

FORTIFIED EQUITY 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 Equity 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 EQUITY 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*	90,610,773	59,867,251
Cash	7,266,884	3,795,942
Options purchased	15,479	78,924
Deposits with brokers for securities sold short	48,684	-
Due from Manager	13,290	38,270
Subscriptions receivable	131,861	-
Receivable for investments sold	186,399	168,288
Dividends receivable	53,623	44,955
	98,326,993	63,993,630
Liabilities		
Current liabilities		
Short positions at fair value**	3,044,579	2,261,107
Options written	1,935	27,948
Management fee payable	81,752	7,517
Performance fee payable	9,656	41,607
Redemptions payable	15,050	7,000
Accrued liabilities	90,164	65,672
Payable for investments purchased	285,300	257,366
Dividends payable	-	3,202
Distributions payable	-	1,725
	3,528,436	2,673,144
Net Assets Attributable to Holders of Redeemable Units	94,798,557	61,320,486
Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	3,312,863	2,964,762
Class F	25,346,074	5,333,749
Class FT	210,567	207,644
Class T	704,576	250,722
Class I	65,224,477	52,563,609
Number of Redeemable Units Outstanding		
Class A	210,932	209,427
Class F	1,542,463	360,762
Class FT	16,757	17,933
Class T	59,028	22,607
Class I	3,642,737	3,305,810
Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	15.71	14.16
Class F	16.43	14.78
Class FT	12.57	11.58
Class T	11.94	11.09
Class I	17.91	15.90
	73,813,975	44,689,811
	(2,774,812)	(2,177,079)

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	1,030	16,104
Dividends	672,904	524,265
Net realized gain (loss) on investments and options	7,749,561	1,858,930
Change in unrealized appreciation (depreciation) on investments and options	1,395,631	(1,642,229)
Interest and borrowing expense	(18,470)	(11,558)
Dividend expense	(19,371)	(23,426)
Net gains (losses) on investments and derivatives	9,781,285	722,086
Other income		
Securities lending income	6,891	13,835
Foreign currency gain (loss) on cash and other assets and liabilities	(338,382)	161,251
Total Income	9,449,794	897,172
Expenses		
Transaction costs	203,662	124,027
Management fees	118,456	53,984
Withholding taxes	80,669	49,266
Performance fees	80,008	-
Administrative fees	34,672	27,389
Harmonized sales tax	31,851	14,112
Legal fees	17,689	13,765
Securityholder reporting fees	16,765	15,830
Audit fees	7,607	5,638
Independent Review Committee Expense	3,779	3,458
Total Expense before Manager Absorption	595,158	307,469
Less: Expenses Absorbed by Manager	(13,290)	(23,710)
Total Expense after Manager Absorption	581,868	283,759
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	8,867,926	613,413
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	326,491	7,627
Class F	1,650,305	(115,949)
Class FT	22,049	7,057
Class T	33,319	1,230
Class I	6,835,762	713,448
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	1.56	0.03
Class F	1.38	(0.25)
Class FT	1.26	0.34
Class T	1.01	0.05
Class I	2.01	0.21

PICTON MAHONEY FORTIFIED EQUITY FUND

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

For the six month periods ended June 30 (unaudited)

	2021 \$	2020 \$		2021 \$	2020 \$
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period					
Class A	2,964,762	2,990,115	Redemption of redeemable units		
Class F	5,333,749	7,063,686	Class A	(120,534)	(478,039)
Class FT	207,644	353,219	Class F	(1,534,818)	(2,388,188)
Class T	250,722	221,685	Class FT	(14,480)	(174,166)
Class I	52,563,609	50,498,707	Class T	-	-
	<u>61,320,486</u>	<u>61,127,412</u>	Class I	-	(8,200,000)
				<u>(1,669,832)</u>	<u>(11,240,393)</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units			Net Increase (Decrease) from Redeemable Unit Transactions	<u>24,624,561</u>	<u>(9,753,856)</u>
Class A	326,491	7,627	Distributions to Holders of Redeemable Units		
Class F	1,650,305	(115,949)	Net investment income		
Class FT	22,049	7,057	Class A	-	-
Class T	33,319	1,230	Class F	-	-
Class I	6,835,762	713,448	Class FT	(4,951)	(4,698)
	<u>8,867,926</u>	<u>613,413</u>	Class T	(9,465)	(5,548)
			Class I	-	-
Redeemable Unit Transactions				<u>(14,416)</u>	<u>(10,246)</u>
Proceeds from redeemable units issued			Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>33,478,071</u>	<u>(9,150,689)</u>
Class A	142,144	50,474	Net Assets Attributable to Holders of Redeemable Units at End of Period		
Class F	19,896,838	250,597	Class A	3,312,863	2,570,177
Class FT	291	466	Class F	25,346,074	4,810,146
Class T	430,000	-	Class FT	210,567	181,878
Class I	5,825,106	1,185,000	Class T	704,576	217,367
	<u>26,294,379</u>	<u>1,486,537</u>	Class I	65,224,477	44,197,155
Reinvestments of distributions to holders of redeemable units			Net Assets Attributable to Holders of Redeemable Units at End of Period	<u>94,798,557</u>	<u>51,976,723</u>
Class A	-	-			
Class F	-	-			
Class FT	14	-			
Class T	-	-			
Class I	-	-			
	<u>14</u>	<u>-</u>			

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

PICTON MAHONEY FORTIFIED EQUITY FUND

STATEMENTS OF CASH FLOWS

For the six month periods ended June 30 (unaudited)

	2021 \$	2020 \$		2021 \$	2020 \$
Cash Flows from Operating Activities			Cash Flows from Financing Activities		
Increase (decrease) in net assets attributable to holders of redeemable units	8,867,926	613,413	Distributions to holders of redeemable units, net of reinvested distributions	(16,127)	(10,327)
Adjustments for:			Proceeds from redeemable units issued	26,151,078	1,462,885
Unrealized foreign exchange (gain) loss on cash	263,902	(297,404)	Amount paid on redemption of redeemable units	(1,650,342)	(11,216,741)
Net realized (gain) loss on investments and options	(7,749,561)	(1,858,930)	Net Cash Generated (Used) by Financing Activities	24,484,609	(9,764,183)
Change in unrealized (appreciation) depreciation on investments and options	(1,395,631)	1,642,229	Unrealized foreign exchange gain (loss) on cash	(263,902)	297,404
(Increase) decrease in due from manager	24,980	(23,710)	Net increase (decrease) in cash	3,734,844	(1,718,844)
(Increase) decrease in deposits with brokers for securities sold short	(48,684)	-	Cash, beginning of period	3,795,942	5,204,833
(Increase) decrease in dividends receivable	(8,668)	(15,414)	Cash, End of Period	7,266,884	3,783,393
Increase (decrease) in dividends payable	(3,202)	1,674	Cash	7,266,884	3,783,393
Increase (decrease) in other payables and accrued liabilities	98,727	16,877	Cash overdraft	-	-
Increase (decrease) in performance fee payable	(31,951)	-	Net Cash (Overdraft)	7,266,884	3,783,393
Purchase of long positions and repurchases of investments sold short	(73,446,795)	(50,577,693)	Items classified as operating activities:		
Proceeds from sales of long positions and on investments sold short	52,679,192	58,544,297	Interest received, net of withholding tax	1,030	16,104
Net Cash Generated (Used) by Operating Activities	(20,749,765)	8,045,339	Dividends received, net of withholding tax	583,582	461,157
			Interest and borrowing expense paid	(18,470)	(11,558)
			Dividends paid	(22,573)	(21,752)

Net of non-cash transfers and switches of \$11,440 (2020 - \$23,652)

PICTON MAHONEY FORTIFIED EQUITY 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 (95.6%)									
Canadian Equities (7.9%)									
Energy (1.2%)									
	31,300	MEG Energy Corp.	293,444	280,761		8,900	DuPont de Nemours Inc.	721,641	853,124
	30,000	Suncor Energy Inc.	739,505	890,700		14,500	Elanco Animal Health Inc.	599,428	622,870
			<u>1,032,949</u>	<u>1,171,461</u>		3,500	Eli Lilly & Co.	885,973	994,750
Materials (1.7%)									
	5,500	CCL Industries Inc.	297,080	375,485		8,900	Equitable Holdings Inc.	280,985	335,585
	34,400	First Quantum Minerals Ltd.	424,688	982,808		1,500	Estee Lauder Cos Inc.	453,583	590,817
	28,400	Hudbay Minerals Inc.	266,183	234,300		1,800	Evercore Inc.	313,370	313,767
			<u>987,951</u>	<u>1,592,593</u>		7,400	Exxon Mobil Corp.	563,017	578,028
Industrial (0.9%)									
	2,669	Thomson Reuters Corp.	173,507	328,634		3,900	Facebook Inc.	1,230,172	1,679,218
	3,500	WSP Global Inc.	477,883	506,450		5,500	First Industrial Realty Trust Inc.	327,053	355,720
			<u>651,390</u>	<u>835,084</u>		2,100	First Republic Bank/CA	439,641	486,722
Consumer Discretionary (0.4%)									
	3,300	Magna International Inc.	183,566	378,741		2,500	Flywire Corp.	72,690	113,738
Financials (3.7%)									
	9,000	Bank of Nova Scotia	664,127	725,580		12,300	Freeport-McMoRan Inc.	330,481	565,225
	55,000	Element Fleet Management Corp.	508,453	795,300		1,200	Gartner Inc.	280,799	359,899
	11,200	Home Capital Group Inc.	413,821	416,640		5,600	General Motors Co.	369,731	410,313
	9,600	iA Financial Corp. Inc.	612,990	647,904		6,200	Hilton Grand Vacations Inc.	213,380	317,770
	5,200	Intact Financial Corp.	833,296	875,732		2,300	Honeywell International Inc.	498,589	624,728
			<u>3,032,687</u>	<u>3,461,156</u>		28,500	Infinera Corp.	349,998	359,973
Total Canadian Equities - Long									
			5,888,543	7,439,035		5,500	JPMorgan Chase & Co.	837,464	1,059,327
Global Equities (87.7%)									
United States Equities (53.9%)									
	4,400	Abbott Laboratories	604,367	631,646		650	Lam Research Corp.	452,155	523,744
	1,300	Adobe Inc.	578,862	942,756		4,900	Lamb Weston Holdings Inc.	483,952	489,418
	2,200	Agilent Technologies Inc.	369,477	402,672		1,700	LHC Group Inc.	462,266	421,569
	805	Alphabet Inc., Class A	2,002,392	2,434,045		9,500	Marvell Technology Inc.	419,428	686,184
	595	Amazon.com Inc.	1,836,697	2,534,666		3,400	Mastercard Inc.	1,043,164	1,537,107
	12,300	Apple Inc.	1,066,026	2,086,047		2,940	Match Group Inc.	456,764	587,046
	6,900	Aramark	319,444	318,274		4,800	Micron Technology Inc.	503,568	505,107
	6,400	AZEK Co Inc.	340,157	336,500		9,700	Microsoft Corp.	1,760,284	3,253,913
	3,600	Blackstone Group Inc.	269,839	433,038		2,700	Monster Beverage Corp.	290,447	305,420
	900	Burlington Stores Inc.	196,391	358,848		11,000	Morgan Stanley	966,398	1,248,935
	2,900	Capital One Financial Corp.	295,100	555,502		1,100	Motorola Solutions Inc.	257,545	295,377
	3,200	CarMax Inc.	516,831	511,764		5,400	NCR Corp.	315,301	304,985
	3,500	Catalent Inc.	407,601	468,597		10,100	NextEra Energy Inc.	620,666	916,499
	1,350	Charles River Laboratories International Inc.	401,760	618,396		4,400	Norfolk Southern Corp.	1,108,019	1,446,089
	5,600	Charles Schwab Corp.	496,652	504,899		900	NVIDIA Corp.	455,484	891,686
	1,600	Constellation Brands Inc.	440,577	463,401		1,200	Old Dominion Freight Line Inc.	309,146	377,136
	3,000	CoStar Group Inc.	181,419	307,668		1,400	PayPal Holdings Inc.	230,562	505,315
	3,000	Crown Holdings Inc.	369,122	379,699		4,000	Procter & Gamble Co.	656,068	668,334
	2,900	Danaher Corp.	809,722	963,698		1,400	Reliance Steel & Aluminum Co.	219,532	261,603
	1,300	Deere & Co.	362,021	567,788		500	RingCentral Inc.	134,506	179,912
	3,200	DraftKings Inc.	73,556	206,726		5,800	Robert Half International Inc.	507,473	638,994
						8,200	Sabre Corp.	158,250	126,722
						860	ServiceNow Inc.	374,900	585,236
						1,200	Signature Bank/New York NY	360,686	365,026
						7,000	Simply Good Foods Co.	239,484	316,472
						7,000	Skechers USA Inc.	442,840	431,931
						8,000	Sprinklr Inc.	157,242	203,972
						1,100	Square Inc.	316,853	332,087
						815	SVB Financial Group	409,382	561,556
						1,000	Synopsys Inc.	176,997	341,510
						2,700	T-Mobile US Inc.	388,294	484,225
						990	Twilio Inc.	411,074	483,207
						800	Ulta Beauty Inc.	289,422	342,533
						1,000	United Rentals Inc.	283,969	395,029
						2,200	UnitedHealth Group Inc.	779,063	1,090,901
						660	Vertex Pharmaceuticals Inc.	155,311	164,788

PICTON MAHONEY FORTIFIED EQUITY 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 (\$)
	2,700	Walt Disney Co.	491,241	587,670		4,728	Hornbach Baumarkt AG	263,166	257,240
	17,500	Wells Fargo & Co.	797,822	981,444		9,000	IMI PLC	248,807	264,810
	10,258	WillScot Mobile Mini Holdings Corp.	206,075	354,018		30,000	ING Groep NV	409,008	490,771
	2,100	Zillow Group Inc.	282,371	317,824		14,100	International Game Technology PLC	336,120	418,342
			<u>39,080,012</u>	<u>51,158,728</u>		110,000	Intesa Sanpaolo SpA	356,492	376,294
						7,000	Intrum AB	281,196	283,897
						1,500	Ipsen SA	165,908	193,224
						1,900	Jazz Pharmaceuticals PLC	368,595	417,945
						4,600	Johnson Controls International plc	356,177	390,928
						6,500	Kambi Group PLC	435,376	400,558
						5,001	Koninklijke Philips NV	309,614	306,885
						15,000	Kumagai Gumi Co., Ltd.	541,063	468,587
						350	Lonza Group AG	303,358	307,487
						3,700	Medtronic PLC	543,253	568,727
						450	Nintendo Co., Ltd.	325,152	324,430
						5,500	NIO Inc.	271,052	362,326
						2,700	Novartis AG	319,111	304,987
						1,900	NXP Semiconductors NV	309,436	484,011
						50,000	OSB Group PLC	361,206	396,873
						160,000	Premier Foods PLC	224,926	299,981
						40,000	Redrow PLC	434,668	418,633
						25,000	Renesas Electronics Corp.	374,225	334,984
						72,500	Royal Mail PLC	500,331	716,108
						30,000	S4 Capital PLC	313,340	322,288
						20,000	Sanwa Holdings Corp.	313,607	304,359
						60,000	Septeni Holdings Co., Ltd.	323,981	327,342
						100,000	SITC International Holdings Co., Ltd.	446,395	517,429
						3,800	Sony Group Corp.	329,065	458,513
						7,000	STMicroelectronics NV	301,264	314,603
						110,000	Sylvania Platinum Ltd.	241,191	225,807
						2,000	Taiwan Semiconductor Manufacturing Co., Ltd.	312,335	297,588
						700	Tokyo Electron Ltd.	271,818	375,495
						90,000	Unipol Gruppo SpA	598,031	606,899
						11,000	Valor Holdings Co., Ltd.	329,556	277,850
						4,400	Vicat SA	218,050	263,301
						2,100	Volkswagen AG, Preferred	529,397	651,306
						16,000	Volvo AB	503,505	477,009
						40,000	Wacom Co., Ltd.	313,130	315,069
						5,500	Zenkoku Hoshoo Co., Ltd.	293,218	293,007
								<u>28,893,191</u>	<u>32,013,010</u>
							Total Global Equities - Long	67,973,203	83,171,738
							Options (0.0%)		
							Total Purchased Options - Refer to Appendix A	30,905	15,479
							Transaction Costs	(78,676)	-
							Total Long Positions	73,813,975	90,626,252

PICTON MAHONEY FORTIFIED EQUITY 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 (\$)
SHORT POSITIONS (-3.2%)					International Index Equivalents (-0.3%)				
Global Equities (-3.2%)					Options (0.0%)				
United States Equities (-2.9%)					Total Written Options - Refer to Appendix A Transaction Costs				
	(4,600)	Acushnet Holdings Corp.	(248,402)	(281,392)		(6,150)	Invesco Nasdaq Next Gen 100 ETF	(253,512)	(262,051)
	(950)	DoorDash Inc.	(161,097)	(209,784)			Total Global Equities - Short	(2,766,123)	(3,044,579)
	(3,600)	Duck Creek Technologies Inc.	(191,354)	(193,962)			Total Short Positions	(2,774,812)	(3,046,514)
	(1,770)	GATX Corp.	(190,867)	(193,907)			TOTAL INVESTMENT PORTFOLIO (92.4%)	71,039,163	87,579,738
	(3,400)	General Mills Inc.	(270,993)	(256,528)			Other Assets Net of Liabilities (7.6%)		7,218,819
	(1,790)	Lemonade Inc.	(228,994)	(242,513)			TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)		94,798,557
	(3,300)	Olo Inc.	(120,903)	(152,912)					
	(1,750)	PACCAR Inc.	(195,974)	(193,407)					
	(1,400)	Peloton Interactive Inc.	(162,231)	(215,003)					
	(1,500)	Thor Industries Inc.	(156,031)	(209,892)					
	(6,800)	Virtu Financial Inc.	(264,517)	(232,656)					
	(960)	Wingstop Inc.	(158,101)	(187,385)					
	(3,300)	ZoomInfo Technologies Inc.	(163,147)	(213,187)					
			(2,512,611)	(2,782,528)					

*CCY denotes local currency of debt security

APPENDIX A

OPTIONS (0.1%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
US Bond Futures	Put Option	100	\$156	July, 2021	30,905	15,479
Total Purchased Options					30,905	15,479
US Bond Futures	Written Put Option	(100)	\$150	July, 2021	(7,629)	(1,935)
Total Written Options					(7,629)	(1,935)

PICTON MAHONEY FORTIFIED EQUITY 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	90,610,773	-	-	90,610,773
Options - Long	15,479	-	-	15,479
Equities - Short	(3,044,579)	-	-	(3,044,579)
Options - Short	(1,935)	-	-	(1,935)
Total	87,579,738	-	-	87,579,738

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2020				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities - Long	59,867,251	-	-	59,867,251
Options - Long	78,924	-	-	78,924
Equities - Short	(2,261,107)	-	-	(2,261,107)
Options - Short	(27,948)	-	-	(27,948)
Total	57,657,120	-	-	57,657,120

2. SECURITIES LENDING TRANSACTIONS

The Fund has entered into a securities lending program with its custodian, RBC Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund will receive collateral of at least 102% of the value of the securities on loan. Collateral consists primarily of fixed income securities. As at June 30, 2021, there was \$6,275,186 (Collateral - \$6,400,701) of securities on loan (December 31, 2020 - \$3,278,202 (Collateral - \$3,343,773) of securities on loan).

Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which the Fund's custodian is entitled to receive. For the six month periods ended June 30, securities lending income were as follows:

	June 30, 2021 (\$)	June 30, 2020 (\$)
Gross securities lending income	10,601	21,284
Securities lending charges	(3,710)	(7,449)
Net securities lending income	6,891	13,835
Withholding taxes on securities lending income	(15)	(1,572)
Net securities lending income received by the Fund	6,876	12,263
Security lending charges percentage of gross securities lending income	35%	35%

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 25% S&P/TSX Composite Total Return Index; 50% MSCI World Index; and 25% FTSE TMX Canada 30-Day T-Bill Index were to increase or decrease by 10%, net assets would have increased or decreased by approximately \$10,028,850 (December 31, 2020 - \$6,230,587). 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.

PICTON MAHONEY FORTIFIED EQUITY FUND

FUND SPECIFIC NOTES (CONTINUED)

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	2,247,403	53,116,951	55,364,354	58.4%
European Euro	(9,765)	9,694,032	9,684,267	10.2%
Japanese Yen	7,576	6,188,350	6,195,926	6.5%
British Pound	66,669	4,840,407	4,907,076	5.2%
Australian Dollar	9,299	1,563,931	1,573,230	1.7%
Swedish Krona	56,302	1,161,464	1,217,766	1.3%
Norwegian Krone	8	1,165,483	1,165,491	1.2%
Swiss Franc	64,470	978,491	1,042,961	1.1%
Hong Kong Dollar	-	784,675	784,675	0.8%
South African Rand	10,773	-	10,773	0.0%
Mexican Peso	(3,766)	-	(3,766)	0.0%
Net Exposure	2,448,969	79,493,784	81,942,753	86.4%

FINANCIAL INSTRUMENTS				
December 31, 2020 Currency	Monetary \$	Non-Monetary \$	Total \$	Percentage of Net Assets %
United States Dollar	1,601,866	35,252,415	36,854,281	60.1%
European Euro	(19,146)	5,790,341	5,771,195	9.4%
British Pound	66,409	3,949,429	4,015,838	6.5%
Japanese Yen	(18,904)	3,306,203	3,287,299	5.4%
Australian Dollar	9,043	1,089,664	1,098,707	1.8%
Swiss Franc	69,361	872,085	941,446	1.5%
Swedish Krona	60,320	646,303	706,623	1.2%
Hong Kong Dollar	1,610	641,629	643,239	1.0%
Norwegian Krone	-	513,092	513,092	0.8%
Danish Krone	-	292,453	292,453	0.5%
Singapore Dollar	-	199,537	199,537	0.3%
South African Rand	10,774	-	10,774	0.0%
Mexican Peso	(3,764)	-	(3,764)	0.0%
Net Exposure	1,777,569	52,553,151	54,330,720	88.5%

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 \$4,097,138 (December 31, 2020 - \$2,716,536). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

The Fund may enter into forward currency contracts to manage currency risk.

5. INTEREST RATE RISK

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds. As at June 30, 2021 and December 31, 2020, the interest rate risk is minimal given that the majority of the financial instruments held by the Fund are non-interest bearing.

6. CREDIT RISK

Credit risk arises from investments in debt instruments. As of June 30, 2021 and December 31, 2020, the Fund had no direct investments in debt instruments. All cash is held with a financial institution with a minimum credit rating of A+.

PICTON MAHONEY FORTIFIED EQUITY 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, 2021 and December 31, 2020.

Jurisdiction	% of Net Assets	
	June 30, 2021	December 31, 2020
LONG POSITIONS	95.6%	97.7%
Canadian Equities	7.9%	7.0%
Financials	3.7%	2.3%
Materials	1.7%	1.8%
Energy	1.2%	1.1%
Industrial	0.9%	1.0%
Consumer Discretionary	0.4%	0.8%
Global Equities	87.7%	90.6%
United States Equities	53.9%	57.3%
International Equities	33.8%	33.3%
Derivatives	0.0%	0.1%
SHORT POSITIONS	-3.2%	-3.7%
Global Equities	-3.2%	-3.7%
United States Equities	-2.9%	-3.3%
International index equivalents	-0.3%	-0.4%
Derivatives	0.0%	0.0%

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, 2021	On Demand	< 3 months	> 3 months	Total
Financial Liabilities	\$	\$	\$	\$
Short positions	3,044,579	-	-	3,044,579
Redemptions payable	15,050	-	-	15,050
Accrued liabilities and other payables	-	466,872	-	466,872
Derivative liabilities	1,935	-	-	1,935
December 31, 2020	On Demand	< 3 months	> 3 months	Total
Financial Liabilities	\$	\$	\$	\$
Short positions	2,261,107	-	-	2,261,107
Distributions payable	1,725	-	-	1,725
Redemptions payable	7,000	-	-	7,000
Accrued liabilities and other payables	-	375,364	-	375,364
Derivative liabilities	27,948	-	-	27,948

PICTON MAHONEY FORTIFIED EQUITY FUND

FUND SPECIFIC NOTES (CONTINUED)

9. FUND UNIT TRANSACTIONS

For the six month periods ended June 30 (unaudited)

	2021					2020				
	Class A	Class F	Class FT	Class T	Class I	Class A	Class F	Class FT	Class T	Class I
Units issued and outstanding, beginning of period	209,427	360,762	17,933	22,607	3,305,810	247,188	557,764	34,327	22,607	3,804,794
Units issued	9,477	1,277,795	24	36,421	336,927	4,024	19,548	44	-	89,028
Units reinvested	-	-	1	-	-	-	-	-	-	-
Units redeemed	(7,972)	(96,094)	(1,201)	-	-	(40,093)	(201,939)	(16,437)	-	(619,160)
Units issued and outstanding, end of period	210,932	1,542,463	16,757	59,028	3,642,737	211,119	375,373	17,934	22,607	3,274,662
Weighted average number of units held during the period	209,528	1,198,469	17,462	33,094	3,398,328	225,826	470,325	20,709	22,607	3,396,404

10. COMMISSIONS

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

	2021	2020
Brokerage commissions	204	124
Soft Dollar commissions	25	14

11. TAX LOSS CARRY FORWARDS

As at December 31 (in \$000)

	2020
Net capital losses carry forward	587
Non-capital losses carry forward	-

PICTON MAHONEY FORTIFIED EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2021 (unaudited)

1. GENERAL INFORMATION

Picton Mahoney Fortified Equity Fund (the "Fund") is an open-ended mutual trust established under the laws of the Province of Ontario pursuant to a trust agreement dated October 21, 2015 (the "Trust Declaration"). The Fund commenced operations on October 29, 2015. 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.

On October 29, 2015, 15,001 Class A units of the Fund were issued to the Manager of the Fund, for cash consideration of CAD \$10.00 per unit.

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 FT, Class T and Class I units.

Class A units are available to all investors. Class F units are available to investors who are enrolled in a dealer sponsored fee for service or wrap program and who are subject to an annual asset based fee rather than commissions on each transaction or, at the discretion of the Manager, any other investor for whom the Manager does not incur distribution costs. Class FT 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 FT units are also designed to provide cash flow to investors by making monthly distributions of cash. Class T units are available to all investors and are designed to provide cash flow to investors by making monthly distributions of cash. Class I units are available to institutional investors or to other investors on a case-by-case basis, all at the discretion of the Manager.

As at June 30, 2021, the Fund currently has 5 Classes of Units: Class A, Class F, Class FT, Class T, and Class I.

The investment objective of the Fund is to achieve long-term capital appreciation by investing primarily in global equity securities while mitigating capital loss by engaging in hedging strategies for downside risk protection.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

(b) Classification

(i) Assets

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is

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

(ii) Liabilities

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

(c) Fair Value Measurements

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

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

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

(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

PICTON MAHONEY FORTIFIED EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2021 (unaudited)

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

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

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

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

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

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

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

Receivable for investments sold and payable for investments purchased

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

(e) Cash

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

(f) Investment Transactions and Income Recognition

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

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

(g) Valuation of Fund Units

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

The Fund's units are divided into the Class A, Class F, Class FT, Class T and Class I units. Each class is divided into units of equal value. When you invest in the Fund, you are purchasing units of a specific class of the Fund.

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

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

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.

PICTON MAHONEY FORTIFIED EQUITY FUND

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(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) IFRS 9, Financial Instruments

IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash

flow characteristics of the financial assets. A debt instrument is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

IFRS 9 has been applied by the Fund and did not result in a change to the classification or measurement of financial instruments. The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortized cost. There was no material impact on adoption from the application of the new impairment model.

(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. 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.

PICTON MAHONEY FORTIFIED EQUITY FUND

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

PICTON MAHONEY FORTIFIED EQUITY FUND

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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.

5. CAPITAL MANAGEMENT

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

6. REDEEMABLE UNIT TRANSACTIONS

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

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

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

IAS 32, Financial Instrument – Recognition and Measurement, requires that units of an entity that include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's units have been classified as financial liabilities. The Fund has multiple series of units that carry different

management fee rates and therefore do not have identical features. As all units are equally subordinate, the units also would not meet the requirements of IAS 32 and therefore do not meet the conditions to be classified as equity.

7. DISTRIBUTIONS

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

All annual distributions paid on Class A, Class F and Class I units will be automatically reinvested in additional units. For Class FT and Class T units, unitholders will receive a target monthly distribution at an initial rate of 5% per annum. The target rate of monthly distribution will be reset at the beginning of each calendar year to provide a target yield based on the net asset value per Class FT unit or Class T unit as at December 31 of the prior year. Throughout the year, such monthly distributions to unitholders will be composed of net income, net capital gains and/or a return of capital. All distributions on Class FT and Class T units will be paid 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.

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.

PICTON MAHONEY FORTIFIED EQUITY FUND

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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 2.00%, on Class F units is 1.00%, on Class FT units is 1.00%, and on Class T units is 2.00%. 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.

Effective August 20, 2019, the annual management fee payable by the Fund to the Manager on Class A units is 1.90%, on Class F units is 0.90%, on Class FT units is 0.90%, and on Class T units is 1.90%. Unitholders of Class I units pay a negotiated management fee based on the net asset value of the Class I units of a Fund you own directly to the Manager, which will not exceed 1.90%. This fee will be set out in an agreement between you and the Manager.

(b) Performance Fees

The Manager receives a performance fee payable in respect of each class of units of the Fund. The performance fee is equal to the daily net asset value of the class of units of the Fund during the calendar quarter multiplied by 20% of the amount by which the total return of the class of units exceeds the total percentage increase or decrease in the blended benchmark consisting of 25% S&P/TSX Composite Total Return Index; 50% MSCI World Index (net total return, in Canadian dollars); and 25% FTSE TMX Canada 30 Day T-Bill Index (the "Performance Fee Index") since the end of the period for which the last performance fee was paid. If at any time the total return of the class of units of the Fund is less than its Performance Fee Index, then no performance fee will be payable until the total return of the class of units of the Fund relative to its Performance Fee Index has exceeded the amount of the deficiency calculated on a percentage basis. Investors in Class I units may negotiate a different performance fee than the one described herein or no performance fee at all. Any performance fee for Class I units will be paid directly to the 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 \$80,008 plus applicable taxes.

(c) Fund of Fund Expenses

When a Top 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 Top Fund. The fees and expenses of the underlying fund will have an impact on the management expense ratio of a Top Fund that invests in such underlying fund as the Top Fund is required, in determining its management expense ratio, to take into account the expenses incurred by the Top Fund that are attributable to its investment in the underlying fund. However, the Top 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 Top 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, its affiliate or associate, 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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