

# FORTIFIED MULTI-ASSET FUND



**THINK AHEAD.  
STAY AHEAD.**



# TABLE OF CONTENTS

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

## MANAGEMENT'S RESPONSIBILITY STATEMENT

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The accompanying financial statements have been prepared by Picton Mahoney Asset Management, the Manager of the Picton Mahoney Fortified Multi-Asset 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 29, 2022

## NOTICE TO UNITHOLDERS

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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-ASSET FUND

## STATEMENTS OF FINANCIAL POSITION

As at June 30, 2022 (unaudited) and December 31, 2021

|   | June 30,<br>2022<br>\$ | December 31,<br>2021<br>\$ |
|---|------------------------|----------------------------|
| <b>Assets</b>   |                        |                            |
| <b>Current assets</b>   |                        |                            |
| Long positions at fair value*   | 154,721,393            | 192,093,931                |
| Cash  | 10,994,917             | 11,264,564                 |
| Options purchased   | 187,332                | 109,200                    |
| Unrealized gain on futures contracts                                    | 76,205                 | 115,406                    |
| Unrealized gain on foreign exchange forward contracts at fair value     | 122,639                | 1,806                      |
| Deposits with brokers for securities sold short                         | 207,459                | -                          |
| Due from Manager  | 1,950                  | 11,960                     |
| Subscriptions receivable  | 482,136                | 709,209                    |
| Dividends receivable  | -                      | 11,184                     |
| Distribution receivable   | 735,918                | -                          |
|   | <u>167,529,949</u>     | <u>204,317,260</u>         |
| <b>Liabilities</b>  |                        |                            |
| <b>Current liabilities</b>  |                        |                            |
| Options written   | 85,166                 | 33,498                     |
| Unrealized loss on futures contracts                                    | 215,783                | 147,716                    |
| Unrealized loss on foreign exchange forward contracts at fair value     | 10,735                 | 143,898                    |
| Management fee payable  | 573,029                | 157,491                    |
| Performance fee payable   | 390,234                | -                          |
| Accrued liabilities   | 165,798                | 140,231                    |
| Redemptions payable   | 191,099                | 34,834                     |
|   | <u>1,631,844</u>       | <u>657,668</u>             |
| <b>Net Assets Attributable to Holders of Redeemable Units</b>           | <u>165,898,105</u>     | <u>203,659,592</u>         |
| <b>Net Assets Attributable to Holders of Redeemable Units per Class</b> |                        |                            |
| Class A   | 47,921,588             | 52,965,898                 |
| Class F   | 97,143,203             | 126,843,943                |
| Class FT  | 19,417,591             | 22,091,600                 |
| Class T   | 1,403,481              | 1,744,504                  |
| Class I   | 12,242                 | 13,647                     |
| <b>Number of Units Redeemable Outstanding</b>                           |                        |                            |
| Class A   | 3,460,576              | 3,395,113                  |
| Class F   | 6,609,296              | 7,679,225                  |
| Class FT  | 1,818,114              | 1,791,976                  |
| Class T   | 140,051                | 150,449                    |
| Class I   | 758                    | 758                        |
| <b>Net Assets Attributable to Holders of Redeemable Units per Unit</b>  |                        |                            |
| Class A   | 13.85                  | 15.60                      |
| Class F   | 14.70                  | 16.52                      |
| Class FT  | 10.68                  | 12.33                      |
| Class T   | 10.02                  | 11.60                      |
| Class I   | 16.15                  | 18.00                      |
| * Long positions, at cost   | 150,815,386            | 162,290,989                |
| **Short positions, at cost  | (259,848)              | (30,149)                   |

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)

|  | 2022<br>\$          | 2021<br>\$       |
|--|---------------------|------------------|
| <b>Income</b>  |                     |                  |
| Net gains (losses) on investments and derivatives  |                     |                  |
| Distributions from underlying funds  | 1,696,381           | 878,505          |
| Net realized gain (loss) on investments and options  | 5,147,493           | 188,998          |
| Net realized gain (loss) on foreign exchange forward contracts and futures contracts   | (854,644)           | (143,251)        |
| Change in unrealized appreciation (depreciation) on investments, options, foreign exchange forward contracts and futures contracts | (25,493,911)        | 8,194,897        |
| Interest and borrowing expense   | (722)               | (960)            |
| Net gains (losses) on investments and derivatives  | <u>(19,505,403)</u> | <u>9,118,189</u> |
| <b>Other income</b>  |                     |                  |
| Securities lending income  | 21,058              | 5,252            |
| Foreign currency gain (loss) on cash and other assets and liabilities  | (20,653)            | (22,725)         |
| Total Income   | <u>(19,504,998)</u> | <u>9,100,716</u> |
| <b>Expenses</b>  |                     |                  |
| Management fees  | 1,098,773           | 764,743          |
| Performance fees   | 356,221             | 231,344          |
| Harmonized sales tax   | 167,814             | 122,528          |
| Administrative fees  | 72,848              | 49,005           |
| Transaction costs  | 57,278              | 31,044           |
| Securityholder reporting fees  | 54,753              | 54,630           |
| Legal fees   | 20,100              | 18,594           |
| Withholding taxes  | 16,556              | 1,441            |
| Audit fees   | 12,670              | 10,684           |
| Independent Review Committee Expense   | 4,344               | 3,779            |
| Total Expense before Manager Absorption  | <u>1,861,357</u>    | <u>1,287,792</u> |
| Less: Expenses Absorbed by Manager   | (23,530)            | (31,925)         |
| Total Expense after Manager Absorption   | <u>1,837,827</u>    | <u>1,255,867</u> |
| <b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>   | <u>(21,342,825)</u> | <u>7,844,849</u> |
| <b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class</b>                                     |                     |                  |
| Class A  | (6,004,504)         | 2,285,748        |
| Class F  | (12,700,240)        | 4,506,954        |
| Class FT   | (2,446,766)         | 971,673          |
| Class T  | (189,910)           | 79,564           |
| Class I  | (1,405)             | 910              |
| <b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit</b>                                      |                     |                  |
| Class A  | (1.75)              | 0.89             |
| Class F  | (1.75)              | 0.96             |
| Class FT   | (1.33)              | 0.75             |
| Class T  | (1.28)              | 0.69             |
| Class I  | (1.85)              | 1.20             |

# PICTON MAHONEY FORTIFIED MULTI-ASSET FUND

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

For the six month periods ended June 30 (unaudited)

|  | 2022<br>\$          | 2021<br>\$         |  | 2022<br>\$          | 2021<br>\$         |
|--|---------------------|--------------------|--|---------------------|--------------------|
| <b>Net Assets Attributable to Holders of Redeemable Units at Beginning of Period</b> |                     |                    | <b>Distributions to Holders of Redeemable Units</b>                                      |                     |                    |
| Class A  | 52,965,898          | 32,333,896         | Net investment income  |                     |                    |
| Class F  | 126,843,943         | 58,177,915         | Class A  | -                   | -                  |
| Class FT   | 22,091,600          | 12,741,280         | Class F  | -                   | -                  |
| Class T  | 1,744,504           | 1,182,182          | Class FT   | (568,724)           | (389,897)          |
| Class I  | 13,647              | 12,190             | Class T  | (42,519)            | (32,763)           |
|  | <u>203,659,592</u>  | <u>104,447,463</u> | Class I  | -                   | -                  |
|  |                     |                    |  | <u>(611,243)</u>    | <u>(422,660)</u>   |
| <b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b> |                     |                    | <b>Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b> |                     |                    |
| Class A  | (6,004,504)         | 2,285,748          |  | <u>(37,761,487)</u> | 44,022,372         |
| Class F  | (12,700,240)        | 4,506,954          | <b>Net Assets Attributable to Holders of Redeemable Units at End of Period</b>           |                     |                    |
| Class FT   | (2,446,766)         | 971,673            | Class A  | 47,921,588          | 42,493,788         |
| Class T  | (189,910)           | 79,564             | Class F  | 97,143,203          | 85,732,545         |
| Class I  | (1,405)             | 910                | Class FT   | 19,417,591          | 18,629,101         |
|  | <u>(21,342,825)</u> | <u>7,844,849</u>   | Class T  | 1,403,481           | 1,601,301          |
|  |                     |                    | Class I  | 12,242              | 13,100             |
| <b>Redeemable Unit Transactions</b>  |                     |                    | <b>Net Assets Attributable to Holders of Redeemable Units at End of Period</b>           |                     |                    |
| Proceeds from redeemable units issued  |                     |                    |  | <u>165,898,105</u>  | <u>148,469,835</u> |
| Class A  | 6,389,780           | 9,629,600          | <i>The accompanying notes are an integral part of the financial statements.</i>          |                     |                    |
| Class F  | 19,320,336          | 28,818,910         |  |                     |                    |
| Class FT   | 1,939,618           | 5,567,326          |  |                     |                    |
| Class T  | 32,884              | 375,725            |  |                     |                    |
| Class I  | -                   | -                  |  |                     |                    |
|  | <u>27,682,618</u>   | <u>44,391,561</u>  |  |                     |                    |
| Reinvestments of distributions to holders of redeemable units                        |                     |                    |  |                     |                    |
| Class A  | -                   | -                  |  |                     |                    |
| Class F  | -                   | -                  |  |                     |                    |
| Class FT   | 225,122             | 20,047             |  |                     |                    |
| Class T  | 3,199               | 967                |  |                     |                    |
| Class I  | -                   | -                  |  |                     |                    |
|  | <u>228,321</u>      | <u>21,014</u>      |  |                     |                    |
| Redemption of redeemable units   |                     |                    |  |                     |                    |
| Class A  | (5,429,586)         | (1,755,456)        |  |                     |                    |
| Class F  | (36,320,836)        | (5,771,234)        |  |                     |                    |
| Class FT   | (1,823,259)         | (281,328)          |  |                     |                    |
| Class T  | (144,677)           | (4,374)            |  |                     |                    |
| Class I  | -                   | -                  |  |                     |                    |
|  | <u>(43,718,358)</u> | <u>(7,812,392)</u> |  |                     |                    |
| <b>Net Increase (Decrease) from Redeemable Unit Transactions</b>                     |                     |                    |  |                     |                    |
|  | <u>(15,807,419)</u> | <u>36,600,183</u>  |  |                     |                    |

# PICTON MAHONEY FORTIFIED MULTI-ASSET FUND

## STATEMENTS OF CASH FLOWS

For the six month periods ended June 30 (unaudited)

|  | 2022<br>\$        | 2021<br>\$          |   | 2022<br>\$          | 2021<br>\$        |
|--|-------------------|---------------------|---|---------------------|-------------------|
| <b>Cash Flows from Operating Activities</b>  |                   |                     | <b>Cash Flows from Financing Activities</b>                                   |                     |                   |
| Increase (decrease) in net assets attributable to holders of redeemable units  | (21,342,825)      | 7,844,849           | Distributions to holders of redeemable units, net of reinvested distributions | (382,922)           | (401,948)         |
| Adjustments for:   |                   |                     | Proceeds from redeemable units issued   | 22,794,092          | 41,951,164        |
| Unrealized foreign exchange (gain) loss on cash  | 20,957            | (44,075)            | Amount paid on redemption of redeemable units                                 | (38,446,494)        | (5,624,433)       |
| Net realized (gain) loss on investments and options  | (5,147,493)       | (188,998)           | <b>Net Cash Generated (Used) by Financing Activities</b>                      | <b>(16,035,324)</b> | <b>35,924,783</b> |
| Change in unrealized (appreciation) depreciation on investments, options, foreign exchange forward contracts and futures contracts | 25,493,911        | (8,194,897)         | Unrealized foreign exchange gain (loss) on cash                               | (20,957)            | 44,075            |
| (Increase) decrease in due from manager  | 10,010            | 62,885              | Net increase (decrease) in cash   | (248,690)           | 1,619,494         |
| (Increase) decrease in dividends receivable  | 11,184            | 4,653               | Cash, beginning of period   | 11,264,564          | 2,798,737         |
| (Increase) decrease in deposits with brokers for securities sold short   | (207,459)         | 564,988             | <b>Cash, End of Period</b>  | <b>10,994,917</b>   | <b>4,462,306</b>  |
| (Increase) decrease in distribution receivable   | (735,918)         | (317,927)           | Cash  | 10,994,917          | 4,462,306         |
| Increase (decrease) in other payables and accrued liabilities  | 831,339           | 215,802             | Cash overdraft  | -                   | -                 |
| Purchase of long positions and repurchase of investments sold short  | (28,276,626)      | (36,700,582)        | <b>Net cash (overdraft)</b>   | <b>10,994,917</b>   | <b>4,462,306</b>  |
| Proceeds from sales of long positions and on investments sold short  | 45,129,554        | 2,448,013           | <b>Items classified as operating activities:</b>                              |                     |                   |
| <b>Net Cash Generated (Used) by Operating Activities</b>   | <b>15,786,634</b> | <b>(34,305,289)</b> | Interest and borrowing expense paid   | (722)               | (960)             |

*Net of non-cash transfers and switches of \$5,155,599 (2021 - \$2,430,343)*



# PICTON MAHONEY FORTIFIED MULTI-ASSET FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2022 (unaudited)

| No. of shares/<br>units/<br>CCY* | Face value | Security Description   | Average<br>cost<br>(\$) | Fair<br>value<br>(\$) | No. of shares/<br>units/<br>CCY*  | Face value | Security Description | Average<br>cost<br>(\$) | Fair<br>value<br>(\$) |
|----------------------------------|------------|--|-------------------------|-----------------------|---|------------|----------------------|-------------------------|-----------------------|
| <b>LONG POSITIONS (93.4%)</b>    |            |  |                         |                       | <b>Options (0.1%)</b>   |            |                      |                         |                       |
| <b>Canadian Equities (85.7%)</b> |            |  |                         |                       | <b>Total Purchased Options</b>  |            |                      |                         |                       |
| <b>Index Equivalents (5.5%)</b>  |            |  |                         |                       | <b>- Refer to Appendix A</b>  |            |                      |                         |                       |
| 3,919                            |            | 3iQ CoinShares Bitcoin ETF,<br>CAD   | 17,967                  | 15,794                | <b>Transaction Costs</b>  |            |                      |                         |                       |
| 4,000                            |            | Ether ETF  | 53,003                  | 18,600                | <b>Total Long Positions</b>   |            |                      |                         |                       |
| 144,425                          |            | iShares Core Canadian<br>Government Bond Index<br>ETF                              | 3,236,592               | 2,754,185             | <b>150,815,386 154,908,725</b>  |            |                      |                         |                       |
| 220,000                          |            | iShares S&P/TSX 60 Index ETF   | 7,116,670               | 6,382,199             | <b>SHORT POSITIONS (-0.1%)</b>  |            |                      |                         |                       |
|                                  |            |  | 10,424,232              | 9,170,778             | <b>Options (-0.1%)</b>  |            |                      |                         |                       |
| <b>Investment Funds (80.2%)</b>  |            |  |                         |                       | <b>Total Written Options -<br/>Refer to Appendix A</b>  |            |                      |                         |                       |
| 61,041                           |            | Picton Mahoney Fortified<br>Active Extension Alternative<br>Fund, Class I Units**  | 594,792                 | 954,167               | <b>Transaction Costs</b>  |            |                      |                         |                       |
| 4,209,939                        |            | Picton Mahoney Fortified<br>Equity Fund, Class I Units***                          | 58,281,643              | 63,879,927            | <b>Total Short Positions</b>  |            |                      |                         |                       |
| 4,443,951                        |            | Picton Mahoney Fortified<br>Income Fund, Class I<br>Units****                      | 54,633,241              | 52,795,472            | <b>(259,848) (85,166)</b>   |            |                      |                         |                       |
| 574,806                          |            | Picton Mahoney Fortified<br>Long Short Alternative<br>Fund, Class I Units*****     | 7,030,162               | 8,075,214             | <b>- -</b>  |            |                      |                         |                       |
| 503,239                          |            | Picton Mahoney Fortified<br>Market Neutral Alternative<br>Fund, Class I Units***** | 7,143,737               | 7,162,556             | <b>(259,848) (85,166)</b>   |            |                      |                         |                       |
|                                  |            |  | 127,683,575             | 132,867,336           | <b>Futures Contracts (-0.1%)</b>  |            |                      |                         |                       |
|                                  |            | <b>Total Canadian<br/>Equities - Long</b>  | <b>138,107,807</b>      | <b>142,038,114</b>    | <b>Total Futures Contracts -<br/>Refer to Appendix B</b>  |            |                      |                         |                       |
|                                  |            |  |                         |                       | <b>Refer to Appendix B</b>  |            |                      |                         |                       |
|                                  |            |  |                         |                       | <b>(139,578)</b>  |            |                      |                         |                       |
|                                  |            |  |                         |                       | <b>Foreign Currency Forward Contracts (0.1%)</b>  |            |                      |                         |                       |
|                                  |            |  |                         |                       | <b>Total Currency Hedge -<br/>Refer to Appendix C</b>   |            |                      |                         |                       |
|                                  |            |  |                         |                       | <b>111,904</b>  |            |                      |                         |                       |
|                                  |            |  |                         |                       | <b>TOTAL INVESTMENT<br/>PORTFOLIO (93.3%)</b>   |            |                      |                         |                       |
|                                  |            |  |                         |                       | <b>150,555,538 154,795,885</b>  |            |                      |                         |                       |
|                                  |            |  |                         |                       | <b>Other Assets Net of<br/>Liabilities (6.7%)</b>   |            |                      |                         |                       |
|                                  |            |  |                         |                       | <b>11,102,220</b>   |            |                      |                         |                       |
|                                  |            |  |                         |                       | <b>TOTAL NET ASSETS<br/>ATTRIBUTABLE<br/>TO HOLDERS OF<br/>REDEEMABLE UNITS<br/>(100.0%)</b>  |            |                      |                         |                       |
|                                  |            |  |                         |                       | <b>165,898,105</b>  |            |                      |                         |                       |
|                                  |            |  |                         |                       | <b>Global Equities (7.6%)</b>   |            |                      |                         |                       |
|                                  |            |  |                         |                       | <b>International Index Equivalents (7.6%)</b>   |            |                      |                         |                       |
| 11,600                           |            | db X-trackers Harvest CSI<br>300 China A-Shares ETF                                | 561,161                 | 511,303               | <b>*CCY denotes local currency of debt security</b>   |            |                      |                         |                       |
| 82,200                           |            | Invesco DB Agriculture Fund  | 1,806,889               | 2,160,981             | <b>**The Picton Mahoney Fortified Multi-Asset Fund holds 1.80% of the net assets of<br/>Picton Mahoney Fortified Active Extension Alternative Fund. Picton Mahoney Asset<br/>Management acts as the trustee and manager for all of the funds listed above.</b>  |            |                      |                         |                       |
| 86,100                           |            | Invesco DB Base Metals Fund  | 2,185,283               | 2,156,887             | <b>***The Picton Mahoney Fortified Multi-Asset Fund holds 72.84% of the net assets of<br/>Picton Mahoney Fortified Equity Fund. Picton Mahoney Asset Management acts as<br/>the trustee and manager for all of the funds listed above.</b>                      |            |                      |                         |                       |
| 64,100                           |            | Invesco DB Energy Fund   | 1,255,040               | 2,163,898             | <b>****The Picton Mahoney Fortified Multi-Asset Fund holds 7.99% of the net assets of<br/>Picton Mahoney Fortified Income Fund. Picton Mahoney Asset Management acts as<br/>the trustee and manager for all of the funds listed above.</b>                      |            |                      |                         |                       |
| 10,000                           |            | iShares 20+ Year Treasury<br>Bond ETF  | 1,919,033               | 1,481,773             | <b>*****The Picton Mahoney Fortified Multi-Asset Fund holds 3.22% of the net assets<br/>of Picton Mahoney Fortified Long Short Alternative Fund. Picton Mahoney Asset<br/>Management acts as the trustee and manager for all of the funds listed above.</b>     |            |                      |                         |                       |
| 18,370                           |            | iShares 7-10 Year Treasury<br>Bond ETF   | 2,716,682               | 2,424,152             | <b>*****The Picton Mahoney Fortified Multi-Asset Fund holds 0.89% of the net assets<br/>of Picton Mahoney Fortified Market Neutral Alternative Fund. Picton Mahoney Asset<br/>Management acts as the trustee and manager for all of the funds listed above.</b> |            |                      |                         |                       |
| 11,300                           |            | iShares MSCI Brazil Capped<br>ETF  | 467,048                 | 399,251               |   |            |                      |                         |                       |
| 9,200                            |            | iShares MSCI India ETF   | 501,970                 | 467,346               |   |            |                      |                         |                       |
| 7,700                            |            | iShares MSCI Mexico<br>Capped ETF  | 445,298                 | 462,763               |   |            |                      |                         |                       |
| 8,300                            |            | iShares MSCI South Africa ETF  | 509,414                 | 454,925               |   |            |                      |                         |                       |
|                                  |            |  | 12,367,818              | 12,683,279            |   |            |                      |                         |                       |
|                                  |            | <b>Total Global<br/>Equities - Long</b>  | <b>12,367,818</b>       | <b>12,683,279</b>     |   |            |                      |                         |                       |

# PICTON MAHONEY FORTIFIED MULTI-ASSET FUND

## APPENDIX A

### OPTIONS (0.0%)

| Issuer                         | Option Type         | Number of Options | Strike \$ | Expiry          | Average Cost \$         | Fair Value \$          |
|--------------------------------|---------------------|-------------------|-----------|-----------------|-------------------------|------------------------|
| Chicago Board Options Exchange | Call Option         | 150               | \$35      | July, 2022      | 25,735                  | 28,056                 |
| Invesco QQQ Trust              | Call Option         | 30                | \$293     | July, 2022      | 14,556                  | 3,773                  |
| Invesco QQQ Trust              | Call Option         | 30                | \$320     | July, 2022      | 912                     | 135                    |
| S&P 500 Index 3Wk              | Call Option         | 14                | \$3,820   | July, 2022      | 116,957                 | 64,202                 |
| S&P 500 Index 3Wk              | Call Option         | 14                | \$3,955   | July, 2022      | 37,806                  | 8,759                  |
| S&P 500 Index 3Wk              | Call Option         | 8                 | \$4,425   | July, 2022      | 60,938                  | 129                    |
| S&P 500 Index 3Wk              | Call Option         | 7                 | \$4,480   | September, 2022 | 9,806                   | 6,772                  |
| S&P 500 Index 3Wk              | Call Option         | 8                 | \$4,600   | August, 2022    | 16,482                  | 851                    |
|                                |                     |                   |           |                 | <u>283,192</u>          | <u>112,677</u>         |
| C\$ Curr. 9 am.                | Put Option          | 64                | \$76      | July, 2022      | 12,487                  | 2,064                  |
| iShares MSCI EAFE ETF          | Put Option          | 165               | \$60      | July, 2022      | 14,518                  | 13,728                 |
| iShares MSCI Taiwan            | Put Option          | 210               | \$52      | July, 2022      | 17,531                  | 53,502                 |
| US 10Y Note Futures            | Put Option          | 38                | \$115     | July, 2022      | 16,894                  | 5,361                  |
|                                |                     |                   |           |                 | <u>61,430</u>           | <u>74,655</u>          |
| <b>Total Purchased Options</b> |                     |                   |           |                 | <b><u>344,622</u></b>   | <b><u>187,332</u></b>  |
| Chicago Board Options Exchange | Written Call Option | (145)             | \$40      | July, 2022      | (15,493)                | (16,553)               |
| Invesco QQQ Trust              | Written Call Option | (60)              | \$310     | July, 2022      | (5,318)                 | (813)                  |
| Invesco QQQ Trust              | Written Call Option | (30)              | \$325     | July, 2022      | (524)                   | (97)                   |
| S&P 500 Index 3Wk              | Written Call Option | (28)              | \$3,900   | July, 2022      | (124,867)               | (43,523)               |
| S&P 500 Index 3Wk              | Written Call Option | (14)              | \$4,035   | July, 2022      | (16,409)                | (2,212)                |
| S&P 500 Index 3Wk              | Written Call Option | (16)              | \$4,575   | July, 2022      | (48,684)                | (172)                  |
| S&P 500 Index 3Wk              | Written Call Option | (14)              | \$4,600   | September, 2022 | (10,011)                | (7,043)                |
| S&P 500 Index 3Wk              | Written Call Option | (16)              | \$4,750   | August, 2022    | (11,696)                | (774)                  |
|                                |                     |                   |           |                 | <u>(233,002)</u>        | <u>(71,187)</u>        |
| C\$ Curr. 9 am.                | Written Put Option  | (64)              | \$75      | July, 2022      | (5,767)                 | (413)                  |
| iShares MSCI EAFE ETF          | Written Put Option  | (165)             | \$56      | July, 2022      | (4,163)                 | (2,464)                |
| iShares MSCI Taiwan            | Written Put Option  | (210)             | \$47      | July, 2022      | (6,972)                 | (8,804)                |
| US 10Y Note Futures            | Written Put Option  | (38)              | \$114     | July, 2022      | (9,944)                 | (2,298)                |
|                                |                     |                   |           |                 | <u>(26,846)</u>         | <u>(13,979)</u>        |
| <b>Total Written Options</b>   |                     |                   |           |                 | <b><u>(259,848)</u></b> | <b><u>(85,166)</u></b> |

## APPENDIX B

### FUTURES CONTRACTS (-0.1%)

| Issuer   | Number of Contracts | Fair Value (C\$) | Contracted Value (C\$) | Unrealized Gain/Loss    |
|--|---------------------|------------------|------------------------|-------------------------|
| CBOE VIX Index Futures, July 2022              | 41                  | 1,510,601        | 1,441,718              | 68,883                  |
| CBOE VIX Index Futures, December 2022          | (3)                 | (111,482)        | (118,804)              | 7,322                   |
|  |                     |                  |                        | <u>76,205</u>           |
| CBOT US 10 Year T-Note Futures, September 2022 | 10                  | 1,528,994        | 1,547,940              | (18,946)                |
| CBOT US 5 Year T-Note Futures, September 2022  | 27                  | 3,909,516        | 3,942,168              | (32,652)                |
| Canada 10 Year Bond Futures, September 2022    | 10                  | 1,239,900        | 1,278,400              | (38,500)                |
| Gold 100-oz Futures, December 2022             | 14                  | 3,300,337        | 3,426,022              | (125,685)               |
|  |                     |                  |                        | <u>(215,783)</u>        |
| <b>Total Futures Contracts</b>                 |                     |                  |                        | <b><u>(139,578)</u></b> |

## APPENDIX C

### FOREIGN EXCHANGE FORWARD CONTRACTS (0.1%)

| Purchased Currency  | Sold Currency    | Forward Rate | Maturity Date | Fair Value (\$)        | Counterparty                       | Credit Rating |
|---|------------------|--------------|---------------|------------------------|------------------------------------|---------------|
| CAD \$13,278,336  | USD \$10,201,000 | 1.30167      | 2022-08-11    | 119,644                | Canadian Imperial Bank of Commerce | A-1           |
| USD \$668,000   | CAD \$858,661    | 0.77796      | 2022-08-11    | 2,995                  | Canadian Imperial Bank of Commerce | A-1           |
| <b>Unrealized gain on foreign exchange forward contracts at fair value</b>            |                  |              |               | <b><u>122,639</u></b>  |                                    |               |
| USD \$750,000   | CAD \$969,713    | 0.77343      | 2022-08-11    | (2,272)                | Canadian Imperial Bank of Commerce | A-1           |
| USD \$701,000   | CAD \$912,713    | 0.76804      | 2022-08-11    | (8,463)                | Canadian Imperial Bank of Commerce | A-1           |
| <b>Unrealized loss on foreign exchange forward contracts at fair value</b>            |                  |              |               | <b><u>(10,735)</u></b> |                                    |               |
| <b>Net unrealized gain (loss) on foreign exchange forward contracts at fair value</b> |                  |              |               | <b><u>111,904</u></b>  |                                    |               |

# PICTON MAHONEY FORTIFIED MULTI-ASSET FUND

## FUND SPECIFIC NOTES

As at June 30, 2022 (unaudited)

### 1. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table illustrates the classifications of the Fund's financial instruments within the fair value hierarchy as at June 30, 2022 and December 31, 2021.

| ASSETS (LIABILITIES) AT FAIR VALUE AS AT JUNE 30, 2022 |                    |                |               |                    |
|--|--------------------|----------------|---------------|--------------------|
|  | Level 1<br>\$      | Level 2<br>\$  | Level 3<br>\$ | Total<br>\$        |
| Mutual Funds - Long                                    | 132,867,336        | -              | -             | 132,867,336        |
| Exchange Traded Funds - Long                           | 21,854,057         | -              | -             | 21,854,057         |
| Options - Long   | 187,332            | -              | -             | 187,332            |
| Futures Contracts - Long                               | 76,205             | -              | -             | 76,205             |
| Forward Contracts - Long                               | -                  | 122,639        | -             | 122,639            |
| Options - Short  | (85,166)           | -              | -             | (85,166)           |
| Futures Contracts - Short                              | (215,783)          | -              | -             | (215,783)          |
| Forward Contracts - Short                              | -                  | (10,735)       | -             | (10,735)           |
| <b>Total</b>   | <b>154,683,981</b> | <b>111,904</b> | <b>-</b>      | <b>154,795,885</b> |

| ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2021 |                    |                  |               |                    |
|--|--------------------|------------------|---------------|--------------------|
|  | Level 1<br>\$      | Level 2<br>\$    | Level 3<br>\$ | Total<br>\$        |
| Mutual Funds - Long  | 171,028,986        | -                | -             | 171,028,986        |
| Exchange Traded Funds - Long                               | 21,064,945         | -                | -             | 21,064,945         |
| Options - Long   | 109,200            | -                | -             | 109,200            |
| Futures Contracts - Long                                   | 115,406            | -                | -             | 115,406            |
| Forward Contracts - Long                                   | -                  | 1,806            | -             | 1,806              |
| Options - Short  | (33,498)           | -                | -             | (33,498)           |
| Futures Contracts - Short                                  | (147,716)          | -                | -             | (147,716)          |
| Forward Contracts - Short                                  | -                  | (143,898)        | -             | (143,898)          |
| <b>Total</b>   | <b>192,137,323</b> | <b>(142,092)</b> | <b>-</b>      | <b>191,995,231</b> |

### 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<br>\$ |
|---|---------------------------------------|--------------------------------|-----------------------------------|-----------|
|   | Gross Assets /<br>(Liabilities)<br>\$ | Financial<br>Instruments<br>\$ | Collateral<br>received/paid<br>\$ |           |
| <b>June 30, 2022</b>  |                                       |                                |                                   |           |
| Derivative assets - Foreign exchange forward contracts      | 122,639                               | (10,735)                       | -                                 | 111,904   |
| Derivative liabilities - Foreign exchange forward contracts | (10,735)                              | 10,735                         | -                                 | -         |
| <b>December 31, 2021</b>                                    |                                       |                                |                                   |           |
| Derivative assets - Foreign exchange forward contracts      | 1,806                                 | (1,806)                        | -                                 | -         |
| Derivative liabilities - Foreign exchange forward contracts | (143,898)                             | 1,806                          | -                                 | (142,092) |

# PICTON MAHONEY FORTIFIED MULTI-ASSET FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 3. 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, 2022, there was \$6,198,566 (Collateral - \$6,322,540) of securities on loan (December 31, 2021 - \$5,584,221 (Collateral - \$5,695,910) 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, 2022 (\$) | June 30, 2021 (\$) |
|--|--------------------|--------------------|
| Gross securities lending income  | 32,397             | 8,080              |
| Securities lending charges   | (11,339)           | (2,828)            |
| <b>Net securities lending income</b>                                   | <b>21,058</b>      | <b>5,252</b>       |
| Withholding taxes on securities lending income                         | (3,617)            | (1,441)            |
| <b>Net securities lending income received by the Fund</b>              | <b>17,441</b>      | <b>3,811</b>       |
| Security lending charges percentage of gross securities lending income | 35%                | 35%                |

### 4. OTHER PRICE RISK

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Fund moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. The Fund's investments are susceptible to other price risk arising from uncertainties about future prices of the instruments.

Using Beta as a measure of the relationship of the Fund's performance versus its index, if the blended index consisting 15% S&P/TSX Composite Total Return Index; 30% MSCI World Index (net total return, in Canadian dollars); 10% FTSE TMX Canada 30 Day T-Bill Index; 25% BofA Merrill Lynch Global High Yield Index (hedged to Canadian dollars); 5% BofA Merrill Lynch Global Corporate Index (hedged to Canadian dollars); and 15% BofA Merrill Lynch G7 Global Government Index (hedged to Canadian dollars) were to increase or decrease by 10%, net assets would have increased or decreased by approximately \$18,066,493 (December 31, 2021 - \$22,002,818). 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 MULTI-ASSET FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 5. CURRENCY RISK

Currency risk arises from financial instruments that are denominated in a currency other than Canadian dollar, which is the Fund's functional currency. The Fund is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates.

Foreign currencies to which the Fund had exposure as at June 30, 2022 and December 31, 2021 were as follows:

| FINANCIAL INSTRUMENTS     |                |                    |                                     |                  |                                  |
|---------------------------|----------------|--------------------|-------------------------------------|------------------|----------------------------------|
| June 30, 2022<br>Currency | Monetary<br>\$ | Non-Monetary<br>\$ | Forward Currency<br>Contracts<br>\$ | Total<br>\$      | Percentage<br>of Net Assets<br>% |
| United States Dollar      | 515,274        | 12,683,278         | (10,425,376)                        | 2,773,176        | 1.7%                             |
| <b>Net Exposure</b>       | <b>515,274</b> | <b>12,683,278</b>  | <b>(10,425,376)</b>                 | <b>2,773,176</b> | <b>1.7%</b>                      |

| FINANCIAL INSTRUMENTS         |                |                    |                                      |                  |                                  |
|-------------------------------|----------------|--------------------|--------------------------------------|------------------|----------------------------------|
| December 31, 2021<br>Currency | Monetary<br>\$ | Non-Monetary<br>\$ | Forwards Currency<br>Contracts<br>\$ | Total<br>\$      | Percentage<br>of Net Assets<br>% |
| United States Dollar          | 89,438         | 16,661,478         | (12,282,871)                         | 4,468,045        | 2.2%                             |
| <b>Net Exposure</b>           | <b>89,438</b>  | <b>16,661,478</b>  | <b>(12,282,871)</b>                  | <b>4,468,045</b> | <b>2.2%</b>                      |

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 \$138,659 (December 31, 2021 - \$223,402). 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.

### 6. INTEREST RATE RISK

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds. As at June 30, 2022 and December 31, 2021, the Fund did not have significant exposure to interest rate risk.

### 7. CREDIT RISK

Credit risk arises from investments in debt instruments. As at June 30, 2022 and December 31, 2021, the Fund had no direct investments in debt instruments. All counterparties to derivative contracts had a rating of A- or higher. All cash is held with a financial institution with a minimum credit rating of A+.

# PICTON MAHONEY FORTIFIED MULTI-ASSET FUND

## FUND SPECIFIC NOTES (CONTINUED)

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

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

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

| June 30, 2022              |                           |                 |  |
|----------------------------|---------------------------|-----------------|--|
| Strategy                   | Underlying risk exposures | Number of Funds | Impact on net assets based on 5% increase or decrease \$ |
| Canadian Equity            | P                         | 5               | 1,283,617  |
| US Equity                  | P                         | 5               | 1,985,242  |
| International Equity       | P                         | 4               | 831,107  |
| Canadian Fixed Income      | C,I                       | 1               | 949,461  |
| US Fixed Income            | C,F,I                     | 3               | 1,597,670  |
| International Fixed Income | C,F,I                     | 1               | (3,731)  |
| <b>Total</b>               |                           |                 | <b>6,643,366</b>   |

| December 31, 2021          |                           |                 |  |
|----------------------------|---------------------------|-----------------|--|
| Strategy                   | Underlying risk exposures | Number of Funds | Impact on net assets based on 5% increase or decrease \$ |
| Canadian Equity            | P                         | 7               | 1,529,459  |
| US Equity                  | P                         | 7               | 2,715,374  |
| International Equity       | P                         | 5               | 1,322,993  |
| Canadian Fixed Income      | C,I                       | 1               | 899,311  |
| US Fixed Income            | C,F,I                     | 4               | 2,073,086  |
| International Fixed Income | C,F,I                     | 2               | 7,260  |
| <b>Total</b>               |                           |                 | <b>8,547,483</b>   |

### 9. 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, 2022 and December 31, 2021.

| Jurisdiction                    | % of Net Assets |                   |
|---------------------------------|-----------------|-------------------|
|                                 | June 30, 2022   | December 31, 2021 |
| <b>LONG POSITIONS</b>           | <b>93.3%</b>    | <b>94.3%</b>      |
| <b>Canadian Equities</b>        | <b>85.7%</b>    | <b>86.1%</b>      |
| Investment Funds                | 5.5%            | 83.9%             |
| Index Equivalents               | 80.2%           | 2.2%              |
| <b>Global Equities</b>          | <b>7.6%</b>     | <b>8.2%</b>       |
| International Index Equivalents | 7.6%            | 8.2%              |

# PICTON MAHONEY FORTIFIED MULTI-ASSET FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 10. LIQUIDITY RISK

The table below categorizes the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Amounts due to holders of redeemable units are disclosed as net assets attributable to holders of redeemable units on the statement of financial position and are due on demand.

| June 30, 2022<br>Financial Liabilities | On Demand<br>\$ | < 3 months<br>\$ | > 3 months<br>\$ | Total<br>\$ |
|--|-----------------|------------------|------------------|-------------|
| Redemptions payable                    | 191,099         | -                | -                | 191,099     |
| Accrued liabilities and other payables | -               | 1,129,061        | -                | 1,129,061   |
| Derivative liabilities                 | 311,684         | -                | -                | 311,684     |

| December 31, 2021<br>Financial Liabilities | On Demand<br>\$ | < 3 months<br>\$ | > 3 months<br>\$ | Total<br>\$ |
|--|-----------------|------------------|------------------|-------------|
| Redemptions payable                        | 34,834          | -                | -                | 34,834      |
| Accrued liabilities and other payables     | -               | 297,722          | -                | 297,722     |
| Derivative liabilities                     | 325,112         | -                | -                | 325,112     |

### 11. FUND UNIT TRANSACTIONS

For the six month periods ended June 30 (unaudited)

|  | 2022             |                  |                  |                |            | 2021             |                  |                  |                |            |
|--|------------------|------------------|------------------|----------------|------------|------------------|------------------|------------------|----------------|------------|
|  | Class A          | Class F          | Class FT         | Class T        | Class I    | Class A          | Class F          | Class FT         | Class T        | Class I    |
| Units issued and outstanding,<br>beginning of period               | 3,395,113        | 7,679,225        | 1,791,976        | 150,449        | 758        | 2,271,926        | 3,890,972        | 1,088,282        | 106,519        | 758        |
| Units issued   | 429,957          | 1,234,617        | 164,683          | 2,899          | -          | 653,916          | 1,860,680        | 463,112          | 32,768         | -          |
| Units reinvested   | -                | -                | 19,668           | 297            | -          | -                | -                | 1,650            | 84             | -          |
| Units redeemed   | (364,494)        | (2,304,546)      | (158,213)        | (13,594)       | -          | (118,420)        | (371,859)        | (23,476)         | (381)          | -          |
| <b>Units issued and outstanding,<br/>end of period</b>             | <b>3,460,576</b> | <b>6,609,296</b> | <b>1,818,114</b> | <b>140,051</b> | <b>758</b> | <b>2,807,422</b> | <b>5,379,793</b> | <b>1,529,568</b> | <b>138,990</b> | <b>758</b> |
| <b>Weighted average number of<br/>units held during the period</b> | <b>3,421,454</b> | <b>7,249,818</b> | <b>1,841,417</b> | <b>147,857</b> | <b>758</b> | <b>2,571,735</b> | <b>4,703,617</b> | <b>1,298,371</b> | <b>115,889</b> | <b>758</b> |

### 12. COMMISSIONS

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

|                         | 2022 | 2021 |
|-------------------------|------|------|
| Brokerage commissions   | 57   | 31   |
| Soft Dollar commissions | -    | -    |

### 13. TAX LOSS CARRY FORWARDS

As at December 31 (in \$000)

|                                  | 2021 |
|----------------------------------|------|
| Net capital losses carry forward | 49   |
| Non capital losses carry forward | -    |



# PICTON MAHONEY FORTIFIED MULTI-ASSET FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 14. STRUCTURED ENTITIES

The table below illustrates the Fund's investment in the underlying funds as at June 30, 2022 and December 31, 2021.

| Underlying Funds   | Fair Value of Fund's Investment (in \$000s) | Underlying Fund's Net Assets (in \$000s) | % of Net Assets of the Underlying Fund |
|--|---|--|--|
| <b>As at June 30, 2022</b>                                 |   |  |  |
| 3iQ CoinShares Bitcoin ETF, CAD                            | 16  | 306,891                                  | 0.0%                                   |
| Ether ETF  | 19  | 27,174                                   | 0.1%                                   |
| iShares Core Canadian Government Bond Index ETF            | 2,754                                       | 488,448                                  | 0.6%                                   |
| iShares S&P/TSX 60 Index ETF                               | 6,382                                       | 10,838,880                               | 0.1%                                   |
| db X-trackers Harvest CSI 300 China A-Shares ETF           | 511   | 3,767,197                                | 0.0%                                   |
| Invesco DB Agriculture Fund                                | 2,161                                       | 2,350,489                                | 0.1%                                   |
| Invesco DB Base Metals Fund                                | 2,157                                       | 494,949                                  | 0.4%                                   |
| Invesco DB Energy Fund                                     | 2,164                                       | 363,809                                  | 0.6%                                   |
| iShares 20+ Year Treasury Bond ETF                         | 1,482                                       | 26,067,834                               | 0.0%                                   |
| iShares 7-10 Year Treasury Bond ETF                        | 2,424                                       | 25,256,331                               | 0.0%                                   |
| iShares MSCI Brazil Capped ETF                             | 399   | 6,250,961                                | 0.0%                                   |
| iShares MSCI India ETF                                     | 467   | 5,115,849                                | 0.0%                                   |
| iShares MSCI Mexico Capped ETF                             | 463   | 1,055,483                                | 0.0%                                   |
| iShares MSCI South Africa ETF                              | 455   | 399,260                                  | 0.1%                                   |
| Picton Mahoney Fortified Active Extension Alternative Fund | 954   | 53,057                                   | 1.8%                                   |
| Picton Mahoney Fortified Equity Fund                       | 63,880                                      | 87,700                                   | 72.8%                                  |
| Picton Mahoney Fortified Income Fund                       | 52,795                                      | 660,787                                  | 8.0%                                   |
| Picton Mahoney Fortified Long Short Alternative Fund       | 8,075                                       | 251,098                                  | 3.2%                                   |
| Picton Mahoney Fortified Market Neutral Alternative Fund   | 7,163                                       | 809,323                                  | 0.9%                                   |

| Underlying Funds   | Fair Value of Fund's Investment (in \$000s) | Underlying Fund's Net Assets (in \$000s) | % of Net Assets of the Underlying Fund |
|--|---|--|--|
| <b>As at December 31, 2021</b>                             |   |  |  |
| Ether ETF  | 215   | 91,527                                   | 0.2%                                   |
| iShares Core Canadian Government Bond Index ETF            | 4,188                                       | 542,922                                  | 0.8%                                   |
| db X-trackers Harvest CSI 300 China A-Shares ETF           | 583   | 3,582,286                                | 0.0%                                   |
| Invesco DB Agriculture Fund                                | 2,455                                       | 1,289,060                                | 0.2%                                   |
| Invesco DB Base Metals Fund                                | 2,494                                       | 619,447                                  | 0.4%                                   |
| Invesco DB Energy Fund                                     | 2,535                                       | 136,108                                  | 1.9%                                   |
| iShares 20+ Year Treasury Bond ETF                         | 2,302                                       | 24,892,766                               | 0.0%                                   |
| iShares 7-10 Year Treasury Bond ETF                        | 3,264                                       | 22,285,008                               | 0.0%                                   |
| iShares MSCI Brazil Capped ETF                             | 592   | 6,075,032                                | 0.0%                                   |
| iShares MSCI India ETF                                     | 614   | 7,474,011                                | 0.0%                                   |
| iShares MSCI Mexico Capped ETF                             | 633   | 1,190,473                                | 0.1%                                   |
| iShares MSCI South Africa ETF                              | 598   | 387,363                                  | 0.2%                                   |
| VanEck Russia ETF  | 592   | 1,735,009                                | 0.0%                                   |
| Picton Mahoney Fortified Active Extension Alternative Fund | 1,103                                       | 80,586                                   | 1.4%                                   |
| Picton Mahoney Fortified Arbitrage Alternative Fund        | 251   | 306,510                                  | 0.1%                                   |
| Picton Mahoney Fortified Arbitrage Plus Alternative Fund   | 827   | 552,642                                  | 0.1%                                   |
| Picton Mahoney Fortified Equity Fund                       | 89,450                                      | 121,001                                  | 73.9%                                  |
| Picton Mahoney Fortified Income Fund                       | 61,163                                      | 709,024                                  | 8.6%                                   |
| Picton Mahoney Fortified Long Short Alternative Fund       | 16,074                                      | 191,972                                  | 8.4%                                   |
| Picton Mahoney Fortified Market Neutral Alternative Fund   | 2,082                                       | 492,136                                  | 0.4%                                   |
| Bitcoin Fund, CAD  | 79  | 709,724                                  | 0.0%                                   |

# PICTON MAHONEY FORTIFIED MULTI-ASSET FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2022 (unaudited)

### 1. GENERAL INFORMATION

Picton Mahoney Fortified Multi-Asset 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 29, 2022.

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, 2022, 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 and global income 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 unaudited interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"), as published by the International Accounting Standards Board. The accounting policies and methods of computation followed in these unaudited interim financial statements are consistent with the most recent annual financial statements for the year ended December 31, 2021. These unaudited interim 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 exchange traded funds, 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

# PICTON MAHONEY FORTIFIED MULTI-ASSET FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2022 (unaudited)

within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

Securities not listed on any recognized public securities exchange are valued in the same manner based on available public quotations from recognized dealers in such securities. If market quotations are not readily available, securities will be valued at fair value as determined in good faith by or under the supervision of the Manager. The cost of investments represents the amount paid for each security and is determined on an average cost basis. The fair value of financial assets and liabilities that are not traded in an active market, including over-the-counter derivatives, is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants and which make the maximum use of observable inputs.

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

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

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

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

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

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

### *Receivable for investments sold and payable for investments purchased*

Receivable for investments sold and payable for investments purchased represent trades that have been contracted for but not yet settled or delivered on the statements of financial position dates. These amounts are recognized initially at fair value and subsequently measured at amortized cost. At each reporting date, the Funds measure the loss allowance on receivable for investments sold and payable for investments purchased at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Funds measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganization, and default in payments are all considered indicators that a loss allowance may

be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by the Manager as any contractual payment which is more than 30 days past due or a significant deterioration in a counterparty credit quality. Any contractual payment which is more than 90 days past due is considered credit impaired.

### **(e) Cash**

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

### **(f) Investment Transactions and Income Recognition**

Investment transactions are accounted for as of the trade date. Expenses are recorded on an accrual basis. Dividend income is recorded on the ex-dividend date. The 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 for tax purposes by the Fund in the same form in which they were received from the underlying funds and are recognized on the distribution date. Amounts received from underlying funds are included in distributions from underlying funds.

### **(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.

# PICTON MAHONEY FORTIFIED MULTI-ASSET FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2022 (unaudited)

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

### (h) Foreign Currency Translation

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

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

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

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

### (j) Transaction Costs

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

### (k) Securities Lending Transactions

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

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

### (l) IFRS 9, Financial Instruments

IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and liabilities.

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.

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.

### (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, 2022 and December 31, 2021, 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

# PICTON MAHONEY FORTIFIED MULTI-ASSET FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2022 (unaudited)

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 at June 30, 2022 and December 31, 2021, 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. The Fund may enter into forward currency contracts to manage currency risk.

##### **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, 2022 and December 31, 2021, all subscriptions receivable, distributions receivable, due from manager, deposits with brokers for securities sold short, and cash are held with counterparties with a good credit quality and are due to be settled within one week. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

##### **Liquidity risk:**

Liquidity risk is the risk that a Fund will not be able to generate sufficient cash availability to execute its payment obligations. The Fund primarily invests in liquid securities that are readily realizable in an active market which is essential if the Fund is required to fund daily redemptions in the course of operations. The Fund from time to time may invest in restricted



# PICTON MAHONEY FORTIFIED MULTI-ASSET FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2022 (unaudited)

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

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 13 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 has elected 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, are 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.

# PICTON MAHONEY FORTIFIED MULTI-ASSET FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2022 (unaudited)

### 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 1.90%, on Class F units is 0.90%, on Class FT units is 0.90%, and on Class T units is 1.90%. 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.

#### (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 15% S&P/TSX Composite Total Return Index; 30% MSCI World Index (net total return, in Canadian dollars); 10% FTSE TMX Canada 30 Day T-Bill Index; 25% BofA Merrill Lynch Global High Yield Index (hedged to Canadian dollars); 5% BofA Merrill Lynch Global Corporate Index (hedged to Canadian dollars); and 15% BofA Merrill Lynch G7 Global Government Index (hedged to Canadian dollars) (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 January 1, 2022 to June 30, 2022, the Fund incurred performance fees of \$356,221 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.**



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## **PICTON MAHONEY ASSET MANAGEMENT CORPORATE INFORMATION**

### **Corporate Address**

#### **Picton Mahoney Asset Management**

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### **Fund Administration & Transfer Agent**

#### **Picton Mahoney Funds**

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Shareholder Services  
155 Wellington Street West, 3<sup>rd</sup> Floor  
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### **Legal Counsel**

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