

FORTIFIED INCOME FUND



**THINK AHEAD.
STAY AHEAD.**

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MANAGEMENT'S RESPONSIBILITY STATEMENT

The accompanying semi-annual financial statements have been prepared by Picton Mahoney Asset Management, the Manager of the Picton Mahoney Fortified Income 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 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

NOTICE TO UNITHOLDERS

The auditor of the Fund has not reviewed these financial statements.

Picton Mahoney Asset Management, the Manager of the Fund, appoints an independent auditor to audit the Fund's annual financial statements.

Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice.

PICTON MAHONEY FORTIFIED INCOME FUND

STATEMENTS OF FINANCIAL POSITION

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

	June 30, 2024 \$	December 31, 2023 \$
Assets		
Current assets		
Long positions at fair value*	711,959,569	657,857,881
Cash	37,256,885	72,439,378
Cash, pledged as collateral	20,530,500	24,736,936
Options purchased*	4,397,399	7,821,095
Unrealized gain on foreign exchange forward contracts at fair value	21,466	14,524,109
Credit default swap agreements at fair value	-	3,600
Deposits with brokers for securities sold short	21,334,785	7,753,908
Subscriptions receivable	469,651	798,938
Receivable for investments sold	1,006,382	-
Dividends receivable	125,305	62,233
Interest and other receivable	9,225,298	9,466,855
	<u>806,327,240</u>	<u>795,464,933</u>
Liabilities		
Current liabilities		
Short positions at fair value**	34,307,612	33,443,398
Options written**	5,011,633	12,581,515
Unrealized loss on foreign exchange forward contracts at fair value	1,318,767	-
Management fee payable	2,025,586	465,904
Redemptions payable	250,136	508,126
Accrued liabilities	1,076,518	745,696
Payable for investments purchased	5,707,597	2,931,639
Interest payable	589,312	558,997
Distributions payable	716	31
	<u>50,287,877</u>	<u>51,235,306</u>
Net Assets Attributable to Holders of Redeemable Units	<u>756,039,363</u>	<u>744,229,627</u>
Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	72,195,360	71,349,037
Class F	626,406,917	603,416,905
Class FT	19,877,468	27,332,222
Class T	4,895,513	3,874,507
Class I	32,664,105	38,256,956
Number of Redeemable Units Outstanding		
Class A	7,288,592	7,243,484
Class F	58,491,310	56,985,613
Class FT	2,429,001	3,387,033
Class T	653,606	521,552
Class I	2,617,910	3,116,424
Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	9.91	9.85
Class F	10.71	10.59
Class FT	8.18	8.07
Class T	7.49	7.43
Class I	12.48	12.28
	<u>698,599,069</u>	<u>667,985,052</u>
	<u>(39,669,138)</u>	<u>(40,968,684)</u>

* Long positions, at cost

** Short positions, at cost

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

Approved on behalf of the Manager

David Picton

Arthur Galloway




President

CFO

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the six month periods ended June 30 (unaudited)

	2024 \$	2023 \$
Income		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	24,647,549	23,191,650
Dividends	1,153,298	641,364
Net realized gain (loss) on investments and options	(3,319,036)	2,061,813
Net realized gain (loss) on foreign exchange forward contracts and credit default swap agreements	1,925,808	3,022,337
Change in unrealized appreciation (depreciation) on investments, options, foreign exchange forward contracts and credit default swap agreements	9,599,546	3,082,442
Interest and borrowing expense	(967,484)	(1,513,799)
Net gains (losses) on investments and derivatives	<u>33,039,681</u>	<u>30,485,807</u>
Other income		
Securities lending income	11,014	12,296
Foreign currency gain (loss) on cash and other assets and liabilities	1,572,995	(2,561,032)
Total Income	<u>34,623,690</u>	<u>27,937,071</u>
Expenses		
Management fees	3,990,955	3,709,098
Transaction costs	945,377	1,539,683
Securityholder reporting fees	257,076	258,205
Administrative fees	252,134	247,614
Audit fees	60,049	55,528
Legal fees	46,782	39,238
Independent review committee expense	3,496	3,396
Withholding taxes	6	-
Total expense before manager absorption	<u>5,555,875</u>	<u>5,852,762</u>
Less expenses absorbed by manager	-	-
Total expense after manager absorption	<u>5,555,875</u>	<u>5,852,762</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>29,067,815</u>	<u>22,084,309</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	2,362,479	1,960,038
Class F	24,015,154	17,456,631
Class FT	1,039,154	928,735
Class T	143,879	87,338
Class I	1,507,149	1,651,567
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	0.33	0.26
Class F	0.42	0.34
Class FT	0.32	0.23
Class T	0.25	0.19
Class I	0.54	0.46

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

PICTON MAHONEY FORTIFIED INCOME FUND

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

For the six month periods ended June 30 (unaudited)

	2024 \$	2023 \$		2024 \$	2023 \$
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period			Distributions to Holders of Redeemable Units		
Class A	71,349,037	73,218,209	From net investment income		
Class F	603,416,905	509,028,012	Class A	(1,983,238)	(1,942,518)
Class FT	27,332,222	26,698,044	Class F	(17,188,011)	(14,803,893)
Class T	3,874,507	3,117,641	Class FT	(649,553)	(813,679)
Class I	38,256,956	44,025,377	Class T	(108,644)	(85,172)
	<u>744,229,627</u>	<u>656,087,283</u>	Class I	<u>(908,446)</u>	<u>(1,152,812)</u>
				<u>(20,837,892)</u>	<u>(18,798,074)</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units			Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Class A	2,362,479	1,960,038		11,809,736	52,525,105
Class F	24,015,154	17,456,631			
Class FT	1,039,154	928,735	Net Assets Attributable to Holders of Redeemable Units at End of Period		
Class T	143,879	87,338	Class A	72,195,360	71,657,796
Class I	1,507,149	1,651,567	Class F	626,406,917	562,476,213
	<u>29,067,815</u>	<u>22,084,309</u>	Class FT	19,877,468	27,647,374
			Class T	4,895,513	3,702,477
			Class I	32,664,105	43,128,528
Redeemable Unit Transactions			Net Assets Attributable to Holders of Redeemable Units at End of Period		
Proceeds from redeemable units issued				756,039,363	708,612,388
Class A	10,296,603	9,214,174			
Class F	103,600,272	105,692,191			
Class FT	4,231,259	15,688,459			
Class T	1,068,710	667,379			
Class I	-	1,584			
	<u>119,196,844</u>	<u>131,263,787</u>			
Reinvestments of distributions to holders of redeemable units					
Class A	1,527,891	1,520,800			
Class F	9,107,834	8,366,698			
Class FT	20,450	21,079			
Class T	89,047	63,109			
Class I	908,446	1,152,812			
	<u>11,653,668</u>	<u>11,124,498</u>			
Redemption of redeemable units					
Class A	(11,357,412)	(12,312,907)			
Class F	(96,545,237)	(63,263,426)			
Class FT	(12,096,064)	(14,875,264)			
Class T	(171,986)	(147,818)			
Class I	(7,100,000)	(2,550,000)			
	<u>(127,270,699)</u>	<u>(93,149,415)</u>			
Net Increase (Decrease) from Redeemable Unit Transactions	<u>3,579,813</u>	<u>49,238,870</u>			

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

PICTON MAHONEY FORTIFIED INCOME FUND

STATEMENTS OF CASH FLOWS

For the six month periods ended June 30 (unaudited)

	2024 \$	2023 \$		2024 \$	2023 \$
Cash Flows from Operating Activities			Cash Flows from Financing Activities		
Increase (decrease) in net assets attributable to holders of redeemable units	29,067,815	22,084,309	Distributions to holders of redeemable units, net of reinvested distributions	(9,183,539)	(7,670,624)
Adjustments for:			Proceeds from redeemable units issued	118,126,946	129,346,295
Unrealized foreign exchange (gain) loss on cash	(2,098,595)	1,650,114	Amount paid on redemption of redeemable units	(126,129,504)	(91,952,993)
Net realized (gain) loss on investments and options	3,319,036	(2,061,813)	Net cash generated (used) by financing activities	(17,186,097)	29,722,678
Change in unrealized (appreciation) depreciation on investments, options, foreign exchange forward contracts and credit default swap agreements	(9,599,546)	(3,082,442)	Unrealized foreign exchange gain (loss) on cash	2,098,595	(1,650,114)
(Increase) decrease in interest and other receivables	241,557	117,070	Net increase (decrease) in cash	(41,487,524)	36,001,926
(Increase) decrease in dividends receivable	(63,072)	-	Cash, beginning of period	97,176,314	96,002,110
(Increase) decrease in deposits with brokers for securities sold short	(13,580,877)	-	Cash, end of period	57,787,385	130,353,922
Increase (decrease) in interest payable	30,315	184,971	Cash	37,256,885	130,353,922
Increase (decrease) in other payable and accrued liabilities	1,890,504	1,509,296	Cash, pledged as collateral	20,530,500	-
Purchase of long positions and repurchase of investments sold short	(460,853,650)	(339,044,634)	Cash overdraft	-	-
Proceeds from sale of long positions and on investments sold short	427,345,086	324,922,377	Net Cash (Overdraft)	57,787,385	130,353,922
Net cash generated (used) by operating activities	(24,301,427)	6,279,248	Items Classified as Operating Activities:		
			Interest received, net of withholding tax	24,889,106	23,308,720
			Dividends received, net of withholding tax	1,090,226	641,364
			Interest and borrowing expense paid	(937,169)	(1,328,828)
			<i>Net of non-cash transfers and switches of \$1,399,185 (2023 - \$1,073,728)</i>		
			<i>The accompanying notes are an integral part of the financial statements.</i>		

PICTON MAHONEY FORTIFIED INCOME FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2024 (unaudited)

No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
LONG POSITIONS (94.8%)								
Canadian Equities (4.8%)								
Energy (3.1%)								
110,000	Cenovus Energy Inc., Preferred Series 5	2,509,371	2,655,400	CAD	4,250,000	AltaGas Ltd. 5.250%, 2082-01-11	3,615,635	3,749,510
110,000	Cenovus Energy Inc., Preferred Series 7	2,461,616	2,613,600	CAD	7,300,000	AltaGas Ltd. 7.350%, 2082-08-17	7,247,323	7,422,056
120,820	Enbridge Inc., Preferred Series 1	3,634,601	3,504,856	CAD	11,085,000	AutoCanada Inc. 5.750%, 2029-02-07	10,841,780	10,373,343
265,000	Enbridge Inc., Preferred Series L	7,320,993	7,506,055	CAD	5,800,000	Bank of Montreal 7.057%, 2049-12-31	5,800,000	5,877,372
230,000	Pembina Pipeline Corp., Preferred Series 19	5,018,493	5,538,400	CAD	9,935,000	Bank of Montreal 7.373%, 2049-12-31	9,959,500	10,158,438
56,125	Pembina Pipeline Corp., Preferred Series 9	1,224,665	1,313,325	CAD	8,425,000	Bank of Montreal 5.625%, 2082-05-26	8,404,354	8,193,174
		22,169,739	23,131,636	CAD	2,800,000	Bank of Montreal 7.325%, 2082-11-26	2,800,000	2,845,128
				USD	2,350,000	Bank of Nova Scotia 4.900%, 2049-12-31	3,013,003	3,160,143
Industrial (0.8%)				CAD	9,500,000	Bank of Nova Scotia 7.023%, 2082-07-27	9,500,000	9,568,484
250,000	Element Fleet Management Corp., Preferred Series E	5,935,196	6,247,500	USD	3,722,775	Bruce Trail Funding Corporation 16.340%, 2028-08-31	5,028,092	4,991,649
Financials (0.7%)				CAD	2,100,000	Canadian Imperial Bank of Commerce 6.987%, 2084-07-28	2,102,625	2,100,371
80,800	Brookfield Corp., Preferred	1,560,323	1,919,000	CAD	7,000,000	Capital Power Corp. 8.125%, 2054-06-05	7,000,000	7,142,744
300	EQB Inc., Preferred	7,434	7,485	CAD	7,200,000	Capital Power Corp. 7.950%, 2082-09-09	7,185,268	7,385,427
145,000	Fairfax Financial Holdings Ltd., Preferred	3,222,173	3,517,700	CAD	5,609,000	Cascades Inc. 5.125%, 2025-01-15	5,528,363	5,596,695
		4,789,930	5,444,185	CAD	7,800,000	CES Energy Solutions Corp. 6.875%, 2029-05-24	7,813,260	7,868,250
Real Estate (0.2%)				CAD	7,500,000	Chemtrade Logistics Income Fund 6.250%, 2027-08-31	7,525,748	7,842,225
75,525	Brookfield Office Properties Inc., Preferred Series CC	1,100,641	1,151,756	CAD	600,000	Clarity Trust Note 10.923%, 2025-04-15	600,000	600,000
Total Canadian Equities - Long				CAD	43,000	Coastal Gaslink Pipeline LP 4.907%, 2031-06-30	42,999	43,574
		33,995,506	35,975,077	CAD	43,000	Coastal Gaslink Pipeline LP 5.187%, 2034-09-30	43,000	43,790
Canadian Debt (55.6%)				CAD	43,000	Coastal Gaslink Pipeline LP 5.538%, 2039-06-30	42,998	44,626
Asset-Backed Securities (3.6%)				CAD	8,500,000	Cogeco Communications Inc. 6.125%, 2029-02-27	8,522,500	8,602,708
USD 6,000,000	Granville Usd Ltd. 0.000%, 2031-07-31	7,924,454	8,358,671	CAD	9,550,000	Doman Building Materials Group Ltd. 5.250%, 2026-05-15	9,311,306	9,285,561
CAD 4,526,580	Real Estate Asset Liquidity Trust 3.707%, 2031-06-12	3,909,999	3,461,928	CAD	1,100,000	Doman Building Materials Group Ltd. 5.250%, 2026-05-15	1,050,500	1,073,875
CAD 1,508,860	Real Estate Asset Liquidity Trust 3.707%, 2031-07-12	1,324,206	1,111,879	CAD	3,700,000	Dye & Durham Ltd. 3.750%, 2026-03-01	3,226,534	3,733,670
CAD 2,514,520	Real Estate Asset Liquidity Trust 3.707%, 2031-07-12	1,942,243	2,076,742	CAD	425,000	Empire Communities Corp. 7.375%, 2025-12-15	425,000	427,479
CAD 2,011,690	Real Estate Asset Liquidity Trust 3.707%, 2031-08-12	1,333,928	1,475,977	USD	3,800,000	Empire Communities Corp. 9.750%, 2029-05-01	5,254,211	5,297,204
CAD 3,521,328	Real Estate Asset Liquidity Trust 3.707%, 2031-11-12	1,875,915	2,174,068	CAD	12,000,000	Enbridge Inc. 5.000%, 2082-01-19	10,174,069	10,767,392
USD 6,000,000	St Lawrence Srt Usd Corp. 0.000%, 2033-05-25	8,093,125	8,352,923	CAD	2,135,000	Enbridge Inc. 8.495%, 2084-01-15	2,135,000	2,288,919
		26,403,870	27,012,188					
Corporate Bonds (52.0%)								
CAD 2,143,000	Advantage Energy Ltd. 5.000%, 2029-06-30	2,143,000	2,143,000					
CAD 5,621,000	Air Canada 4.625%, 2029-08-15	5,151,987	5,448,857					
CAD 5,669,000	Algonquin Power & Utilities Corp. 5.250%, 2082-01-18	4,594,006	5,134,024					

PICTON MAHONEY FORTIFIED INCOME 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 (\$)
CAD	2,560,000	Enbridge Inc. 8.747%, 2084-01-15	2,561,017	2,864,317	CAD	5,723,000	Tamarack Valley Energy Ltd. 7.250%, 2027-05-10	5,571,403	5,768,307
USD	6,500,000	First Quantum Minerals Ltd. 9.375%, 2029-03-01	9,064,457	9,304,491	CAD	12,250,000	Toronto-Dominion Bank 7.232%, 2049-12-31	12,166,500	12,456,658
CAD	600,000	Fusion Trust Note 10.923%, 2025-04-15	600,000	600,000	CAD	2,250,000	Toronto-Dominion Bank 7.283%, 2082-10-31	2,250,000	2,290,777
CAD	5,000,000	G Cooper Equipment Rentals Ltd. 7.450%, 2029-07-04	5,001,938	5,040,400	CAD	2,000,000	Veren Inc. 5.503%, 2034-06-21	2,000,000	1,974,336
CAD	600,000	George Weston Ltd. 6.690%, 2033-03-01	623,322	647,389	CAD	273,000	Videotron Ltd. 4.650%, 2029-07-15	272,855	270,836
CAD	9,750,000	Gibson Energy Inc. 5.250%, 2080-12-22	8,275,635	8,979,213	CAD	182,000	Videotron Ltd. 5.000%, 2034-07-15	181,409	178,437
CAD	9,650,000	Gibson Energy Inc. 8.700%, 2083-07-12	9,750,709	10,227,535				385,029,590	393,211,584
USD	6,311,000	Goeasy Ltd. 4.375%, 2026-05-01	8,275,479	8,383,819			Total Canadian Debt - Long	411,433,460	420,223,772
CAD	8,483,000	iA Financial Corp. Inc. 6.611%, 2082-06-30	8,421,088	8,451,494			Global Equities (0.2%)		
CAD	10,000,000	iA Financial Corp. Inc. 6.921%, 2084-09-30	10,000,000	9,962,000			International Equities (0.2%)		
USD	5,682,000	IAMGOLD Corp. 5.750%, 2028-10-15	6,781,181	7,353,716	66,950	Brookfield Renewable Partners LP, Preferred	1,494,361	1,625,546	
CAD	2,120,175	Innergex Renewable Energy Inc. 4.750%, 2025-06-30	2,062,170	2,099,079			Total Global Equities - Long	1,494,361	1,625,546
CAD	6,000,000	Intact Financial Corp. 7.338%, 2083-06-30	6,034,000	6,131,039			Global Debt (33.6%)		
CAD	5,000,000	Keyera Corp. 6.875%, 2079-06-13	4,906,033	5,007,318	USD	8,902,000	Acadia Healthcare Co Inc. 5.500%, 2028-07-01	11,422,765	11,927,618
CAD	4,000,000	Keyera Corp. 5.950%, 2081-03-10	4,003,648	3,785,470	USD	5,699,000	AMN Healthcare Inc. 4.625%, 2027-10-01	7,044,524	7,438,325
CAD	962,000	Magna International Inc. 4.800%, 2029-05-30	961,913	969,134	USD	7,500,000	APX Group Inc. 5.750%, 2029-07-15	9,444,362	9,853,517
USD	8,500,000	Manitowlin USD Ltd. 13.290%, 2027-11-10	11,716,865	11,539,046	USD	2,125,000	Atkore Inc. 4.250%, 2031-06-01	2,567,061	2,563,084
CAD	5,700,000	Manulife Financial Corp. 7.117%, 2082-06-19	5,583,946	5,764,295	USD	1,669,000	Bloomin' Brands Inc. 5.125%, 2029-04-15	2,004,879	2,061,958
CAD	7,800,000	Mattamy Group Corp. 4.625%, 2028-03-01	7,399,975	7,425,438	USD	4,063,000	Blue Racer Midstream LLC 7.250%, 2032-07-15	5,633,175	5,719,692
CAD	11,340,000	Mattr Corp. 7.250%, 2031-04-02	11,390,233	11,576,250	USD	3,225,000	Brookfield Property REIT Inc. 4.500%, 2027-04-01	3,971,987	4,110,987
CAD	6,700,000	National Bank of Canada 7.500%, 2082-11-16	6,702,341	6,824,024	USD	2,500,000	Catalent Pharma Solutions Inc. 3.125%, 2029-02-15	3,262,971	3,276,937
CAD	6,250,000	Parkland Corp. 3.875%, 2026-06-16	5,883,072	6,037,760	USD	1,996,000	CCO Holdings LLC 5.125%, 2027-05-01	2,489,444	2,624,578
CAD	16,000,000	Parkland Corp. 4.375%, 2029-03-26	15,021,238	14,969,800	USD	4,000,000	CCO Holdings LLC 5.000%, 2028-02-01	4,936,476	5,121,586
CAD	5,200,000	Pembina Pipeline Corp. 4.800%, 2081-01-25	4,344,099	4,672,057	USD	1,800,000	CCO Holdings LLC 5.375%, 2029-06-01	2,234,424	2,243,047
CAD	11,750,000	Rogers Communications Inc. 5.000%, 2081-12-17	11,049,017	11,383,404	USD	2,250,000	CCO Holdings LLC 4.750%, 2030-03-01	2,602,256	2,668,580
CAD	10,000,000	Royal Bank of Canada 7.408%, 2049-12-31	10,009,700	10,299,600	USD	1,250,000	Cimarex Energy Co. 3.900%, 2027-05-15	1,509,548	1,552,525
CAD	15,000,000	Royal Bank of Canada 4.500%, 2080-11-24	14,281,653	14,633,572	USD	5,125,000	Cleveland-Cliffs Inc. 7.000%, 2027-03-15	6,656,365	6,995,831
CAD	11,210,000	Secure Energy Services Inc. 6.750%, 2029-03-22	11,218,130	11,343,119	USD	400,000	CrownRock LP 5.625%, 2025-10-15	543,293	546,399
CAD	1,500,000	SNC-Lavalin Group Inc. 5.700%, 2029-03-26	1,500,000	1,519,176	USD	7,500,000	CrownRock LP 5.000%, 2029-05-01	10,020,879	10,186,275
CAD	3,468,000	Superior Plus LP 4.250%, 2028-05-18	3,082,503	3,268,590	USD	5,900,000	Getty Images Inc. 9.750%, 2027-03-01	8,046,585	8,097,149
					USD	781,000	Glatfelter Corp. 4.750%, 2029-11-15	898,231	884,591

PICTON MAHONEY FORTIFIED INCOME 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 (\$)
USD	6,900,000	Guardant Health Inc. 0.000%, 2027-11-15	6,729,205	7,324,985	USD	2,000,000	UBS Group AG 3.875%, 2049-12-31	2,486,816	2,527,875
USD	4,600,000	HealthEquity Inc. 4.500%, 2029-10-01	5,753,238	5,891,106				47,308,164	48,825,512
USD	2,240,000	Iron Mountain Inc. 5.250%, 2030-07-15	2,803,679	2,915,671			Total Global Debt - Long	246,107,282	254,135,174
USD	3,850,000	Macy's Retail Holdings LLC 5.875%, 2029-04-01	5,129,484	5,117,338			Options (0.6%)		
USD	3,850,000	Macy's Retail Holdings LLC 5.875%, 2030-03-15	5,075,518	5,057,023			Total Purchased Options - Refer to Appendix A	5,699,504	4,397,399
USD	3,250,000	Nexstar Media Inc. 5.625%, 2027-07-15	4,226,520	4,228,177			Transaction Costs	(131,044)	-
USD	3,400,000	Nexstar Media Inc. 4.750%, 2028-11-01	4,192,836	4,140,599			Total Long Positions	698,599,069	716,356,968
USD	5,750,000	Option Care Health Inc. 4.375%, 2029-10-31	7,127,636	7,228,825			SHORT POSITIONS (-5.2%)		
USD	7,165,000	Permian Resources Operating LLC 8.000%, 2027-04-15	9,949,750	10,033,559			Canadian Debt (-0.6%)		
USD	6,400,000	PetSmart Inc. 7.750%, 2029-02-15	8,403,334	8,536,924	CAD	(1,018,000)	Canadian Government Bond 4.000%, 2029-03-01	(1,043,350)	(1,039,132)
USD	10,000,000	Prime Healthcare Services Inc. 7.250%, 2025-11-01	12,836,723	13,674,279	CAD	(50,000)	Canadian Government Bond 1.500%, 2031-06-01	(43,973)	(43,941)
USD	4,400,000	Sealed Air Corp. 5.000%, 2029-04-15	5,440,274	5,735,278	CAD	(172,000)	Canadian Government Bond 3.000%, 2034-06-01	(167,786)	(164,836)
USD	4,150,000	Sirius XM Radio Inc. 5.000%, 2027-08-01	5,106,881	5,441,270	CAD	(29,000)	Canadian Government Bond 5.000%, 2037-06-01	(33,676)	(33,447)
USD	1,500,000	Sirius XM Radio Inc. 4.000%, 2028-07-15	1,834,631	1,855,985				(1,288,785)	(1,281,356)
USD	4,200,000	United States Cellular Corp. 6.700%, 2033-12-15	6,039,195	6,119,681			Corporate Bonds (-0.4%)		
USD	6,301,000	Vista Outdoor Inc. 4.500%, 2029-03-15	8,308,430	8,657,945	USD	(900,000)	Bombardier Inc. 8.750%, 2030-11-15	(1,277,832)	(1,332,535)
USD	5,375,000	Vistra Corp. 8.000%, 2049-12-31	6,991,834	7,423,738	USD	(700,000)	Canadian Pacific Railway Co. 2.450%, 2031-12-02	(818,374)	(872,147)
USD	2,850,000	Vistra Operations Co LLC 4.375%, 2029-05-01	3,358,321	3,633,826	USD	(500,000)	Hudbay Minerals Inc. 6.125%, 2029-04-01	(652,553)	(681,447)
USD	3,100,000	Vistra Operations Co LLC 7.750%, 2031-10-15	4,202,404	4,420,774				(2,748,759)	(2,886,129)
			198,799,118	205,309,662			Total Canadian Debt - Short	(4,037,544)	(4,167,485)
		International Bonds (6.5%)					Global Debt (-3.9%)		
USD	4,600,000	AerCap Holdings NV 5.875%, 2029-10-10	6,168,314	6,269,279			United States Bonds (-3.5%)		
USD	3,400,000	Atlantica Sustainable Infrastructure PLC 4.125%, 2028-06-15	4,534,952	4,556,748	USD	(1,000,000)	ACCO Brands Corp. 4.250%, 2029-03-15	(1,120,003)	(1,225,331)
GBP	4,100,000	Barclays PLC 5.875%, 2049-12-31	6,896,736	7,057,258	USD	(513,000)	Acrisure LLC 8.250%, 2029-02-01	(691,028)	(705,967)
USD	3,600,000	Barclays PLC 6.125%, 2049-12-31	4,415,989	4,833,639	USD	(750,000)	AthenaHealth Group Inc. 6.500%, 2030-02-15	(940,833)	(945,779)
GBP	2,250,000	Barclays PLC 7.125%, 2049-12-31	3,596,463	3,862,942	USD	(1,000,000)	Bath & Body Works Inc. 6.625%, 2030-10-01	(1,294,519)	(1,373,841)
GBP	1,700,000	Barclays PLC 8.875%, 2049-12-31	2,729,099	3,016,943	USD	(1,000,000)	Central Garden & Pet Co. 4.125%, 2030-10-15	(1,139,461)	(1,220,944)
USD	5,800,000	Deutsche Bank AG/CRAFT 2024-1 14.588%, 2033-11-21	7,876,368	7,936,399	USD	(500,000)	Clear Channel Outdoor Holdings Inc. 9.000%, 2028-09-15	(706,186)	(716,945)
USD	3,600,000	Standard Chartered PLC 7.101%, 2049-12-31	4,555,895	4,685,787	USD	(500,000)	Cloud Software Group Inc. 9.000%, 2029-09-30	(663,257)	(664,328)
USD	3,000,000	Trivium Packaging Finance BV 8.500%, 2027-08-15	4,047,532	4,078,642	USD	(800,000)	DaVita Inc. 4.625%, 2030-06-01	(950,396)	(990,101)
					USD	(600,000)	Embecka Corp. 5.000%, 2030-02-15	(670,621)	(676,920)
					USD	(750,000)	Energizer Holdings Inc. 4.375%, 2029-03-31	(867,754)	(929,398)

PICTON MAHONEY FORTIFIED INCOME 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 (\$)
USD	(750,000)	Fortrea Holdings Inc. 7.500%, 2030-07-01	(1,040,396)	(1,020,960)	International Bonds (-0.4%)				
USD	(500,000)	Frontier Communications Holdings LLC 6.750%, 2029-05-01	(603,296)	(628,244)	USD	(600,000)	BNP Paribas SA 8.000%, 2049-12-31	(816,159)	(826,120)
USD	(750,000)	Gap Inc. 3.875%, 2031-10-01	(822,646)	(857,779)	EUR	(450,000)	Eutelsat SA 9.750%, 2029-04-13	(702,379)	(690,297)
USD	(1,000,000)	Hilton Grand Vacations Borrower Escrow LLC 5.000%, 2029-06-01	(1,202,088)	(1,276,945)	EUR	(850,000)	SES SA 2.875%, 2049-12-31	(2,707,946)	(2,693,849)
USD	(550,000)	LBM Acquisition LLC 6.250%, 2029-01-15	(669,630)	(665,957)	Total Global Debt - Short				
USD	(1,750,000)	Medline Borrower LP 5.250%, 2029-10-01	(2,070,801)	(2,287,090)	Options (-0.7%)				
USD	(750,000)	NCR Atleos Escrow Corp. 9.500%, 2029-04-01	(1,097,382)	(1,110,059)	Total Written Options - Refer to Appendix A				
USD	(750,000)	NCR Voyix Corp. 5.125%, 2029-04-15	(948,732)	(967,404)	Transaction Costs				
USD	(800,000)	NRG Energy Inc. 3.625%, 2031-02-15	(907,044)	(939,611)	Total Short Positions				
USD	(1,000,000)	Open Text Holdings Inc. 4.125%, 2031-12-01	(1,174,882)	(1,205,449)	Foreign Currency Forward Contracts (-0.2%)				
USD	(1,160,000)	Post Holdings Inc. 4.625%, 2030-04-15	(1,416,224)	(1,459,571)	Total Currency Hedge - Refer to Appendix B				
USD	(709,000)	Rocket Mortgage LLC 4.000%, 2033-10-15	(779,327)	(818,307)	TOTAL INVESTMENT PORTFOLIO (89.4%)				
USD	(900,000)	Sally Holdings LLC 6.750%, 2032-03-01	(1,208,151)	(1,217,756)	Other Assets Net of Liabilities (10.6%)				
USD	(694,000)	Tenneco Inc. 8.000%, 2028-11-17	(864,048)	(865,304)	TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)				
USD	(1,250,000)	TransDigm Inc. 4.875%, 2029-05-01	(1,550,324)	(1,603,912)	658,929,931 675,740,422				
USD	(750,000)	Windsor Holdings III LLC 8.500%, 2030-06-15	(1,080,199)	(1,072,376)	80,298,941				
			(26,479,228)	(27,446,278)	756,039,363				

*CCY denotes local currency of security

PICTON MAHONEY FORTIFIED INCOME FUND

APPENDIX A

OPTIONS (-0.1%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
CDX.NA.HY	Call Option	77,000,000	\$108	October, 2024	57,861	40,354
CDX.NA.HY	Call Option	77,000,000	\$108	November, 2024	84,358	64,061
CDX.NA.HY	Call Option	77,000,000	\$109	August, 2024	89,650	6,533
US 10Y Note Futures	Call Option	706	\$113	September, 2024	513,157	467,933
					<u>745,026</u>	<u>578,881</u>
3 Month SOFR	Put Option	1,485	\$95	December, 2025	1,295,784	635,000
CDX.NA.HY	Put Option	77,000,000	\$97	November, 2024	369,067	376,989
CDX.NA.HY	Put Option	77,000,000	\$98	October, 2024	252,483	248,657
CDX.NA.HY	Put Option	77,000,000	\$99	August, 2024	105,471	70,172
CDX.NA.HY	Put Option	77,000,000	\$103	November, 2024	1,038,660	956,696
CDX.NA.HY	Put Option	77,000,000	\$104	October, 2024	954,702	840,059
CDX.NA.HY	Put Option	77,000,000	\$105	August, 2024	669,739	529,133
S&P E-Mini 2nd Week	Put Option	283	\$5,250	July, 2024	162,139	56,150
US 10Y Note Futures	Put Option	706	\$105	September, 2024	106,433	105,662
					<u>4,954,478</u>	<u>3,818,518</u>
Total Purchased Options					<u>5,699,504</u>	<u>4,397,399</u>
CDX.NA.HY	Written Call Option	(77,000,000)	\$107	October, 2024	(189,362)	(156,148)
CDX.NA.HY	Written Call Option	(77,000,000)	\$107	November, 2024	(231,985)	(192,814)
CDX.NA.HY	Written Call Option	(77,000,000)	\$108	August, 2024	(263,677)	(37,720)
US 10Y Note Futures	Written Call Option	(706)	\$115	September, 2024	(225,793)	(211,325)
					<u>(910,817)</u>	<u>(598,007)</u>
3 Month SOFR	Written Put Option	(1,485)	\$96	December, 2025	(2,663,133)	(1,866,902)
CDX.NA.HY	Written Put Option	(154,000,000)	\$100	November, 2024	(1,133,562)	(1,090,717)
CDX.NA.HY	Written Put Option	(154,000,000)	\$101	October, 2024	(894,211)	(798,440)
CDX.NA.HY	Written Put Option	(154,000,000)	\$102	August, 2024	(464,071)	(331,472)
S&P E-Mini 2nd Week	Written Put Option	(283)	\$5,100	July, 2024	(76,828)	(24,203)
US 10Y Note Futures	Written Put Option	(706)	\$107	September, 2024	(286,197)	(301,892)
					<u>(5,518,002)</u>	<u>(4,413,626)</u>
Total Written Options					<u>(6,428,819)</u>	<u>(5,011,633)</u>

APPENDIX B

FOREIGN EXCHANGE FORWARD CONTRACTS (-0.2%)

Purchased Currency	Sold Currency	Forward Rate	Maturity Date	Fair Value (\$)	Counterparty	Credit Rating
CAD \$7,452,085	GBP \$4,301,000	1.73264	2024-08-08	17,554	Canadian Imperial Bank of Commerce	A-1
CAD \$517,755	EUR \$350,000	1.47930	2024-08-08	3,912	Canadian Imperial Bank of Commerce	A-1
Unrealized gain on foreign exchange forward contracts at fair value				<u>21,466</u>		
USD \$3,216,000	CAD \$4,397,719	0.73129	2024-08-16	(2,227)	Canadian Imperial Bank of Commerce	A-1
CAD \$6,397,430	GBP \$3,726,000	1.71697	2024-08-08	(42,858)	Canadian Imperial Bank of Commerce	A-1
CAD \$364,294,337	USD \$267,478,000	1.36196	2024-08-16	(1,273,682)	Canadian Imperial Bank of Commerce	A-1
Unrealized loss on foreign exchange forward contracts at fair value				<u>(1,318,767)</u>		
Net unrealized gain (loss) on foreign exchange forward contracts at fair value				<u>(1,297,301)</u>		

PICTON MAHONEY FORTIFIED INCOME FUND

FUND SPECIFIC NOTES

As at June 30, 2024 (unaudited)

1. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

ASSETS (LIABILITIES) AT FAIR VALUE AS AT JUNE 30, 2024				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	37,593,138	7,485	-	37,600,623
Bonds - Long	-	621,679,663	52,679,283	674,358,946
Options - Long	4,397,399	-	-	4,397,399
Forward contracts - Long	-	21,466	-	21,466
Bonds - Short	-	(34,307,612)	-	(34,307,612)
Options - Short	(5,011,633)	-	-	(5,011,633)
Forward contracts - Short	-	(1,318,767)	-	(1,318,767)
Total	36,978,904	586,082,235	52,679,283	675,740,422

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2023				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	33,634,512	-	-	33,634,512
Bonds - Long	-	579,525,468	44,697,901	624,223,369
Options - Long	7,821,095	-	-	7,821,095
Forward contracts - Long	-	14,524,109	-	14,524,109
Credit default swaps - Long	-	3,600	-	3,600
Bonds - Short	-	(33,443,398)	-	(33,443,398)
Options - Short	(12,581,515)	-	-	(12,581,515)
Total	28,874,092	560,609,779	44,697,901	634,181,772

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.

June 30, 2024	Debt Instruments - Long \$	Debt Instruments - Short \$	Total \$
Balance at Beginning of Period	44,697,901	-	44,697,901
Investment purchases during the period	7,876,368	-	7,876,368
Proceeds from sales during the period	(1,710,607)	-	(1,710,607)
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	1,815,621	-	1,815,621
Balance at End of Period	52,679,283	-	52,679,283
Total change in unrealized appreciation (depreciation) for assets held as at June 30, 2024			1,815,621

PICTON MAHONEY FORTIFIED INCOME FUND

FUND SPECIFIC NOTES (CONTINUED)

December 31, 2023	Debt Instruments - Long \$	Debt Instruments - Short \$	Total \$
Balance at Beginning of Year	22,925,863	-	22,925,863
Investment purchases during the year	23,956,278	-	23,956,278
Proceeds from sales during the year	(1,600,000)	-	(1,600,000)
Transfers in during the year	-	-	-
Transfers out during the year	-	-	-
Net realized gain (loss) on sale of investments	-	-	-
Change in unrealized appreciation (depreciation) in value of investments	(584,240)	-	(584,240)
Balance at End of Year	44,697,901	-	44,697,901
Total change in unrealized appreciation (depreciation) for assets held as at December 31, 2023			(584,240)

During the period ended June 30, 2024 and year ended December 31, 2023, 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 \$2,633,964 as at June 30, 2024 (December 31, 2023 - \$2,234,895). 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 (-)
Clarity Trust 10.923%, 2025-04-15	600,000	Private valuation	Broker quote	5%	5%	\$30,000	\$(30,000)
Fusion Trust 10.923%, 2025-04-15	600,000	Private valuation	Broker quote	5%	5%	\$30,000	\$(30,000)
Bruce Trail Funding Corporation 16.340%, 2028-08-31	4,991,649	Private valuation	Broker quote	5%	5%	\$249,582	\$(249,582)
Manitoulin USD Ltd. 13.290%, 2027-11-10	11,539,046	Private valuation	Broker quote	5%	5%	\$576,952	\$(576,952)
Real Estate Asset Liquidity Trust 3.707%, 2031-06-12	3,461,928	Private valuation	Broker quote	5%	5%	\$173,096	\$(173,096)
Real Estate Asset Liquidity Trust 3.707%, 2031-07-12	1,111,879	Private valuation	Broker quote	5%	5%	\$55,594	\$(55,594)
Real Estate Asset Liquidity Trust 3.707%, 2031-07-12	2,076,742	Private valuation	Broker quote	5%	5%	\$103,837	\$(103,837)
Real Estate Asset Liquidity Trust 3.707%, 2031-08-12	1,475,977	Private valuation	Broker quote	5%	5%	\$73,799	\$(73,799)
Real Estate Asset Liquidity Trust 3.707%, 2031-11-12	2,174,068	Private valuation	Broker quote	5%	5%	\$108,703	\$(108,703)
St Lawrence Srt Usd Corp. 0.000%, 2033-05-25	8,352,923	Private valuation	Broker quote	5%	5%	\$417,646	\$(417,646)
Granville Usd Ltd. 0.000%, 2031-07-31	8,358,671	Private valuation	Broker quote	5%	5%	\$417,934	\$(417,934)
Deutsche Bank AG/CRAFT 2024-1 14.588%, 2033-11-21	7,936,399	Private valuation	Broker quote	5%	5%	\$396,820	\$(396,820)

December 31, 2023							
Security Name	Fair Value	Valuation Technique	Unobservable Inputs	Reasonable Shift (+)	Reasonable Shift (-)	Change in Valuation (+)	Change in Valuation (-)
Clarity Trust 10.923%, 2025-04-15	600,000	Private valuation	Broker quote	5%	5%	\$30,000	\$(30,000)
Fusion Trust 10.923%, 2025-04-15	600,000	Private valuation	Broker quote	5%	5%	\$30,000	\$(30,000)
Bruce Trail Funding Corporation 16.340%, 2028-08-31	6,435,357	Private valuation	Broker quote	5%	5%	\$321,768	\$(321,768)
Manitoulin USD Ltd. 13.290%, 2027-11-10	11,045,584	Private valuation	Broker quote	5%	5%	\$552,279	\$(552,279)
Real Estate Asset Liquidity Trust 3.707%, 2031-06-12	3,478,677	Private valuation	Broker quote	5%	5%	\$173,934	\$(173,934)
Real Estate Asset Liquidity Trust 3.707%, 2031-07-12	1,116,406	Private valuation	Broker quote	5%	5%	\$55,820	\$(55,820)
Real Estate Asset Liquidity Trust 3.707%, 2031-07-12	2,040,533	Private valuation	Broker quote	5%	5%	\$102,027	\$(102,027)
Real Estate Asset Liquidity Trust 3.707%, 2031-08-12	1,439,565	Private valuation	Broker quote	5%	5%	\$71,978	\$(71,978)
Real Estate Asset Liquidity Trust 3.707%, 2031-11-12	2,098,007	Private valuation	Broker quote	5%	5%	\$104,900	\$(104,900)
St Lawrence Srt Usd Corp. 0.000%, 2033-05-25	7,928,215	Private valuation	Broker quote	5%	5%	\$396,411	\$(396,411)
Granville Usd Ltd. 0.000%, 2031-07-31	7,915,557	Private valuation	Broker quote	5%	5%	\$395,778	\$(395,778)

PICTON MAHONEY FORTIFIED INCOME FUND

FUND SPECIFIC NOTES (CONTINUED)

3. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The following table shows the net impact of the Fund's statement of financial position if all set-off rights were exercised.

Financial Assets and Liabilities	Amounts Eligible for Offset			
	Gross Assets / (Liabilities) \$	Financial Instruments \$	Collateral received/paid \$	Net \$
June 30, 2024				
Derivative assets - Foreign exchange forward contracts	21,466	(21,466)	-	-
Derivative liabilities - Foreign exchange forward contracts	(1,318,767)	21,466	-	(1,297,301)
December 31, 2023				
Derivative assets - Foreign exchange forward contracts	14,524,109	-	-	14,524,109
Derivative assets - Credit default swaps	3,600	-	-	3,600
Derivative liabilities - Foreign exchange forward contracts	-	-	-	-
Derivative liabilities - Credit default swaps	-	-	-	-

4. 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 \$8,526,409 (Collateral - \$8,696,941) of securities on loan (December 31, 2023 - \$30,734,570 (Collateral - \$31,349,265) 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	16,944	18,917
Securities lending charges	(5,930)	(6,621)
Net securities lending income	11,014	12,296
Withholding taxes on securities lending income	(6)	-
Net securities lending income received by the Fund	11,008	12,296
Security lending charges percentage of gross securities lending income	35%	35%

5. OTHER PRICE RISK

Using Beta as a measure of the relationship of the Fund's performance versus its index, if the blended index consisting of 75% BofA Merrill Lynch Global High Yield Index (hedged to Canadian dollars) and 25% BofA Merrill Lynch Global Corporate Index (hedged to Canadian dollars) were to increase or decrease by 10%, net assets would have increased or decreased by approximately \$54,474,466 (December 31, 2023 - \$34,508,749). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

PICTON MAHONEY FORTIFIED INCOME 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 Currency	Monetary \$	Non-Monetary \$	Forward Currency Contracts \$	Total \$	Percentage of Net Assets %
United States Dollar	338,323,006	11,010,912	(361,602,908)	(12,268,990)	-1.6%
European Euro	482,657	-	(513,285)	(30,628)	0.0%
British Pound	13,969,657	-	(13,884,553)	85,104	0.0%
Net Exposure	352,775,320	11,010,912	(376,000,746)	(12,214,514)	-1.6%

FINANCIAL INSTRUMENTS					
December 31, 2023 Currency	Monetary \$	Non-Monetary \$	Forwards Currency Contracts \$	Total \$	Percentage of Net Assets %
United States Dollar	337,712,225	9,997,112	(347,368,028)	341,309	0.0%
European Euro	478,193	-	(509,807)	(31,614)	0.0%
British Pound	8,356,760	-	(6,263,224)	2,093,536	0.3%
Net Exposure	346,547,178	9,997,112	(354,141,059)	2,403,231	0.3%

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 \$610,726 (December 31, 2023 - \$120,162). 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 \$19,106,944 (December 31, 2023 - \$18,152,770). 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	8,895,774	-	8,895,774
1-3 years	82,345,778	-	82,345,778
3-5 years	220,374,352	(13,106,342)	207,268,010
Greater than 5 years	362,743,042	(21,201,270)	341,541,772
Total	674,358,946	(34,307,612)	640,051,334

Debt Instruments by Maturity Date		December 31, 2023 (\$)	
	Long Positions	Short Positions	Total
Less than 1 year	-	(687,833)	(687,833)
1-3 years	105,630,328	(5,658,866)	99,971,462
3-5 years	140,814,470	(8,468,060)	132,346,410
Greater than 5 years	377,778,571	(18,628,639)	359,149,932
Total	624,223,369	(33,443,398)	590,779,971

PICTON MAHONEY FORTIFIED INCOME 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	-0.2%	0.0%	-0.2%	AAA	0.1%	0.1%	0.0%
AA-	0.0%	0.0%	0.0%	AA-	-0.2%	0.0%	-0.2%
A+	0.0%	0.0%	0.0%	A+	-0.2%	0.0%	-0.2%
A-	0.1%	0.1%	0.0%	A-	0.0%	0.0%	0.0%
BBB+	3.1%	3.2%	-0.1%	BBB+	1.6%	1.8%	-0.2%
BBB	5.8%	5.8%	0.0%	BBB	5.9%	5.9%	0.0%
BBB-	10.4%	10.5%	-0.1%	BBB-	11.0%	11.0%	0.0%
BB+	9.8%	9.8%	0.0%	BB+	8.2%	8.3%	-0.1%
BB	14.4%	15.5%	-1.1%	BB	15.6%	16.7%	-1.1%
BB-	12.0%	12.3%	-0.3%	BB-	14.1%	14.9%	-0.8%
B+	8.5%	9.8%	-1.3%	B+	9.2%	9.6%	-0.4%
B	6.3%	6.9%	-0.6%	B	3.7%	4.1%	-0.4%
B-	3.5%	3.9%	-0.4%	B-	2.7%	3.4%	-0.7%
CCC+	0.3%	0.5%	-0.2%	CCC+	-0.4%	0.0%	-0.4%
CCC	-0.1%	0.1%	-0.2%	CCC	0.0%	0.0%	0.0%
NR	10.8%	10.8%	0.0%	NR	8.1%	8.1%	0.0%

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

FUND SPECIFIC NOTES (CONTINUED)

9. 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
LONG POSITIONS	94.8%	91.4%
Canadian Equities	4.8%	4.3%
Energy	3.1%	2.0%
Industrial	0.8%	0.8%
Financials	0.7%	1.1%
Real Estate	0.2%	0.3%
Utilities	0.0%	0.1%
Global Equities	0.2%	0.1%
International	0.2%	0.1%
Canadian Debt	55.6%	53.5%
Corporate Bonds	52.0%	51.1%
Asset-Backed Securities	3.6%	2.4%
Global Debt	33.6%	30.4%
United States Bonds	27.1%	27.3%
International Bonds	6.5%	3.1%
Derivatives	0.6%	3.1%
SHORT POSITIONS	-5.4%	-6.2%
Canadian Debt	-0.6%	-0.2%
Corporate Bonds	-0.4%	-0.2%
Government Bonds	-0.2%	0.0%
Global Debt	-3.9%	-4.3%
United States Bonds	-3.5%	-4.1%
International Bonds	-0.4%	-0.2%
Derivatives	-0.9%	-1.7%

PICTON MAHONEY FORTIFIED INCOME 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 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	34,307,612	-	-	34,307,612
Distributions payable	716	-	-	716
Redemptions payable	250,136	-	-	250,136
Accrued liabilities and other payables	-	3,691,416	-	3,691,416
Payable for investments purchased	5,707,597	-	-	5,707,597
Derivative liabilities	6,330,400	-	-	6,330,400

December 31, 2023 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	33,443,398	-	-	33,443,398
Distributions payable	31	-	-	31
Redemptions payable	508,126	-	-	508,126
Accrued liabilities and other payables	-	1,770,597	-	1,770,597
Payable for investments purchased	2,931,639	-	-	2,931,639
Derivative liabilities	12,581,515	-	-	12,581,515

11. FUND UNIT TRANSACTIONS

For the six month periods ended June 30 (unaudited)

	2024					2023				
	Class A	Class F	Class FT	Class T	Class I	Class A	Class F	Class FT	Class T	Class I
Units issued and outstanding, beginning of period	7,243,484	56,985,613	3,387,033	521,552	3,116,424	7,452,695	48,748,371	3,370,617	422,609	3,673,271
Units issued	1,035,194	9,675,879	517,577	143,121	-	926,993	9,988,518	1,954,233	89,657	-
Units reinvested	154,511	853,163	2,516	11,942	73,135	155,775	803,120	2,643	8,523	96,077
Units redeemed	(1,144,597)	(9,023,345)	(1,478,125)	(23,009)	(571,649)	(1,242,162)	(5,983,391)	(1,863,817)	(19,901)	(209,514)
Units issued and outstanding, end of period	7,288,592	58,491,310	2,429,001	653,606	2,617,910	7,293,301	53,556,618	3,463,676	500,888	3,559,834
Weighted average number of units held during the period	7,173,219	57,694,781	3,273,833	577,357	2,781,223	7,460,790	52,031,399	4,092,524	456,286	3,598,836

12. COMMISSIONS

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

	2024	2023
Brokerage commissions	945	1,540
Soft Dollar commissions	77	67

13. TAX LOSS CARRY FORWARDS

As at December 31 (in \$000)

	2023
Net capital losses carry forward	28,800
Non-capital losses carry forward	-

PICTON MAHONEY FORTIFIED INCOME FUND

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1. GENERAL INFORMATION

Picton Mahoney Fortified Income Fund (the "Fund") is an open-ended mutual trust established under the laws of the Province of Ontario pursuant to a trust agreement dated October 21, 2015 (the "Trust Declaration"). The Fund commenced operations on October 29, 2015. Picton Mahoney Asset Management acts as manager (the "Manager"), portfolio advisor (the "Portfolio Advisor"), and trustee (the "Trustee") for the Fund pursuant to the Trust Declaration. The Manager is responsible for the day-to-day business of the Fund, including the management of the Fund's investment portfolio. The address of the Fund's registered office is 33 Yonge Street, Suite 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 29, 2015, 15,001 Class A units of the Fund were issued to the Manager of the Fund, for cash consideration of CAD \$10.00 per unit.

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

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

As at June 30, 2024, the Fund currently has 5 Classes of Units: Class A, Class F, Class FT, Class T, and Class I.

The investment objective of the Fund is to maximize total return to unitholders through income and capital appreciation by investing primarily in global income securities while mitigating capital loss by engaging in hedging strategies for downside risk protection.

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 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, 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

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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.

Credit default swaps are agreements to mitigate credit risk exposure to certain issuing entities ("referenced entity") held by the Fund or to increase credit risk exposure to the referenced entity by creating a notional investment position for the Fund. Where a notional investment position is created, the credit risk exposure of the Fund is comparable to the exposure that would have resulted if the Fund was invested directly in the referenced entity. Under a credit default swap agreement, the protection buyer, whose intention is to reduce its credit risk exposure to the referenced entity, pays a premium to the protection seller, who assumes the credit risk of that entity defaulting. This premium is paid at regular intervals over the term of the swap agreement. In return for the premium paid, the protection buyer is entitled to receive from the protection seller full payment for a loss arising from a credit default event of the referenced entity. A credit default event may be triggered by bankruptcy, failure to pay or restructuring of the referenced entity. If a credit default event occurs, the swap may be settled by either the physical delivery of the bond for proceeds equal to par value, or a cash payment equal to the loss amount. Credit default swaps are valued daily based on dealer-supplied valuations determined using observable inputs.

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

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

Other financial assets (held for collection) and other financial liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, where

appropriate at the contract's effective interest rate. Due to their short-term nature, the fair value of other financial assets and financial liabilities carried at amortized cost approximates their carrying amount.

Receivable for investments sold and payable for investments purchased

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

(e) Cash

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

(f) Collateral

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

(g) Investment Transactions and Income Recognition

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

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.

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(h) Valuation of Fund Units

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

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

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

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

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

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

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

(i) Foreign Currency Translation

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

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

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

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

(k) Transaction Costs

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

(l) 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.

(m) IFRS 9, Financial Instruments

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

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

The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortized cost.

(n) 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

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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.

(o) Offsetting

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using recognized valuation techniques and may be determined using reputable pricing sources or indicative prices from market makers.

Where no market data is available, the Fund may value positions using its own models, which are based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by the Manager, independent of the party that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require

the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund 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

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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.

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

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.

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.

7. DISTRIBUTIONS

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

All annual distributions paid on Class A, Class F and Class I units will be automatically reinvested in additional units. For Class FT and Class T units, unitholders will receive a target monthly distribution at an initial rate of 5% per annum. The target rate of monthly distribution will be reset at the

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beginning of each calendar year to provide a target yield based on the net asset value per Class FT unit or Class T unit as at December 31 of the prior year. Throughout the year, such monthly distributions to unitholders will be composed of net income, net capital gains and/or a return of capital. All distributions on Class FT and Class T units will be paid in cash.

8. TAXATION

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

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

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

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

9. OPERATING EXPENSES

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

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

10. RELATED PARTY TRANSACTIONS

(a) Management Fees

The Manager receives a management fee payable for providing its services to the Fund. The management fee varies for each class of units. The management fee is calculated and accrued daily based on a percentage of the net asset value of the class of units of the Fund, plus applicable taxes, and is payable on the last business day of each calendar quarter. This fee differs among the classes of units of the Fund. The annual management fee payable by the Fund to the Manager on Class A units is 1.90%, on Class F units is 0.90%, on Class FT units is 0.90%, and on Class T units is 1.90%. The management fee for Class I units of the Fund is negotiated by the investor and paid directly by the investor, and would not exceed the management fee payable on Class A units of the Fund.

(b) Performance Fees

The Manager receives a performance fee payable in respect of each class of units of the Fund. The performance fee is equal to the daily net asset value of the class of units of the Fund during the calendar quarter multiplied by 20% of the amount by which the total return of the class of units exceeds the total percentage increase or decrease in the blended benchmark consisting of 75% BofA Merrill Lynch Global High Yield Index (hedged to Canadian dollars) and 25% BofA Merrill Lynch Global Corporate Index (hedged to Canadian dollars) (the "Performance Fee Index") since the end of the period for which the last performance fee was paid. If at any time the total return of the class of units of the Fund is less than its Performance Fee Index, then no performance fee will be payable until the total return of the class of units of the Fund relative to its Performance Fee Index has exceeded the amount of the deficiency calculated on a percentage basis. Investors in Class I units may negotiate a different performance fee than the one described herein or no performance fee at all. Any performance fee for Class I units will be paid directly to the The Manager reserves the right, in its discretion, to discontinue, decrease or waive the performance fee at any time. For the period January 1, 2024 to June 30, 2024, the Fund incurred no performance fees.

(c) Fund of Fund Expenses

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

**THINK AHEAD.
STAY AHEAD.**

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