments were made solely in an unleveraged long portfolio as is the case in most conventional equity mutual funds. In addition, leveraged investment strategies can also be expected to increase a Fund's turnover, transaction and market impact costs, interest and other costs and expenses.

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

5. CAPITAL MANAGEMENT

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

6. REDEEMABLE UNIT TRANSACTIONS

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

Investors may be admitted to the Fund or may acquire additional Units on a daily basis. Units of the Fund are offered at the Class Net Asset Value per Unit calculated as of the applicable Valuation Date. The minimum initial investment in the Fund is \$2,000 for all Classes and the Manager has the

discretion to accept a lesser initial subscription, provided, in each case, that the issuance of Units in respect of such subscription shall otherwise be exempt from the prospectus requirements of applicable securities legislation. Subsequent investments are subject to an additional minimum investment of CAD \$500 subject to applicable securities legislation.

The capital of the Fund is represented by issued redeemable Units with no par value. The Units are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's Net Asset Value per Unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of Units other than as described above. The relevant movements are shown on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units and in the Fund Specific Notes of each Fund.

IAS 32, Financial Instrument – Recognition and Measurement, requires that units of an entity that include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's units have been classified as financial liabilities. The Fund has multiple series of units that carry different management fee rates and therefore do not have identical features. As all units are equally subordinate, the units also would not meet the requirements of IAS 32 and therefore do not meet the conditions to be classified as equity.

7. DISTRIBUTIONS

The Fund intends to distribute net income and net realized capital gains, if any, to Unitholders at the end of each taxation year (normally December 15) to ensure that the Fund is not liable for income tax under Part I of the Income Tax Act (Canada) (the "Act"), after taking into account any loss carry forwards and capital gains refunds.

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

8. TAXATION

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

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

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2020 (unaudited)

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

9. OPERATING EXPENSES

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

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

10. RELATED PARTY TRANSACTIONS

(a) Management Fees

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

Management Fee Distributions

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

(b) Performance Fees

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

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

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

(c) Fund-on-Fund Fees and Expenses

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

**THINK AHEAD.
STAY AHEAD.**



PICTON MAHONEY ASSET MANAGEMENT CORPORATE INFORMATION

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