

# FORTIFIED CORE BOND FUND



**THINK AHEAD.  
STAY AHEAD.**



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## MANAGEMENT'S RESPONSIBILITY STATEMENT

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

The semi-annual 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") and include certain amounts that are based on estimates and judgements. Management maintains appropriate processes to ensure that relevant and reliable financial information is produced.

### **Picton Mahoney Asset Management**

Toronto, Ontario

August 29, 2024

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## STATEMENTS OF FINANCIAL POSITION

As at June 30, 2024 (unaudited) and December 31, 2023

|   | June 30,<br>2024<br>\$ | December 31,<br>2023<br>\$ |
|---|------------------------|----------------------------|
| <b>Assets</b>   |                        |                            |
| <b>Current assets</b>   |                        |                            |
| Long positions at fair value*   | 26,869,612             | 19,879,748                 |
| Cash  | 718,616                | 880,113                    |
| Options purchased*  | 40,212                 | 48,751                     |
| Unrealized gain on foreign exchange forward contracts at fair value     | 980                    | 305,503                    |
| Due from Manager  | 4,520                  | 81,680                     |
| Receivable for investments sold   | 510,910                | -                          |
| Dividends receivable  | 1,939                  | 1,071                      |
| Interest and other receivable   | 231,758                | 190,199                    |
|   | <u>28,378,547</u>      | <u>21,387,065</u>          |
| <b>Liabilities</b>  |                        |                            |
| <b>Current liabilities</b>  |                        |                            |
| Short positions at fair value**   | 44,374                 | -                          |
| Options written**   | 70,042                 | 101,896                    |
| Unrealized loss on foreign exchange forward contracts at fair value     | 38,564                 | -                          |
| Cash overdraft  | -                      | 159,481                    |
| Management fee payable  | 6,295                  | 1,337                      |
| Accrued liabilities   | 73,361                 | 107,449                    |
| Payable for investments purchased                                       | 512,638                | 78,361                     |
| Interest payable  | 316                    | -                          |
|   | <u>745,590</u>         | <u>448,524</u>             |
| <b>Net Assets Attributable to Holders of Redeemable Units</b>           | <u>27,632,957</u>      | <u>20,938,541</u>          |
| <b>Net Assets Attributable to Holders of Redeemable Units per Class</b> |                        |                            |
| Class A   | 558,407                | 54,002                     |
| Class F   | 1,630,139              | 2,381,729                  |
| Class I   | 24,123,323             | 17,461,500                 |
| Class O****   | 183,123                | 7,337                      |
| Class ETF   | 1,137,965              | 1,033,973                  |
| <b>Number of Redeemable Units Outstanding</b>                           |                        |                            |
| Class A   | 54,886                 | 5,294                      |
| Class F   | 158,298                | 231,431                    |
| Class I   | 2,313,810              | 1,681,782                  |
| Class O****   | 17,460                 | 702                        |
| Class ETF   | 110,000                | 100,000                    |
| <b>Net Assets Attributable to Holders of Redeemable Units per Unit</b>  |                        |                            |
| Class A   | 10.17                  | 10.20                      |
| Class F   | 10.30                  | 10.29                      |
| Class I   | 10.43                  | 10.38                      |
| Class O****   | 10.49                  | 10.45                      |
| Class ETF***  | 10.35                  | 10.34                      |
|   | <u>26,318,797</u>      | <u>19,448,481</u>          |
|   | <u>(138,193)</u>       | <u>(146,824)</u>           |
|   | <u>10.36</u>           | <u>10.39</u>               |

\* Long positions, at cost

\*\* Short positions, at cost

\*\*\* Closing Market Price (TSX)

\*\*\*\* Class O units were first issued on November 3, 2023.

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

Approved on behalf of the Manager

David Picton

Arthur Galloway



President



CFO

## STATEMENTS OF COMPREHENSIVE INCOME

For the six month periods ended June 30 (unaudited)

|   | 2024<br>\$      | 2023<br>\$      |
|---|-----------------|-----------------|
| <b>Income</b>   |                 |                 |
| Net gains (losses) on investments and derivatives   |                 |                 |
| Interest for distribution purposes  | 498,184         | 407,881         |
| Dividends   | 17,396          | 4,576           |
| Net realized gain (loss) on investments and options   | 394,242         | 315,766         |
| Net realized gain (loss) on foreign exchange forward contracts  | 25,441          | 74,080          |
| Change in unrealized appreciation/depreciation on investments, options and foreign exchange forward contracts | (255,125)       | (170,957)       |
| Interest and borrowing expense  | (2,425)         | (6,364)         |
| Net gains (losses) on investments and derivatives   | <u>677,713</u>  | <u>624,982</u>  |
| Other income  |                 |                 |
| Securities lending income   | 1,287           | 146             |
| Foreign currency gain (loss) on cash and other assets and liabilities   | 15,933          | (15,591)        |
| Total Income  | <u>694,933</u>  | <u>609,537</u>  |
| <b>Expenses</b>   |                 |                 |
| Transaction costs   | 49,434          | 43,416          |
| Administrative fees   | 36,294          | 26,115          |
| Management fees   | 12,177          | 8,370           |
| Legal fees  | 12,177          | 3,702           |
| Securityholder reporting fees   | 4,667           | 2,905           |
| Independent review committee fees   | 3,496           | 3,541           |
| Audit fees  | 1,984           | 1,568           |
| Total expense before manager absorption   | <u>120,229</u>  | <u>89,617</u>   |
| Less expenses absorbed by manager   | <u>(48,120)</u> | <u>(21,750)</u> |
| Total expense after manager absorption  | <u>72,109</u>   | <u>67,867</u>   |
| <b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>                          | <u>622,824</u>  | <u>541,670</u>  |
| <b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class</b>                |                 |                 |
| Class A   | 12,576          | 1,400           |
| Class F   | 24,517          | (2,279)         |
| Class I   | 561,823         | 512,638         |
| Class O****   | 2,492           | -               |
| Class ETF   | 21,416          | 29,911          |
| <b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit</b>                 |                 |                 |
| Class A   | 0.30            | 0.29            |
| Class F   | 0.16            | (0.03)          |
| Class I   | 0.29            | 0.32            |
| Class O****   | 0.39            | -               |
| Class ETF   | 0.21            | 0.26            |

\*\*\*\* Class O units were first issued on November 3, 2023.

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

# PICTON MAHONEY FORTIFIED CORE BOND FUND

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

For the six month periods ended June 30 (unaudited)

|  | 2024<br>\$         | 2023<br>\$        |  | 2024<br>\$        | 2023<br>\$        |
|--|--------------------|-------------------|--|-------------------|-------------------|
| <b>Net Assets Attributable to Holders of Redeemable Units at Beginning of Period</b> |                    |                   | <b>Distributions to Holders of Redeemable Units</b>                                      |                   |                   |
| Class A  | 54,002             | 51,177            | From net investment income   |                   |                   |
| Class F  | 2,381,729          | 51,231            | Class A  | (9,034)           | (952)             |
| Class I  | 17,461,500         | 15,792,113        | Class F  | (34,351)          | (19,956)          |
| Class O****  | 7,337              | -                 | Class I  | (417,647)         | (339,892)         |
| Class ETF  | 1,033,973          | 1,113,195         | Class O****  | (1,448)           | -                 |
|  | <u>20,938,541</u>  | <u>17,007,716</u> | Class ETF  | (21,360)          | (24,373)          |
|  |                    |                   |  | <u>(483,840)</u>  | <u>(385,173)</u>  |
| <b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b> |                    |                   | <b>Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b> |                   |                   |
| Class A  | 12,576             | 1,400             |  | <u>6,694,416</u>  | <u>2,208,049</u>  |
| Class F  | 24,517             | (2,279)           | <b>Net Assets Attributable to Holders of Redeemable Units at End of Period</b>           |                   |                   |
| Class I  | 561,823            | 512,638           | Class A  | 558,407           | 12,286            |
| Class O****  | 2,492              | -                 | Class F  | 1,630,139         | 1,421,592         |
| Class ETF  | 21,416             | 29,911            | Class I  | 24,123,323        | 16,558,959        |
|  | <u>622,824</u>     | <u>541,670</u>    | Class O****  | 183,123           | -                 |
|  |                    |                   | Class ETF  | <u>1,137,965</u>  | <u>1,222,928</u>  |
| <b>Redeemable Unit Transactions</b>  |                    |                   | <b>Net Assets Attributable to Holders of Redeemable Units at End of Period</b>           |                   |                   |
| Proceeds from redeemable units issued  |                    |                   |  | <u>27,632,957</u> | <u>19,215,765</u> |
| Class A  | 493,064            | 12,250            |  |                   |                   |
| Class F  | 386,692            | 1,479,716         |  |                   |                   |
| Class I  | 6,100,000          | 300,000           |  |                   |                   |
| Class O****  | 256,129            | -                 |  |                   |                   |
| Class ETF  | 103,936            | 104,195           |  |                   |                   |
|  | <u>7,339,821</u>   | <u>1,896,161</u>  |  |                   |                   |
| Reinvestments of distributions to holders of redeemable units                        |                    |                   |  |                   |                   |
| Class A  | 9,034              | 952               |  |                   |                   |
| Class F  | 25,530             | 12,708            |  |                   |                   |
| Class I  | 417,647            | 339,892           |  |                   |                   |
| Class O****  | 1,448              | -                 |  |                   |                   |
| Class ETF  | -                  | -                 |  |                   |                   |
|  | <u>453,659</u>     | <u>353,552</u>    |  |                   |                   |
| Redemption of redeemable units   |                    |                   |  |                   |                   |
| Class A  | (1,235)            | (52,541)          |  |                   |                   |
| Class F  | (1,153,978)        | (99,828)          |  |                   |                   |
| Class I  | -                  | (45,792)          |  |                   |                   |
| Class O****  | (82,835)           | -                 |  |                   |                   |
| Class ETF  | -                  | -                 |  |                   |                   |
|  | <u>(1,238,048)</u> | <u>(198,161)</u>  |  |                   |                   |
| <b>Net Increase (Decrease) from Redeemable Unit Transactions</b>                     |                    |                   |  |                   |                   |
|  | <u>6,555,432</u>   | <u>2,051,552</u>  |  |                   |                   |

\*\*\*\* Class O units were first issued on November 3, 2023.

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

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## STATEMENTS OF CASH FLOWS

For the six month periods ended June 30 (unaudited)

|   | 2024<br>\$         | 2023<br>\$         |
|---|--------------------|--------------------|
| <b>Cash Flows from Operating Activities</b>   |                    |                    |
| Increase (decrease) in net assets attributable to holders of redeemable units                                 | 622,824            | 541,670            |
| Adjustments for:  |                    |                    |
| Unrealized foreign exchange (gain) loss on cash   | (14,397)           | 8,453              |
| Net realized (gain) loss on investments and options   | (394,242)          | (315,766)          |
| Change in unrealized appreciation/depreciation on investments, options and foreign exchange forward contracts | 255,125            | 170,957            |
| (Increase) decrease in due from manager   | 77,160             | 19,040             |
| (Increase) decrease in interest and other receivables   | (41,559)           | 6,428              |
| (Increase) decrease in dividends receivable   | (868)              | -                  |
| Increase (decrease) in interest payable   | 316                | -                  |
| Increase (decrease) in other payable and accrued liabilities  | (29,130)           | 15,142             |
| Purchase of long positions and repurchase of investments sold short   | (34,525,335)       | (9,965,945)        |
| Proceeds from sale of long positions and on investments sold short  | 27,962,101         | 8,182,247          |
| <b>Net cash generated (used) by operating activities</b>  | <b>(6,088,005)</b> | <b>(1,337,774)</b> |
| <b>Cash Flows from Financing Activities</b>   |                    |                    |
| Distributions to holders of redeemable units, net of reinvested distributions                                 | (30,181)           | (31,632)           |
| Proceeds from redeemable units issued   | 7,339,821          | 1,896,161          |
| Amount paid on redemption of redeemable units   | (1,238,048)        | (198,161)          |
| <b>Net cash generated (used) by financing activities</b>  | <b>6,071,592</b>   | <b>1,666,368</b>   |
| Unrealized foreign exchange gain (loss) on cash   | 14,397             | (8,453)            |
| Net increase (decrease) in cash   | (16,413)           | 328,594            |
| Cash, beginning of period   | 720,632            | 51,121             |
| <b>Cash, end of period</b>  | <b>718,616</b>     | <b>371,262</b>     |
| <b>Cash</b>   | <b>718,616</b>     | <b>1,140,128</b>   |
| <b>Cash overdraft</b>   | <b>-</b>           | <b>(768,866)</b>   |
| <b>Net Cash (Overdraft)</b>   | <b>718,616</b>     | <b>371,262</b>     |
| <b>Items Classified as Operating Activities:</b>  |                    |                    |
| Interest received, net of withholding tax   | 456,625            | 414,309            |
| Dividends received, net of withholding tax  | 16,528             | 4,576              |
| Interest and borrowing expense paid   | (2,109)            | (6,364)            |

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

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2024 (unaudited)

| CCY*                            | No. of<br>shares/<br>units/<br>Face value | Security Description                                      | Average<br>cost<br>(\$) | Fair<br>value<br>(\$) | CCY*                           | No. of<br>shares/<br>units/<br>Face value | Security Description  | Average<br>cost<br>(\$) | Fair<br>value<br>(\$) |
|---------------------------------|---|---|-------------------------|-----------------------|--------------------------------|---|---|-------------------------|-----------------------|
| <b>LONG POSITIONS (97.4%)</b>   |   |   |                         |                       | CAD                            | 200,000                                   | Province of Nova Scotia<br>Canada 3.150%, 2051-12-01                | 150,470                 | 159,156               |
| <b>Canadian Equities (2.0%)</b> |   |   |                         |                       | CAD                            | 750,000                                   | Province of Ontario Canada<br>1.750%, 2025-09-08                    | 722,875                 | 727,880               |
| <b>Energy (1.6%)</b>            |   |   |                         |                       | CAD                            | 200,000                                   | Province of Ontario Canada<br>2.650%, 2050-12-02                    | 139,770                 | 146,957               |
|                                 | 2,600                                     | Cenovus Energy Inc.,<br>Preferred Series 5                | 59,391                  | 62,764                | CAD                            | 575,000                                   | Province of Ontario Canada<br>1.900%, 2051-12-02                    | 349,713                 | 353,489               |
|                                 | 1,500                                     | Cenovus Energy Inc.,<br>Preferred Series 7                | 32,965                  | 35,640                | CAD                            | 400,000                                   | Province of Prince Edward<br>Island Canada 2.650%,<br>2051-12-01    | 279,800                 | 283,628               |
|                                 | 2,000                                     | Enbridge Inc., Preferred<br>Series 1                      | 60,856                  | 58,018                | CAD                            | 500,000                                   | Province of Quebec Canada<br>2.850%, 2053-12-01                     | 365,478                 | 376,628               |
|                                 | 5,000                                     | Enbridge Inc., Preferred<br>Series L                      | 137,147                 | 141,624               | CAD                            | 400,000                                   | Province of Saskatchewan<br>Canada 3.100%, 2050-06-02               | 317,130                 | 320,895               |
|                                 | 3,500                                     | Pembina Pipeline Corp.,<br>Preferred Series 19            | 76,828                  | 84,280                |                                |   |   | 8,838,561               | 8,972,357             |
|                                 | 2,175                                     | Pembina Pipeline Corp.,<br>Preferred Series 9             | 48,885                  | 50,895                |                                |   |   |                         |                       |
|                                 |   |   | 416,072                 | 433,221               |                                |   |   |                         |                       |
| <b>Financials (0.4%)</b>        |   |   |                         |                       | <b>Corporate Bonds (38.3%)</b> |   |   |                         |                       |
|                                 | 1,000                                     | Brookfield Corp., Preferred                               | 19,717                  | 23,750                | CAD                            | 148,000                                   | Algonquin Power & Utilities<br>Corp. 5.250%, 2082-01-18             | 121,009                 | 134,033               |
|                                 | 100                                       | EQB Inc., Preferred                                       | 2,478                   | 2,495                 | CAD                            | 100,000                                   | Algonquin Power Co.<br>4.090%, 2027-02-17                           | 97,370                  | 97,883                |
|                                 | 3,525                                     | Fairfax Financial Holdings<br>Ltd., Preferred             | 80,575                  | 85,517                | CAD                            | 100,000                                   | AltaGas Ltd. 2.166%,<br>2027-03-16                                  | 92,682                  | 93,540                |
|                                 |   |   | 102,770                 | 111,762               | CAD                            | 100,000                                   | AltaGas Ltd. 5.141%,<br>2034-03-14                                  | 100,000                 | 98,847                |
|                                 |   | <b>Total Canadian<br/>Equities - Long</b>                 | <b>518,842</b>          | <b>544,983</b>        | CAD                            | 100,000                                   | AltaGas Ltd. 5.250%,<br>2082-01-11                                  | 84,030                  | 88,224                |
| <b>Canadian Debt (70.8%)</b>    |   |   |                         |                       | CAD                            | 200,000                                   | AltaGas Ltd. 7.350%,<br>2082-08-17                                  | 193,130                 | 203,344               |
| <b>Government Bonds (32.5%)</b> |   |   |                         |                       | CAD                            | 150,000                                   | ARC Resources Ltd. 3.465%,<br>2031-03-10                            | 126,831                 | 137,523               |
| CAD                             | 450,000                                   | Canadian Government<br>Bond 2.250%, 2025-06-01            | 432,774                 | 441,515               | CAD                            | 200,000                                   | Bank of Montreal 7.373%,<br>2049-12-31                              | 193,750                 | 204,498               |
| CAD                             | 400,000                                   | Canadian Government<br>Bond 3.000%, 2025-10-01            | 392,960                 | 394,047               | CAD                            | 200,000                                   | Bank of Montreal 5.625%,<br>2082-05-26                              | 189,000                 | 194,497               |
| CAD                             | 700,000                                   | Canadian Government<br>Bond 0.250%, 2026-03-01            | 654,895                 | 658,205               | CAD                            | 200,000                                   | Bank of Montreal 7.325%,<br>2082-11-26                              | 197,109                 | 203,223               |
| CAD                             | 500,000                                   | Canadian Government<br>Bond 1.000%, 2026-09-01            | 456,130                 | 470,810               | CAD                            | 150,000                                   | Bank of Nova Scotia 5.500%,<br>2026-05-08                           | 149,996                 | 152,057               |
| CAD                             | 300,000                                   | Canadian Government<br>Bond 1.250%, 2027-03-01            | 272,103                 | 281,526               | CAD                            | 200,000                                   | Bank of Nova Scotia 4.950%,<br>2034-08-01                           | 199,624                 | 199,211               |
| CAD                             | 500,000                                   | Canadian Government<br>Bond 2.250%, 2029-06-01            | 470,787                 | 474,124               | USD                            | 75,000                                    | Bank of Nova Scotia 4.900%,<br>2049-12-31                           | 96,160                  | 100,856               |
| CAD                             | 800,000                                   | Canadian Government<br>Bond 1.500%, 2031-12-01            | 696,385                 | 696,320               | CAD                            | 200,000                                   | Bank of Nova Scotia 7.023%,<br>2082-07-27                           | 197,652                 | 201,442               |
| CAD                             | 650,000                                   | Canadian Government<br>Bond 2.750%, 2033-06-01            | 607,311                 | 612,768               | CAD                            | 150,000                                   | Bell Telephone Co of<br>Canada or Bell Canada<br>2.200%, 2028-05-29 | 128,360                 | 137,755               |
| CAD                             | 800,000                                   | Canadian Government<br>Bond 1.750%, 2053-12-01            | 555,790                 | 555,200               | CAD                            | 100,000                                   | Bell Telephone Co of<br>Canada or Bell Canada<br>7.650%, 2031-12-30 | 114,480                 | 114,175               |
| CAD                             | 500,000                                   | Province of Alberta Canada<br>3.050%, 2048-12-01          | 382,600                 | 399,878               | CAD                            | 100,000                                   | Canadian Imperial Bank<br>of Commerce 4.200%,<br>2032-04-07         | 97,362                  | 98,177                |
| CAD                             | 300,000                                   | Province of British Columbia<br>Canada 2.200%, 2030-06-18 | 270,150                 | 273,276               | CAD                            | 100,000                                   | Canadian Imperial Bank<br>of Commerce 5.330%,<br>2033-01-20         | 100,300                 | 101,177               |
| CAD                             | 500,000                                   | Province of British Columbia<br>Canada 1.550%, 2031-06-18 | 417,500                 | 426,986               |                                |   |   |                         |                       |
| CAD                             | 600,000                                   | Province of British Columbia<br>Canada 2.750%, 2052-06-18 | 441,800                 | 445,353               |                                |   |   |                         |                       |
| CAD                             | 200,000                                   | Province of Manitoba Canada<br>3.200%, 2050-03-05         | 152,880                 | 160,799               |                                |   |   |                         |                       |
| CAD                             | 400,000                                   | Province of New Brunswick<br>Canada 3.050%, 2050-08-14    | 309,260                 | 312,917               |                                |   |   |                         |                       |



# PICTON MAHONEY FORTIFIED CORE BOND FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2024 (unaudited)

| CCY* | No. of<br>shares/<br>units/<br>Face value | Security Description   | Average<br>cost<br>(\$) | Fair<br>value<br>(\$) | CCY* | No. of<br>shares/<br>units/<br>Face value | Security Description                          | Average<br>cost<br>(\$) | Fair<br>value<br>(\$) |
|------|---|--|-------------------------|-----------------------|------|---|---|-------------------------|-----------------------|
| CAD  | 100,000                                   | Canadian Imperial Bank of Commerce 5.300%, 2034-01-16            | 99,996                  | 101,179               | CAD  | 400,000                                   | Intact Financial Corp. 7.338%, 2083-06-30     | 402,500                 | 408,736               |
| CAD  | 150,000                                   | Canadian Pacific Railway Co. 2.540%, 2028-02-28                  | 132,675                 | 140,920               | CAD  | 150,000                                   | Keyera Corp. 6.875%, 2079-06-13               | 141,000                 | 150,220               |
| CAD  | 200,000                                   | Capital Power Corp. 3.147%, 2032-10-01                           | 170,646                 | 170,822               | CAD  | 125,000                                   | Keyera Corp. 5.950%, 2081-03-10               | 107,460                 | 118,296               |
| CAD  | 100,000                                   | Capital Power Corp. 8.125%, 2054-06-05                           | 100,000                 | 102,039               | CAD  | 100,000                                   | Loblaw Cos Ltd. 6.500%, 2029-01-22            | 105,800                 | 106,810               |
| CAD  | 50,000                                    | Capital Power Corp. 7.950%, 2082-09-09                           | 49,479                  | 51,288                | CAD  | 100,000                                   | Magna International Inc. 4.800%, 2029-05-30   | 101,543                 | 100,742               |
| CAD  | 150,000                                   | Cascades Inc. 5.125%, 2025-01-15                                 | 148,378                 | 149,671               | CAD  | 200,000                                   | Manulife Financial Corp. 7.117%, 2082-06-19   | 191,250                 | 202,256               |
| CAD  | 100,000                                   | Choice Properties REIT 3.546%, 2025-01-10                        | 99,160                  | 99,169                | CAD  | 200,000                                   | National Bank of Canada 5.426%, 2032-08-16    | 202,180                 | 202,730               |
| CAD  | 100,000                                   | Coastal Gaslink Pipeline LP 5.538%, 2039-06-30                   | 105,387                 | 103,781               | CAD  | 200,000                                   | National Bank of Canada 7.500%, 2082-11-16    | 194,972                 | 203,702               |
| CAD  | 100,000                                   | Daimler Truck Finance Canada Inc. 2.460%, 2026-12-15             | 93,875                  | 94,961                | CAD  | 100,000                                   | Parkland Corp. 4.375%, 2029-03-26             | 92,613                  | 93,561                |
| CAD  | 100,000                                   | Daimler Trucks Finance Canada Inc. 2.140%, 2024-12-13            | 98,657                  | 98,712                | CAD  | 100,000                                   | Pembina Pipeline Corp. 3.710%, 2026-08-11     | 97,334                  | 98,114                |
| CAD  | 100,000                                   | Dream Industrial Real Estate Investment Trust 2.057%, 2027-06-17 | 91,200                  | 92,164                | CAD  | 100,000                                   | Pembina Pipeline Corp. 4.800%, 2081-01-25     | 80,686                  | 89,847                |
| CAD  | 10,000                                    | Empire Communities Corp. 7.375%, 2025-12-15                      | 10,000                  | 10,058                | CAD  | 100,000                                   | Reliance LP 3.836%, 2025-03-15                | 99,199                  | 99,139                |
| CAD  | 100,000                                   | Enbridge Inc. 3.950%, 2024-11-19                                 | 99,606                  | 99,571                | CAD  | 200,000                                   | Rogers Communications Inc. 3.100%, 2025-04-15 | 197,078                 | 197,007               |
| CAD  | 150,000                                   | Enbridge Inc. 5.700%, 2027-11-09                                 | 149,942                 | 154,905               | CAD  | 100,000                                   | Rogers Communications Inc. 3.650%, 2027-03-31 | 96,579                  | 97,350                |
| CAD  | 300,000                                   | Enbridge Inc. 5.000%, 2082-01-19                                 | 255,166                 | 269,185               | CAD  | 200,000                                   | Rogers Communications Inc. 5.000%, 2081-12-17 | 181,123                 | 193,760               |
| CAD  | 50,000                                    | Enbridge Inc. 8.495%, 2084-01-15                                 | 50,000                  | 53,605                | CAD  | 200,000                                   | Royal Bank of Canada 7.408%, 2049-12-31       | 202,000                 | 205,992               |
| CAD  | 60,000                                    | Enbridge Inc. 8.747%, 2084-01-15                                 | 60,013                  | 67,132                | CAD  | 200,000                                   | Royal Bank of Canada 4.500%, 2080-11-24       | 182,490                 | 195,114               |
| CAD  | 100,000                                   | Ford Credit Canada Co. 5.668%, 2030-02-20                        | 100,000                 | 102,008               | CAD  | 250,000                                   | SNC-Lavalin Group Inc. 5.700%, 2029-03-26     | 250,000                 | 253,196               |
| CAD  | 150,000                                   | General Motors Financial of Canada Ltd. 1.750%, 2026-04-15       | 130,559                 | 142,067               | CAD  | 100,000                                   | Suncor Energy Inc. 3.000%, 2026-09-14         | 95,750                  | 96,560                |
| CAD  | 100,000                                   | George Weston Ltd. 6.690%, 2033-03-01                            | 109,597                 | 107,898               | CAD  | 150,000                                   | Sysco Canada Inc. 3.650%, 2025-04-25          | 143,775                 | 148,413               |
| CAD  | 100,000                                   | Gibson Energy Inc. 2.450%, 2025-07-14                            | 97,552                  | 97,505                | CAD  | 300,000                                   | Toronto-Dominion Bank 3.105%, 2030-04-22      | 294,132                 | 295,068               |
| CAD  | 300,000                                   | Gibson Energy Inc. 5.250%, 2080-12-22                            | 255,157                 | 276,283               | CAD  | 350,000                                   | Toronto-Dominion Bank 4.859%, 2031-03-04      | 345,415                 | 349,453               |
| CAD  | 150,000                                   | Gibson Energy Inc. 8.700%, 2083-07-12                            | 151,970                 | 158,977               | CAD  | 300,000                                   | Toronto-Dominion Bank 7.232%, 2049-12-31      | 304,500                 | 305,061               |
| USD  | 125,000                                   | Goeasy Ltd. 4.375%, 2026-05-01                                   | 164,293                 | 166,056               | CAD  | 100,000                                   | Veren Inc. 5.503%, 2034-06-21                 | 100,000                 | 98,717                |
| CAD  | 100,000                                   | Granite REIT Holdings LP 2.194%, 2028-08-30                      | 88,730                  | 89,981                | CAD  | 39,000                                    | Videotron Ltd. 4.650%, 2029-07-15             | 38,979                  | 38,691                |
| CAD  | 200,000                                   | iA Financial Corp. Inc. 6.611%, 2082-06-30                       | 194,500                 | 199,257               | CAD  | 26,000                                    | Videotron Ltd. 5.000%, 2034-07-15             | 25,916                  | 25,491                |
| CAD  | 200,000                                   | iA Financial Corp. Inc. 6.921%, 2084-09-30                       | 200,000                 | 199,240               | CAD  | 150,000                                   | VW Credit Canada Inc. 5.800%, 2025-11-17      | 149,934                 | 151,735               |
|      |   |  |                         |                       |      |   |   | 93,959                  | 94,788                |
|      |   |  |                         |                       |      |   |   | 10,303,550              | 10,579,445            |
|      |   |  |                         |                       |      |   |   | <b>19,142,111</b>       | <b>19,551,802</b>     |

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2024 (unaudited)

| CCY*                                 | No. of shares/ units/ Face value | Security Description                                    | Average cost (\$) | Fair value (\$) | CCY*   | No. of shares/ units/ Face value | Security Description  | Average cost (\$) | Fair value (\$) |
|--------------------------------------|----------------------------------|---|-------------------|-----------------|--|----------------------------------|---|-------------------|-----------------|
| <b>Global Equities (0.1%)</b>        |                                  |   |                   |                 | USD  | 400,000                          | United States Treasury Note/Bond 3.000%, 2048-08-15         | 406,148           | 415,400         |
| <b>International Equities (0.1%)</b> |                                  |   |                   |                 | USD  | 100,000                          | VICI Properties LP 5.750%, 2027-02-01                       | 130,208           | 136,941         |
|                                      | 1,100                            | Brookfield Renewable Partners LP, Preferred             | 24,571            | 26,708          | USD  | 98,000                           | Vista Outdoor Inc. 4.500%, 2029-03-15                       | 128,213           | 134,658         |
| <b>Total Global Equities - Long</b>  |                                  |   |                   |                 | USD  | 100,000                          | Vistra Operations Co LLC 4.300%, 2029-07-15                 | 120,049           | 129,370         |
| <b>Global Debt (24.4%)</b>           |                                  |   |                   |                 | USD  | 200,000                          | XPO Inc. 6.250%, 2028-06-01                                 | 271,055           | 275,003         |
| <b>United States Bonds (16.7%)</b>   |                                  |   |                   |                 |  |                                  |   | 4,527,586         | 4,616,901       |
| USD                                  | 100,000                          | APX Group Inc. 5.750%, 2029-07-15                       | 129,274           | 131,380         | <b>International Bonds (7.7%)</b>                    |                                  |   |                   |                 |
| CAD                                  | 200,000                          | AT&T Inc. 4.000%, 2025-11-25                            | 197,082           | 197,357         | USD  | 150,000                          | AerCap Ireland Capital DAC 6.500%, 2025-07-15               | 199,434           | 206,878         |
| CAD                                  | 100,000                          | Bank of America Corp. 1.978%, 2027-09-15                | 93,310            | 94,346          | USD  | 150,000                          | AerCap Ireland Capital DAC 1.750%, 2026-01-30               | 192,106           | 193,428         |
| USD                                  | 46,000                           | Blue Racer Midstream LLC 7.250%, 2032-07-15             | 63,685            | 64,757          | USD  | 200,000                          | Atlantica Sustainable Infrastructure PLC 4.125%, 2028-06-15 | 266,554           | 268,044         |
| USD                                  | 100,000                          | Centene Corp. 4.250%, 2027-12-15                        | 126,114           | 130,761         | GBP  | 200,000                          | Barclays PLC 7.125%, 2049-12-31                             | 318,931           | 343,373         |
| USD                                  | 100,000                          | Cimarex Energy Co. 3.900%, 2027-05-15                   | 123,071           | 124,202         | USD  | 250,000                          | Deutsche Bank AG/CRAFT 2024-1 14.588%, 2033-11-21           | 339,499           | 342,086         |
| USD                                  | 25,000                           | CrownRock LP 5.625%, 2025-10-15                         | 33,956            | 34,150          | CAD  | 200,000                          | Heathrow Funding Ltd. 3.400%, 2028-03-08                    | 179,758           | 191,067         |
| USD                                  | 100,000                          | CrownRock LP 5.000%, 2029-05-01                         | 132,972           | 135,817         | CAD  | 200,000                          | Lloyds Banking Group PLC 3.500%, 2025-02-03                 | 189,020           | 198,169         |
| USD                                  | 100,000                          | Delta Air Lines Inc. 4.750%, 2028-10-20                 | 128,379           | 133,317         | USD  | 100,000                          | Standard Chartered PLC 7.101%, 2049-12-31                   | 126,188           | 130,161         |
| USD                                  | 125,000                          | Getty Images Inc. 9.750%, 2027-03-01                    | 170,883           | 171,550         | USD  | 200,000                          | Viterra Finance BV 2.000%, 2026-04-21                       | 232,363           | 256,012         |
| CAD                                  | 200,000                          | Goldman Sachs Group Inc. 3.307%, 2025-10-31             | 198,690           | 198,765         |  |                                  |   | 2,043,853         | 2,129,218       |
| CAD                                  | 100,000                          | Goldman Sachs Group Inc. 2.599%, 2027-11-30             | 94,200            | 95,244          | <b>Total Global Debt - Long</b>                      |                                  |   |                   |                 |
| USD                                  | 100,000                          | HCA Inc. 5.875%, 2026-02-15                             | 135,657           | 137,077         |  |                                  |   | 6,571,439         | 6,746,119       |
| USD                                  | 75,000                           | Macy's Retail Holdings LLC 5.875%, 2029-04-01           | 99,700            | 99,688          | <b>Options (0.1%)</b>                                |                                  |   |                   |                 |
| USD                                  | 75,000                           | Macy's Retail Holdings LLC 5.875%, 2030-03-15           | 98,716            | 98,513          | <b>Total Purchased Options - Refer to Appendix A</b> |                                  |   |                   |                 |
| CAD                                  | 100,000                          | Molson Coors International LP 3.440%, 2026-07-15        | 96,860            | 97,505          | <b>Transaction Costs</b>                             |                                  |   |                   |                 |
| CAD                                  | 100,000                          | NextEra Energy Capital Holdings Inc. 4.890%, 2031-04-30 | 99,750            | 100,536         | <b>Total Long Positions</b>                          |                                  |   |                   |                 |
| USD                                  | 76,000                           | Permian Resources Operating LLC 8.000%, 2027-04-15      | 107,458           | 106,427         |  |                                  |   | 63,450            | 40,212          |
| USD                                  | 100,000                          | Prime Healthcare Services Inc. 7.250%, 2025-11-01       | 134,854           | 136,743         | <b>SHORT POSITIONS (-0.4%)</b>                       |                                  |   |                   |                 |
| USD                                  | 100,000                          | Revvity Inc. 1.900%, 2028-09-15                         | 110,189           | 119,751         | <b>Canadian Debt (-0.2%)</b>                         |                                  |   |                   |                 |
| USD                                  | 125,000                          | United States Cellular Corp. 6.700%, 2033-12-15         | 180,093           | 182,133         | <b>Government Bonds (-0.2%)</b>                      |                                  |   |                   |                 |
| USD                                  | 200,000                          | United States Treasury Note/Bond 1.750%, 2029-01-31     | 236,099           | 244,073         | CAD  | (20,000)                         | Canadian Government Bond 4.000%, 2029-03-01                 | (20,502)          | (20,415)        |
| USD                                  | 200,000                          | United States Treasury Note/Bond 2.750%, 2032-08-15     | 244,273           | 243,571         | CAD  | (25,000)                         | Canadian Government Bond 3.000%, 2034-06-01                 | (24,387)          | (23,959)        |
| USD                                  | 450,000                          | United States Treasury Note/Bond 2.750%, 2047-11-15     | 436,648           | 447,866         |  |                                  |   | (44,889)          | (44,374)        |
|                                      |                                  |   |                   |                 | <b>Total Canadian Debt - Short</b>                   |                                  |   |                   |                 |
|                                      |                                  |   |                   |                 |  |                                  |   | (44,889)          | (44,374)        |
|                                      |                                  |   |                   |                 | <b>Options (-0.2%)</b>                               |                                  |   |                   |                 |
|                                      |                                  |   |                   |                 | <b>Total Written Options - Refer to Appendix A</b>   |                                  |   |                   |                 |
|                                      |                                  |   |                   |                 | <b>Transaction Costs</b>                             |                                  |   |                   |                 |
|                                      |                                  |   |                   |                 | <b>Total Short Positions</b>                         |                                  |   |                   |                 |
|                                      |                                  |   |                   |                 |  |                                  |   | (93,304)          | (70,042)        |
|                                      |                                  |   |                   |                 |  |                                  |   | -                 | -               |
|                                      |                                  |   |                   |                 |  |                                  |   | (138,193)         | (114,416)       |

PICTON MAHONEY FORTIFIED CORE BOND FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2024 (unaudited)

| CCY* | No. of<br>shares/<br>units/<br>Face value | Security Description  | Average<br>cost<br>(\$) | Fair<br>value<br>(\$) |
|------|---|---|-------------------------|-----------------------|
|      |   | Foreign Currency Forward Contracts (-0.1%)  |                         |                       |
|      |   | Total Currency Hedge -<br>Refer to Appendix B                                     |                         | (37,584)              |
|      |   | TOTAL INVESTMENT<br>PORTFOLIO (96.9%)   | 26,180,604              | 26,757,824            |
|      |   | Other Assets Net of<br>Liabilities (3.1%)   |                         | 875,133               |
|      |   | TOTAL NET ASSETS<br>ATTRIBUTABLE<br>TO HOLDERS OF<br>REDEEMABLE UNITS<br>(100.0%) |                         | 27,632,957            |

\*CCY denotes local currency of debt security

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## APPENDIX A

### OPTIONS (-0.1%)

| Issuer                         | Option Type         | Number of Options | Strike \$ | Expiry          | Average Cost \$ | Fair Value \$   |
|--------------------------------|---------------------|-------------------|-----------|-----------------|-----------------|-----------------|
| US 10Y Note Futures            | Call Option         | 26                | \$113     | September, 2024 | 18,898          | 17,233          |
|                                |                     |                   |           |                 | 18,898          | 17,233          |
| 3 Month SOFR                   | Put Option          | 40                | \$95      | December, 2025  | 34,903          | 17,104          |
| S&P E-Mini 2nd Week            | Put Option          | 10                | \$5,250   | July, 2024      | 5,729           | 1,984           |
| US 10Y Note Futures            | Put Option          | 26                | \$105     | September, 2024 | 3,920           | 3,891           |
|                                |                     |                   |           |                 | 44,552          | 22,979          |
| <b>Total Purchased Options</b> |                     |                   |           |                 | <b>63,450</b>   | <b>40,212</b>   |
| US 10Y Note Futures            | Written Call Option | (26)              | \$115     | September, 2024 | (8,315)         | (7,782)         |
|                                |                     |                   |           |                 | (8,315)         | (7,782)         |
| 3 Month SOFR                   | Written Put Option  | (40)              | \$96      | December, 2025  | (71,734)        | (50,287)        |
| S&P E-Mini 2nd Week            | Written Put Option  | (10)              | \$5,100   | July, 2024      | (2,715)         | (855)           |
| US 10Y Note Futures            | Written Put Option  | (26)              | \$107     | September, 2024 | (10,540)        | (11,118)        |
|                                |                     |                   |           |                 | (84,989)        | (62,260)        |
| <b>Total Written Options</b>   |                     |                   |           |                 | <b>(93,304)</b> | <b>(70,042)</b> |

## APPENDIX B

### FOREIGN EXCHANGE FORWARD CONTRACTS (-0.1%)

| Purchased Currency  | Sold Currency   | Forward Rate | Maturity Date | Fair Value (\$) | Counterparty                       | Credit Rating |
|---|-----------------|--------------|---------------|-----------------|------------------------------------|---------------|
| USD \$500,000   | CAD \$682,390   | 0.73272      | 2024-08-16    | 980             | Canadian Imperial Bank of Commerce | A-1           |
| <b>Unrealized gain on foreign exchange forward contracts at fair value</b>            |                 |              |               | <b>980</b>      |                                    |               |
| CAD \$272,917   | USD \$200,000   | 1.36459      | 2024-08-16    | (431)           | Canadian Imperial Bank of Commerce | A-1           |
| CAD \$517,319   | USD \$380,000   | 1.36137      | 2024-08-16    | (2,034)         | Canadian Imperial Bank of Commerce | A-1           |
| CAD \$324,507   | GBP \$189,000   | 1.71697      | 2024-08-08    | (2,174)         | Canadian Imperial Bank of Commerce | A-1           |
| USD \$600,000   | CAD \$822,279   | 0.72968      | 2024-08-16    | (2,213)         | Canadian Imperial Bank of Commerce | A-1           |
| USD \$1,000,000   | CAD \$1,370,150 | 0.72985      | 2024-08-16    | (3,375)         | Canadian Imperial Bank of Commerce | A-1           |
| CAD \$8,105,024   | USD \$5,951,000 | 1.36196      | 2024-08-16    | (28,337)        | Canadian Imperial Bank of Commerce | A-1           |
| <b>Unrealized loss on foreign exchange forward contracts at fair value</b>            |                 |              |               | <b>(38,564)</b> |                                    |               |
| <b>Net unrealized gain (loss) on foreign exchange forward contracts at fair value</b> |                 |              |               | <b>(37,584)</b> |                                    |               |

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## FUND SPECIFIC NOTES

As at June 30, 2024 (unaudited)

## 1. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table illustrates the classifications of the Fund's financial instruments within the fair value hierarchy as at June 30, 2024 and December 31, 2023.

| ASSETS (LIABILITIES) AT FAIR VALUE AS AT JUNE 30, 2024 |                |                   |                |                   |
|--|----------------|-------------------|----------------|-------------------|
|  | Level 1<br>\$  | Level 2<br>\$     | Level 3<br>\$  | Total<br>\$       |
| Equities - Long  | 571,691        | -                 | -              | 571,691           |
| Bonds - Long   | -              | 25,955,835        | 342,086        | 26,297,921        |
| Options - Long   | 40,212         | -                 | -              | 40,212            |
| Forward contracts - Long                               | -              | 980               | -              | 980               |
| Bonds - Short  | -              | (44,374)          | -              | (44,374)          |
| Options - Short  | (70,042)       | -                 | -              | (70,042)          |
| Forward contracts - Short                              | -              | (38,564)          | -              | (38,564)          |
| <b>Total</b>   | <b>541,861</b> | <b>25,873,877</b> | <b>342,086</b> | <b>26,757,824</b> |

| ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2023 |                |                   |               |                   |
|--|----------------|-------------------|---------------|-------------------|
|  | Level 1<br>\$  | Level 2<br>\$     | Level 3<br>\$ | Total<br>\$       |
| Equities - Long  | 593,826        | -                 | -             | 593,826           |
| Bonds - Long   | -              | 19,285,922        | -             | 19,285,922        |
| Options - Long   | 48,751         | -                 | -             | 48,751            |
| Forward contracts - Long                                   | -              | 305,503           | -             | 305,503           |
| Options - Short  | (101,896)      | -                 | -             | (101,896)         |
| <b>Total</b>   | <b>540,681</b> | <b>19,591,425</b> | <b>-</b>      | <b>20,132,106</b> |

## 2. RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

The following table reconciles the Fund's Level 3 fair value measurements of financial instruments for the period ended June 30, 2024 and the year ended December 31, 2023.

|   | Debt Instruments - Long<br>\$ | Debt Instruments - Short<br>\$ | Total<br>\$    |
|---|-------------------------------|--------------------------------|----------------|
| <b>June 30, 2024</b>  |                               |                                |                |
| <b>Balance at Beginning of Period</b>   | -                             | -                              | -              |
| Investment purchases during the period  | 339,499                       | -                              | 339,499        |
| Proceeds from sales during the period   | -                             | -                              | -              |
| Transfers in during the period  | -                             | -                              | -              |
| Transfers out during the period   | -                             | -                              | -              |
| Net realized gain (loss) on sale of investments   | -                             | -                              | -              |
| Change in unrealized appreciation (depreciation) in value of investments                          | 2,587                         | -                              | 2,587          |
| <b>Balance at End of Period</b>   | <b>342,086</b>                | <b>-</b>                       | <b>342,086</b> |
| <b>Total change in unrealized appreciation (depreciation) for assets held as at June 30, 2024</b> |                               |                                | <b>2,587</b>   |

During the year ended December 31, 2023, no Level 3 securities were held.

During the period ended June 30, 2024, certain securities held long were classified as Level 3. The Fund's long Level 3 securities consist of debt instruments which were measured at the transaction price as determined at the time of purchase. If there was a 5% increase or decrease in the price of Level 3 securities, with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased, respectively, by approximately \$17,104 (December 31, 2023 - \$nil). Transfers between levels on the fair value hierarchy table are deemed to have occurred at the beginning of the reporting period.

| June 30, 2024                                     |            |                     |                     |                      |                      |                         |                         |
|---|------------|---------------------|---------------------|----------------------|----------------------|-------------------------|-------------------------|
| Security Name                                     | Fair Value | Valuation Technique | Unobservable Inputs | Reasonable Shift (+) | Reasonable Shift (-) | Change in Valuation (+) | Change in Valuation (-) |
| Deutsche Bank AG/CRAFT 2024-1 14.588%, 2033-11-21 | 342,086    | Private valuation   | Broker quote        | 5%                   | 5%                   | \$17,104                | \$(17,104)              |

# **PICTON MAHONEY FORTIFIED CORE BOND FUND**

## **FUND SPECIFIC NOTES (CONTINUED)**

### **3. SECURITIES LENDING TRANSACTIONS**

The Fund has entered into a securities lending program with its custodian, RBC Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund will receive collateral of at least 102% of the value of the securities on loan. Collateral consists primarily of fixed income securities. As at June 30, 2024, there was \$4,768,643 (Collateral - \$4,864,019) of securities on loan (December 31, 2023 - \$5,017,017 (Collateral - \$5,117,362) of securities on loan). Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which the Fund's custodian is entitled to receive.

For the six month periods ended June 30 2024 and 2023 securities lending income were as follows:

|  | June 30, 2024 (\$) | June 30, 2023 (\$) |
|--|--------------------|--------------------|
| Gross securities lending income  | 1,980              | 225                |
| Securities lending charges   | (693)              | (79)               |
| <b>Net securities lending income</b>                                   | <b>1,287</b>       | <b>146</b>         |
| Withholding taxes on securities lending income                         | -                  | -                  |
| <b>Net securities lending income received by the Fund</b>              | <b>1,287</b>       | <b>146</b>         |
| Security lending charges percentage of gross securities lending income | 35%                | 35%                |

### **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 /<br>(Liabilities)<br>\$ | Financial<br>Instruments<br>\$ | Collateral<br>received/paid<br>\$ | Net<br>\$ |
| <b>June 30, 2024</b>  |                                       |                                |                                   |           |
| Derivative assets - Foreign exchange forward contracts      | 980                                   | (980)                          | -                                 | -         |
| Derivative liabilities - Foreign exchange forward contracts | (38,564)                              | 980                            | -                                 | (37,584)  |
| <b>December 31, 2023</b>                                    |                                       |                                |                                   |           |
| Derivative assets - Foreign exchange forward contracts      | 305,503                               | -                              | -                                 | 305,503   |
| Derivative liabilities - Foreign exchange forward contracts | -                                     | -                              | -                                 | -         |

### **5. OTHER PRICE RISK**

Using Beta as a measure of the relationship of the Fund's performance versus its index, if the ICE BofA Canada Broad Market Index were to increase or decrease by 10%, net assets would have increased or decreased by approximately \$1,707,786 (December 31, 2023 - \$1,309,334). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## 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 June 30, 2024 and December 31, 2023 were as follows:

| FINANCIAL INSTRUMENTS     |                  |                    |                                     |                |                                  |
|---------------------------|------------------|--------------------|-------------------------------------|----------------|----------------------------------|
| June 30, 2024<br>Currency | Monetary<br>\$   | Non-Monetary<br>\$ | Forward Currency<br>Contracts<br>\$ | Total<br>\$    | Percentage<br>of Net Assets<br>% |
| United States Dollar      | 6,093,591        | 199,640            | (6,063,159)                         | 230,072        | 0.8%                             |
| European Euro             | 35               | -                  | -                                   | 35             | 0.0%                             |
| British Pound             | 344,249          | -                  | (326,919)                           | 17,330         | 0.1%                             |
| <b>Net Exposure</b>       | <b>6,437,875</b> | <b>199,640</b>     | <b>(6,390,078)</b>                  | <b>247,437</b> | <b>0.9%</b>                      |

| FINANCIAL INSTRUMENTS         |                  |                    |                                     |                |                                  |
|-------------------------------|------------------|--------------------|-------------------------------------|----------------|----------------------------------|
| December 31, 2023<br>Currency | Monetary<br>\$   | Non-Monetary<br>\$ | Forward Currency<br>Contracts<br>\$ | Total<br>\$    | Percentage<br>of Net Assets<br>% |
| United States Dollar          | 7,424,199        | 155,781            | (7,340,646)                         | 239,334        | 1.1%                             |
| European Euro                 | 35               | -                  | -                                   | 35             | 0.0%                             |
| British Pound                 | 328,750          | -                  | (317,700)                           | 11,050         | 0.1%                             |
| <b>Net Exposure</b>           | <b>7,752,984</b> | <b>155,781</b>     | <b>(7,658,346)</b>                  | <b>250,419</b> | <b>1.2%</b>                      |

If the Canadian dollar had strengthened or weakened by 5% in relation to all other currencies held in the investment portfolio, net assets would have decreased or increased by approximately \$12,372 (December 31, 2023 - \$12,521). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

### 7. INTEREST RATE RISK

If the yield curve had shifted in parallel by 1%, with all other variables held constant, net assets will increase or decrease by \$1,468,940 (December 31, 2023 - \$1,025,238). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

As at June 30, 2024 and December 31, 2023, the Fund's exposure to debt instruments by maturity were as follows:

| Debt Instruments by Maturity Date |                   | June 30, 2024 (\$) |                   |
|-----------------------------------|-------------------|--------------------|-------------------|
|                                   | Long Positions    | Short Positions    | Total             |
| Less than 1 year                  | 1,531,366         | -                  | 1,531,366         |
| 1-3 years                         | 6,014,341         | -                  | 6,014,341         |
| 3-5 years                         | 3,473,763         | (20,415)           | 3,453,348         |
| Greater than 5 years              | 15,278,451        | (23,959)           | 15,254,492        |
| <b>Total</b>                      | <b>26,297,921</b> | <b>(44,374)</b>    | <b>26,253,547</b> |

| Debt Instruments by Maturity Date |                   | December 31, 2023 (\$) |                   |
|-----------------------------------|-------------------|------------------------|-------------------|
|                                   | Long Positions    | Short Positions        | Total             |
| Less than 1 year                  | 448,040           | -                      | 448,040           |
| 1-3 years                         | 5,452,266         | -                      | 5,452,266         |
| 3-5 years                         | 2,794,041         | -                      | 2,794,041         |
| Greater than 5 years              | 10,591,575        | -                      | 10,591,575        |
| <b>Total</b>                      | <b>19,285,922</b> | <b>-</b>               | <b>19,285,922</b> |

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 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+.

| June 30, 2024 |       |       |       | December 31, 2023 |       |       |       |
|---------------|-------|-------|-------|-------------------|-------|-------|-------|
| Bond Ratings  | Net   | Long  | Short | Bond Ratings      | Net   | Long  | Short |
| AAA           | 21.2% | 21.4% | -0.2% | AAA               | 31.4% | 31.4% | 0.0%  |
| AA            | 1.7%  | 1.7%  | 0.0%  | AA                | 2.6%  | 2.6%  | 0.0%  |
| AA-           | 7.0%  | 7.0%  | 0.0%  | AA-               | 2.5%  | 2.5%  | 0.0%  |
| A+            | 6.2%  | 6.2%  | 0.0%  | A+                | 3.5%  | 3.5%  | 0.0%  |
| A             | 1.0%  | 1.0%  | 0.0%  | A                 | 0.8%  | 0.8%  | 0.0%  |
| A-            | 4.7%  | 4.7%  | 0.0%  | A-                | 2.2%  | 2.2%  | 0.0%  |
| BBB+          | 12.3% | 12.3% | 0.0%  | BBB+              | 8.5%  | 8.5%  | 0.0%  |
| BBB           | 8.9%  | 8.9%  | 0.0%  | BBB               | 10.6% | 10.6% | 0.0%  |
| BBB-          | 14.1% | 14.1% | 0.0%  | BBB-              | 12.9% | 12.9% | 0.0%  |
| BB+           | 5.1%  | 5.1%  | 0.0%  | BB+               | 4.5%  | 4.5%  | 0.0%  |
| BB            | 5.8%  | 5.8%  | 0.0%  | BB                | 4.9%  | 4.9%  | 0.0%  |
| BB-           | 3.4%  | 3.4%  | 0.0%  | BB-               | 4.7%  | 4.7%  | 0.0%  |
| B+            | 0.9%  | 0.9%  | 0.0%  | B+                | 1.9%  | 1.9%  | 0.0%  |
| B             | 0.5%  | 0.5%  | 0.0%  | B                 | 0.2%  | 0.2%  | 0.0%  |
| B-            | 0.5%  | 0.5%  | 0.0%  | B-                | 0.9%  | 0.9%  | 0.0%  |
| NR            | 1.7%  | 1.7%  | 0.0%  | NR                | 0.0%  | 0.0%  | 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.

### 9. CONCENTRATION RISK

The table below summarizes the Fund's concentration risk as a percentage of net assets attributable to holders of redeemable units as at June 30, 2024 and December 31, 2023.

| Jurisdiction             | % of Net Assets |                   |
|--------------------------|-----------------|-------------------|
|                          | June 30, 2024   | December 31, 2023 |
| <b>LONG POSITIONS</b>    | <b>97.4%</b>    | <b>96.7%</b>      |
| <b>Canadian Equities</b> | <b>2.0%</b>     | <b>2.8%</b>       |
| Energy                   | 1.6%            | 1.2%              |
| Financials               | 0.4%            | 1.4%              |
| Real Estate              | 0.0%            | 0.1%              |
| Utilities                | 0.0%            | 0.1%              |
| <b>Global Equities</b>   | <b>0.1%</b>     | <b>0.1%</b>       |
| International            | 0.1%            | 0.1%              |
| <b>Canadian Debt</b>     | <b>70.8%</b>    | <b>59.9%</b>      |
| Corporate Bonds          | 38.3%           | 34.8%             |
| Government Bonds         | 32.5%           | 25.1%             |
| <b>Global Debt</b>       | <b>24.4%</b>    | <b>32.2%</b>      |
| United States Bonds      | 16.7%           | 26.1%             |
| International Bonds      | 7.7%            | 6.1%              |
| <b>Derivatives</b>       | <b>0.1%</b>     | <b>1.7%</b>       |
| <b>SHORT POSITIONS</b>   | <b>-0.5%</b>    | <b>-0.5%</b>      |
| <b>Canadian Debt</b>     | <b>-0.2%</b>    | <b>0.0%</b>       |
| Government Bonds         | -0.2%           | 0.0%              |
| <b>Derivatives</b>       | <b>-0.3%</b>    | <b>-0.5%</b>      |



# PICTON MAHONEY FORTIFIED CORE BOND FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 10. LIQUIDITY RISK

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

| June 30, 2024<br>Financial Liabilities | On Demand<br>\$ | < 3 months<br>\$ | > 3 months<br>\$ | Total<br>\$ |
|--|-----------------|------------------|------------------|-------------|
| Short positions                        | 44,374          | -                | -                | 44,374      |
| Accrued liabilities and other payables | -               | 79,972           | -                | 79,972      |
| Payable for investments purchased      | 512,638         | -                | -                | 512,638     |
| Derivative liabilities                 | 108,606         | -                | -                | 108,606     |

| December 31, 2023<br>Financial Liabilities | On Demand<br>\$ | < 3 months<br>\$ | > 3 months<br>\$ | Total<br>\$ |
|--|-----------------|------------------|------------------|-------------|
| Accrued liabilities and other payables     | -               | 108,786          | -                | 108,786     |
| Payable for investments purchased          | 78,361          | -                | -                | 78,361      |
| Derivative liabilities                     | 101,896         | -                | -                | 101,896     |
| Cash overdraft                             | 159,481         | -                | -                | 159,481     |

### 11. FUND UNIT TRANSACTIONS

For the six month period ended June 30 (unaudited)

|  | 2024          |                |                  |               |                | 2023         |                |                  |                |  |
|--|---------------|----------------|------------------|---------------|----------------|--------------|----------------|------------------|----------------|--|
|  | Class A       | Class F        | Class I          | Class O****   | Class ETF      | Class A      | Class F        | Class I          | Class ETF      |  |
| Units issued and outstanding, beginning of period              | 5,294         | 231,431        | 1,681,782        | 702           | 100,000        | 5,087        | 5,086          | 1,565,981        | 110,000        |  |
| Units issued   | 48,821        | 37,755         | 591,555          | 24,591        | 10,000         | 1,194        | 143,560        | 29,398           | 10,000         |  |
| Units reinvested   | 894           | 2,502          | 40,473           | 139           | -              | 94           | 1,247          | 33,243           | -              |  |
| Units redeemed   | (123)         | (113,390)      | -                | (7,972)       | -              | (5,157)      | (9,740)        | (4,457)          | -              |  |
| <b>Units issued and outstanding, end of period</b>             | <b>54,886</b> | <b>158,298</b> | <b>2,313,810</b> | <b>17,460</b> | <b>110,000</b> | <b>1,218</b> | <b>140,153</b> | <b>1,624,165</b> | <b>120,000</b> |  |
| <b>Weighted average number of units held during the period</b> | <b>42,452</b> | <b>156,044</b> | <b>1,939,803</b> | <b>6,365</b>  | <b>100,275</b> | <b>4,878</b> | <b>85,443</b>  | <b>1,582,553</b> | <b>113,204</b> |  |

\*\*\*\* Class O units were first issued on November 3, 2023.

### 12. COMMISSIONS

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

|                         | 2024 | 2023 |
|-------------------------|------|------|
| Brokerage commissions   | 49   | 43   |
| Soft Dollar commissions | 1    | -    |

### 13. TAX LOSS CARRY FORWARDS

As at December 31 (in \$000)

|                                  | 2023 |
|----------------------------------|------|
| Net capital losses carry forward | 49   |
| Non-capital losses carry forward | -    |

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2024 (unaudited)

### 1. GENERAL INFORMATION

Picton Mahoney Fortified Core Bond Fund (the "Fund") is an open-ended mutual trust established under the laws of the Province of Ontario pursuant to a trust agreement dated September 19, 2018, as amended (the "Trust Declaration"). The Fund commenced operations on October 28, 2022. Picton Mahoney Asset Management acts as manager (the "Manager"), portfolio advisor (the "Portfolio Advisor"), and trustee (the "Trustee") for the Fund pursuant to the Trust Declaration. The Manager is responsible for the day-to-day business of the Fund, including the management of the Fund's investment portfolio. The address of the Fund's registered office is 33 Yonge Street, Suite 320, Toronto, Ontario, M5E 1G4. The financial statements are presented in Canadian dollars (CAD). These financial statements were authorized for issue by the Manager on August 29, 2024.

On October 28, 2022, 5,001 Class A units, 5,000 Class F units, and 5,000 Class I units of the Fund were issued to the Manager of the Fund, for cash consideration of CAD \$10.00 per unit.

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

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

As at June 30, 2024, the Fund currently has 5 Classes of Units: Class A, Class F, Class I, Class O and Class ETF. As at June 30, 2024, the Manager holds 1 unit of Class A, 736 units of Class I and 717 units of Class O. (December 31, 2023 - 1 units of Class A, 721 units of Class I, and 702 units of Class O).

The investment objective of the Fund is to preserve capital while maximizing total return to unitholders predominantly through income, supplemented with capital appreciation. The Fund invests primarily in a well-diversified portfolio of North American fixed-income securities and engages in hedging strategies or volatility management and risk mitigation.

### 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.

#### (a) Basis of Preparation

These unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") as applicable to the preparation of interim financial statements under International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). The accounting policies and methods of computation followed in these unaudited interim financial statements are consistent with the most recent annual financial statements for the year

ended December 31, 2023. These unaudited interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

#### (b) Classification

##### (i) Assets

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

##### (ii) Liabilities

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss. As such, the Fund classifies all of its investment portfolio as financial assets or liabilities 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, warrants,

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2024 (unaudited)

and exchanged traded funds 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.

Cash and cash equivalents includes cash in hand, deposits held at call with banks and brokers and other short-term investments in an active market with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in the statement of financial position.

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

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

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

### **(g) Valuation of Fund Units**

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

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

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.

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2024 (unaudited)

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. The difference in fund costs, and management fees between each class means that each class has a different Unit Price.

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

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

### (h) Foreign Currency Translation

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

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

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

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

### (j) Transaction Costs

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

### (k) Securities Lending Transactions

The Fund may enter into securities lending transactions. These transactions involve the temporary exchange of securities as collateral with a commitment to deliver the same securities on a future date. Income is

earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the Statements of Comprehensive Income.

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

### (l) Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Manager has determined that all of the underlying funds in which the Funds invest are unconsolidated structured entities. In making this determination, the Manager evaluated the fact that decision making about the underlying funds' activities is not governed by voting or similar rights held by the Funds and other investors in any underlying funds.

The Fund invests in mortgage-related and other asset-backed securities. These securities include mortgage pass-through securities, collateralized mortgage obligations, commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. The Manager has determined that such securities are also unconsolidated structured entities. The debt and equity securities issued by these securities may include tranches with varying levels of subordination. These securities may provide a monthly payment which consists of both interest and principal payments.

Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans.

The carrying value of mortgage related and other asset-backed securities are disclosed in the Schedule of Investment Portfolio. The fair value of such securities as at June 30, 2024 and December 31, 2023 represents the maximum exposure in losses at that date. The change in fair value of mortgage related and other asset backed securities are included in the Statement of Comprehensive Income and Change in unrealized appreciation (depreciation) on investments, options, and foreign exchange forward contracts.

### (m) Offsetting

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

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2024 (unaudited)

### 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 considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

### 4. FINANCIAL INSTRUMENTS RISKS

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

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

#### Price risk:

The Fund trades in financial instruments, taking positions in traded and over-the-counter instruments which may include derivatives. As of June 30, 2024 and December 31, 2023, the Fund held or had exposure to long and short equity positions in publicly traded companies whose securities are actively traded on a recognized public exchange. Equities are susceptible to price risk arising from uncertainties about future prices of those instruments (other than those arising from interest rate risk or currency risk).

Short sales entail certain risks, including the risk that a short sale of a security may expose a Fund to losses if the value of the security increases. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. In addition, a short sale by a Fund requires the Fund to borrow securities in order that the short sale may be transacted. There is no assurance that the lender of the securities will not require the security to be paid back by a Fund before the Fund wants to do so, possibly requiring the Fund to borrow the security elsewhere or purchase the security on the market at an unattractive price. Moreover, the borrowing of securities entails

the payment of a borrowing fee. The borrowing fee may increase during the borrowing period, adding to the expense of the short sale strategy. There is also no guarantee that the securities sold short can be repurchased by a Fund due to supply and demand constraints in the equity markets. Finally, in order to maintain the appropriate ratios between the long portfolio and the short portfolio of a Fund, the Manager may be required to buy or sell short securities at unattractive prices. The maximum risk resulting for financial instruments held long is determined by the fair value of the instrument.

#### Currency risk:

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

#### Interest rate risk:

Interest rate risk arises when a fund invests in interest-bearing financial instruments and from the possibility that changes in the prevailing levels of market interest rates will affect future cash flows or fair values of such financial instruments. There is minimal fair value sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates. Market prices may also be affected by changes in market interest rates. Also, changes in the market interest rate may affect the borrowing expenses of the short positions held by the Fund. Refer to Note 7 within the fund specific notes for the fund exposure.

#### Credit risk:

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

The Fund is exposed to credit risk. For other financial assets at amortized cost, the Manager considers both historical analysis and forward looking information in determining any expected credit loss. At June 30, 2024 and December 31, 2023, all amounts receivable for investments sold, subscriptions receivable, dividends receivable, interest and other receivable, 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.

The Fund primarily invests in fixed income securities and is therefore exposed to the credit risk of the underlying fixed income portfolio. Refer to Note 8 within the fund specific notes for the fund exposure.



# PICTON MAHONEY FORTIFIED CORE BOND FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2024 (unaudited)

### 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 with the exception of bonds sold short. At the Manager's discretion, bonds sold short can be repurchased to settle the liability immediately. Redeemable units are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity will be representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

### Concentration risk:

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

## 5. CAPITAL MANAGEMENT

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

## 6. REDEEMABLE UNIT TRANSACTIONS

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

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

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

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

subordinate, the units also would not meet the requirements of IAS 32 and therefore do not meet the conditions to be classified as equity.

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

## 7. DISTRIBUTIONS

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

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

## 8. TAXATION

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

Non-capital losses have expiry periods of up to 20 years and can be offset against future taxable income. Net capital losses can be carried forward indefinitely and offset against future taxable capital gains. For tax loss carry forward information, please refer to Note 13 in the Fund Specific Notes.

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

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2024 (unaudited)

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

### 9. OPERATING EXPENSES

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

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

### 10. RELATED PARTY TRANSACTIONS

#### (a) Management Fees

The Manager receives a management fee payable for providing its services to the Fund. The management fee varies for each class of units. The management fee is calculated and accrued daily based on a percentage of the net asset value of the class of units of the Fund, plus applicable taxes, and is payable on the last business day of each calendar quarter. This fee differs among the classes of units of the Fund. The annual management fee payable by the Fund to the Manager on Class A units is 1.30% and on Class F units and Class ETF units is 0.65%. The management fee for Class I units and Class O units of the Fund is negotiated by the investor and paid directly by the investor, and would not exceed the management fee payable on Class A units of the Fund.

#### (b) Fund of Fund Expenses

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

**THINK AHEAD.  
STAY AHEAD.**

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

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

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### **Auditor**

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