

FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND



**THINK AHEAD.
STAY AHEAD.**

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MANAGEMENT'S RESPONSIBILITY STATEMENT

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

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

Picton Mahoney Asset Management

Toronto, Ontario

August 27, 2021

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, 2021 (unaudited) and December 31, 2020

	June 30, 2021 \$	December 31, 2020 \$
Assets		
Current assets		
Long positions at fair value*	49,718,592	35,386,298
Cash	1,906,569	1,717,645
Options purchased	79,729	131,071
Unrealized gain on futures contracts	235,487	692,605
Unrealized gain on swap agreements	31,804	87,514
Credit default swap agreements at fair value	251,008	72,690
Due from Manager	48,790	100,165
Subscriptions receivable	45,390	32,274
Dividends receivable	12,014	20,018
	<u>52,329,383</u>	<u>38,240,280</u>
Liabilities		
Current liabilities		
Short positions at fair value**	4,751,924	4,501,683
Options written	16,914	60,720
Unrealized loss on futures contracts	825,710	81,091
Unrealized loss on swap agreements	12,367	94,990
Management fee payable	120,332	24,087
Performance fee payable	380,038	346,171
Redemptions payable	6,673	454
Accrued liabilities	60,241	48,212
Payable for investments purchased	-	1,478,488
Dividends payable	12,001	11,875
	<u>6,186,200</u>	<u>6,647,771</u>
Net Assets Attributable to Holders of Redeemable Units	<u>46,143,183</u>	<u>31,592,509</u>
Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	6,788,875	6,349,092
Class F	34,870,229	23,039,309
Class I	12,933	11,707
Class ETF	4,471,146	2,192,401
Number of Redeemable Units Outstanding		
Class A	575,784	576,071
Class F	2,879,093	2,044,379
Class I	1,001	1,001
Class ETF	380,000	200,000
Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	11.79	11.02
Class F	12.11	11.27
Class I	12.92	11.70
Class ETF***	11.77	10.96
* Long positions, at cost	<u>44,703,083</u>	<u>31,380,160</u>
** Short positions, at cost	<u>(4,698,401)</u>	<u>(4,057,909)</u>
*** Closing Market Price (TSX)	<u>11.82</u>	<u>11.04</u>

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)

	2021 \$	2020 \$
Income		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	283	21,570
Dividends	136,013	155,265
Distributions from underlying funds	185,787	115,722
Net realized gain (loss) on investments and options	785,627	(1,827,741)
Net realized gain (loss) on futures contracts, swaps, and credit default swaps	2,145,947	(965,711)
Change in unrealized appreciation (depreciation) on investments, options, futures contracts, swaps, and credit default swaps	237,636	440,950
Interest and borrowing expense	(37,885)	(24,973)
Dividend expense	(41,617)	(51,659)
Net gains (losses) on investments and derivatives	<u>3,411,791</u>	<u>(2,136,577)</u>
Other income		
Foreign currency gain (loss) on cash and other assets and liabilities	55,397	61,414
Total Income	<u>3,467,188</u>	<u>(2,075,163)</u>
Expenses		
Performance fees	712,801	64,679
Management fees	203,988	204,216
Harmonized sales tax	96,287	37,200
Transaction costs	53,526	87,674
Administrative fees	34,028	33,260
Withholding taxes	25,754	-
Securityholder reporting fees	18,480	14,776
Legal fees	14,050	11,100
Audit fees	3,801	2,922
Independent Review Committee Expense	3,799	3,458
Custody fees	-	360
Total Expense before Manager Absorption	<u>1,166,514</u>	<u>459,645</u>
Less: Expenses Absorbed by Manager	<u>(48,790)</u>	<u>(39,385)</u>
Total Expense after Manager Absorption	<u>1,117,724</u>	<u>420,260</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>2,349,464</u>	<u>(2,495,423)</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	431,921	(371,619)
Class F	1,745,054	(1,741,422)
Class I	1,226	(398)
Class ETF	171,263	(381,984)
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	0.77	(0.55)
Class F	0.77	(0.66)
Class I	1.22	(0.40)
Class ETF	0.63	(1.01)

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)

	2021 \$	2020 \$
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Class A	6,349,092	5,717,095
Class F	23,039,309	22,712,929
Class I	11,707	10,645
Class ETF	2,192,401	6,121,559
	<u>31,592,509</u>	<u>34,562,228</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Class A	431,921	(371,619)
Class F	1,745,054	(1,741,422)
Class I	1,226	(398)
Class ETF	171,263	(381,984)
	<u>2,349,464</u>	<u>(2,495,423)</u>
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Class A	995,419	2,295,407
Class F	11,944,029	11,011,839
Class I	-	-
Class ETF	2,225,619	723,667
	<u>15,165,067</u>	<u>14,030,913</u>
Redemption of redeemable units		
Class A	(987,557)	(762,042)
Class F	(1,858,163)	(7,071,782)
Class I	-	-
Class ETF	(118,137)	(3,732,394)
	<u>(2,963,857)</u>	<u>(11,566,218)</u>
Net Increase (Decrease) from Redeemable Unit Transactions	<u>12,201,210</u>	<u>2,464,695</u>
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>14,550,674</u>	<u>(30,728)</u>
Net Assets Attributable to Holders of Redeemable Units at End of Period		
Class A	6,788,875	6,878,841
Class F	34,870,229	24,911,564
Class I	12,933	10,247
Class ETF	4,471,146	2,730,848
Net Assets Attributable to Holders of Redeemable Units at End of Period	<u>46,143,183</u>	<u>34,531,500</u>

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

STATEMENTS OF CASH FLOWS

For the six month periods ended June 30 (unaudited)

	2021 \$	2020 \$
Cash Flows from Operating Activities		
Increase (decrease) in net assets attributable to holders of redeemable units	2,349,464	(2,495,423)
Adjustments for:		
Unrealized foreign exchange (gain) loss on cash	(46,244)	101,260
Net realized (gain) loss on investments and options	(785,627)	1,827,741
Change in unrealized (appreciation) depreciation on investments, options, futures contracts, swaps, and credit default swaps	(237,636)	(440,950)
(Increase) decrease in due from manager	51,375	(39,385)
(Increase) decrease in dividends receivable	8,004	(1,016)
(Increase) decrease in deposits with brokers for securities sold short	-	716,171
Increase (decrease) in dividends payable	126	14,326
Increase (decrease) in other payables and accrued liabilities	108,274	73,777
Increase (decrease) in performance fee payable	33,867	-
Purchase of long positions and repurchases of investments sold short	(48,537,688)	(48,003,681)
Proceeds from sales of long positions and on investments sold short	35,004,452	47,893,862
Net Cash Generated (Used) by Operating Activities	<u>(12,051,633)</u>	<u>(353,318)</u>
Cash Flows from Financing Activities		
Proceeds from redeemable units issued	14,502,210	13,857,928
Amount paid on redemption of redeemable units	(2,307,897)	(11,194,704)
Net Cash Generated (Used) by Financing Activities	<u>12,194,313</u>	<u>2,663,224</u>
Unrealized foreign exchange gain (loss) on cash	46,244	(101,260)
Net increase (decrease) in cash	142,680	2,309,906
Cash (overdraft), beginning of period	1,717,645	2,006,228
Cash (Overdraft), End of Period	<u>1,906,569</u>	<u>4,214,874</u>
Cash	1,906,569	4,214,874
Cash overdraft	-	-
Net Cash (Overdraft)	<u>1,906,569</u>	<u>4,214,874</u>
Items classified as operating activities:		
Interest received, net of withholding tax	283	21,570
Dividends received, net of withholding tax	118,263	154,249
Interest and borrowing expense paid	(37,885)	(24,973)
Dividends paid	(41,491)	(37,333)

Net of non-cash transfers and switches of \$649,741 (2020 - \$285,790)

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2021 (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 (107.9%)									
Canadian Equities (66.9%)									
Energy (1.9%)									
	11,550	ARC Resources Ltd.	90,181	121,853	926		Stantec Inc.	50,840	51,217
	8,585	Baytex Energy Corp.	19,272	20,518	154		Toromont Industries Ltd.	15,521	16,632
	5,198	Cardinal Energy Ltd.	12,973	18,141	922		Wajax Corp.	21,276	22,183
	7,717	CES Energy Solutions Corp.	12,640	14,894				530,689	519,295
	3,072	Enerplus Corp.	20,739	27,372	Consumer Discretionary (0.7%)				
	3,576	Headwater Exploration Inc.	14,536	15,591	2,178		Dorel Industries Inc., Class B	29,131	34,020
	28,716	Kelt Exploration Ltd.	96,505	101,367	1,442		Linamar Corp.	110,719	112,116
	2,088	MEG Energy Corp.	18,999	18,729	922		Sleep Country Canada Holdings Inc.	28,774	27,356
	6,404	Pason Systems Inc.	61,501	57,188	2,814		Spin Master Corp.	103,318	135,691
	24,240	Secure Energy Services Inc.	90,511	102,050	1,261		Uni-Select Inc.	18,885	20,693
	2,972	ShawCor Ltd.	19,187	17,565				290,827	329,876
	3,690	Suncor Energy Inc.	99,643	109,556	Consumer Staples (0.8%)				
	43,214	Tamarack Valley Energy Ltd.	101,143	111,060	2,721		Empire Co., Ltd.	101,420	106,391
	768	Tourmaline Oil Corp.	20,434	27,210	1,515		Loblaw Cos Ltd.	110,246	115,579
	42,420	Trican Well Service Ltd.	86,703	113,261	3,277		North West Co Inc.	115,247	115,318
			764,967	876,355	3,439		SunOpta Inc.	53,987	52,170
								380,900	389,458
Materials (3.1%)					Financials (0.9%)				
	3,017	Canfor Corp.	79,251	85,562	7,020		AGF Management Ltd.	53,183	55,739
	6,263	Canfor Pulp Products Inc.	55,523	48,851	8,643		Canaccord Genuity Group Inc.	103,442	117,372
	20,582	Capstone Mining Corp.	88,380	110,731	307		CI Financial Corp.	6,684	6,984
	1,668	CCL Industries Inc.	116,136	113,874	123		Equitable Group Inc.	15,865	16,363
	10,140	Dundee Precious Metals Inc.	83,955	76,151	277		Royal Bank of Canada	32,298	34,788
	307	ERO Copper Corp.	7,374	7,985	1,813		Sun Life Financial Inc.	116,824	115,887
	768	First Quantum Minerals Ltd.	21,299	21,942	12,162		Uranium Participation Corp.	66,006	66,526
	1,726	Fortuna Silver Mines Inc.	15,676	11,927				394,302	413,659
	614	Franco-Nevada Corp.	103,431	110,452	Information Technology (0.2%)				
	25,718	Galiano Gold Inc.	37,188	34,976	2,272		Celestica Inc.	22,920	22,084
	14,921	Great Panther Mining Ltd.	15,521	11,638	154		CGI Inc.	16,609	17,308
	7,459	Hudbay Minerals Inc.	59,145	61,537	3,379		Converge Technology Solutions Corp.	20,246	34,533
	2,776	Interfor Corp.	97,231	86,167	2,743		Payfare Inc.	19,353	27,430
	3,994	Intertape Polymer Group Inc.	122,199	114,788				79,128	101,355
	435	Methanex Corp.	18,941	17,874	Communication Services (1.2%)				
	4,301	Neo Performance Materials Inc.	83,849	70,923	9,720		AcuityAds Holdings Inc.	114,648	119,556
	44,039	New Gold Inc.	114,603	98,207	922		Cogeco Communications Inc.	109,908	111,756
	28,918	Sierra Metals Inc.	117,815	108,443	461		Cogeco Inc.	44,511	44,321
	17,718	Taseko Mines Ltd.	43,724	46,067	3,379		Quebecor Inc.	117,620	111,710
	1,129	Torex Gold Resources Inc.	18,988	16,122	1,808		Rogers Communications Inc.	109,596	119,147
	1,011	West Fraser Timber Co., Ltd.	82,847	89,969	1,571		Shaw Communications Inc.	55,123	56,415
	42,217	Western Forest Products Inc.	100,084	89,078				551,406	562,905
			1,483,160	1,433,264	Utilities (0.5%)				
Industrial (1.1%)									
	307	ATS Automation Tooling Systems Inc.	9,199	10,923	1,277		AltaGas Ltd.	30,390	33,228
	4,246	Bird Construction Inc.	42,045	37,492	2,810		Capital Power Corp.	109,796	115,070
	657	Cargojet Inc.	115,561	120,908	4,915		TransAlta Corp.	59,207	60,700
	13,262	Doman Building Materials Group Ltd.	126,045	110,870				199,393	208,998
	3,379	Finning International Inc.	111,018	109,649					
	768	GDI Integrated Facility Services Inc.	39,184	39,421					

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2021 (unaudited)

CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
Real Estate (0.8%)						7,440	iShares MSCI Hong Kong ETF	238,527	246,170
	828	Colliers International Group Inc.	117,424	114,943	15,490	iShares MSCI India ETF	761,371	848,770	
	2,150	Killam Apartment Real Estate Investment Trust	41,869	43,581	14,470	iShares MSCI Mexico Capped ETF	774,941	859,893	
	6,843	Summit Industrial Income REIT	102,125	121,600	14,040	iShares MSCI South Africa ETF	829,187	849,466	
	614	True North Commercial Real Estate Investment Trust	4,510	4,550	9,780	iShares MSCI United Kingdom ETF	381,097	396,015	
	3,948	WPT Industrial Real Estate Investment Trust	78,177	88,634	900	iShares Russell 2000 ETF	208,878	255,626	
			<u>344,105</u>	<u>373,308</u>	1,920	SPDR S&P 500 ETF Trust	857,832	1,017,726	
Index Equivalents (0.4%)					1,000	VanEck Vectors Gold Miners ETF	51,329	42,077	
	6,000	Ether ETF	69,567	60,600	200	VanEck Vectors Rare Earth/Strategic Metals ETF	10,585	21,041	
	5,250	iShares Core Canadian Government Bond Index ETF	116,227	116,393	22,910	VanEck Vectors Russia ETF	714,214	822,145	
			<u>185,794</u>	<u>176,993</u>			<u>17,448,509</u>	<u>18,817,617</u>	
Investment Funds (55.3%)					Total Global Equities - Long				
	500	Bitcoin Fund, CAD	16,326	22,890			17,448,509	18,817,617	
	1,200	Bitcoin Fund, USD	33,466	54,891	Options (0.2%)				
219,192	Picton Mahoney Fortified Arbitrage Alternative Fund, Class I Units**	2,490,800	2,905,344	Total Purchased Options - Refer to Appendix A					
995,899	Picton Mahoney Fortified Income Alternative Fund, Class I Units***	10,455,504	10,801,625	Transaction Costs					
853,208	Picton Mahoney Fortified Market Neutral Alternative Fund, Class I Units****	8,920,262	11,730,759	Total Long Positions					
		<u>21,916,358</u>	<u>25,515,509</u>				137,956	79,729	
							(4,411)	-	
Total Canadian Equities - Long					SHORT POSITIONS (-10.3%)				
			27,121,029	30,900,975	Canadian Equities (-10.3%)				
Global Equities (40.8%)					Energy (-0.8%)				
International Index Equivalents (40.8%)						(3,127)	Comcast Corp.	(71,798)	(74,298)
	17,410	DB X-trackers Harvest CSI 300 China A-Shares ETF	823,279	873,993	(1,517)	Cenovus Energy Inc.	(18,809)	(17,992)	
	1,000	Global X Copper Miners ETF	49,707	46,003	(45,248)	Denison Mines Corp.	(57,417)	(68,324)	
	1,000	Global X Silver Miners ETF	58,057	52,875	(2,952)	Gibson Energy Inc.	(73,454)	(70,110)	
	4,500	Global X Uranium ETF	112,749	118,134	(1,323)	Paramount Resources Ltd.	(19,206)	(22,703)	
	4,220	Invesco DB Agriculture Fund	94,413	97,353	(1,177)	Topaz Energy Corp.	(19,332)	(20,362)	
	208,670	Invesco DB Base Metals Fund	4,877,876	5,224,760	(12,902)	Ur-Energy Inc.	(22,605)	(22,579)	
	34,700	Invesco DB Energy Fund	598,032	669,886	(6,831)	Vermilion Energy Inc.	(77,351)	(74,185)	
	22,430	iShares Core MSCI Europe ETF	1,432,401	1,590,953			<u>(359,972)</u>	<u>(370,553)</u>	
	12,530	iShares iBoxx \$ High Yield Corporate Bond ETF	1,329,108	1,366,018	Materials (-1.7%)				
	14,190	iShares iBoxx \$ Investment Grade Corporate Bond ETF	2,316,051	2,360,900	(7,680)	Americas Gold & Silver Corp.	(22,044)	(14,285)	
	7,680	iShares MSCI Australia ETF	221,769	247,073	(823)	Arizona Metals Corp.	(4,414)	(4,074)	
	16,150	iShares MSCI Brazil Capped ETF	707,106	810,740	(1,870)	Canada Nickel Co Inc.	(6,645)	(6,620)	
					(10,229)	Chemtrade Logistics Income Fund	(75,761)	(68,534)	
					(3,442)	Eloro Resources Ltd.	(15,859)	(15,351)	
					(7,066)	Equinox Gold Corp.	(80,907)	(60,838)	
					(4,559)	Filo Mining Corp.	(33,405)	(46,867)	
					(3,374)	Gran Colombia Gold Corp.	(19,859)	(17,207)	
					(986)	Great Bear Resources Ltd.	(16,126)	(14,997)	
					(9,404)	Ivanhoe Mines Ltd.	(70,041)	(84,166)	
					(1,627)	Lundin Gold Inc.	(19,282)	(16,937)	
					(614)	New Pacific Metals Corp.	(3,769)	(3,659)	
					(4,201)	Osisko Gold Royalties Ltd.	(56,905)	(71,375)	
					(964)	Pretium Resources Inc.	(12,746)	(11,433)	

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2021 (unaudited)

CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
		Futures Contracts (-1.3%)		
		Total Futures Contracts - Refer to Appendix B	-	(590,223)
		Total Return Swaps (0.0%)		
		Unrealized Appreciation/ (Depreciation) on Swaps - Refer to Appendix C	-	19,437
		Credit Default Swaps (0.5%)		
		Total Credit Default Swap Fair Value - Refer to Appendix D	-	251,008
		TOTAL INVESTMENT PORTFOLIO (96.8%)	40,004,682	44,709,705
		Other Assets Net of Liabilities (3.2%)		1,433,478
		TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)		46,143,183

*CCY denotes local currency of debt security

**The Picton Mahoney Fortified Multi-Strategy Alternative Fund holds 1.24% 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 1.25% 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 3.44% 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 \$
Crude Oil OPT IPE	Call Option	8	\$80	August, 2021	5,421	7,727
Crude Oil OPT IPE	Call Option	15	\$100	November, 2021	4,532	5,387
Financial Select Sector	Call Option	464	\$41	August, 2021	7,107	3,160
HG Copper Futures	Call Option	3	\$470	September, 2021	7,465	7,708
HG Copper Futures	Call Option	6	\$480	July, 2021	11,319	1,486
IMM Euro\$ Futures	Call Option	30	\$100	December, 2023	5,482	4,644
IMM Euro\$ Futures	Call Option	60	\$100	March, 2023	5,650	5,108
Silver Futures OPT(CMX)	Call Option	13	\$32	July, 2021	13,555	3,059
SPDR Energy Select Sector	Call Option	94	\$58	July, 2021	4,458	1,921
					<u>64,989</u>	<u>40,200</u>
ARK Innovation ETF	Put Option	44	\$105	July, 2021	17,126	654
Crude Oil OPT IPE	Put Option	10	\$65	July, 2021	7,680	2,477
HG Copper Futures	Put Option	12	\$400	July, 2021	10,968	9,287
iPATH S&P 500 VIX Short-Term	Put Option	200	\$27	July, 2021	4,812	3,715
iPATH S&P 500 VIX Short-Term	Put Option	152	\$29	July, 2021	5,599	6,588
Tesla Inc.	Put Option	10	\$500	July, 2021	12,383	6,284
US 10Y Note Futures	Put Option	68	\$130	August, 2021	14,399	10,524
					<u>72,967</u>	<u>39,529</u>
Total Purchased Options					<u>137,956</u>	<u>79,729</u>
Silver Futures OPT(CMX)	Written Call Option	(7)	\$34	July, 2021	(6,047)	(1,084)
					<u>(6,047)</u>	<u>(1,084)</u>
ARK Innovation ETF	Written Put Option	(88)	\$95	July, 2021	(13,084)	(545)
Crude Oil OPT IPE	Written Put Option	(10)	\$60	July, 2021	(2,795)	(619)
HG Copper Futures	Written Put Option	(12)	\$380	July, 2021	(4,925)	(3,158)
iPATH S&P 500 VIX Short-Term	Written Put Option	(200)	\$25	July, 2021	(247)	(371)
iPATH S&P 500 VIX Short-Term	Written Put Option	(152)	\$27	July, 2021	(941)	(376)
Tesla Inc.	Written Put Option	(20)	\$400	July, 2021	(6,728)	(5,498)
US 10Y Note Futures	Written Put Option	(68)	\$129	August, 2021	(7,790)	(5,263)
					<u>(36,510)</u>	<u>(15,830)</u>
Total Written Options					<u>(42,557)</u>	<u>(16,914)</u>

APPENDIX B

FUTURES CONTRACTS (-1.3%)

Issuer	Number of Contracts	Fair Value (C\$)	Contracted Value (C\$)	Unrealized Gain/Loss
MTL Canadian 10-Year Futures, September 2021	44	6,402,880	6,333,730	69,150
Brent Crude Futures, July 2021	3	277,206	229,098	48,108
WTI Crude Futures, August 2021	3	270,333	239,379	30,954
ICE Gas Oil LS Futures, September 2021	4	297,068	279,113	17,955
CBOT US 10 Year T-Note Futures, September 2021	17	2,789,271	2,772,970	16,301
Gasoline Futures, August 2021	2	231,272	218,959	12,313
KCBT Wheat Futures, December 2021	2	82,595	71,698	10,897
NY Harbor ULSD Futures, August 2021	2	221,629	212,434	9,195
E-mini S&P 500 Futures, September 2021	3	796,567	788,487	8,080
E-mini DJIA Futures, September 2021	8	1,703,851	1,697,560	6,291
S&P TSX 60 Futures, September 2021	5	1,202,700	1,197,630	5,070
Lean Hog Futures, December 2021	2	79,326	78,434	892
Gasoline Futures, October 2021	(2)	(214,140)	(214,421)	281
Gasoline Futures, September 2021	2	218,353	218,353	-
				<u>235,487</u>

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

Issuer	Number of Contracts	Fair Value (C\$)	Contracted Value (C\$)	Unrealized Gain/ Loss
Live Cattle Futures, December 2021	1	65,432	65,643	(211)
Rough Rice Futures, September 2021	3	100,117	100,340	(223)
Coffee C Futures, December 2021	2	151,057	154,006	(2,949)
CBOT US 5 Year T-Note Futures, September 2021	14	2,139,802	2,143,991	(4,189)
Soybean Futures, November 2021	2	173,238	179,120	(5,882)
EURO STOXX 50 Futures, September 2021	8	476,440	485,251	(8,811)
Wheat Futures, December 2021	3	127,235	142,048	(14,813)
Corn Futures, December 2021	7	255,059	272,612	(17,553)
Palladium Futures, September 2021	1	344,148	370,623	(26,475)
EURO STOXX Bank Futures, September 2021	103	707,119	734,525	(27,406)
NASDAQ 100 E-mini Futures, September 2021	(3)	(1,080,962)	(1,048,802)	(32,160)
Platinum Futures, October 2021	5	332,143	365,082	(32,939)
CMX HG Copper Future, September 2021	7	929,437	976,787	(47,350)
CBOE VIX Index Futures, July 2021	26	576,411	648,869	(72,458)
COMEX Gold 100 OZ Futures, December 2021	9	1,979,076	2,070,980	(91,904)
CAD Currency Futures, September 2021	183	18,269,210	18,709,597	(440,387)
Total Futures Contracts				(590,223)

APPENDIX C

TOTAL RETURN SWAPS (0.0%)

Quantity	Security Description	Expiry Date	Counterparty	Counterparty Credit Rating	Unrealized Gain / Loss (\$)
18,914	PM FSM LONG TRS	30-Oct-30	Goldman Sachs International	A-1	31,804
					<u>31,804</u>
(15,620)	PM FSM SHORT TRS	30-Oct-30	Goldman Sachs International	A-1	(12,367)
					<u>(12,367)</u>
Total Over the counter SWAPS at fair value					<u>19,437</u>

APPENDIX D

CREDIT DEFAULT SWAPS (0.5%)

Buy / Sell Protection	Referenced Entity	Fixed Rate	Expiry Date	Effective date	Counterparty	Counterparty Credit Rating	Notional Amount	Fair Value
Sell	Markit CDX North America High Yield Index	5%	20-Jun-26	07-Apr-21	Goldman Sachs International	A-1	USD 1,100,000	140,335
Sell	Markit CDX North America Investment Grade Index	1%	20-Jun-26	08-Apr-21	Goldman Sachs International	A-1	USD 1,200,000	37,945
Sell	Markit CDX North America Investment Grade Index	2%	20-Jun-26	26-Mar-21	Goldman Sachs International	A-1	USD 2,300,000	72,728
								<u>251,008</u>
Total Credit Default Swaps Contracts at Fair Value								<u>251,008</u>

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

FUND SPECIFIC NOTES

As at June 30, 2021 (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, 2021 and December 31, 2020.

ASSETS (LIABILITIES) AT FAIR VALUE AS AT JUNE 30, 2021				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	49,718,592	-	-	49,718,592
Options - Long	79,729	-	-	79,729
Futures - Long	235,487	-	-	235,487
Credit default swaps - Long	-	251,008	-	251,008
Total return swaps - Long	-	31,804	-	31,804
Equities - Short	(4,751,924)	-	-	(4,751,924)
Options - Short	(16,914)	-	-	(16,914)
Futures - Short	(825,710)	-	-	(825,710)
Total return swaps - Short	-	(12,367)	-	(12,367)
Total	44,439,260	270,445	-	44,709,705

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2020				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	35,386,298	-	-	35,386,298
Options - Long	131,071	-	-	131,071
Futures - Long	692,605	-	-	692,605
Credit default swaps - Long	-	72,690	-	72,690
Total return swaps - Long	-	87,514	-	87,514
Equities - Short	(4,501,543)	(140)	-	(4,501,683)
Options - Short	(60,720)	-	-	(60,720)
Futures - Short	(81,091)	-	-	(81,091)
Total return swaps - Short	-	(94,990)	-	(94,990)
Total	31,566,620	65,074	-	31,631,694

2. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

Financial Assets and Liabilities	Amounts Eligible for Offset			Net \$
	Gross Assets / (Liabilities) \$	Financial Instruments \$	Collateral received/paid \$	
June 30, 2021				
Derivative assets - Over the counter swaps	31,804	(12,367)	-	19,437
Derivative assets - Credit default swap agreements	251,008	-	-	251,008
Derivative liabilities - Over the counter swaps	(12,367)	12,367	-	-
December 31, 2020				
Derivative assets - Over the counter swaps	87,514	(87,514)	-	-
Derivative assets - Credit default swap agreements	72,690	-	-	72,690
Derivative liabilities - Over the counter swaps	(94,990)	87,514	-	(7,476)

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

3. OTHER PRICE RISK

Using Beta as a measure of the relationship of the Fund's performance versus its index, if the blended index consisting of 40% MSCI World 100% hedged to CAD Index (net total return); 40% ICE BofAML Global Broad Market Index (Hedged to CAD); 10% S&P GSCI Canadian Dollar Hedged Index TR; 5% FTSE TMX Canada 30 Day T-Bill Index; and 5% LBMA Gold Price were to increase or decrease by 10%, net assets would have increased or decreased by approximately \$4,484,579 (December 31, 2020 - \$2,974,506). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

The COVID-19 (coronavirus disease) pandemic has caused volatility in global financial markets as well as significant disruptions to global business activity. The continued impact of unanticipated market disruptions, including COVID-19 is uncertain and may exacerbate pre-existing political, social or economic risk, and may disproportionately affect certain issuers, industries or types of securities. Such unanticipated market and economic disruptions, including COVID-19, may be short-term or may last for an extended period of time, and could have effects that cannot necessarily be presently foreseen.

4. CURRENCY RISK

Foreign currencies to which the Fund had exposure as at June 30, 2021 and December 31, 2020 were as follows:

FINANCIAL INSTRUMENTS				
June 30, 2021 Currency	Monetary \$	Non-Monetary \$	Total \$	Percentage of Net Assets %
United States Dollar	(910,345)	18,961,142	18,050,797	39.1%
European Euro	463,871	-	463,871	1.0%
British Pound	(926)	-	(926)	0.0%
Net Exposure	(447,400)	18,961,142	18,513,742	40.1%

FINANCIAL INSTRUMENTS				
December 31, 2020 Currency	Monetary \$	Non-Monetary \$	Total \$	Percentage of Net Assets %
United States Dollar	4,637,438	9,065,448	13,702,886	43.4%
European Euro	250,691	-	250,691	0.8%
British Pound	(927)	-	(927)	0.0%
Net Exposure	4,887,202	9,065,448	13,952,650	44.2%

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 \$925,687 (December 31, 2020 - \$967,633). 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, 2021 and December 31, 2020, the Fund did not have significant exposure to interest rate risk.

6. CREDIT RISK

As of June 30, 2021 and December 31, 2020, 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, 2021 and December 31, 2020. All cash is held with a financial institution with a minimum credit rating of A+.

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

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

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

The tables below summarize the impact on the Fund's net assets, of reasonable possible changes in the returns of each of the strategies to which the Fund is exposed through the 3 underlying funds in which it invests at June 30, 2021 and December 31, 2020. 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, 2021				
Strategy	Underlying risk exposures	Number of Funds	Impact on net assets based on 5% increase or decrease \$	
Canadian Equity	P	3	643,377	
US Equity	P	3	100,608	
International Equity	P	1	(177)	
Canadian Fixed Income	C,I	1	151,133	
US Fixed Income	C,F,I	3	371,925	
International Fixed Income	C,F,I	2	5,020	
Total			1,271,886	

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

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

8. CONCENTRATION RISK

The table below summarizes the Fund's concentration risk as a percentage of net assets attributable to holders of redeemable units as at June 30, 2021 and December 31, 2020.

Jurisdiction	% of Net Assets	
	June 30, 2021	December 31, 2020
LONG POSITIONS	108.9%	115.3%
Canadian Equities	66.9%	84.9%
Investment Funds	55.3%	68.7%
Materials	3.1%	2.7%
Industrial	1.1%	2.0%
Financials	0.9%	2.0%
Real Estate	0.8%	1.7%
Energy	1.9%	1.4%
Index Equivalents	0.4%	1.4%
Consumer Discretionary	0.7%	1.2%
Consumer Staples	0.8%	1.2%
Information Technology	0.2%	1.1%
Utilities	0.5%	0.8%
Communication Services	1.2%	0.6%
Health Care	0.0%	0.1%
Global Equities	40.8%	27.3%
International Index Equivalents	40.8%	27.1%
International Equities	0.0%	0.2%
Derivatives	1.2%	3.1%
SHORT POSITIONS	-12.1%	-15.2%
Canadian Equities	-10.3%	-14.4%
Industrial	-1.7%	-2.8%
Materials	-1.7%	-2.4%
Real Estate	-0.9%	-1.5%
Consumer Discretionary	-0.9%	-1.1%
Information Technology	-0.9%	-1.0%
Index Equivalents	-0.9%	0.0%
Financials	-0.8%	-2.4%
Utilities	-0.8%	-1.2%
Energy	-0.8%	-1.0%
Consumer Staples	-0.7%	-0.6%
Communication Services	-0.2%	-0.2%
Health Care	0.0%	-0.2%
Derivatives	-1.8%	-0.8%

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

9. 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, 2021 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	4,751,924	-	-	4,751,924
Redemptions payable	6,673	-	-	6,673
Accrued liabilities and other payables	-	572,612	-	572,612
Derivative liabilities	854,991	-	-	854,991

December 31, 2020 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	4,501,683	-	-	4,501,683
Redemptions payable	454	-	-	454
Accrued liabilities and other payables	-	1,908,833	-	1,908,833
Derivative liabilities	236,801	-	-	236,801

10. FUND UNIT TRANSACTIONS

For the six month periods ended June 30 (unaudited)

	2021				2020			
	Class A	Class F	Class I	Class ETF	Class A	Class F	Class I	Class ETF
Units issued and outstanding, beginning of period	576,071	2,044,379	1,001	200,000	552,615	2,163,857	1,001	600,000
Units issued	85,093	994,546	-	190,000	224,104	1,062,531	-	70,000
Units redeemed	(85,380)	(159,832)	-	(10,000)	(77,929)	(742,965)	-	(390,000)
Units issued and outstanding, end of period	575,784	2,879,093	1,001	380,000	698,790	2,483,423	1,001	280,000
Weighted average number of units held during the period	563,972	2,272,227	1,001	270,994	679,416	2,648,954	1,001	379,231

11. COMMISSIONS

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

	2021	2020
Brokerage commissions	54	88
Soft Dollar commissions	-	-

12. TAX LOSS CARRY FORWARDS

As at December 31 (in \$000)

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

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

13. STRUCTURED ENTITIES

The table below illustrates the Fund's investment in the underlying funds as at June 30, 2021 and December 31, 2020.

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, 2021			
Ether ETF	61	35,617	0.2%
iShares Core Canadian Government Bond Index ETF	116	543,165	0.0%
Bitcoin Fund, CAD	23	532,467	0.0%
Bitcoin Fund, USD	55	532,467	0.0%
Picton Mahoney Fortified Arbitrage Alternative Fund	2,905	234,527	1.2%
Picton Mahoney Fortified Income Alternative Fund	10,802	862,300	1.3%
Picton Mahoney Fortified Market Neutral Alternative Fund	11,731	340,558	3.4%
DB X-trackers Harvest CSI 300 China A-Shares ETF	874	3,433,114	0.0%
Global X Copper Miners ETF	46	1,425,234	0.0%
Global X Silver Miners ETF	53	1,715,933	0.0%
Global X Uranium ETF	118	914,150	0.0%
Invesco DB Agriculture Fund	97	1,132,689	0.0%
Invesco DB Base Metals Fund	5,225	476,691	1.1%
Invesco DB Energy Fund	670	135,408	0.5%
iShares Core MSCI Europe ETF	1,591	6,453,430	0.0%
iShares iBoxx \$ High Yield Corporate Bond ETF	1,366	25,270,663	0.0%
iShares iBoxx \$ Investment Grade Corporate Bond ETF	2,361	49,437,431	0.0%
iShares MSCI Australia ETF	247	1,927,712	0.0%
iShares MSCI Brazil Capped ETF	811	8,171,565	0.0%
iShares MSCI Hong Kong ETF	246	1,387,502	0.0%
iShares MSCI India ETF	849	7,192,607	0.0%
iShares MSCI Mexico Capped ETF	860	1,476,741	0.1%
iShares MSCI South Africa ETF	849	412,253	0.2%
iShares MSCI United Kingdom ETF	396	4,260,287	0.0%
iShares Russell 2000 ETF	256	85,935,664	0.0%
SPDR S&P 500 ETF Trust	1,018	467,231,526	0.0%
VanEck Vectors Gold Miners ETF	42	18,226,923	0.0%
VanEck Vectors Rare Earth/Strategic Metals ETF	21	930,317	0.0%
VanEck Vectors Russia ETF	822	2,369,657	0.0%

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

Underlying Funds	Fair Value of Fund's Investment (in \$000s)	Underlying Fund's Net Assets (in \$000s)	% of Net Assets of the Underlying Fund
As at December 31, 2020			
iShares Canadian Government Bond Index ETF	146	649,408	0.0%
iShares S&P/TSX 60 Index ETF	281	9,210,531	0.0%
Global X Silver Miners ETF	232	1,482,227	0.0%
Invesco DB Base Metals Fund	2,149	222,579	1.0%
Invesco DB Energy Fund	28	74,739	0.0%
iShares Core MSCI Europe ETF	1,191	4,982,594	0.0%
iShares iBoxx \$ Investment Grade Corporate Bond ETF	104	70,528,116	0.0%
iShares MSCI Australia Index Fund	189	2,256,757	0.0%
iShares MSCI Brazil Capped ETF	447	8,349,185	0.0%
iShares MSCI India ETF	461	6,241,945	0.0%
iShares MSCI Mexico Capped ETF	434	1,663,156	0.0%
iShares MSCI South Africa Index Fund	435	554,152	0.1%
iShares MSCI United Kingdom ETF	429	3,635,034	0.0%
iShares Russell 2000 ETF	185	74,447,967	0.0%
SPDR Gold Shares	145	91,365,296	0.0%
SPDR S&P 500 ETF Trust	753	423,991,424	0.0%
VanEck Vectors Gold Miners ETF	220	21,093,607	0.0%
VanEck Vectors Russia ETF	435	2,098,303	0.0%
VanEck Vectors Rare Earth/Strategic Metals ETF	168	413,892	0.0%
db X-trackers Harvest CSI 300 China A-Shares Fund	441	2,976,849	0.0%
iShares MSCI Hong Kong Index Fund	103	1,847,509	0.0%
Picton Mahoney Fortified Income Alternative Fund	7,410	490,323	1.5%
Picton Mahoney Fortified Arbitrage Alternative Fund	1,710	84,161	2.0%
Picton Mahoney Fortified Market Neutral Alternative Fund	12,071	177,497	6.8%
Bitcoin Fund, CAD	97	786,725	0.0%
Bitcoin Fund, USD	408	15,021,903	0.0%

14. LEVERAGE

During the six month period ended June 30, 2021, the Fund's aggregate exposure reached a low of 166.66% (year ended 2020 - 154.61%) and a high of 282.30% (year ended 2020 - 267.90%) of the Fund's NAV.

As at June 30, 2021, the Fund's aggregate exposure was 223.38% (December 31, 2020 - 222.78%) of the Fund's NAV. The primary source of leverage was short positions in equity securities.

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2021 (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 27, 2021.

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

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

As at June 30, 2021, the Fund currently has 4 Classes of Units: Class A, Class F, and Class I and Class ETF. As at June 30, 2021, the Manager holds 1 unit of Class A and 1,001 units of Class I.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

(b) Classification

(i) Assets

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

(ii) Liabilities

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

(c) Fair Value Measurements

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

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

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

(d) Valuation of Investments and Derivatives

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

The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

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

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

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

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

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

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

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

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

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

short-term nature, the fair value of other financial assets and financial liabilities carried at amortized cost approximates their carrying amount.

Receivable for investments sold and payable for investments purchased

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

(e) Cash

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

(f) Investment Transactions and Income Recognition

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

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

(g) Valuation of Fund Units

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

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

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

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

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

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

ETF units of the Fund are available for purchase or sale on the TSX through a registered broker or dealer. The cut-off time for ETF units of the Fund is 2:00pm (Eastern Time) on a trading day.

(h) Foreign Currency Translation

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

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

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

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

(j) Transaction Costs

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

(k) Securities Lending Transactions

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

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

(l) Leverage

Leverage occurs when the Fund borrows money or securities, or uses derivatives, to generate investment exposure that would otherwise not be possible.

The Fund's aggregate exposure to its sources of leverage is calculated as the sum of the following: (i) the market value of short holdings; (ii) the amount of cash borrowed for investment purposes; and (iii) the notional value of the Fund's derivatives positions, excluding any derivatives used for hedging purposes. The Fund's exposure to leverage must not exceed 300% of the Fund's NAV.

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

The Fund has also obtained exemptive relief such that the Fund is permitted to engage in short selling transactions and cash borrowing up to a combined maximum of 100% of its net asset value, which is in excess of the short sale and cash borrowing limits provided for both conventional mutual funds and alternative mutual funds in NI 81-102.

(m) Structured Entities

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

Picton Mahoney has determined that all of the underlying funds in which the Fund invests are unconsolidated structured entities. In making this determination, Picton Mahoney evaluated the fact that decision making about the underlying funds' activities is not governed by voting or similar rights held by the Fund and other investors in any underlying funds. The Fund may invest in underlying funds whose investment objectives range from achieving short- to long-term income and capital growth potential.

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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, 2021 and December 31, 2020, held in the form of redeemable units, are included at their fair value in the Statement of Financial Position, which represent the Fund's maximum exposure in these underlying funds. The Fund does not provide and has not committed to provide any additional significant financial or other support to the underlying funds. The change in fair value of each of the underlying funds during the periods is included in 'Change in unrealized appreciation (depreciation) of investments, options, and foreign exchange forward contracts' in the Statement of Comprehensive Income.

(n) Offsetting

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

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

4. FINANCIAL INSTRUMENTS RISKS

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

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

Price Risk:

The Fund trades in financial instruments, taking positions in traded and over-the-counter instruments which may include derivatives. As of June 30, 2021 and December 31, 2020, 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

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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, 2021 and December 31, 2020, all distributions receivable from underlying funds, dividends receivable, due from manager, and cash are held with counterparties with a good credit quality and are due to be settled within one week. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Liquidity risk:

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

Concentration risk:

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

Leverage Risk:

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

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

5. CAPITAL MANAGEMENT

The capital of a Fund is represented by the issued and outstanding units and the net asset value attributable to participating unitholders. The Manager

utilizes the capital of the Fund in accordance with the Fund's investment objectives, strategies and restrictions, as outlined in the Fund's prospectus, while maintaining sufficient liquidity to meet normal redemptions. The Fund does not have any externally imposed capital requirements.

6. REDEEMABLE UNIT TRANSACTIONS

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

Investors may be admitted to the Fund or may acquire additional Units on a daily basis. Units of the Fund are offered at the Class Net Asset Value per Unit calculated as of the applicable Valuation Date. The minimum initial investment in the Fund is \$2,000 for all Classes and the Manager has the discretion to accept a lesser initial subscription, provided, in each case, that the issuance of Units in respect of such subscription shall otherwise be exempt from the prospectus requirements of applicable securities legislation. Subsequent investments are subject to an additional minimum investment of CAD \$500 subject to applicable securities legislation.

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

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

Generally, all orders to purchase ETF units directly from a Fund must be placed by a Designated Broker or an "ETF Dealer", which is a registered dealer (that may or may not be a Designated Broker) that has entered into an agreement with us authorizing the dealer to subscribe for, purchase and redeem ETF units from one or more Funds on a continuous basis from time to time. For each Prescribed Number of Units issued, an ETF Dealer must deliver payment consisting of, either: (i) a group of securities or assets representing the constituents of the Fund (a "Basket of Securities") for each Prescribed Number of Units for which the subscription order has been accepted and cash, in an amount sufficient so that the value of the securities and cash received is equal to the aggregate net asset value of the Prescribed Number of Units next determined following the receipt of the subscription order; or (ii) cash only, securities other than Baskets of Securities or a combination of securities other than Baskets of Securities and cash, in an amount sufficient so that the value of the securities and cash received is equal to the aggregate net asset value of the Prescribed Number of Units next determined following the receipt of the subscription order. When you redeem ETF units of a Fund, you receive the proceeds of your sale in cash at a redemption price per unit equal to 95% of the closing trading price on the effective date of the cash redemption request, subject to a maximum redemption price of the applicable net asset value per unit. As unitholders will generally be able to sell ETF units at the market price on

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the TSX or another exchange or marketplace through a registered broker or dealer subject only to customary brokerage commissions.

7. DISTRIBUTIONS

The Fund intends to distribute net income and net realized capital gains, if any, to Unitholders at the end of each taxation year to ensure that the Fund is not liable for income tax under Part I of the Income Tax Act (Canada) (the "Act"), after taking into account any loss carry forwards and capital gains refunds. All annual distributions paid on Class A, Class F, Class I, and Class ETF units will be automatically reinvested in additional units.

8. TAXATION

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

Non-capital losses have expiry periods of up to 20 years and can be offset against future taxable income. Net capital losses can be carried forward indefinitely and offset against future taxable capital gains. For tax loss carry forward information, please refer to Note 12 in the Fund Specific Notes.

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

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

9. OPERATING EXPENSES

The Manager is responsible for the day-to-day operations of the Fund. The Fund pays its own operating expenses, other than advertising costs and costs of dealer compensation programs, which are paid by the Manager. Operating expenses include, but are not limited to, brokerage commissions and fees, taxes, audit and legal fees, fees of the members of the Independent Review Committee ("IRC"), costs and fees in connection with the operation of the IRC, safekeeping and custodial fees, interest

expenses, operating, administrative and systems costs, investor servicing costs and costs of financial and other reports to investors, as well as prospectuses, annual information forms and fund facts.

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

10. RELATED PARTY TRANSACTIONS

(a) Management Fees

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

Management Fee Distributions

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

(b) Performance Fees

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

The performance fee is equal to 20% of the amount by which the performance of the applicable class exceeds an annual hurdle rate of return equal to 2%, for each of the Class A units, Class F units, or Class ETF units, plus applicable taxes. The performance fee in respect of each of the Class A units, Class F units, and Class ETF units of the Fund on a particular Valuation Day shall be equal to the product of, (a) 20% of the positive difference between (i) the Unit Price on the Valuation Day; and (ii) the greatest Unit 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

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2021 (unaudited)

Unit Price, the High Water Mark and/or the Hurdle Amount per unit as are determined by the Manager to be necessary to account for the payment of any distributions on units, any unit splits or consolidations or any other event or matter that would, in the opinion of the Manager, impact upon the computation of the performance fee. Any such determination of the Manager shall, absent manifest error, be binding on all unitholders. Investors in Class I units may negotiate a different performance fee than the one described herein or no performance fee at all. Any performance fee for Class I units will be paid directly to the Manager. The Manager reserves the right, in its discretion, to discontinue, decrease or waive the performance fee at any time. For the period ended June 30, 2021, the Fund incurred performance fees of \$712,801 plus applicable taxes.

(c) Fund-on-Fund Fees and Expenses

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

**THINK AHEAD.
STAY AHEAD.**



PICTON MAHONEY ASSET MANAGEMENT CORPORATE INFORMATION

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