

FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND



**THINK AHEAD.
STAY AHEAD.**

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2023)

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements for Picton Mahoney Fortified Multi-Strategy Alternative Fund (the "Fund"). If you have not received a copy of the annual financial statements with the management report of fund performance, you may obtain a copy of the annual financial statements, at no cost, by calling 416-955-4108 or toll-free at 1-866-369-4108, by writing to us at Picton Mahoney Asset Management, 33 Yonge Street, Suite 830, Toronto ON M5E 1G4, or by visiting our website at www.pictonmahoney.com or SEDAR+ at www.sedarplus.ca.

Securityholders may also contact us using one of these methods to request a copy of the Fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

INVESTMENT OBJECTIVE AND STRATEGIES

The investment objective of the Picton Mahoney Fortified Multi-Strategy Alternative Fund is to provide consistent long-term capital appreciation and to provide unitholders with an attractive risk-adjusted rate of return. The Fund invests globally in long and short positions in equity securities, fixed income securities including high yield securities, derivatives such as options, futures, forward contracts, swaps, commodity derivatives, volatility-linked derivatives, currencies, securities of investment funds, cash and cash equivalents. The Fund may engage in borrowing for investment purposes. Picton Mahoney Asset Management is the manager (the "Manager"), portfolio advisor (the "Portfolio Advisor") and the trustee (the "Trustee") of the Fund.

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

The investment strategy of the Fund is global in nature and will have exposure to international markets, including emerging markets. Strategies can be implemented within and across various financial markets including global equity markets including emerging markets, global government and corporate fixed income markets, foreign exchange markets, commodity derivative markets, currency markets and volatility markets. To achieve the investment objective, the Fund invests in an actively managed portfolio comprised of securities across a variety of asset classes identified as attractive investment candidates by the Portfolio Advisor's investment process.

Consistent with the investment objectives of the Fund, up to 50% of the aggregate market value of the Fund may be sold short, as permitted by exemptive relief obtained by the Fund and/or securities regulations. The Fund will short sell securities identified as unattractive investments by the Portfolio Advisor's investment process and/or to hedge the market exposure of the Fund's long positions.

The Portfolio Advisor utilizes a multi-layered investment process based on modern portfolio construction techniques and a comprehensive set of traditional and alternative assets classes, factor risk premia strategies and alpha processes: i) asset class exposure includes exposure to global equity markets, global fixed income markets (both government and corporate), commodity markets and currency markets; ii) a risk premium reflects

exposure to sources of systemic risk. Factor risk premia seeks to harvest risk premia through exposures to factors. Factors are attributes relating to a group of securities that help explain their return and risk. Factor risk premia strategies are implemented by ranking groups of securities by their exposure to a factor such as momentum or value. This strategy can be implemented within a traditional asset class, such as equities or fixed income, or an alternative asset class, such as commodities or currencies; iii) alpha process seeks to capture idiosyncratic returns associated with manager skill. Alpha processes can be implemented by investing in other actively managed strategies, such as a market neutral strategy. This may include investing in funds for which the Manager is the manager and/or portfolio advisor.

The Portfolio Advisor will use a proprietary economic cycle model in order to assess asset class and risk premia strategy behavior and to construct portfolios. Using both systematic as well as discretionary approaches, the Portfolio Advisor will apply strategic and tactical allocations at all levels of the Fund, within and across layers. The strategic allocations will be aligned with a longer-term view of the behavior and characteristics of markets and strategies. The tactical allocations will be based on a short to intermediate time horizon and may contain portfolio hedges through the use of options, futures and other securities.

The portfolio management process will also use a risk-budgeting process to weigh different components of the portfolios. The risk-budgeting will occur across layers as well as within layers. A variety of methods are used to measure risk, including, standard deviation of returns (volatility), maximum drawdown experienced through time, tail-risk as defined by a large loss over a short time horizon as well as both historical and hypothetical stress tests. Both qualitative and quantitative approaches are used to estimate risk measures. The risk measures are potentially applied to the individual markets as well as asset classes, strategies, layers and fund investments.

On a position-by-position basis, margin requirements of the applicable exchange will be adhered to by the Fund. The Fund may also choose to: i) invest up to 100% of its portfolio in international securities; ii) pairs trade by taking short positions from time to time in securities of one issuer while taking a long position in securities of another issuer in an attempt to gain from the relative valuation differences between the two issuers; iii) invest in fixed income securities; iv) engage in arbitrage strategies, including: a) yield and credit curve arbitrage by combining a long position in an issuer's bond at one maturity with a short position in the bonds of the same issuer at a different maturity; b) fixed income arbitrage by taking offsetting long and short positions in government bonds and investment grade corporate bonds, government agency securities, swap contracts, and futures and options on fixed income instruments that are mathematically, fundamentally, or historically interrelated; c) capital structure arbitrage by combining a long position in an issuer's senior debt with a short position in its junior debt or common equity using a hedge ratio; or d) convertible arbitrage by combining a long position in an issuer's convertible securities with a short position in its common equity. v) take long and short positions in securities impacted by event driven situations, such as mergers, divestitures, restructurings or other issuer events; vi) take long and short positions in private company debt offerings; vii) participate in initial public offerings, secondary offerings, and private financings (including special warrant financings) in existing publicly traded issuers to the extent permitted by securities regulations, but shall not invest in any private placements by a private company; viii) purchase, hold, sell, or otherwise deal in commodity forward contracts, commodity futures, financial futures or

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options on financial futures, but not physical commodities; ix) use derivative instruments, such as options, futures, forward contracts and swaps, cleared and uncleared, for both hedging and non-hedging strategies, in a manner which is consistent with the investment objectives of the Fund and as permitted by securities regulations, including to: a) hedge against losses from changes in the prices of the Fund's investments and from exposure to foreign currencies; b) implement option spreads by purchasing an option on a security and simultaneously selling an option on the same security with the same expiry date; and c) gain exposure to individual securities and markets instead of buying the securities directly; and x) hold cash and cash equivalents.

The specific strategies that differentiate this Fund from conventional mutual funds include: increased use of derivatives for hedging and non-hedging purposes, increased ability to sell securities short and the ability to borrow cash to use for investment purposes. While these strategies will be used in accordance with the Fund's investment objective and strategies, during certain market conditions they may accelerate the pace at which your investment decreases in value.

The Fund may invest in securities of underlying funds (including underlying funds managed by the Manager or an affiliate or associate of the Manager). The types of underlying funds held by the Fund will be selected with consideration for the underlying fund's investment objectives and strategies, past performance and operational efficiencies. The Fund has also obtained exemptive relief from Canadian securities regulatory authorities to invest in ETFs listed on a Canadian or United States stock exchange that seek to replicate the daily performance of a widely-quoted market index (i) in an inverse multiple of 100%, or (ii) by a multiple of up to 200% or an inverse multiple of up to 200% (in either case, a "Permitted ETF"). In each case: (a) the investment would be made by the Fund in accordance with its investment objective; (b) the Fund would not short sell securities of any Permitted ETF; (c) the aggregate investment by the Fund in Permitted ETFs would not exceed 10% of the Fund's net asset value, taken at market value at the time of purchase; and (d) the Fund would not purchase securities of a Permitted ETF that tracks the inverse of its underlying index (a "Bear ETF") or short sell securities of any issuer if, immediately after such purchase or short sale, more than 20% of the net asset value of the Fund, taken at market value at the time of the transaction, would consist of, in aggregate, securities of Bear ETFs and all securities sold short by the Fund.

RISK

There is no assurance that the Fund will be able to achieve its total return, capital preservation and distribution investment objectives. There is no assurance that the portfolio will earn any return and no assurances can be given as to the amount of distributions in future years and that the net asset value (the "NAV") of the Fund will appreciate or be preserved.

While risks are numerous, we believe the following are the most pertinent ones to be mindful of today:

1. **Equity Investment Risk** – Equity investments, such as stocks, carry several risks. A number of factors may cause the price of a stock to fall. These include specific developments relating to the company, stock market conditions where the company's securities trade and general economic, financial and political conditions in the countries where the company

operates. Since a Fund's unit price is based on the value of its investments, an overall decline in the value of the stocks it holds will reduce the value of the Fund and, therefore, the value of your investment. However if the price of the stocks in the portfolio increases, your investment will be worth more. Equity funds generally tend to be more volatile than fixed income funds, and the value of their units can vary widely.

2. **Fixed Income Investment Risk** – Certain general investment risks can affect fixed income investments in a manner similar to equity investments. For example, specific developments relating to a company and general financial, political and economic (other than interest rate) conditions in the country in which the company operates. For government fixed income investments, general economic, financial and political conditions may affect the value of government securities. Since a Fund's unit price is based on the value of its investments, an overall decline in the value of its fixed income investments will reduce the value of the Fund and therefore, the value of your investment. However, your investment will be worth more if the value of the fixed income investments in the portfolio increases.

3. **Credit Risk** – An issuer of a bond or other fixed income investment may not be able to pay interest or to repay the principal at maturity. The risk of this occurring is greater with some issuers than with others. For example, the risk of default is quite low for most government and high quality corporate securities. Where this risk is considered greater, the interest rate paid by the issuer is generally higher than for an issuer where this risk is considered to be lower. This risk could increase or decline during the term of the fixed income investment. Companies and governments that borrow money, as well as their debt securities, may be rated by specialized rating agencies. A downgrade in an issuer's credit rating or other adverse news regarding an issuer can reduce a security's market value. Other factors can also influence a debt security's market value, such as the level of liquidity of the security or a change in the market perception of the creditworthiness of the security, the parties involved in structuring the security and the underlying assets, if any. Lower rated debt instruments such as an instrument that has a credit rating below investment grade or may not be rated at all (sometimes referred to as "high yield"), generally offer a better yield than higher-grade debt instruments, but have the potential for substantial loss as compared to higher grade instruments.

4. **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

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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.

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.

For further details relating to risks of investing in the Fund, please refer to the *Specific Investment Risks*, *Investment Risk Classification Methodology*, and *Who Should Invest in the Funds* sections of the Simplified Prospectus.

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.

During the year January 1 to December 31, 2023, the Fund's aggregate exposure reached a low of 169.37% and a high of 284.54% of the Fund's NAV. As at December 31, 2023, the Fund's aggregate exposure was 211.96% of the Fund's NAV. The primary source of leverage was cash overdraft and short positions in equity securities.

RESULTS OF OPERATIONS

For the year January 1, 2023 to December 31, 2023, the net asset value of the Fund decreased by approximately \$28.7 million from \$95.0 million to \$66.3 million. During the same period, performance on the Fund's portfolio increased its assets by \$1.2 million. The Fund also received \$7.6 million in proceeds and had net redemptions of \$37.5 million. For the year ended December 31, 2023, the Fund Class A units returned 0.92%, the Fund Class F units returned 2.01%, the Fund Class FT units returned 2.06%, the Fund Class I units returned 3.09%, the Fund Class P units returned 2.32%, and the Fund Class ETF units returned 2.04%.

On the whole, 2023 was characterized by markets which exhibited ample sensitivity to the level and direction of interest rates. Despite a swoon in the summer months, the outperformance of U.S. large cap technology stocks continued to be at the forefront as rates falling from their peak spurred a healthy rally into year-end. Given the diversification imperatives of the mandate, namely to redistribute equity risk, the Picton Mahoney Fortified Multi-Strategy Fund struggled to match market returns in the period. For much of the period, our proprietary economic cycle model was flagging high recession probability, so relatively defensive positioning was an opportunity cost, especially when one equity sector thematic is driving such a substantial portion of returns in the marketplace. Even more broadly, the Fund's more diversified construction will lag in such a scenario regardless.

The interest rate environment was range-bound, but nonetheless volatile (and albeit well off the low base, historically), with the benchmark U.S. 10-Year Treasury Yield exhibiting a range between ~4.0% and ~4.9% in the period. While significantly less painful to rate-sensitive investments than the steady march higher in 2022, equities have nonetheless exhibited narrow leadership in the period, as high-growth, high-multiple tech stocks powered into year-end after rates peaked mid-October.

Across our Strategic Asset Allocation model, Interest Rate exposure was the most positive contributor in the period, with much of the performance coming in the first quarter. Developed Market Equities were a close second, with some additional contributions from tactical shifts to the asset class. Again, as the strategy attempts to redistribute equity risk from portfolios, this performance fell short of what would have been achieved in a more traditional balanced (i.e. 60/40) approach. Aside from some contribution from the Emerging Market Equity asset class, the rest of the nine asset classes at work in the Strategic Allocation were relatively quiet, with Energy and Industrial Metals being detractors over the period in review.

On the whole, we maintained exposure to our Tactical Asset Allocation model and Strategic Asset Allocation. While we remain underweight Government Bonds relative to our model weight, the asset class remains the largest exposure from a risk-adjusted perspective (despite the tactical adjustments). We believe this exposure will pay in the event of a recession but are also tactically hedging this exposure.

We have maintained exposure to the uncorrelated active strategies managed in-house, namely the Picton Mahoney Fortified Market Neutral Alternative Fund and the Picton Mahoney Fortified Income Alternative Fund. This Alpha Layer in the Fund's construction produced a solid positive return contribution, outpacing that of equities, but again, that speaks more to a light equity allocation than anything else. Hedges, as expected, were a cost for the full year as well, partially offset by a risk replacement strategy the fund employs to garner upside in environments where our defensive positioning is "fighting a strong (equity market) tape".

RECENT DEVELOPMENTS

As at period-end, our proprietary economic cycle model continues to hold a high probability of recession. As at our mid-year update, we were encouraged to see more probability weighting shifted to a recovery scenario, yet recent economic data has reverted to a less encouraging scenario of higher recession probability. We note it is common for the cycle model to revert to recession probabilities when we observe longer historical timeframes.

This doesn't necessarily indicate a flaw in the model. To wit, the cycle model is not intended to flow smoothly from one cycle phase to the next... because the economy does not! That said, when the probability distribution does seem to ebb and flow in these periods of economic sluggishness, we turn our attention to the passage of time as the most likely healer of the current situation.

While equity markets appear ebullient, this will remain an opportunity cost given the Fund's imperative to redistribute equity risk in a diversified portfolio. To offset this conundrum, our exposure to the Strategic and Tactical Asset Allocation will remain below targets until markets provide greater clarity against a backdrop of challenging economic data. In brief,

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we believe that over time, a well-diversified approach will serve investors better than forcing a doubling down on narrow leadership within a single asset class. If one believes that portfolio diversification offers longer-term benefits, then binary decisions (up/down from here) on a single theme would be unwelcome to most investors.

We note markets are pricing in a magnitude of interest rate cuts somewhat greater than when the U.S. Federal Reserve is baking in to their infamous “dot plot” and as such, 2024 will prove an interesting year. With widely forecast solid earnings growth for equities, it’s difficult to make the case for interest rate cuts on this order, unless we were indeed poised on recession. In this light, we note equity market participants may be looking to “have their cake and eat it too” (i.e. achieve forecast earnings growth AND have the benefit of multiple expansion from lower rates).

RELATED PARTY TRANSACTIONS

Picton Mahoney Asset Management is the manager (the “Manager”), portfolio advisor (the “Portfolio Advisor”), and trustee (“the Trustee”) of the Fund. The Manager is an investment manager focused on equity and fixed income securities investments with approximately \$9.9 billion of assets under management as of December 31, 2023. As at December 31, 2023, the Manager holds 1 unit of Class A, 796 units of Class FT, 768 units of Class I, and 700 units of Class P (December 31, 2022 - 1 unit of Class A, 757 units of Class FT, 768 units of Class I, and 700 units of Class P).

The Fund holds 338,643 units (market value of \$5,299,961) totaling 0.47% of the net assets of Picton Mahoney Fortified Market Neutral Alternative Fund, 1,002,145 units (market value of \$9,246,693) totaling 5.46% of the net assets of Picton Mahoney Fortified Special Situations Alternative Fund, 1,296,365 units (market value of \$13,497,887) totaling 1.74% of the net assets of Picton Mahoney Fortified Arbitrage Plus Alternative Fund, 100,000 units (market value of \$993,020) totaling 6.10% of the net assets of Picton Mahoney Fortified Inflation Opportunity Alternative Fund and 800,620 units (market value of \$8,174,012) totaling 0.82% of the net assets of Picton Mahoney Fortified Income Alternative Fund. For the year ended December 31, 2023, the Manager has absorbed \$125,900 of expenses.

Management Fees

As a result of providing investment and management services, the Manager receives a management fee calculated and accrued daily based on the NAV of the class of units of the Fund, plus applicable taxes, payable on the last day of each calendar quarter. For the year ended December 31, 2023, the Fund incurred management fees of \$827,036 (December 31, 2022 - \$979,005). Management fees in respect of Class I units are direct fees negotiated with the investor, paid directly by the investor, and would not exceed the management fee payable on Class A units of the Fund. The Manager uses these management fees to pay for sales and trailing commissions to registered dealers on the distribution of the Fund’s shares, investment advice, as well as general administrative expenses relating to Picton Mahoney’s role as Manager.

The following is a breakdown:

As a Percentage of Management Fees			
	Annual Rates	Dealer Compensation	General Administration and Investment Advice
Class A units	1.95%	51.42%	48.58%
Class F units	0.95%	-	100.00%
Class FT units	0.95%	-	100.00%
Class P units	0.70%	-	100.00%
Class ETF units	0.95%	-	100.00%

Out of the management fees that the Manager received from the Fund, the Manager paid trailer commissions of \$76,618 for the year ended December 31, 2023.

Performance Fees

The Manager receives a performance fee in respect of each class of units of the Fund. The performance fee for each class shall be calculated and become a liability of the Fund on each valuation day (the “Valuation Day”) and shall be payable at the end of each calendar quarter. The performance fee is equal to 20% of the amount by which the performance of the applicable class exceeds an annual hurdle rate of return equal to 2%, for each class of units of the Fund, plus applicable taxes. The performance fee in respect of each class of units of the Fund on a particular Valuation Day shall be equal to the product of, (a) 20% of the positive difference between (i) the unit price on the Valuation Day; and (ii) the greatest unit price on any previous Valuation Day (or the unit price on the date when the units of the class were first issued, where no performance fee liability has previously arisen in respect of units of the class (the “High Water Mark”); less (iii) the hurdle amount per unit on the Valuation Day; and (b) the number of units outstanding on the applicable Valuation Day on which the performance fee is determined, plus applicable taxes. The hurdle amount per unit is the product of (a) 2% for each calendar year (prorated for the number of days in the year); (b) the unit price on the applicable Valuation Day; and (c) the number of days since the most recently determined High Water Mark or the beginning of the current calendar year, whichever is most recent. Investors in Class I units may negotiate a different performance fee than the one described herein or no performance fee at all. Any performance fee for Class I units will be paid directly to the Manager. The Manager reserves the right, in its discretion, to discontinue, decrease or waive the performance fee at any time. For the year ended December 31, 2023, the Fund incurred no performance fees (December 31, 2022 - \$445,230).

Independent Review Committee

The Fund receives standing instructions (the “SI”) from the independent review committee (the “IRC”). The SI constitutes a written approval or recommendation from the IRC that permits the Manager to proceed with specific action(s) set out in the SI on an ongoing basis. The SI is designed to ensure that the Manager’s actions are carried out in accordance with the law, the instrument and the Manager’s policies and procedures in order to achieve a fair and reasonable result for the Fund. The SI outlines actions related to i) Fees and Expenses; ii) Trade Allocations; iii) Broker Selections; iv) Code of Ethics and Conduct; v) Portfolio Pricing Issues, amongst other things. The Manager must provide the IRC with a written report summarizing each instance where the Manager has relied on the SI. For the year ended December 31, 2023, the IRC did not provide any recommendations to the Manager.

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FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past period as applicable.

Class A Units - Net Assets per Unit					
	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)	Dec 31, 2019(\$)
Net Assets, beginning of year	11.32	12.02	11.02	10.35	9.52
Increase (decrease) from operations:					
Total revenue	0.22	0.22	0.17	0.09	0.21
Total expense	(0.34)	(0.38)	(0.57)	(0.38)	(0.28)
Realized gains (losses)	0.12	(0.43)	1.03	(0.30)	(0.10)
Unrealized gains (losses)	0.10	(0.17)	0.34	1.16	0.67
Total increase (decrease) from operations⁽¹⁾	0.10	(0.76)	0.97	0.57	0.50
Distributions:					
From income	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions⁽¹⁾⁽²⁾	-	-	-	-	-
Net Assets, end of year	11.42	11.32	12.02	11.02	10.35

Class A Units - Ratios/Supplemental Data					
	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)	Dec 31, 2019(\$)
Total Net Asset Value (\$000's) ⁽³⁾	7,493	7,899	7,629	6,349	5,717
Number of units outstanding (000's) ⁽³⁾	656	698	635	576	553
Management expense ratio ⁽⁴⁾	3.62%	3.53%	4.70%	3.64%	2.67%
Management expense ratio before waivers or absorptions	3.79%	3.63%	5.02%	3.94%	4.41%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.92%	0.80%	0.66%	1.26%	0.24%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	2.69%	2.10%	1.82%	2.55%	1.12%
Portfolio turnover rate ⁽⁶⁾	104.22%	89.60%	157.77%	217.90%	208.83%
Net Asset Value per unit	11.42	11.32	12.02	11.02	10.35

Class F Units - Net Assets per Unit					
	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)	Dec 31, 2019(\$)
Net Assets, beginning of year	11.80	12.40	11.27	10.50	9.55
Increase (decrease) from operations:					
Total revenue	0.21	0.23	0.19	0.09	0.21
Total expense	(0.23)	(0.27)	(0.43)	(0.30)	(0.17)
Realized gains (losses)	0.11	(0.53)	0.97	(0.37)	(0.09)
Unrealized gains (losses)	0.05	(0.08)	0.25	0.98	0.68
Total increase (decrease) from operations⁽¹⁾	0.14	(0.65)	0.98	0.40	0.63
Distributions:					
From income	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions⁽¹⁾⁽²⁾	-	-	-	-	-
Net Assets, end of year	12.04	11.80	12.40	11.27	10.50

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Class F Units - Ratios/Supplemental Data					
	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)	Dec 31, 2019(\$)
Total Net Asset Value (\$000's) ⁽³⁾	27,548	51,654	43,624	23,039	22,713
Number of units outstanding (000's) ⁽³⁾	2,288	4,376	3,517	2,044	2,164
Management expense ratio ⁽⁴⁾	2.50%	2.42%	3.37%	2.78%	1.54%
Management expense ratio before waivers or absorptions	2.66%	2.51%	3.70%	3.09%	3.34%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.92%	0.80%	0.66%	1.26%	0.24%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	2.69%	2.10%	1.82%	2.55%	1.12%
Portfolio turnover rate ⁽⁶⁾	104.22%	89.60%	157.77%	217.90%	208.83%
Net Asset Value per unit	12.04	11.80	12.40	11.27	10.50

Class FT Units - Net Assets per Unit			
	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$) ⁽⁸⁾
Net Assets, beginning of year	8.96	9.93	10.00
Increase (decrease) from operations:			
Total revenue	0.17	0.22	0.08
Total expense	(0.17)	(0.19)	(0.12)
Realized gains (losses)	0.09	(1.20)	0.09
Unrealized gains (losses)	0.07	0.75	0.06
Total increase (decrease) from operations⁽¹⁾	0.16	(0.42)	0.11
Distributions:			
From income	-	(0.50)	-
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	(0.45)	-	(0.27)
Total annual distributions⁽¹⁾⁽²⁾	(0.45)	(0.50)	(0.27)
Net Assets, end of year	8.69	8.96	9.93

Class FT Units - Ratios/Supplemental Data			
	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$) ⁽⁸⁾
Total Net Asset Value (\$000's) ⁽³⁾	376	410	22
Number of units outstanding (000's) ⁽³⁾	43	46	2
Management expense ratio ⁽⁴⁾	2.49%	1.63%	2.70%
Management expense ratio before waivers or absorptions	2.65%	1.71%	3.11%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.92%	0.80%	0.66%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	2.69%	2.10%	1.82%
Portfolio turnover rate ⁽⁶⁾	104.22%	89.60%	157.77%
Net Asset Value per unit	8.69	8.96	9.93

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2023)

Class I Units - Net Assets per Unit					
	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)	Dec 31, 2019(\$)
Net Assets, beginning of year	12.87	13.31	11.70	10.63	9.57
Increase (decrease) from operations:					
Total revenue	0.26	0.24	0.19	0.09	0.02
Total expense	(0.10)	(0.07)	(0.09)	(0.05)	-
Realized gains (losses)	0.13	(0.48)	1.16	(0.21)	(0.35)
Unrealized gains (losses)	0.11	(0.11)	0.35	1.23	3.22
Total increase (decrease) from operations⁽¹⁾	0.40	(0.42)	1.61	1.06	2.89
Distributions:					
From income	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions⁽¹⁾⁽²⁾	-	-	-	-	-
Net Assets, end of year	13.27	12.87	13.31	11.70	10.63

Class I Units - Ratios/Supplemental Data					
	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)	Dec 31, 2019(\$)
Total Net Asset Value (\$000's) ⁽³⁾	10	10	13	12	11
Number of units outstanding (000's) ⁽³⁾	1	1	1	1	1
Management expense ratio ⁽⁴⁾	1.49%	0.60%	0.56%	0.57%	0.46%
Management expense ratio before waivers or absorptions	1.65%	0.61%	0.87%	0.94%	0.47%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.92%	0.80%	0.66%	1.26%	0.24%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	2.69%	2.10%	1.82%	2.55%	1.12%
Portfolio turnover rate ⁽⁶⁾	104.22%	89.60%	157.77%	217.90%	208.83%
Net Asset Value per unit	13.27	12.87	13.31	11.70	10.63

Class P Units - Net Assets per Unit		
	Dec 31, 2023(\$)	Dec 31, 2022(\$) ⁽⁹⁾
Net Assets, beginning of year	9.35	10.00
Increase (decrease) from operations:		
Total revenue	0.18	0.16
Total expense	(0.15)	(0.13)
Realized gains (losses)	0.10	(0.72)
Unrealized gains (losses)	0.08	(0.18)
Total increase (decrease) from operations⁽¹⁾	0.21	(0.87)
Distributions:		
From income	-	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total annual distributions⁽¹⁾⁽²⁾	-	-
Net Assets, end of year	9.57	9.35

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2023)

Class P Units - Ratios/Supplemental Data		
	Dec 31, 2023(\$)	Dec 31, 2022(\$) ⁽⁹⁾
Total Net Asset Value (\$000's) ⁽³⁾	27,562	30,166
Number of units outstanding (000's) ⁽³⁾	2,881	3,226
Management expense ratio ⁽⁴⁾	2.24%	1.51%
Management expense ratio before waivers or absorptions	2.40%	1.60%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.92%	0.80%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	2.69%	2.10%
Portfolio turnover rate ⁽⁶⁾	104.22%	89.60%
Net Asset Value per unit	9.57	9.35

Class ETF Units - Net Assets per Unit					
	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)	Dec 31, 2019(\$) ⁽⁷⁾
Net Assets, beginning of year	11.47	12.05	10.96	10.20	10.00
Increase (decrease) from operations:					
Total revenue	0.22	0.22	0.19	0.10	0.10
Total expense	(0.24)	(0.26)	(0.39)	(0.29)	(0.08)
Realized gains (losses)	0.19	(0.48)	0.89	(0.39)	(0.16)
Unrealized gains (losses)	(0.07)	(0.14)	0.10	0.19	0.29
Total increase (decrease) from operations⁽¹⁾	0.10	(0.66)	0.79	(0.39)	0.15
Distributions:					
From income	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions⁽¹⁾⁽²⁾	-	-	-	-	-
Net Assets, end of year	11.70	11.47	12.05	10.96	10.20

Class ETF Units - Ratios/Supplemental Data					
	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)	Dec 31, 2019(\$) ⁽⁷⁾
Total Net Asset Value (\$000's) ⁽³⁾	3,277	4,818	5,904	2,192	6,122
Number of units outstanding (000's) ⁽³⁾	280	420	490	200	600
Management expense ratio ⁽⁴⁾	2.48%	2.42%	3.37%	2.78%	1.54%
Management expense ratio before waivers or absorptions	2.64%	2.52%	3.46%	2.84%	3.74%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.92%	0.80%	0.66%	1.26%	0.24%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	2.69%	2.10%	1.82%	2.55%	1.12%
Portfolio turnover rate ⁽⁶⁾	104.22%	89.60%	157.77%	217.90%	208.83%
Net Asset Value per unit	11.70	11.47	12.05	10.96	10.20
Net Asset Value per unit	11.58	11.48	12.11	11.04	10.19

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2023)

EXPLANATORY NOTES

- (1) Net Assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.
- (2) Distributions were paid in cash, reinvested in additional units of the Fund, or both.
- (3) This information is provided as at the periods shown.
- (4) The management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. In the period the class is established, the MER is annualized.
- (5) The trading expense ratio ("TER") represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. In the period the class is established, the TER is annualized. The TER is calculated at the fund level and applies to all classes of the Fund. The Fund's TER is shown both with and without the short dividend expense from equities and interest expense from fixed income securities.
- (6) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund. Portfolio turnover rate is calculated based on the lesser of the cost of purchases or proceeds of sales divided by the average market value of the portfolio, excluding short-term investments.
- (7) Class ETF units were first issued on July 5, 2019.
- (8) Class FT units were first issued on July 8, 2021.
- (9) Class P units were first issued on March 7, 2022.

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

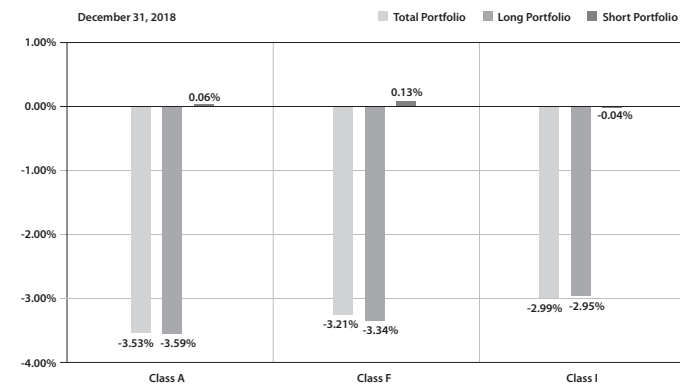
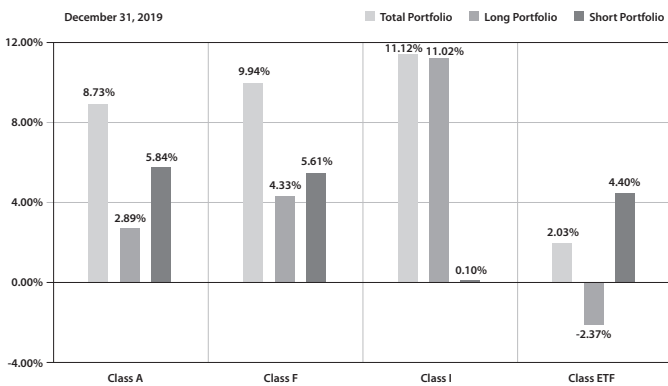
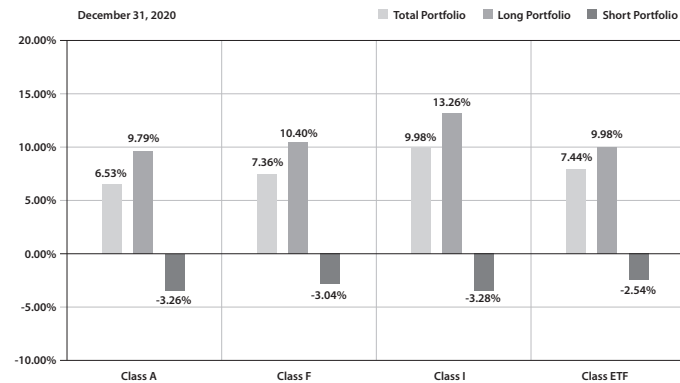
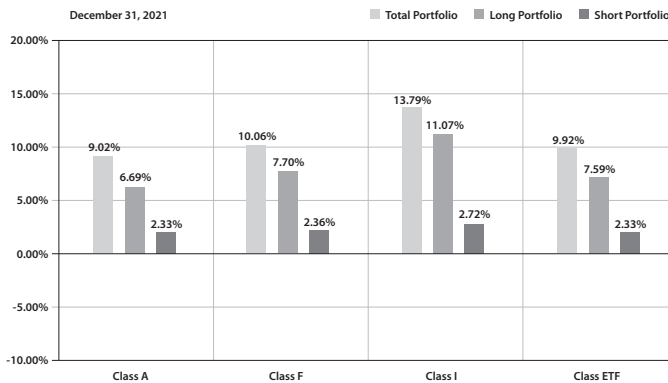
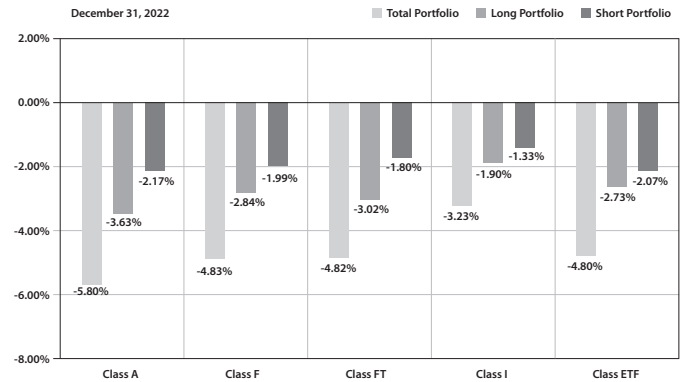
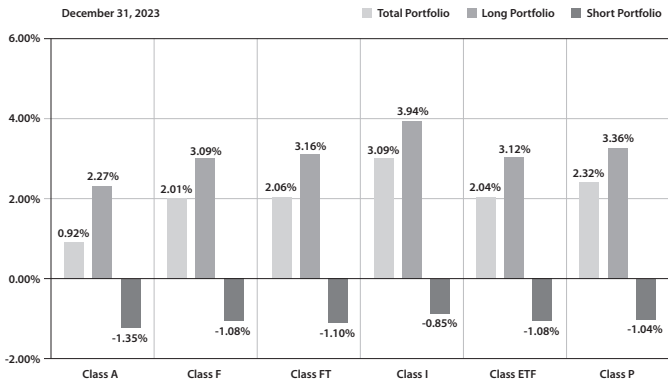
MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2023)

PAST PERFORMANCE

This section describes the Fund's performance over the past period since inception. The information shown assumes that any distributions made by the Fund were reinvested in additional units of the Fund. All rates of returns are calculated based on the NAV of the particular series of the Fund. Past returns of the Fund do not necessarily indicate how it will perform in the future.

Year-by-Year>Returns

The following chart indicates the annual performance of each series of the Fund each year from inception on September 21, 2018 to December 31, 2023. The chart shows, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period.



PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2023)

ANNUAL COMPOUND RETURNS

The following table presents the compound returns of the units of the Fund for the period indicated to December 31, 2023.

Further discussion of the Fund's performance can be found within the Results of Operations section.

Annual Compound Returns	1 Year	3 Year	5 Year	Since Inception
Total portfolio - Class A units	0.92%	1.20%	3.72%	2.85%
Long portfolio - Class A units	2.27%	2.78%	1.74%	6.11%
Short portfolio - Class A units	-1.35%	-1.58%	1.98%	-3.26%
Total portfolio - Class F units	2.01%	2.23%	4.75%	3.89%
Long portfolio - Class F units	3.09%	3.88%	3.05%	6.80%
Short portfolio - Class F units	-1.08%	-1.65%	1.70%	-2.91%
Total portfolio - Class FT units*	2.06%	-	-	-0.44%
Long portfolio - Class FT units*	3.16%	-	-	2.77%
Short portfolio - Class FT units*	-1.10%	-	-	-3.21%
Total portfolio - Class I units	3.09%	4.33%	6.77%	5.84%
Long portfolio - Class I units	3.94%	3.56%	6.05%	6.36%
Short portfolio - Class I units	-0.85%	0.77%	0.72%	-0.52%
Total portfolio - Class ETF units**	2.04%	2.21%	-	3.59%
Long portfolio - Class ETF units**	3.12%	3.74%	-	3.42%
Short portfolio - Class ETF units**	-1.08%	-1.53%	-	0.17%
Total portfolio - Class P units***	2.32%	-	-	-2.40%
Long portfolio - Class P units***	3.36%	-	-	0.22%
Short portfolio - Class P units***	-1.04%	-	-	-2.62%
Blended Benchmark Index	11.88%	4.53%	7.18%	5.38%

*Class FT units were first issued on July 8, 2021.

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

***Class P units were first issued on March 8, 2022.

SUMMARY OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2023

Portfolio by Category	Percentage of Net Asset Value (%)	Portfolio by Category	Percentage of Net Asset Value (%)
LONG POSITIONS		SHORT POSITIONS	
Canadian Equities	86.7%	Canadian Equities	-17.8%
Investment Funds	57.5%	Index Equivalents	-9.2%
Financials	6.5%	Financials	-2.1%
Energy	4.1%	Energy	-1.7%
Industrial	5.5%	Real Estate	-0.8%
Materials	3.2%	Industrial	-1.0%
Information Technology	2.3%	Materials	-0.8%
Real Estate	2.0%	Consumer Staples	-0.8%
Utilities	1.7%	Consumer Discretionary	-0.5%
Consumer Discretionary	1.6%	Communication Services	-0.4%
Consumer Staples	1.0%	Utilities	-0.5%
Communication Services	0.9%		
Index Equivalents	0.3%	Global Equities	-18.9%
Health Care	0.1%	International Index Equivalents	-11.4%
		United States Equities	-6.4%
Global Equities	43.8%	International Equities	-1.1%
International Index Equivalents	32.5%		
United States	10.4%	Derivatives	-3.0%
International	0.9%	Total Short Positions	-39.7%
Derivatives	4.7%		
Total Long Positions	135.2%	Cash	5.8%
		Other Liabilities (net)	-1.3%
		Total	100.0%

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2023)

Top Holdings	
	Percentage of Net Asset Value (%)
LONG POSITIONS	
Picton Mahoney Fortified Arbitrage Plus Alternative Fund	20.4%
Picton Mahoney Fortified Special Situations Alternative Fund	14.0%
Picton Mahoney Fortified Income Alternative Fund	12.3%
Picton Mahoney Fortified Market Neutral Alternative Fund	8.0%
Cash	6.3%
iShares iBoxx \$ High Yield Corporate Bond ETF	4.8%
iShares Core MSCI Europe ETF	3.5%
SPDR S&P 500 ETF Trust	1.6%
Picton Mahoney Fortified Inflation Opportunities Alternative Fund	1.5%
Sprott Physical Uranium Trust	1.3%
iShares iBoxx \$ Investment Grade Corporate Bond ETF	1.2%
Global X Uranium ETF	1.1%
iShares MSCI Brazil Capped ETF	1.1%
db X-trackers Harvest CSI 300 China A-Shares ETF	1.1%
iShares MSCI India ETF	1.1%
iShares MSCI South Africa ETF	1.1%
iShares MSCI Mexico Capped ETF	1.1%
Bank of Montreal	1.1%
Element Fleet Management Corp.	1.0%
SHORT POSITIONS	
iShares S&P/TSX 60 Index ETF	-5.8%
Vanguard Total Stock Market ETF	-4.8%
iShares Core S&P/TSX Capped Composite Index ETF	-3.4%
iShares U.S. Consumer Staples ETF	-1.6%
iShares U.S. Real Estate ETF	-1.1%
iShares US Financials ETF	-1.1%
Total Net Asset Value (\$000)	<u>\$66,266</u>

The Summary of Investment Portfolio may change due to the ongoing portfolio transactions. A quarterly update is available on our website at www.pictonmahoney.com. Picton Mahoney Fortified Multi-Strategy Alternative Fund invests in other investment funds. The prospectus and other information about the underlying investment funds are available on the internet at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, its future performance, strategies and events. Forward-looking statements include words such as "anticipates", "believe", "could", "expect", "estimate", "may" or negative versions thereof and similar expressions. By their nature, forward-looking statements make assumptions on future events that are subject to inherent risks and uncertainties. There is significant risk that predictions on the Fund, future events and economic conditions will not prove to be accurate. Forward-looking statements are not guarantees of future performance and actual results may differ materially from management projected expectations due to factors such as general market and economic conditions, interest rates and foreign currency fluctuations, changes to regulatory requirements and guidelines, changes in technology, effects of competition in the various business areas and unforeseen natural disasters and catastrophes. As a result of these factors, readers of this document are cautioned not to place undue reliance on these statements and before making any investment decisions should clearly consider these factors, among other factors. All opinions contained in the forward-looking statements are subject to change without notice and are provided in good faith, unless required by applicable law.

**THINK AHEAD.
STAY AHEAD.**



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