AUDITED ANNUAL FINANCIAL STATEMENTS **DECEMBER 2023**

PICTON MAHONEY
Asset Management

FORTIFIED ARBITRAGE PLUS ALTERNATIVE FUND

THINK AHEAD.
STAY AHEAD.

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MANAGEMENT'S RESPONSIBILITY STATEMENT

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

The financial statements have been prepared in accordance with IFRS Accounting 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.

The financial statements have been audited by PricewaterhouseCoopers LLP. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on these financial statements. Their report is set out on the following pages.

Picton Mahoney Asset Management
Toronto, Ontario
March 25, 2024

INDEPENDENT AUDITOR'S REPORT

To the Unitholders and Trustee of
Picton Mahoney Fortified Arbitrage Plus Alternative Fund (the Fund)

Our opinion
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Fund's financial statements comprise:

- the statements of financial position as at December 31, 2023 and 2022;
- the statements of comprehensive income for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information
Management is responsible for the other information. The other information comprises the 2023 Annual Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
March 25, 2024

STATEMENTS OF FINANCIAL POSITION

As at

	December 31, 2023 $	December 31, 2022 $
Assets		
Current assets		
Long positions at fair value*	**804,503,352**	824,853,512
Cash	**1,780,646**	1,824,616
Cash, pledged as collateral	**136,028,375**	21,750,150
Options purchased*	**557,164**	834,174
Unrealized gain on foreign exchange forward contracts at fair value	**27,559,309**	121,570
Unrealized gain on contracts for differences	**32,686**	-
Unrealized gain on forward agreements	**1,394,312**	3,085,438
Subscriptions receivable	**288,563**	805,924
Receivable for investments sold	**1,718,830**	2,704,746
Dividends receivable	**1,125,205**	314,181
Interest and other receivable	**1,191,453**	107,976
	976,179,895	856,402,287
Liabilities		
Current liabilities		
Short positions at fair value**	**184,911,646**	43,199,456
Options written**	**314,770**	528,036
Unrealized loss on foreign exchange forward contracts at fair value	**201,398**	3,669,730
Unrealized loss on contracts for differences	**2,504,057**	-
Margin borrowings	**-**	165,349,904
Management fee payable	**447,485**	425,210
Performance fee payable	**132,374**	-
Redemptions payable	**524,780**	408,254
Accrued liabilities	**1,106,499**	953,733
Payable for investments purchased	**8,427,847**	2,364,648
Interest payable	**2,086,014**	30,816
Dividends payable	**609,090**	44,609
	201,265,960	216,974,396
Net Assets Attributable to Holders of Redeemable Units	**774,913,935**	639,427,891
Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	**31,109,907**	36,319,580
Class F	**600,682,187**	559,791,759
Class I	**143,121,841**	43,316,552
Number of Redeemable Units Outstanding		
Class A	**2,429,462**	2,931,798
Class F	**44,495,536**	43,337,141
Class I	**13,745,739**	4,396,896
Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	**12.81**	12.39
Class F	**13.50**	12.92
Class I	**10.41**	9.85
* Long positions, at cost	**811,301,389**	779,258,669
** Short positions, at cost	**(184,737,704)**	(40,933,892)

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

Approved on behalf of the Manager

David Picton — President

Arthur Galloway — CFO

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31

	2023 $	2022 $
Income		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	**6,591,297**	429,226
Dividends	**5,774,395**	2,668,409
Net realized gain (loss) on investments and options	**93,023,800**	60,372,360
Net realized gain (loss) on foreign exchange forward contracts, contracts for differences and forward agreements	**(16,932,483)**	(46,134,062)
Change in unrealized appreciation (depreciation) on investments, options, foreign exchange forward contracts, contracts for differences and forward agreements	**(23,617,086)**	47,501,791
Interest and borrowing expense	**(9,878,961)**	(7,607,300)
Dividend expense	**(3,657,616)**	(834,097)
Forward agreement fees	**(1,870,218)**	(3,586,562)
Net gains (losses) on investments and derivatives	**49,433,128**	52,809,765
Other income		
Securities lending income	**10,078**	-
Foreign currency gain (loss) on cash and other assets and liabilities	**(3,838,793)**	(31,475,048)
Total Income	**45,604,413**	21,334,717
Expenses		
Management fees	**7,412,324**	6,879,210
Transaction costs	**2,332,807**	1,857,846
Withholding taxes	**568,737**	281,229
Administrative fees	**420,246**	412,922
Securityholder reporting fees	**374,773**	383,193
Legal fees	**136,663**	158,343
Performance fees	**132,374**	-
Audit fees	**128,170**	102,278
Independent review committee fees	**6,887**	9,415
Total expense before manager absorption	**11,512,981**	10,084,436
Less expenses absorbed by manager	**-**	-
Total expense after manager absorption	**11,512,981**	10,084,436
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	**34,091,432**	11,250,281
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	**1,053,722**	174,307
Class F	**26,192,271**	10,018,596
Class I	**6,845,439**	1,057,378
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	**0.38**	0.05
Class F	**0.57**	0.23
Class I	**0.68**	0.45

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

For the years ended December 31

	2023 $	2022 $
Net Assets Attributable to Holders of Redeemable Units at Beginning of Year		
Class A	**36,319,580**	45,280,658
Class F	**559,791,759**	503,655,827
Class I	**43,316,552**	3,705,545
	639,427,891	552,642,030
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Class A	**1,053,722**	174,307
Class F	**26,192,271**	10,018,596
Class I	**6,845,439**	1,057,378
	34,091,432	11,250,281
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Class A	**5,248,693**	7,434,403
Class F	**257,005,220**	236,086,604
Class I	**104,465,000**	40,835,000
	366,718,913	284,356,007
Redemption of redeemable units		
Class A	**(11,512,088)**	(16,569,788)
Class F	**(242,307,063)**	(189,969,268)
Class I	**(11,505,150)**	(2,281,371)
	(265,324,301)	(208,820,427)
Net Increase (Decrease) from Redeemable Unit Transactions	**101,394,612**	75,535,580
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	**135,486,044**	86,785,861
Net Assets Attributable to Holders of Redeemable Units at End of Year		
Class A	**31,109,907**	36,319,580
Class F	**600,682,187**	559,791,759
Class I	**143,121,841**	43,316,552
Net Assets Attributable to Holders of Redeemable Units at End of Year	**774,913,935**	639,427,891

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

STATEMENTS OF CASH FLOWS

For the years ended December 31

	2023 $	2022 $
Cash Flows from Operating Activities		
Increase (decrease) in net assets attributable to holders of redeemable units	**34,091,432**	11,250,281
Adjustments for:		
Unrealized foreign exchange (gain) loss on cash	**2,588,124**	1,382,200
Net realized (gain) loss on investments and options	**(93,023,800)**	(60,372,360)
Change in unrealized (appreciation) depreciation on investments, options, foreign exchange forward contracts, contracts for differences and forward agreements	**23,617,086**	(47,501,791)
(Increase) decrease in interest and other receivables	**(1,083,477)**	(107,976)
(Increase) decrease in dividends receivable	**(811,024)**	18,306
Increase (decrease) in interest payable	**2,055,198**	30,816
Increase (decrease) in dividends payable	**564,481**	15,130
Increase (decrease) in other payable and accrued liabilities	**307,415**	636,983
Purchase of long positions and repurchase of investments sold short	**(3,713,269,456)**	(1,970,422,672)
Proceeds from sale of long positions and on investments sold short	**3,925,107,805**	2,230,319,877
Net cash generated (used) by operating activities	**180,143,784**	165,248,794
Cash Flows from Financing Activities		
Proceeds from redeemable units issued	**366,503,771**	284,317,622
Amount paid on redemption of redeemable units	**(264,475,272)**	(205,597,601)
Increase (decrease) in margin borrowings	**(165,349,904)**	(260,526,688)
Net cash generated (used) by financing activities	**(63,321,405)**	(181,806,667)
Unrealized foreign exchange gain (loss) on cash	**(2,588,124)**	(1,382,200)
Net increase (decrease) in cash	**116,822,379**	(16,557,873)
Cash, beginning of year	**23,574,766**	41,514,839
Cash, end of year	**137,809,021**	23,574,766
Cash	**1,780,646**	1,824,616
Cash, pledged as collateral	**136,028,375**	21,750,150
Cash overdraft	**-**	-
Net Cash (Overdraft)	**137,809,021**	23,574,766
Items Classified as Operating Activities:		
Interest received, net of withholding tax	**5,507,820**	321,250
Dividends received, net of withholding tax	**4,394,634**	2,405,486
Interest and borrowing expense paid	**(7,823,763)**	(7,576,484)
Dividends paid	**(3,093,135)**	(818,967)

Net of non-cash transfers and switches of $732,503 (2022 - $3,090,619)

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

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2023

CCY*	No. of shares/ units/ Face value	Security Description	Average cost ($)	Fair value ($)
		LONG POSITIONS (103.9%)		
		Canadian Equities (6.4%)		
		Energy (4.1%)		
	688,899	Pembina Pipeline Corp., Sub. Rcpt.	30,340,943	31,000,452
		Health Care (0.0%)		
	258,590	CRAFT 1861 Global Holdings Inc., Warrants, 2027-12-31	25,060	42,667
		Financials (0.0%)		
	134,202	FG Acquisition Corp., Warrants, 2030-04-05	23,283	194,655
	63,300	Osisko Green Acquisition Ltd.	-	6
	21,600	VM Hotel Acquisition Corp., Class B (Restricted)	230	240
	7,200	VM Hotel Acquisition Corp., Class B Units	91,152	80
	50,880	VM Hotel Acquisition Corp., Warrants, 2026-12-31	697	671
			115,362	195,652
		Utilities (2.3%)		
	487,896	Capital Power Corp.	17,821,039	18,174,126
		Total Canadian Equities - Long	**48,302,404**	**49,412,897**
		Canadian Debt (8.3%)		
		Short-Term Notes (8.3%)		
CAD	65,000,000	Canadian Treasury Bill 5.149%, 2024-01-18	64,240,800	64,240,800
		Total Canadian Debt - Long	**64,240,800**	**64,240,800**
		Global Equities (72.7%)		
		United States Equities (42.0%)		
	199,990	Accretion Acquisition Corp., Rights	4,818	659
	64,920	Achari Ventures Holdings Corp. I, Warrants, 2026-08-05	1,008	1,918
	49,320	Adit EdTech Acquisition Corp., Warrants, 2027-12-31	1,047	5,463
	112,610	Airship AI Holdings Inc., Warrants, 2028-12-31	7,243	8,612
	97,340	AltEnergy Acquisition Corp., Warrants	4,503	4,749
	341,100	Alteryx Inc.	21,400,592	21,211,366
	51,831	American Equity Investment Life Holding Co.	3,845,380	3,813,616
	41,820	Arrowroot Acquisition Corp., Warrants, 2026-01-29	2,569	4,467
	186,100	Athena Technology Acquisition Corp. II	2,552,544	2,650,228
	81,100	Atlantic Coastal Acquisition Corp. II, Warrants	1,279	2,214
	43,296	Atlantic Coastal Acquisition Corp., Warrants, 2027-12-31	987	1,484
	152,300	Cerevel Therapeutics Holdings Inc.	8,482,641	8,514,887
	402,897	CF Acquisition Corp. VII	5,532,478	5,764,172
	32,509	CF Acquisition Corp. VII, Warrants, 2026-03-15	648	1,736
	1,397,300	Churchill Capital Corp. VII	19,472,136	19,346,040
	260,901	Daseke Inc.	2,800,870	2,786,595
	32,510	Direct Selling Acquisition Corp., Warrants	857	429
	43,296	Electriq Power Holdings Inc., Warrants, 2026-01-28	1,999	171
	75,200	EngageSmart Inc.	2,336,954	2,270,735
	111,000	Everest Consolidator Acquisition Corp.	1,656,045	1,601,229
	62,774	ExcelFin Acquisition Corp., Warrants	1,119	2,905
	120,200	FTAC Emerald Acquisition Corp.	1,737,147	1,675,300
	402,896	Gores Holdings IX Inc.	5,383,952	5,578,217
	141,808	Hess Corp.	28,589,981	26,956,198
	338,687	ImmunoGen Inc.	13,382,287	13,241,475
	97,340	Insight Acquisition Corp., Warrants	2,414	4,877
	37,200	Karuna Therapeutics Inc.	15,605,888	15,525,425
	51,096	Newbury Street Acquisition Corp., Warrants, 2027-12-31	2,401	6,738
	69,428	Northern Genesis Sponsor III LLC	9	9
	138,399	Northern Genesis Sponsor III LLC, Warrants	259,380	18
	12,290	Northern Star Investment Corp. II, Warrants, 2028-01-31	61	84
	81,100	Papaya Growth Opportunity Corp. I, Warrants	1,313	2,139
	60,400	Pershing Square Tontine Holdings Ltd.	-	8
	48,690	Phoenix Biotech Acquisition Corp., Warrants, 2026-09-01	467	1,766
	186,518	Pioneer Natural Resources Co.	61,317,986	55,307,587
	52,200	Power & Digital Infrastructure Acquisition II Corp.	672,833	751,634
	24,370	Power & Digital Infrastructure Acquisition II Corp., Warrants, 2024-12-14	572	961
	48,690	Roadzen Inc., Warrants, 2028-11-30	733	4,494
	219,697	SilverBox Corp. III	2,989,988	2,995,420
	68,900	SilverBox Corp. III, Warrants, 2028-04-28	-	8,404
	74,900	Sovos Brands Inc.	2,314,883	2,175,752
	853,380	Spirit Realty Capital Inc.	43,307,220	49,162,916
	247,476	Splunk Inc.	49,820,604	49,715,141
	48,690	Syntec Optics Holdings Inc., Warrants, 2026-11-08	879	6,484
	64,918	Twelve Seas Investment Co II, Warrants, 2028-03-02	3,623	3,458

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2023

CCY*	No. of shares/ units/ Face value	Security Description	Average cost ($)	Fair value ($)
	168,900	United States Steel Corp.	10,970,898	10,834,918
	105,318	Viveon Health Acquisition Corp., Warrants, 2027-12-31	3,833	833
	423,300	Westrock Co.	22,010,432	23,174,947
	32,510	XBP Europe Holdings Inc., Warrants, 2027-12-31	1,740	2,499
			326,489,241	325,131,377
	International Equities (30.7%)			
	517,900	Agriculture & Natural Solutions Acquisition Corp.	7,121,641	6,931,466
	439,500	Alchemy Investments Acquisition Corp. 1	5,964,711	6,166,144
	206,650	Alchemy Investments Acquisition Corp. 1, Warrants, 2028-06-26	-	40,873
	50,006	Alpha Partners Technology Merger Corp.	729,795	705,536
	305,742	AP Acquisition Corp.	4,523,372	4,487,076
	32,510	AP Acquisition Corp., Warrants, 2026-12-07	709	1,552
	879,000	Ares Acquisition Corp. II	11,901,296	12,100,477
	424,850	Ares Acquisition Corp. II, Warrants, 2028-06-12	-	85,208
	88,800	Bowen Acquisition Corp.	1,168,652	1,278,056
	97,340	Cactus Acquisition Corp. 1 Ltd., Warrants	1,940	3,851
	236,833	Capri Holdings Ltd.	16,874,593	15,689,351
	48,690	Captivision Inc., Warrants, 2028-11-16	821	4,192
	476,430	Cartesian Growth Corp. Ii	6,695,307	6,885,299
	84,710	Chain Bridge I	1,251,432	1,211,930
	595,206	Chenghe Acquisition Co.	8,423,688	8,633,226
	113,900	Chenghe Acquisition I Co.	1,700,669	1,655,078
	222,000	Colombier Acquisition Corp. II	3,039,306	2,950,711
	32,510	Consilium Acquisition Corp. I Ltd., Warrants, 2027-06-01	242	1,972
	43,295	Corner Growth Acquisition Corp., Warrants, 2027-12-31	3,854	3,996
	64,920	CSLM Acquisition Corp., Rights	1,085	5,136
	109,800	DP Cap Acquisition Corp. I	1,512,154	1,576,679
	81,100	DP Cap Acquisition Corp. I, Warrants	1,084	2,139
	97,340	Enphys Acquisition Corp., Warrants, 2024-07-15	3,231	6,418
	113,610	ESGEN Acquisition Corp., Warrants	2,341	5,992
	97,340	Finnovate Acquisition Corp., Warrants	840	898
	81,727	Global Blue Group Holding AG, Warrants, 2025-08-31	149,098	7,533
	162,360	Global Technology Acquisition Corp. I, Warrants	4,489	8,050
	146,500	Haymaker Acquisition Corp. 4	1,938,200	1,983,906
	73,250	Haymaker Acquisition Corp. 4, Warrants, 2028-09-12	-	15,135
	113,610	Hcm Acquisition Corp., Warrants, 2027-12-31	1,390	4,030
	28,718	HH&L Acquisition Co., Warrants, 2026-02-04	1,756	947
	183,100	Inflection Point Acquisition Corp. II	2,495,181	2,494,031
	91,550	Inflection Point Acquisition Corp. II, Warrants, 2028-07-17	-	12,072
	64,920	Innovative International Acquisition Corp., Warrants	706	6,848
	366,300	Investcorp Europe Acquisition Corp. I	5,210,253	5,322,696
	79,740	Investcorp India Acquisition Corp., Warrants, 2027-06-28	909	3,417
	402,900	Israel Acquisitions Corp.	5,474,053	5,679,212
	383,000	Israel Acquisitions Corp., Warrants, 2028-02-28	-	35,352
	209,500	Keyarch Acquisition Corp., Rights	3,528	15,995
	105,580	Keyarch Acquisition Corp., Warrants, 2028-07-25	1,614	1,671
	702,000	L Catterton Asia Acquisition Corp.	10,269,594	9,978,586
	191,900	Learn CW Investment Corp.	2,720,570	2,742,947
	223,300	Mars Acquisition Corp.	3,077,278	3,129,934
	55,560	Mars Acquisition Corp., Rights	-	16,118
	36,418	Moringa Acquisition Corp., Warrants, 2026-02-10	2,537	1,561
	661,500	Nabors Energy Transition Corp. II	8,899,627	9,088,887
	219,750	Nabors Energy Transition Corp. II, Warrants, 2028-09-05	-	38,741
	32,509	Noble Rock Acquisition Corp., Warrants, 2027-12-31	2,156	643
	33,800	Olink Holding AB	1,123,621	1,158,786
	34,010	Onyx Acquisition Co I, Warrants	758	897
	48,690	Oxus Acquisition Corp., Warrants	1,301	4,854
	430,903	Patria Latin American Opportunity Acquisition Corp.	6,552,838	6,306,895
	129,850	Pearl Holdings Acquisition Corp., Warrants, 2026-12-15	3,182	6,866
	284,500	Pegasus Digital Mobility Acquisition Corp.	4,203,392	4,145,316
	64,920	Pegasus Digital Mobility Acquisition Corp., Warrants	2,673	6,215
	103,300	Pono Capital Three Inc.	1,445,513	1,446,565
	32,460	PowerUp Acquisition Corp., Warrants, 2027-02-18	501	2,568
	825,100	Project Energy Reimagined Acquisition Corp.	11,638,872	11,510,797
	371,320	RCF Acquisition Corp.	5,048,742	5,376,056
	896,500	Rigel Resource Acquisition Corp.	12,725,013	12,956,091
	64,920	Roth CH Acquisition Co., Warrants, 2028-10-29	2,128	2,149
	1,027,198	Screaming Eagle Acquisition Corp.	13,955,304	14,357,313
	48,690	Semper Paratus Acquisition Corp., Warrants, 2026-11-04	684	2,568

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2023

CCY*	No. of shares/ units/ Face value	Security Description	Average cost ($)	Fair value ($)
	293,000	SK Growth Opportunities Corp.	4,054,252	4,172,578
	777,500	Slam Corp.	11,644,405	11,113,294
	186,000	Spark I Acquisition Corp.	2,550,880	2,486,933
	93,000	Spark I Acquisition Corp., Warrants, 2028-11-27	-	14,716
	746,400	Spring Valley Acquisition Corp. II	10,425,051	10,668,762
	253,910	Textainer Group Holdings Ltd.	17,100,544	16,472,444
	751,951	TortoiseEcofin Acquisition Corp. III	10,795,860	10,529,971
	84,354	TortoiseEcofin Acquisition Corp. III, Warrants	318	334
	748,260	Tristar Acquisition I Corp.	10,929,460	10,641,082
	285,800	Two/CA	3,913,837	3,990,904
	146,130	Valuence Merger Corp. I, Warrants, 2027-03-01	2,157	5,781
			239,296,988	238,402,303
		Total Global Equities - Long	**565,786,229**	**563,533,680**
	Global Debt (16.4%)			
	Short-Term Notes (9.1%)			
USD	54,200,000	United States Treasury Bill 5.309%, 2024-02-15	73,486,857	70,573,080
	United States Bonds (7.3%)			
USD	4,555,000	Alteryx Inc. 1.000%, 2026-08-01	5,924,657	5,863,576
USD	13,013,300	PDC Energy Inc. 5.750%, 2026-05-15	17,347,672	17,137,423
USD	13,933,000	Splunk Inc. 1.125%, 2025-09-15	20,960,032	20,282,750
USD	10,485,000	Splunk Inc. 1.125%, 2027-06-15	13,853,583	13,459,146
			58,085,944	56,742,895
		Total Global Debt - Long	**131,572,801**	**127,315,975**
	Options (0.1%)			
		Total Purchased Options - Refer to Appendix A	**1,638,439**	**557,164**
		Transaction Costs	**(239,284)**	**-**
		Total Long Positions	**811,301,389**	**805,060,516**
	SHORT POSITIONS (-23.9%)			
	Canadian Equities (-6.6%)			
	Energy (-4.1%)			
	(688,899)	Pembina Pipeline Corp.	(30,811,881)	(31,427,572)
	Financials (-0.1%)			
	(21,246)	Brookfield Asset Management Ltd., NYSE	(1,005,322)	(1,125,361)
	Utilities (-2.4%)			
	(487,896)	Capital Power Corp.	(17,964,377)	(18,461,985)
		Total Canadian Equities - Short	**(49,781,580)**	**(51,014,918)**
	Global Equities (-17.3%)			
	United States Equities (-17.3%)			
	(145,358)	Chevron Corp.	(29,744,887)	(28,589,361)
	(425,322)	Exxon Mobil Corp.	(61,421,259)	(56,071,750)
	(650,284)	Realty Income Corp.	(43,473,275)	(49,235,617)
			(134,639,421)	(133,896,728)
		Total Global Equities - Short	**(134,639,421)**	**(133,896,728)**
	Options (0.0%)			
		Total Written Options - Refer to Appendix A	**(274,557)**	**(314,770)**
		Transaction Costs	**(42,146)**	**-**
		Total Short Positions	**(184,737,704)**	**(185,226,416)**
	Foreign Currency Forward Contracts (3.5%)			
		Total Currency Hedge - Refer to Appendix B		**27,357,911**
	Contracts For Differences (-0.3%)			
		Total Contracts for Differences - Refer to Appendix C		**(2,471,371)**
	Forward Agreements (0.2%)			
		Total Forward Agreements - Refer to Appendix D		**1,394,312**
		TOTAL INVESTMENT PORTFOLIO (83.4%)	**626,563,685**	**646,114,952**
		Other Assets Net of Liabililties (16.6%)		128,798,983
		TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)		**774,913,935**

**CCY denotes local currency of debt security*

*"*The Picton Mahoney Fortified Arbitrage Plus Alternative Fund has an indirect interest in the Picton Mahoney Fortified Arbitrage Alternative Fund through the forward agreements representing 20.83% (1) of net assets and 52.34% (2) of ownership interest. Picton Mahoney Asset Management acts as the trustee and manager for all of the funds listed above.*

(1) Indirect interest is calculated as the total value of the reference fund divided by the total net asset value of Picton Mahoney Fortified Arbitrage Plus Alternative Fund.

(2) Ownership interest is calculated as the total value of the Class I units of the reference fund divided by the total net asset value of Picton Mahoney Fortified Arbitrage Alternative Fund."

APPENDIX A

OPTIONS (0.1%)

Issuer	Option Type	Number of Options	Strike $	Expiry	Average Cost $	Fair Value $
Brookfield Asset Management	Call Option	187	$35	April, 2024	43,134	147,947
					43,134	147,947
Cerevel Therapeutics Holding	Put Option	677	$35	December, 2024	121,023	71,415
ImmunoGen Inc.	Put Option	1,667	$25	July, 2024	147,111	115,400
Mirati Therapeutics Inc.	Put Option	998	$45	March, 2024	77,834	3,145
Mirati Therapeutics Inc.	Put Option	344	$50	January, 2024	41,552	19,891
Mirati Therapeutics Inc.	Put Option	29	$50	March, 2024	6,031	94
Seagen Inc.	Put Option	929	$140	January, 2024	577,422	64,620
Seagen Inc.	Put Option	507	$190	January, 2024	204,203	67,425
Seagen Inc.	Put Option	261	$200	January, 2024	215,135	38,774
Seagen Inc.	Put Option	169	$210	January, 2024	204,994	28,453
					1,595,305	409,217
Total Purchased Options					**1,638,439**	**557,164**
Alteryx Inc.	Written Call Option	(195)	$48	January, 2024	(2,115)	(1,928)
Cerevel Therapeutics Holding	Written Call Option	(677)	$45	December, 2024	(20,216)	(51,330)
Engagesmart Inc.	Written Call Option	(749)	$23	March, 2024	(69,615)	(64,196)
ImmunoGen Inc.	Written Call Option	(1,702)	$30	January, 2024	(24,815)	(28,053)
Splunk Inc.	Written Call Option	(446)	$150	January, 2024	(112,192)	(163,197)
Textainer Group Holdings Ltd.	Written Call Option	(374)	$50	January, 2024	(20,255)	(3,786)
					(249,208)	(312,490)
ImmunoGen Inc.	Written Put Option	(1,499)	$15	July, 2024	(25,349)	(2,280)
					(25,349)	(2,280)
Total Written Options					**(274,557)**	**(314,770)**

APPENDIX B

FOREIGN EXCHANGE FORWARD CONTRACTS (3.5%)

Purchased Currency	Sold Currency	Forward Rate	Maturity Date	Fair Value ($)	Counterparty	Credit Rating
CAD $682,768,011	USD $497,166,000	1.37332	2024-02-15	27,476,309	Canadian Imperial Bank of Commerce	A-1
CAD $2,846,740	USD $2,097,000	1.35753	2024-02-15	83,000	Canadian Imperial Bank of Commerce	A-1
Unrealized gain on foreign exchange forward contracts at fair value				**27,559,309**		
USD $10,000,000	CAD $13,379,600	0.74741	2024-02-15	(201,398)	Canadian Imperial Bank of Commerce	A-1
Unrealized loss on foreign exchange forward contracts at fair value				**(201,398)**		
Net unrealized gain (loss) on foreign exchange forward contracts at fair value				**27,357,911**		

APPENDIX C

CONTRACTS FOR DIFFERENCES (-0.3%)

Referenced Entity	Notional Units	Expiry Date	Counterparty	Counterparty Credit Rating	Cost	Fair Value	Unrealized Gain (Loss)
Smurfit Kappa Group PLC	(16,900)	25-Sep-25	Goldman Sachs International	A-1	(894,637)	(882,714)	11,923
Smurfit Kappa Group PLC	(15,000)	25-Sep-25	Goldman Sachs International	A-1	(794,780)	(783,474)	11,306
Smurfit Kappa Group PLC	(17,000)	25-Sep-25	Goldman Sachs International	A-1	(897,394)	(887,937)	9,457
Unrealized gain on contracts for differences						**(2,554,125)**	**32,686**
Smurfit Kappa Group PLC	(1,000)	25-Sep-25	Goldman Sachs International	A-1	(43,950)	(52,232)	(8,282)
Smurfit Kappa Group PLC	(3,700)	25-Sep-25	Goldman Sachs International	A-1	(174,800)	(193,257)	(18,457)
Smurfit Kappa Group PLC	(3,120)	25-Sep-25	Goldman Sachs International	A-1	(137,392)	(162,963)	(25,571)
Smurfit Kappa Group PLC	(14,900)	25-Sep-25	Goldman Sachs International	A-1	(749,334)	(778,251)	(28,917)
Smurfit Kappa Group PLC	(3,700)	25-Sep-25	Goldman Sachs International	A-1	(163,900)	(193,257)	(29,357)
Smurfit Kappa Group PLC	(18,800)	25-Sep-25	Goldman Sachs International	A-1	(933,135)	(981,954)	(48,819)
Smurfit Kappa Group PLC	(7,400)	25-Sep-25	Goldman Sachs International	A-1	(329,979)	(386,514)	(56,535)
Smurfit Kappa Group PLC	(7,400)	25-Sep-25	Goldman Sachs International	A-1	(329,615)	(386,514)	(56,899)
Smurfit Kappa Group PLC	(14,580)	25-Sep-25	Goldman Sachs International	A-1	(663,057)	(761,536)	(98,479)
Smurfit Kappa Group PLC	(19,200)	25-Sep-25	Goldman Sachs International	A-1	(875,545)	(1,002,846)	(127,301)
Smurfit Kappa Group PLC	(19,100)	25-Sep-25	Goldman Sachs International	A-1	(866,909)	(997,623)	(130,714)
Smurfit Kappa Group PLC	(18,700)	25-Sep-25	Goldman Sachs International	A-1	(832,521)	(976,731)	(144,210)
Smurfit Kappa Group PLC	(18,500)	25-Sep-25	Goldman Sachs International	A-1	(819,093)	(966,284)	(147,191)
Smurfit Kappa Group PLC	(18,500)	25-Sep-25	Goldman Sachs International	A-1	(818,942)	(966,284)	(147,342)
Smurfit Kappa Group PLC	(37,600)	25-Sep-25	Goldman Sachs International	A-1	(1,709,156)	(1,963,906)	(254,750)
Smurfit Kappa Group PLC	(37,400)	25-Sep-25	Goldman Sachs International	A-1	(1,693,129)	(1,953,461)	(260,332)
Smurfit Kappa Group PLC	(37,300)	25-Sep-25	Goldman Sachs International	A-1	(1,657,613)	(1,948,238)	(290,625)
Smurfit Kappa Group PLC	(37,300)	25-Sep-25	Goldman Sachs International	A-1	(1,645,310)	(1,948,238)	(302,928)
Smurfit Kappa Group PLC	(56,200)	25-Sep-25	Goldman Sachs International	A-1	(2,608,067)	(2,935,415)	(327,348)
Unrealized loss on contracts for differences						**(19,555,504)**	**(2,504,057)**
Net gain (loss) on contracts for differences						**(22,109,629)**	**(2,471,371)**

APPENDIX D

FORWARD AGREEMENTS (0.2%)

Derivative Agreements	Purchase Date	Maturity Date	Counterparty	Credit Rating	Notional Number of Units	Purchase Price per Unit	Total Purchase Cost ($)	Value to be Received ($)	Unrealized Gain (Loss) ($)
Picton Mahoney Fortified Arbitrage Alternative Fund, Class I	03-Dec-21	07-Dec-26	Canadian Imperial Bank of Commerce	A-1	75	13.33	1,000	1,077	77
Picton Mahoney Fortified Arbitrage Alternative Fund, Class I	08-Dec-21	07-Dec-26	Canadian Imperial Bank of Commerce	A-1	(75)	13.35	(1,000)	(1,077)	(77)
Picton Mahoney Fortified Arbitrage Alternative Fund, Class I	13-Dec-21	07-Dec-26	Canadian Imperial Bank of Commerce	A-1	5,621,810	13.34	75,000,000	80,700,478	5,700,478
Picton Mahoney Fortified Arbitrage Alternative Fund, Class I	02-May-22	07-Dec-26	Canadian Imperial Bank of Commerce	A-1	4,614,071	13.00	60,000,000	64,363,189	4,363,189
Picton Mahoney Fortified Arbitrage Alternative Fund, Class I	18-Jan-23	07-Dec-26	Canadian Imperial Bank of Commerce	A-1	(75,000)	13.30	(973,620)	(1,046,199)	(72,579)
Picton Mahoney Fortified Arbitrage Alternative Fund, Class I	06-Feb-23	07-Dec-26	Canadian Imperial Bank of Commerce	A-1	(3,750,000)	13.30	(48,681,000)	(52,309,975)	(3,628,975)
Picton Mahoney Fortified Arbitrage Alternative Fund, Class I	13-Feb-23	07-Dec-26	Canadian Imperial Bank of Commerce	A-1	(5,800,000)	13.34	(75,293,280)	(80,906,095)	(5,612,815)
Picton Mahoney Fortified Arbitrage Alternative Fund, Class I	08-Dec-23	07-Dec-26	Canadian Imperial Bank of Commerce	A-1	10,799,447	13.89	150,000,000	150,645,014	645,014
							160,052,100	161,446,412	1,394,312

FUND SPECIFIC NOTES

As at December 31, 2023 and December 31, 2022

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 December 31, 2023 and 2022.

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2023	Level 1 $	Level 2 $	Level 3 $	Total $
Equities - Long	611,426,428	1,520,149	-	612,946,577
Short-term notes - Long	-	134,813,880	-	134,813,880
Bonds - Long	-	56,742,895	-	56,742,895
Options - Long	557,164	-	-	557,164
Forward contracts - Long	-	27,559,309	-	27,559,309
Forward agreements - Long	-	1,394,312	-	1,394,312
Contracts for differences - Long	-	32,686	-	32,686
Equities - Short	(184,911,646)	-	-	(184,911,646)
Options - Short	(314,770)	-	-	(314,770)
Forward contracts - Short	-	(201,398)	-	(201,398)
Contracts for differences - Short	-	(2,504,057)	-	(2,504,057)
Total	**426,757,176**	**219,357,776**	**-**	**646,114,952**

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2022	Level 1 $	Level 2 $	Level 3 $	Total $
Equities - Long	756,070,405	45,502,753	-	801,573,158
Mutual funds - Long	1,025	-	-	1,025
Bonds - Long	-	23,279,329	-	23,279,329
Options - Long	834,174	-	-	834,174
Forward contracts - Long	-	121,570	-	121,570
Forward agreements - Long	-	3,085,438	-	3,085,438
Equities - Short	(37,958,993)	-	-	(37,958,993)
Bonds - Short	-	(5,240,463)	-	(5,240,463)
Options - Short	(528,036)	-	-	(528,036)
Forward contracts - Short	-	(3,669,730)	-	(3,669,730)
Margin borrowings	(165,349,904)	-	-	(165,349,904)
Total	**553,068,671**	**63,078,897**	**-**	**616,147,568**

2. TRANSFERS BETWEEN LEVELS 1 AND 2

The following table presents the transfers between Levels 1 and 2 for securities held at December 31, 2023 and 2022.

December 31, 2023	Transfer from Level 1 to 2 $	Transfer from Level 2 to 1 $
Equities - Long	1,262	4,877
	1,262	4,877

December 31, 2022	Transfer from Level 1 to 2 $	Transfer from Level 2 to 1 $
Equities - Long	17,403,710	8,049,943
	17,403,710	8,049,943

As of December 31, 2023 and 2022, the equity securities transferred out of Level 1 relate to positions which were thinly traded on and around the period end, but were actively traded on December 31, 2022 and 2021.

The equity securities transferred into Level 1 relate to positions for which significant trading activity existed on December 31, 2023 and 2022 but which were thinly traded around December 31, 2022 and 2021.

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 December 31, 2023, there was $39,423,476 (Collateral - $40,211,947) of securities on loan (December 31, 2022 - $nil (Collateral - $nil) of securities on loan). Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which the Fund's custodian is entitled to receive.

For the year ended December 31, 2023 securities lending income were as follows:

	2023 ($)
Gross securities lending income	15,505
Securities lending charges	(5,427)
Net securities lending income	**10,078**
Withholding taxes on securities lending income	-
Net securities lending income received by the Fund	**10,078**
Security lending charges percentage of gross securities lending income	35%

There were no securities lending income for the year ended December 31, 2022.

4. 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			
	Gross Assets / (Liabilities) $	Financial Instruments $	Collateral received/paid $	Net $
December 31, 2023				
Derivative assets - Foreign exchange forward contracts	27,559,309	(201,398)	-	27,357,911
Derivative assets - Contracts for differences	32,686	(32,686)	-	-
Derivative assets - Forward agreements	1,394,312	-	-	1,394,312
Derivative liabilities - Foreign exchange forward contracts	(201,398)	201,398	-	-
Derivative liabilities - Contracts for differences	(2,504,057)	32,686	2,471,371	-
December 31, 2022				
Derivative assets - Foreign exchange forward contracts	121,570	(121,570)	-	-
Derivative assets - Forward agreements	3,085,438	-	(3,085,438)	-
Derivative liabilities - Foreign exchange forward contracts	(3,669,730)	121,570	-	(3,548,160)

5. OTHER PRICE RISK

Using Beta as a measure of the relationship of the Fund's performance versus its index, if the HFRI ED Merger Arbitrage Index (Hedged to Canadian dollar) were to increase or decrease by 10%, net assets would have increased or decreased by approximately $65,404,031 (December 31, 2022 - $60,972,243).

As of December 31, 2023, if the market price of Class I units of the Reference Fund were to increase or decrease by 10%, with all other variables held constant, net assets would have increased or decreased by approximately $0 (December 31, 2022 - $103). The indirect exposure through the forward agreement in Class I units of the Reference Fund would have increased or decreased net assets by approximately $16,144,641 (December 31, 2021 - $13,808,544). The combined impact of such 10% increase or decrease would have increased or decreased net assets by $16,144,641 (December 31, 2022 - $13,808,647), as a result of the Fund's leverage structure. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

FUND SPECIFIC NOTES (CONTINUED)

6. CURRENCY RISK

The currency risk reflects the net impact after taking into consideration the forward contracts. Foreign currencies to which the Fund had exposure as at December 31, 2023 and December 31, 2022 were as follows:

FINANCIAL INSTRUMENTS

December 31, 2023 Currency	Monetary $	Non-Monetary $	Forward Currency Contracts $	Total $	Percentage of Net Assets %
United States Dollar	223,923,082	428,707,233	(645,142,192)	7,488,123	1.0%
Net Exposure	**223,923,082**	**428,707,233**	**(645,142,192)**	**7,488,123**	**1.0%**

FINANCIAL INSTRUMENTS

December 31, 2022 Currency	Monetary $	Non-Monetary $	Forward Currency Contracts $	Total $	Percentage of Net Assets %
United States Dollar	(40,844,155)	673,056,119	(628,488,138)	3,723,826	0.6%
British Pound	(3,860,294)	3,846,344	(63,565)	(77,515)	0.0%
Net Exposure	**(44,704,449)**	**676,902,463**	**(628,551,703)**	**3,646,311**	**0.6%**

The Fund is exposed to indirect currency risk to the extent that the Reference Fund invests in such instruments. The table below summarizes the Reference Fund's exposure to currency risk as at December 31, 2023 and December 31, 2022.

FINANCIAL INSTRUMENTS

December 31, 2023 Currency	Monetary $	Non-Monetary $	Forward Currency Contracts $	Total $	Percentage of Net Assets %
United States Dollar	66,960,768	69,154,184	(134,311,277)	1,803,675	0.6%
Net Exposure	**66,960,768**	**69,154,184**	**(134,311,277)**	**1,803,675**	**0.6%**

FINANCIAL INSTRUMENTS

December 31, 2022 Currency	Monetary $	Non-Monetary $	Forward Currency Contracts $	Total $	Percentage of Net Assets %
United States Dollar	61,361,555	200,920,111	(261,558,193)	723,473	0.2%
British Pound	(873,548)	870,393	(14,669)	(17,824)	0.0%
Net Exposure	**60,488,007**	**201,790,504**	**(261,572,862)**	**705,649**	**0.2%**

If the Canadian dollar had strengthened or weakened by 5% in relation to all other currencies held in the investment portfolio, net assets would have decreased or increased by approximately $421,604 (December 31, 2022 - $467,431). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

FUND SPECIFIC NOTES (CONTINUED)

7. INTEREST RATE RISK

The Fund uses various forms of leverage that increase the Fund's interest costs. There is no guarantee that existing borrowing arrangements or other arrangements for obtaining leverage can be refinanced at rates as favourable to the Fund as those available in the past. Should interest rates increase or decrease by 100 basis points (December 31, 2022 - 100 basis points) the Fund's borrowing costs would increase or decrease approximately by $nil (December 31, 2022 - $1,705,904).

If the yield curve had shifted in parallel by 1%, with all other variables held constant, net assets will increase or decrease by $1,915,568 (December 31, 2022 - $232,793). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2023 and 2022, the Fund's exposure to debt instruments by maturity were as follows:

Debt Instruments by Maturity Date	December 31, 2023 ($)		
	Long Positions	Short Positions	Total
Less than 1 year	134,813,880	-	134,813,880
1-3 years	43,283,749	-	43,283,749
3-5 years	13,459,146	-	13,459,146
Total	**191,556,775**	**-**	**191,556,775**

Debt Instruments by Maturity Date	December 31, 2022 ($)		
	Long Positions	Short Positions	Total
Less than 1 year	-	(165,349,904)	(165,349,904)
1-3 years	13,447,610	-	13,447,610
3-5 years	4,407,189	-	4,407,189
Greater than 5 years	5,424,530	(5,240,463)	184,067
Total	**23,279,329**	**(170,590,367)**	**(147,311,038)**

8. CREDIT RISK

The following table shows debt as a percentage of net assets attributable to holders of redeemable units held under each credit rating. All counterparties to derivative contracts had a credit rating of A- or higher. All cash is held with a financial institution with a minimum of credit rating A+.

December 31, 2023				December 31, 2022			
Bond Ratings	Net	Long	Short	Bond Ratings	Net	Long	Short
AAA	17.4%	17.4%	0.0%	AAA	0.0%	0.0%	0.0%
BBB+	0.0%	0.0%	0.0%	BBB+	0.0%	0.8%	-0.8%
BB-	0.0%	0.0%	0.0%	BB-	0.6%	0.6%	0.0%
B	0.0%	0.0%	0.0%	B	0.1%	0.1%	0.0%
NR	7.3%	7.3%	0.0%	NR	2.1%	2.1%	0.0%

The above credit ratings are obtained and disclosed from the rating services in the following hierarchical order: 1) Standard & Poor's; 2) Moody's; 3) Dominion Bond Rating Service, using first available.

FUND SPECIFIC NOTES (CONTINUED)

9. 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 other Picton Mahoney 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 1 underlying fund 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.

December 31, 2023			
Strategy	**Underlying risk exposures**	**Number of Funds**	**Impact on net assets based on 5% increase or decrease $**
Canadian Equity	P	1	(9,840)
US Equity	P	1	4,493,194
Canadian Fixed Income	C,I	1	963,220
US Fixed Income	C,F,I	1	2,625,746
Total			**8,072,320**

December 31, 2022			
Strategy	**Underlying risk exposures**	**Number of Funds**	**Impact on net assets based on 5% increase or decrease $**
Canadian Equity	P	1	767,581
US Equity	P	1	5,950,374
International Equity	P	1	25,777
Canadian Fixed Income	C,I	1	1,638
US Fixed Income	C,F,I	1	158,953
Total			**6,904,323**

FUND SPECIFIC NOTES (CONTINUED)

10. 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 December 31, 2023 and 2022.

Jurisdiction	% of Net Assets			
	December 31, 2023		December 31, 2022	
LONG POSITIONS		**107.7%**		**129.6%**
Canadian Equities		**6.4%**		**18.2%**
Energy	4.1%		0.0%	
Utilities	2.3%		0.0%	
Financials	0.0%		3.0%	
Materials	0.0%		4.0%	
Consumer Staples	0.0%		0.2%	
Communication Services	0.0%		4.0%	
Real Estate	0.0%		7.0%	
Health Care	0.0%		0.0%	
Global Equities		**72.7%**		**107.2%**
United States	42.0%		36.3%	
International	30.7%		70.9%	
Canadian Debt		**8.3%**		**0.8%**
Short-Term Notes	8.3%		0.0%	
Corporate Bonds	0.0%		0.8%	
Global Debt		**16.4%**		**2.8%**
Short-Term Notes	9.1%		0.0%	
United States Bonds	7.3%		2.8%	
Derivatives		**3.9%**		**0.6%**
SHORT POSITIONS		**-24.3%**		**-7.4%**
Canadian Equities		**-6.6%**		**-3.5%**
Energy	-4.1%		0.0%	
Utilities	-2.4%		0.0%	
Financials	-0.1%		0.0%	
Materials	0.0%		-3.3%	
Information Technology	0.0%		-0.2%	
Global Equities		**-17.3%**		**-2.5%**
United States Equities	-17.3%		-2.5%	
Canadian Debt		**0.0%**		**-0.8%**
Corporate Bonds	0.0%		-0.8%	
Derivatives		**-0.4%**		**-0.6%**

FUND SPECIFIC NOTES (CONTINUED)

The following is a summary of the Reference Fund's concentration risk:

Jurisdiction	% of Net Assets			
	December 31, 2023		December 31, 2022	
LONG POSITIONS		**55.4%**		**72.1%**
Canadian Equities		**3.6%**		**10.1%**
Energy	2.3%		0.0%	
Utilities	1.3%		0.0%	
Financials	0.0%		1.8%	
Materials	0.0%		2.2%	
Consumer Staples	0.0%		0.1%	
Communication Services	0.0%		2.2%	
Real Estate	0.0%		3.8%	
Global Equities		**32.1%**		**59.8%**
United States	21.5%		20.2%	
International	10.6%		39.6%	
Canadian Debt		**4.8%**		**0.5%**
Short-Term Notes	4.8%		0.0%	
Corporate Bonds	0.0%		0.5%	
Global Debt		**13.1%**		**1.6%**
Short-Term Notes	10.8%		0.0%	
United States Bonds	2.3%		1.6%	
Derivatives		**1.8%**		**0.1%**
SHORT POSITIONS		**-13.4%**		**-4.5%**
Canadian Equities		**-3.6%**		**-1.9%**
Energy	-2.2%		0.0%	
Utilities	-1.3%		0.0%	
Financials	-0.1%		0.0%	
Materials	0.0%		-1.8%	
Information Technology	0.0%		-0.1%	
Global Equities		**-9.7%**		**-1.4%**
United States Equities	-9.7%		-1.4%	
Canadian Debt		**0.0%**		**-0.5%**
Corporate Bonds	0.0%		-0.5%	
Derivatives		**-0.1%**		**-0.7%**

FUND SPECIFIC NOTES (CONTINUED)

11. 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 statements of financial position and are due on demand.

December 31, 2023 Financial Liabilities	On Demand $	< 3 months $	> 3 months $	Total $
Short positions	184,911,646	-	-	184,911,646
Redemptions payable	524,780	-	-	524,780
Accrued liabilities and other payables	-	4,381,462	-	4,381,462
Payable for investments purchased	8,427,847	-	-	8,427,847
Derivative liabilities	3,020,225	-	-	3,020,225

December 31, 2022 Financial Liabilities	On Demand $	< 3 months $	> 3 months $	Total $
Short positions	43,199,456	-	-	43,199,456
Redemptions payable	408,254	-	-	408,254
Accrued liabilities and other payables	-	1,454,368	-	1,454,368
Payable for investments purchased	2,364,648	-	-	2,364,648
Derivative liabilities	4,197,766	-	-	4,197,766
Margin borrowings	165,349,904	-	-	165,349,904

12. FUND UNIT TRANSACTIONS

For the years ended December 31

	2023			2022		
	Class A	Class F	Class I	Class A	Class F	Class I
Units issued and outstanding, beginning of year	2,931,798	43,337,141	4,396,896	3,680,433	39,697,277	387,165
Units issued	422,150	19,746,986	10,493,853	608,586	18,650,445	4,247,008
Units redeemed	(924,486)	(18,588,591)	(1,145,010)	(1,357,221)	(15,010,581)	(237,277)
Units issued and outstanding, end of year	2,429,462	44,495,536	13,745,739	2,931,798	43,337,141	4,396,896
Weighted average number of units held during the year	2,754,969	46,278,069	10,086,722	3,343,447	43,168,007	2,332,057

13. COMMISSIONS

For the years ended December 31 (in $000)

	2023	2022
Brokerage commissions	2,333	1,858
Soft Dollar commissions	187	191

14. TAX LOSS CARRY FORWARDS

As at December 31 (in $000)

		2023
Net capital losses carry forward		-
Non-capital losses carry forward	2042	797

FUND SPECIFIC NOTES (CONTINUED)

15. STRUCTURED ENTITIES

The table below illustrates the Fund's investment in the underlying funds as at December 31, 2023 and 2022.

Underlying Funds	Fair Value of Fund's Investment (in $000s)	Underlying Fund's Net Assets (in $000s)	% of Net Assets of the Underlying Fund
As at December 31, 2023			
Picton Mahoney Fortified Arbitrage Alternative Fund, forward agreement*	161,446	308,484	52.3%
As at December 31, 2022			
Picton Mahoney Fortified Arbitrage Alternative Fund*	1	341,803	0.0%
Picton Mahoney Fortified Arbitrage Alternative Fund, forward agreement*	138,085	341,803	40.4%

**Funds managed by Picton Mahoney Asset Management.*

16. LEVERAGE

During the year ended December 31, 2023, the Fund's aggregate exposure reached a low of 22.02% (year ended December 31, 2022 - 38.94%) and a high of 83.59% (year ended December 31, 2022 - 104.66%) of the Fund's NAV. As at December 31, 2023, the Fund's aggregate exposure was 55.07% (December 31, 2022 - 38.94%) of the Fund's NAV. The primary source of leverage was short positions in equity securities and margin borrowings, which is governed by a prime brokerage agreement between the Fund and CIBC.

As at December 31, 2023 and December 31, 2022

1. GENERAL INFORMATION

Picton Mahoney Fortified Arbitrage Plus Alternative Fund (formerly Vertex Liquid Alternative Fund Plus) (the "Fund") was formed on January 3, 2019 under the laws of British Columbia. The Fund commenced operations on January 17, 2019. Picton Mahoney Asset Management acts as manager (the "Manager"), portfolio advisor (the "Portfolio Advisor") and trustee (the "Trustee") for the Fund. 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 March 25, 2024.

On October 21, 2019, the Manager and Vertex One Asset Management Inc. ("Vertex"), the previous manager for the Fund, entered into a purchase agreement (the "Purchase Agreement") pursuant to which the Manager acquired the investment fund management contracts for the Fund as of January 13, 2020 (the "Transaction").

Unitholders of the Fund approved the change of manager from Vertex to the Manager at a special meeting of the Fund's unitholders on November 28, 2019. Further details of the Transaction were provided in a management information circular that was sent to unitholders in connection with the meetings as required by securities regulations, which is also available under the Fund's profile at www.sedarplus.ca. On closing of the Transaction, the Manager became the investment fund manager and Portfolio Advisor of the Fund.

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

Class A units are available to all investors. Class F units have lower fees than Class A units and are generally available only to investors who have fee-based accounts with dealers who have been approved by us to sell Class F units. Class I units are available to other investment funds managed by the Manager, institutional investors and to other investors on a case-by-case basis, all at the discretion of the Manager. As at December 31, 2023, the Fund currently has 3 classes of units: Class A, Class F and Class I. As at December 31, 2023, the Manager holds 686 units of Class I (December 31, 2022 - 1,187 units of Class I).

The investment objective of the Fund is to generate consistent, positive returns, with low volatility and low correlation to equity markets by investing in securities in Canada, the United States and in other foreign jurisdictions.

The Fund falls within the definition of an "alternative mutual fund" set out in NI 81-102 as it is permitted to use strategies generally prohibited by other types of mutual funds, such as the ability to invest more than 10% of its NAV in securities of a single issuer, either directly or through the use of specified derivatives, the ability to borrow cash, up to 50% of its NAV, to use for investment purposes, the ability to sell securities short (the combined level of cash borrowing and short selling is limited to 50% of its NAV in aggregate), and the ability to use leverage through the use of cash borrowing, short selling and specified derivatives. The maximum aggregate exposure to these sources of leverage, as calculated in accordance with section 2.9.1 of NI 81-102, shall not exceed 300% of the fund's NAV.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The following is a summary of the material accounting policies and estimation techniques adopted by the Funds and applied in the preparation of these financial statements. Changes in accounting policy information and disclosures. Effective January 1, 2023, the Fund adopted the following new and amended accounting standards. Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2 Effective January 1, 2023, the Fund adopted the IAS 1 amendment with regards to disclosure of material accounting policies. This amendment did not have a material impact on these financial statements. There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2023 that have a material effect on the financial statements of the Fund.

(a) Basis of Preparation

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

(b) Classification

(i) Assets

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

(ii) Liabilities

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

(c) Fair Value Measurements

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

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

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

(d) Valuation of Investments and Derivatives

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

Securities not listed on any recognized public securities exchange are valued in the same manner based on available public quotations from recognized dealers in such securities. If market quotations are not readily available, securities will be valued at fair value as determined in good faith by or under the supervision of the Manager. The cost of investments represents the 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) Collateral

Cash collateral provided by the Fund is identified in the Statements of Financial Position as "Cash, pledged as collateral", if any. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its Statements of Financial Position separately from other assets and identifies the asset as "Investments, pledged as collateral". Where the party to whom the collateral is provided does not have the right to sell or re-pledge, the collateral provided is disclosed in the notes to the financial statements.

(g) Investment Transactions and Income Recognition

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

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

As at December 31, 2023 and December 31, 2022

(h) Valuation of Fund Units

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

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

A separate net asset value per unit is calculated for each class of units (the "Unit Price"). The Unit Price is the price used for all purchases, switches, reclassifications and redemptions of units of that class (including purchases made on the reinvestment of distributions). The price at which units are issued or redeemed is based on the next applicable Unit Price determined after the receipt of the purchase or redemption order.
The Unit Price of each class of the Fund is calculated by taking the fair value of all the investments and other assets allocated to the class and subtracting the liabilities allocated to that class. This gives us the net asset value for the class. The Unit Price for the class is obtained by dividing the net asset value for the class by the total number of units of the class that investors in a Fund are holding.

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

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

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

(i) 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.

(j) 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.

(k) 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.

(l) Leverage

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

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

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

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

(m) Margin Borrowings

Borrowings are recognized at fair value net of transaction costs incurred. They are subsequently valued at amortized cost; any difference is recognized in the Statements of Comprehensive Income over the period of the borrowing using the effective interest method.

The Fund has a margin borrowing facility for investment purposes up to 50% of its most recently calculated net asset value attributable to holders of redeemable units. The margin borrowing facility has no maturity and bears interest at Canadian overnight rates plus agreed spread with CIBC. The margin borrowing facility can be settled by the Fund at its discretion without any penalty. The securities held with CIBC form collateral for the margin borrowings. As at December 31, 2023, the total value of securities held as collateral was $488,087,773 (December 31, 2022 - $495,135,518). The margin borrowings from CIBC are due on demand. The carrying value of the margin borrowing approximates its fair value and is shown as "Margin borrowings" in the Statements of Financial Position. For the year January 1, 2023 to December 31, 2023, the Fund borrowed a minimum of $nil (year ended December 31, 2022 - $165,349,904) and a maximum of $288,816,389 (year ended December 31, 2022 - $568,004,606) under this margin borrowing facility.

As at December 31, 2023 and December 31, 2022

(n) Derivative Agreements

The Fund entered into derivative agreements with Canadian Imperial Bank of Commerce ("CIBC"), in order to obtain economic exposure to the Class I units (formerly Class O units) of Picton Mahoney Fortified Arbitrage Alternative Fund (formerly Vertex liquid Alternative Fund) (the "Reference Fund") similar to what would be achieved by an investment directly in the Class I units of the Reference Fund.

Under the terms of the derivative agreements, the Fund agreed to acquire from CIBC Class I units of the Reference Fund at a specified future date, which is decided by the portfolio manager, at a price equal to the net asset value ("NAV") of the Class I units at the date the derivative agreements were entered into. CIBC, on the specified future date, will deliver Class I units of the Reference Fund, less forward fees. The Fund has also option to terminate the trades at a specified future date, which is decided by the portfolio manager, at its discretion without any penalty.

The Fund has agreed to pay a forward fee, on a monthly basis, which is a floating amount based on prevailing short-term market rates and a spread applied to the daily notional value of the derivative agreements.
During the term of the derivative agreements, the Fund will deposit cash, as pledge, in its margin account with CIBC. This pledge will be kept at 10% of the notional amount at the time the derivative agreements were entered into. The Fund's restricted cash has been pledged to the counterparty as security for performance by the Fund for its obligations under the derivative agreements.

The derivative agreements are valued each day by applying the value of the Reference Fund versus the notional cost amount less outstanding forward fees. The derivatives agreements are fair valued using the NAV of the Class I units of the Reference Fund at each valuation date. All unrealized gains (losses) from the derivative agreements are included in Net change in unrealized appreciation (depreciation) on investments, options and derivative agreements in the Statements of Comprehensive Income. When the agreements are partially closed out, closed out or expire, the gains (losses) realized are included in Net realized gain (loss) on investments, options and derivative agreements in the Statements of Comprehensive Income.

(o) Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights (including the Reference Fund) 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 (including the Reference Fund) 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 December 31, 2023 and December 31, 2022, held in the form of redeemable units and through the forward agreement, 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.

(p) Offsetting

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

The Fund may hold 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 may consider 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.

As at December 31, 2023 and December 31, 2022

Price risk:
The Fund trades in financial instruments, taking positions in traded and over-the-counter instruments which may include derivatives. As of December 31, 2023 and December 31, 2022, the Fund held or had exposure to long and short equity positions in publicly traded companies whose securities are actively traded on a recognized public exchange. Equities are susceptible to price risk arising from uncertainties about future prices of those instruments (other than those arising from interest rate risk or currency risk).

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

Currency risk:
Currency risk is the risk that the cash and securities held by the Fund as well as due to and due from broker balances may be valued in or have exposure to currencies other than the Canadian dollar which is the functional currency of the Fund. The prices of the foreign securities are denominated in foreign currencies which are converted to the Fund's functional currency for determining fair value and, accordingly, each Class Net Asset Value will be affected by fluctuations in the value of such foreign currencies relative to the Canadian dollar.

Interest rate risk:
Interest rate risk arises when a fund invests in interest-bearing financial instruments and from the possibility that changes in the prevailing levels of market interest rates will affect future cash flows or fair values of such financial instruments. There is minimal fair value sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates. Market prices may also be affected by changes in market interest rates. Also, changes in the market interest rate may affect the borrowing expenses of the short positions held by the Fund.

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

The Fund is exposed to credit risk. For other financial assets at amortized cost, the Manager considers both historical analysis and forward looking information in determining any expected credit loss. At December 31, 2023 and December 31, 2022, all receivables for investments sold, dividends receivable, due from manager, due from manager, deposits with brokers for securities sold short, and cash are held with counterparties with a good credit quality and are due to be settled within one week. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

In order to monitor the credit quality of the unrated (NR) underlying debt securities, the Manager, on the basis of internal research, prepares its own shadow ratings for the various instruments for which publicly available credit ratings are not available. The Manager reviews the key financial metrics of the issue and structural features of the instruments in order to calculate the implied ratings for each of these investments. The majority of unrated securities have been assessed by the Manager to have credit quality consistent with BBB/Baa rated securities. A BBB/Baa rating is the lowest rating a bond can have and still be considered investment-grade. An investment grade bond is a bond considered to have a relatively low risk of default.

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

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

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

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

5. CAPITAL MANAGEMENT

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

6. REDEEMABLE UNIT TRANSACTIONS

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

Investors may be admitted to the Fund or may acquire additional Units on a daily basis. Units of the Fund are offered at the Class Net Asset Value per Unit calculated as of the applicable Valuation Date. The minimum initial investment in the Fund is $2,000 for all Classes and the Manager has the discretion to accept a lesser initial subscription, provided, in each case, that the issuance of Units in respect of such subscription shall otherwise be exempt from the prospectus requirements of applicable securities legislation. Subsequent investments are subject to an additional minimum investment of CAD $500 subject to applicable securities legislation. The capital of the Fund is represented by issued redeemable Units with no par value. The Units are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's Net Asset Value per Unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of Units other than as described above. The relevant movements are shown on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units and in the Fund Specific Notes of each Fund.

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

7. DISTRIBUTIONS

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

All annual distributions paid on Class A, Class F, and Class I units will be automatically reinvested in additional units.

8. TAXATION

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

Non-capital losses have expiry periods of up to 20 years and can be offset against future taxable income. Net capital losses can be carried forward indefinitely and offset against future taxable capital gains. For tax loss carry forward information, please refer to Note 14 in the Fund Specific Notes.

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

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

9. OPERATING EXPENSES

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

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

Auditor's Fees
For the year ended December 31, 2023, fees paid or payable to PricewaterhouseCoopers LLP ("PwC") and other PwC Network firms for audit services to public interest entity funds managed by the Manager were $359,092. Fees for other services were $287,172.

10. RELATED PARTY TRANSACTIONS

(a) Management Fees

The Manager receives a management fee payable for providing its services to the Fund. The management fee varies for each class of units. The management fee is calculated and accrued daily based on a percentage of the net asset value of the class of units of the Fund, plus applicable taxes, and is payable on the last business day of each calendar quarter. This fee differs among the classes of units of the Fund. The annual management fee payable by the Fund to the Manager on Class A units is 2.00% and on Class F units is 1.00%. The management fee for Class I units of the Fund is negotiated by the investor and paid directly by the investor, and would not exceed the management fee payable on Class A units of the Fund.

Management Fee Distributions

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

(b) Performance Fees

The Manager is entitled to a performance fee in relation to each Class A Units and Class F Units that is equal to 15% of the amount by which the total return of the class of Units exceeds the previous high water mark for each applicable class of Units. Any day a performance fee is paid for the Fund, a high water mark is set, which is equal to the NAV of such Fund on such date, after deducting all fees and expenses. No further performance fee will be paid until the NAV, adjusted for any distributions since the high water mark was last set, exceeds this high water mark value. This high water mark is perpetual and cannot be reset. Deficiencies to the high water mark accrue for each day the Fund does not exceed the high water mark and performance fees will not be accrued until the class of Units of the Fund has exceeded the high water mark. There is no performance fee associated with Class I Units of the Fund.

Performance fees for the Fund will be calculated and accrued (and become payable) daily, and such accrued fees will be paid by the Fund quarterly such that, to the extent possible, the Unit price each day will reflect any performance fees payable at the end of such day. The Manager reserves the right to change the period for which any performance fee may be paid by a Fund to the Manager.

Performance fees are subject to applicable taxes. No change in the Manager's performance fee payment policy will be made without at least 60 days notice to the unitholders. The Manager has reserved the right to change the period for which any performance fee may be paid by the Fund to the Manager. For the year ended December 31, 2023, the Fund incurred performance fees of $132,374 (December 31, 2022 - $nil).

(c) Fund-on-Fund Fees and Expenses

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

THINK AHEAD.
STAY AHEAD.

PICTON MAHONEY ASSET MANAGEMENT CORPORATE INFORMATION

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