

ANNUAL INFORMATION FORM



PICTON MAHONEY TACTICAL INCOME FUND

Class A Units and Class F Units

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

March 28, 2024

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FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Information Form (“**AIF**”) are forward-looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend” and similar expressions to the extent they relate to the Picton Mahoney Tactical Income Fund (the “**Fund**”), Picton Mahoney Asset Management (“**Picton Mahoney**”) (in its capacity as manager of the Fund, the “**Manager**”) and in its capacity as portfolio manager of the Fund (the “**Portfolio Manager**”). Forward-looking statements are not historical facts but reflect the current expectations of the Fund and the Manager regarding future results or events. Such forward-looking statements reflect the Fund or the Manager’s current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations including global economic conditions. Some of these risks, uncertainties and other factors are described in this AIF under the heading “Risk Factors”. Although the forward-looking statements contained in this AIF are based upon assumptions that the Fund and the Manager believe to be reasonable, none of the Fund or the Manager can assure investors that actual results will be consistent with these forward-looking statements.

These and other factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. The forward-looking statements contained herein were prepared for the purpose of providing investors with information about the Fund and may not be appropriate for other purposes. None of the Fund, the Manager or the Portfolio Manager assumes any obligation to update or revise them to reflect new events or circumstances, except as required by law.

NAME, FORMATION AND HISTORY OF FUND

The Fund is a closed-end investment fund established under the laws of the Province of Ontario pursuant to a trust agreement dated September 26, 2012 (the “**Trust Agreement**”). The Trust Agreement was amended and restated as of October 18, 2017 to amend its Investment Objectives, Investment Strategy and Investment Restrictions, among other things, to account for the termination of the forward agreement, as required by changes to the *Income Tax Act* (Canada) and the regulations thereunder as they may be amended from time to time (the “**Tax Act**”).

As a result of changes to the Tax Act, the Fund’s forward agreement with a Canadian chartered bank was terminated on October 18, 2017. Following this date, the Fund invested directly in the securities that were previously held in the underlying portfolio of Income Strategies Trust.

The manager and portfolio manager of the Fund is Picton Mahoney. The trustee of the Fund is TSX Trust Company (formerly, Equity Financial Trust Company) (the “**Trustee**”). Currently, the principal office of the Fund and the Manager is located at 33 Yonge Street, Suite 830, Toronto, Ontario M5E 1G4. Effective June 1, 2024, the principal office of the Fund and the Manager will be located at 33 Yonge Street, Suite 320, Toronto, Ontario, M5E 1G4.

On October 18, 2012 (the “**Closing Date**”), the Fund completed an initial public offering (the “**Offering**”) of 13,000,000 Class A units of the Fund (the “**Class A Units**”) and 2,349,675 Class F units of the Fund (the “**Class F Units**”) (the Class A Units and Class F Units, collectively referred to herein as the “**Units**”) of the Fund at a price of C\$10.00 per Unit for aggregate gross proceeds of \$153,496,750 (the “**Closing**”). The Fund granted the agents (“the **Agents**”) an over-allotment option exercisable in whole or in part for a period of 30 days following the closing of the Offering to acquire up to an additional 518,377 Class A Units (the “**Over-Allotment Option**”). On November 7, 2012 (the “**Over-Allotment Closing Date**”), the Fund issued 230,000 Class A Units for gross proceeds of \$2,300,000 pursuant to the partial exercise of the Over-Allotment Option.

The Class A Units are listed and posted for trading on the Toronto Stock Exchange (the “**TSX**”) under the symbol “PMB.UN”. The Class F Units are not listed on a stock exchange but may be converted into Class A Units on a weekly basis for liquidity purposes.

INVESTMENT OBJECTIVES

The investment objectives of the Fund are:

- (i) to provide holders of Units (“**Unitholders**”) with monthly distributions;
- (ii) to preserve capital and mitigate risk with less volatility and less correlation to high-yield and equity markets; and
- (iii) to maximize total return to Unitholders through distributions and capital appreciation,

in each case through exposure to a diversified portfolio of income producing securities which will be actively managed by Picton Mahoney, in its capacity as Portfolio Manager.

Amounts distributed on the Units that represent returns of capital are generally not subject to tax but will reduce the Unitholders’ adjusted cost base for tax purposes.

INVESTMENT STRATEGIES

Investment Approach

The Fund is tactically managed and its portfolio composition will vary depending on market conditions but will primarily consist of long and short positions in high-yield and investment grade bonds and, to a more limited extent, government bonds, convertible bonds, preferred shares and dividend paying equities, with a focus on North American issuers. In selecting securities for the Fund’s portfolio, the Portfolio Manager will focus on securities that it believes will maximize risk-adjusted returns and preserve capital to build a portfolio with less volatility and less correlation to the broader markets in which the Portfolio Manager will invest.

Picton Mahoney Investment Process

The Portfolio Manager utilizes an investment process that combines a quantitative bottom-up approach with fundamental analysis and a top-down overlay. Picton Mahoney believes this combination creates a highly disciplined and repeatable investment process.

Risk Management

The Portfolio Manager may employ short selling and other hedging strategies in an effort to reduce overall Fund risk and protect the Fund against losses associated with the risks of investing in income assets.

The Portfolio Manager employs the following risk management strategies:

- (1) diversification of the Fund’s portfolio by issuer, market capitalization, sector, industry, credit rating and region;
- (2) short selling of government bonds to reduce the interest rate risk inherent in the Fund’s investment grade corporate debt positions;
- (3) short selling of corporate bonds to reduce the credit risks, both macro and idiosyncratic, inherent in the Fund and, depending upon the stage of economic cycle, to potentially enhance returns;
- (4) purchasing credit, equity, foreign exchange and commodity protection with a view to reducing Fund losses from macro-economic driven shocks; and
- (5) managing the relative weighting of long and short positions of the Fund’s portfolio.

INVESTMENT RESTRICTIONS

Although the Fund is subject to the investment restrictions contained in National Instrument 81-102 – *Investment Funds* (“**NI 81-102**”) of the Canadian Securities Administrators (the “**CSA**”), it is not subject to all of the investment restrictions and operating policies that apply to mutual funds under such legislation. The investment activities of the Fund are to be conducted in accordance with, among other things, the following investment restrictions, which provide that the Fund will not:

- (a) invest more than 10% of the aggregate value of the assets of the Fund as determined in accordance with the terms of the Trust Agreement (the “**Total Assets**”) in the securities of any single issuer and 5% of the aggregate value of the Total Assets in any individual security, other than (a) securities issued or guaranteed by the Government of Canada or a province or territory thereof or securities issued or guaranteed by the U.S. Government or its agencies and instrumentalities; or (b) exchange-traded funds used for hedging purposes;
- (b) employ leverage, including borrowings under loan facilities, margin purchases, short selling and the use of derivative instruments, in amounts exceeding 2.5:1 (total market value of long positions (not including cash or cash equivalents, but including leveraged long positions) plus the absolute value of short positions divided by the net asset value (“**NAV**”) of the Fund determined at the time of borrowing, provided that if at any time aggregate leverage exceeds 2.5:1, the Portfolio Manager will, as soon as practicable thereafter, cause the leverage to be reduced below such threshold;
- (c) have the value of long security positions, excluding cash and cash equivalents, minus the absolute value of short positions, divided by the NAV of the Fund (the “**Net Exposure**”) in aggregate Net Exposure in excess of 150% or less than 50%, on a daily mark-to-market basis;
- (d) have aggregate Net Exposure in excess of 20% or less than -20%, on a daily mark-to-market basis, with respect to the following categories of securities: (i) equity securities, not including exchange-traded funds used for hedging purposes; (ii) convertible bonds and preferred shares; or (iii) securities of non-North American issuers;
- (e) invest more than 5% of the NAV of the Fund in distressed securities;
- (f) invest more than 10% of the NAV of the Fund in securities of non-North American issuers;
- (g) guarantee the securities or obligations of any person other than the Portfolio Manager, and then only in respect of the activities of the Fund;
- (h) purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Portfolio Manager or any of its affiliates, any officer, director or partner of the Portfolio Manager, any person, trust, firm or corporation managed by the Portfolio Manager or any of its affiliates or any firm or corporation in which any officer, director or partner of the Portfolio Manager may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless, with respect to any purchase or sale of securities, any such transaction is effected through normal market facilities, pursuant to a non-pre-arranged trade, and the purchase price approximates the prevailing market price or is approved by the independent review committee established by the Portfolio Manager in accordance with National Instrument 81-107 – *Independent Review Committee for Investment Funds* of the CSA (“**NI 81-107**”), as it may be from time to time (the “**IRC**”);
- (i) own securities of an issuer if as a result of such ownership the Portfolio Manager would, either directly or indirectly, hold or exercise control or direction over greater than 19.99% of the securities of such issuer;
- (j) engage in securities lending that does not constitute a “securities lending arrangement” for purposes of the Tax Act;
- (k) invest in or hold (i) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Fund (or the

partnership) would be required to include any significant amounts in income pursuant to section 94.1 of the Tax Act; (ii) an interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act; or (iii) an interest in a non-resident trust (or a partnership which holds such an interest) other than an “exempt foreign trust” for the purposes of section 94 of the Tax Act (or amendments to such provisions as enacted into law or successor provisions thereto);

- (l) invest in any security that is a “tax shelter investment” within the meaning of section 143.2 of the Tax Act;
- (m) invest in any security of an issuer that would be a “foreign affiliate” of the Fund for purposes of the Tax Act;
- (n) unless it is an “excluded subsidiary entity” (as defined in subsection 122.1(1) of the Tax Act), invest in: (A) securities of a “subject entity” (as defined in the Tax Act) that have a total fair market value that exceeds 10% of the “equity value” (as defined in the Tax Act) of such subject entity; or (B) securities of a subject entity that, together with all securities of entities affiliated with the subject entity owned by the Fund, have a total fair market value that is greater than 50% of the equity value of the Fund for purposes of the Tax Act;
- (o) unless it is an “excluded subsidiary entity” (as defined in subsection 122.1(1) of the Tax Act), invest in “Canadian real, immovable or resource property” as that term is defined in the Tax Act, if, at any time, the total fair market value of such properties is greater than 50% of the equity value of the Fund for purposes of the Tax Act;
- (p) unless it is an “excluded subsidiary entity” (as defined in subsection 122.1(1) of the Tax Act), invest in any property that is used by the Fund, or a person or partnership with whom the Fund does not deal at arm’s length, in the course of carrying on a business in Canada;
- (q) purchase securities other than through normal market facilities unless the purchase price approximates the prevailing market price or is negotiated or established on an arm’s length basis;
- (r) purchase securities of an issuer if, as a result of such purchase, the Fund would be required to make a takeover bid that is a “formal bid” for the purposes of the *Securities Act* (Ontario) (the “Act”) or the equivalent provision of applicable securities laws of any other jurisdiction;
- (s) make or hold any investment or undertake any activity that would result in the Fund failing to qualify as a “mutual fund trust” for purposes of the Tax Act and will not acquire any property that would be “taxable Canadian property” of the Fund as such term is defined in the Tax Act (if the definition were read without reference to paragraph (b) thereof) (or any amendment to such definition) or other “specified property” as such term is defined in the Tax Act; or
- (t) make or hold any investment that would result in the Fund being subject to the tax as a “SIFT trust” as provided for in section 122.1 of the Tax Act.

If a percentage restriction on investment or use of assets or borrowing or financing arrangements set forth above as an investment restriction is adhered to at the time of the transaction, later changes to the market value of the investment or Total Assets will not be considered a violation of the investment restrictions (except for the restrictions in paragraphs (i), (n) and (o) above which must be complied with at all times and which may necessitate the selling of investments from time to time). If the Fund receives from an issuer subscription rights to purchase securities of that issuer, and if the Fund exercises those subscription rights at a time when the Fund’s holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the investment restrictions if, prior to the receipt of securities of that issuer on exercise of such rights, the Fund has sold at least as many securities of the same class and value as would result in the restriction being complied with.

Notwithstanding the foregoing, at the Manager's discretion, the Fund's portfolio may be invested entirely in cash or cash equivalents.

DESCRIPTION OF THE UNITS

The beneficial interest in the net assets and net income of the Fund is divided into two classes of Units, Class A Units and Class F Units. The Fund is authorized to issue an unlimited number of classes of units and an unlimited number of units of each class. The Class F Units are designed for fee-based accounts and differ from the Class A Units in the following ways: (i) Class F Units will not be listed on a stock exchange; (ii) Class F Units are convertible into Class A Units; (iii) the agents' fee payable on the issuance of the Class F Units is lower than the Class A Units; and (iv) a component of the management fee paid by the Fund equal to the servicing fee is payable in respect of the Class A Units only. Accordingly, the NAV per Unit of each class will not be the same as a result of the different fees allocable to each class of Units. Each Unit is entitled to one vote at all meetings of Unitholders and at all meetings of Unitholders of that class and is entitled to participate equally with respect to any and all distributions to the class made by the Fund, including distributions of net income and net realized capital gains, and distributions upon the termination of the Fund. Units are issued only as fully-paid and are non-assessable.

The Trust Agreement provides that the Fund may not issue additional Units following the issuance of Units on the Over-Allotment Closing Date except: (i) at a price that yields net proceeds of not less than 100% of the NAV per Unit of the applicable class calculated as of the close of business on the Business Day immediately prior to the pricing of such offering; (ii) by way of Unit distributions; or (iii) with the approval of Unitholders.

Immediately after a *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent that tax was required to be withheld in respect of the distribution. Subject to the foregoing, the Fund may allot and issue Units or other securities at such time or times and in such manner as the Manager in its sole discretion shall determine.

Registration of Units

Registration of interests in, and transfers of, the Units are made only through the book-entry only system of CDS Clearing and Depository Services Inc. ("**CDS**"). On each of the Closing Date and the Over-Allotment Closing Date, the Fund delivered to CDS certificates evidencing the aggregate number of Class A Units and/or Class F Units (as applicable) subscribed for under the Offering. Units must be purchased, transferred and surrendered for redemption only through a participant of CDS ("**CDS Participant**"). All rights of an owner of Units must be exercised through, and all payments or other property to which such Unitholder is entitled will be made or delivered by, CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, the Unitholder will receive only the customary confirmation. References in this AIF to a holder of Units means, unless the context otherwise requires, the Unitholder of the beneficial interest in such Units.

The Fund, the Manager and the Agents will not have any liability for (i) records maintained by CDS relating to the beneficial interests in the Units or the book-based entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical Unit certificate.

Purchase for Cancellation or Resale

Subject to applicable law and stock exchange requirements, the Fund may at any time or times purchase Class A Units for cancellation at a price per Class A Unit not exceeding the NAV of the Fund attributable to the Class A Units divided by the number of Class A Units then outstanding (the "**Net Asset Value per Class A Unit**" or "**NAV per**

Class A Unit”) on the Business Day immediately prior to such purchase up to a maximum in any 12- month period of 10% of the outstanding public float of Class A Units.

Conversion of Units

A holder of Class F Units may convert Class F Units into Class A Units on a weekly basis in accordance with the Trust Agreement. It is expected that liquidity for the Class F Units will be obtained by means of the conversion of Class F Units into Class A Units and the sale of those Class A Units through the facilities of the TSX. Class F Units may be converted on a weekly basis on the first Business Day of each week (each, a “**Conversion Date**”) by delivering a notice and surrendering the Class F Units to be converted by 5:00 p.m. (Toronto time) at least five (5) Business Days prior to the Conversion Date. For each Class F Unit so converted, a holder will receive that number of Class A Units equal to the NAV of the Fund attributable to the Class F Units divided by the number of Class F Units then outstanding (the “**Net Asset Value per Class F Unit or “NAV per Class F Unit**”) as of the close of trading on the Business Day immediately preceding the Conversion Date divided by the NAV per Class A Unit as of the close of trading on the Business Day immediately preceding the Conversion Date. No fractions of Class A Units will be issued upon any conversion of Class F Units, and any fractional amounts will be rounded down to the nearest whole number of Class A Units.

Commencing as of April 1, 2013, a holder of Class A Units was permitted to convert Class A Units into Class F Units, in accordance with the Trust Agreement, on a Conversion Date by delivering a notice and surrendering such Class A Units by 5:00 p.m. (Toronto time) at least ten (10) Business Days prior to the relevant Conversion Date. For each Class A Unit so converted, a holder is entitled to receive that number of Class F Units equal to the NAV per Class A Unit as of the close of trading on the relevant Conversion Date divided by the NAV per Class F Unit as of the close of trading on such Conversion Date. No fractions of Class F Units will be issued upon conversion of Class A Units. Any fractional amounts will be rounded down to the nearest whole number of Class F Units.

Based in part on the current published administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”), the Manager understands that a conversion of Class F Units into Class A Units or Class A Units into Class F Units will not constitute a disposition of the Class F Units or Class A Units for the purposes of the Tax Act.

Take-Over Bids

The Trust Agreement contains provisions to the effect that if a take-over bid is made for the Class A Units and not less than 90% of the aggregate number of Class A Units (excluding any Class A Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Class A Units held by the Unitholders who did not accept the take-over bid on the terms offered by the offeror.

The Trust Agreement also provides that if, prior to the termination of the Fund, a formal bid (as defined in the Act) is made for all of the Class F Units and such bid would constitute a formal bid for all Class A Units if the Class F Units had been converted to Class A Units immediately prior to such bid (the “**Class F Offer**”) and the Class F Offer does not include a concurrent identical take-over bid, including in terms of price (relative to the NAV per Unit of the class), for the Class A Units, then the Fund shall provide the holders of Class A Units the right to convert all or a part of their Class A Units into Class F Units and to tender such Units to the Class F Offer. In the circumstances described above, the Fund shall, by press release, provide written notice to the holders of the Class A Units that such an offer has been made and of the right of such holders to convert all or a part of their Class A Units into Class F Units and to tender such units to the Class F Offer.

Non-Resident Unitholders

At no time may persons who are non-residents of Canada for purposes of the Tax Act and/or partnerships that are not “Canadian partnerships” within the meaning of the Tax Act (or any combination thereof) (collectively, the “**non-residents**”) be the beneficial owners of a majority of the Units. The Manager may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding are, or may be, non-residents, or that such a situation is imminent, the Manager may make a public announcement thereof. If the Manager determines that more than 40% of the Units are

beneficially held by non-residents, or that such a situation is imminent, the Manager may send a notice to such non-resident Unitholders, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to dispose of their Units or a portion thereof within a specified period of not less than thirty (30) days. If the Unitholders receiving such notice have not disposed of the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents within such period, the Manager may, on behalf of such Unitholders, dispose of such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such disposition, the affected Unitholders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of disposition of such Units.

Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager has been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of the Fund as a “mutual fund trust” for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the Fund as a “mutual fund trust” for purposes of the Tax Act.

DISTRIBUTION POLICY

In accordance with the Fund’s investment objective to provide Unitholders with monthly cash distributions, the Fund intends to make monthly distributions to Unitholders of record on the last Business Day of each month (each, a “**Distribution Record Date**”). Distributions are paid on a Business Day designated by the Manager that is no later than the 15th Business Day of the month following the Distribution Record Date (each, a “**Distribution Payment Date**”). The Fund does not have a fixed distribution, but distributions were initially targeted to be 5% per annum on the subscription price of \$10.00 per Unit. The Fund will announce, at least annually, the expected distribution amount for the following twelve months based, in part, on the assessment of the Manager of anticipated cash flow and anticipated expenses of the Fund from time to time. For each month in 2023, the Fund paid: (i) \$0.0300 per Unit per month to the Unitholders of record of Class A Units; and (ii) \$0.0330 per Unit per month to the Unitholders of record of Class F Units. For January 2024, the Fund paid: (i) \$0.0300 per Unit per month to the Unitholders of record of Class A Units; and (ii) \$0.0333 per Unit per month to the Unitholders of record of Class F Units. On February 15, 2024, the Fund declared a monthly distribution of \$0.0300 per Class A Unit and \$0.0333 per Class F Unit (\$0.3600 per Class A Unit and \$0.3996 per Class F Unit on an annualized basis) for the month of February 2024, which was paid on March 21, 2024 to Unitholders of record as at February 29, 2024.

The amount of monthly distributions may fluctuate and there can be no assurance that the Fund will make any distribution in any particular month.

Based on the anticipated composition of the Fund’s portfolio, the Manager expects that the return on the securities included in its portfolio would be sufficient for the Fund to maintain a stable NAV for both Class A Units and Class F Units and to fund distributions at the current targeted level. No assurance can be given with respect to the future return on the securities included in the Fund’s portfolio from time to time. If the return on the Fund’s portfolio is less than the amount necessary for the Fund to fund monthly distributions at the then current targeted level, and the Fund nevertheless chooses to pay such distributions, this will result in a portion of the capital of the Fund being returned to Unitholders and the NAV per Unit will be reduced.

If the Fund’s net income for tax purposes, including net realized capital gains, for any year, net of any available loss carryforwards from prior years, exceeds the aggregate amount of the regular monthly distributions made in the year to Unitholders, the Fund will also be required to pay one or more special distributions (either in cash or Units) in such year to Unitholders in an amount sufficient to ensure that the Fund will not be liable for income tax on such amounts under Part I of the Tax Act (after taking into account all available deductions, credits and refunds). Immediately after a *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution, except in the case of a non-resident Unitholder to the extent tax was required to be withheld in respect of the distribution. See “Certain Canadian Federal Income Tax Considerations”.

There can be no assurance given as to the amount of targeted distributions, if any, in the future.

Distribution Reinvestment Plan

The Fund has adopted a distribution reinvestment plan, as it may be amended from time to time (the “**Reinvestment Plan**”) pursuant to a reinvestment plan agency agreement dated October 18, 2012 (the “**Reinvestment Plan Agreement**”), between the Fund and TSX Trust Company (formerly, Equity Financial Trust Company) (in such capacity, the “**Plan Agent**”). Pursuant to the Reinvestment Plan, all monthly cash distributions shall, at the election of each Unitholder, be automatically reinvested in additional Units on the Unitholder’s behalf in accordance with the provisions of the Reinvestment Plan Agreement. Notwithstanding the Reinvestment Plan, all distributions to non-resident Unitholders will be paid in cash and will not be reinvested in additional Units. Unitholders who subsequently become non-residents will be required to terminate their participation in the Reinvestment Plan.

All distributions due to Unitholders who are participants in the Reinvestment Plan (the “**Plan Participants**”) shall be paid to the Plan Agent on behalf of Plan Participants, to purchase additional Units from the treasury of the Fund at a price equal to the NAV per Unit of the applicable class of Units as at the Business Day designated by the Manager, which date will be no later than the Distribution Payment Date. No fractional Units will be issued under the Reinvestment Plan.

Depending on market conditions, direct reinvestment of cash distributions by Unitholders in the market may be more, or less, advantageous than the reinvestment arrangements under the Reinvestment Plan. The Plan Agent will furnish to each Plan Participant a report of the Units purchased for the Plan Participant’s account in respect of each distribution and the cumulative total number of Units purchased for that account. The Plan Agent’s charges for administering the Reinvestment Plan will be paid by the Fund. See “Certain Canadian Federal Income Tax Considerations”.

A Unitholder may elect to participate in the Reinvestment Plan by notifying CDS in writing via the CDS Participant through which he or she holds his or her Units, CDS will then appropriately instruct the Plan Agent. That notice, if actually received by the Plan Agent no later than the close of business on the Business Day immediately preceding the Distribution Record Date, will have effect for the distribution to be made on the following Distribution Payment Date. Unless the Plan Agent has provided written notice of a Unitholder’s intention to participate in the Reinvestment Plan in such manner, distributions to Unitholders will be made in cash.

Once a Unitholder has enrolled in the Reinvestment Plan, their participation will continue automatically until the Fund terminates, unless their participation is terminated earlier in accordance with the terms of the Reinvestment Plan. The Manager may terminate the Reinvestment Plan in its sole discretion on not less than thirty (30) days’ notice to: (i) the Plan Participants via the CDS Participants through which the Plan Participants hold their Units; (ii) the Plan Agent; and (iii) if necessary, the TSX. The Manager, on behalf of the Fund, also reserves the right to amend or suspend the Reinvestment Plan at any time in its sole discretion, provided that any amendment to the Reinvestment Plan is subject to prior approval of any exchange upon which the Units are listed and posted for trading, but such action shall have no retroactive effect that would prejudice the interest of the Plan Participants. All Plan Participants will be sent written notice of any such amendment, suspension or termination, which notice may be given by the Fund by issuing a press release or in any other manner the Manager deems appropriate. The Fund is not required to issue Units to Unitholders in any jurisdiction where that issuance would be illegal.

REDEMPTION OF UNITS

Annual Redemption

Units may be redeemed at the option of a Unitholder on the last Business Day of April for each calendar year (the “**Annual Redemption Date**”). Units so redeemed will be redeemed at a redemption price equal to the NAV per Class A Unit or the NAV per Class F Unit, as applicable, on the Annual Redemption Date, less any costs associated with the redemption, including commissions. The Units must be surrendered for redemption at least twenty (20) Business Days prior to the Annual Redemption Date. Payment of the proceeds of redemption will be made on or before the fifteenth (15th) Business Day of the following month subject to the Manager’s right to suspend redemptions in certain circumstances.

Monthly Redemption

Units may be redeemed at the option of Unitholders on the second last Business Day of each month other than the month of the Annual Redemption Date (the “**Monthly Redemption Date**”), subject to certain conditions. In order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the tenth (10th) Business Day of the month preceding the Monthly Redemption Date. Payment of the redemption price will be made on or before the fifteenth (15th) Business Day of the month following the Monthly Redemption Date, subject to the Manager’s right to suspend redemptions in certain circumstances. Unitholders surrendering a Class A Unit for redemption, except in connection with the Annual Redemption Date, will receive the redemption price per Class A Unit equal to the lesser of (i) 95% of the weighted average trading price of the Class A Units on the TSX (or the principal exchange or market on which the Class A Units are quoted for trading) for the ten (10) Business Days immediately preceding the applicable Monthly Redemption Date; and (ii) 100% of the Closing Market Price (as defined below) of a Class A Unit on the applicable Monthly Redemption Date, less, in each case, any costs and expenses incurred by the Fund in order to fund such redemption (the “**Monthly Redemption Amount**”). Unitholders surrendering a Class F Unit for redemption, except in connection with an Annual Redemption Date, will receive the redemption price per Class F Unit equal to the product of (i) the Monthly Redemption Amount; and (ii) a fraction, the numerator of which is the most recently calculated NAV per Class F Unit and the denominator of which is the most recently calculated NAV per Class A Unit.

“**Closing Market Price**” means, on a particular date: (i) an amount equal to the closing price of the Class A Units on the TSX (or the principal exchange or market on which the Units are quoted for trading) if there was a trade on such date and the exchange or market provides a closing price; (ii) an amount equal to the weighted average of the highest and lowest prices of the Class A Units if there was trading on such date on the TSX (or the principal exchange or market on which Class A Units are quoted for trading) and the exchange or market provides only the highest and lowest trading prices of the Class A Units traded on such date; or (iii) the weighted average of the last bid and last asking prices if there was no trading on that date.

Exercise of Redemption Rights

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the holder, a written notice of the Unitholder’s intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the applicable notice date described above. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the redemption deadline so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the notice date described above. A Unitholder not holding their Units through a CDS Participant who desires to exercise redemption privileges thereunder must deliver to the Manager at its office in the City of Toronto a written notice of such Unitholder’s intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the applicable notice date described above.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder’s intention to redeem Units or a registered holder of Units delivering such notice to the Manager, as the case may be, such Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant or the Manager, as the case may be, to act as his or her exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to the redemption date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that such withdrawal will not adversely affect the Fund. Any expenses associated with the preparation and delivery of the redemption notice will be for the account of the Unitholder exercising the redemption privilege.

Any redemption notice that CDS or the Manager, as the case may be, determines to be incomplete, not in proper form or not duly executed will, for all purposes, be void and of no effect and the redemption privilege to which it relates shall be considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the Unitholder’s instructions will not give rise to any obligations or liability on the part of the Fund, the Trustee or the Manager to the CDS Participant or to the holder of the Units.

The Manager may, without the approval of Unitholders, change the redemption rights attached to the Units on not less than thirty (30) days' notice to Unitholders to increase the number of times in each year that Units may be redeemed by Unitholders (at a redemption price per Unit to be determined by the Manager), so long as such change does not result in the Fund being a mutual fund for securities law purposes and provided that no such change may be made without Unitholder approval if it would eliminate the rights of Unitholders to redeem their Units on a Monthly Redemption Date.

Suspension of Redemptions

The Manager may suspend the redemption of Units or payment of redemption proceeds: (i) during any period when normal trading is suspended on stock exchanges or other markets on which securities owned by the Fund are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the Fund and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the Fund; or (ii) for a period not exceeding thirty (30) days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Business Day following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

UNITHOLDER MATTERS

Meetings of Unitholders

A meeting of Unitholders may be convened by the Manager by a written requisition specifying the purpose of the meeting and must be convened if requisitioned by Unitholders holding not less than 10% of the Units then outstanding (whether Class A Units and/or Class F Units) by a written requisition specifying the purpose of the meeting. The Trustee may convene a separate meeting of Class A or Class F Unitholders if the nature of the business to be transacted at that meeting is only relevant to Unitholders of the applicable class. A meeting of Class A Unitholders must be convened if requisitioned by Unitholders holding not less than 10% of the Class A Units then outstanding by a written requisition specifying the purpose of the meeting. A meeting of Class F Unitholders must be convened if requisitioned by Unitholders holding not less than 10% of the Class F Units then outstanding by a written requisition specifying the purpose of the meeting. Not less than twenty-one (21) days' and not more than fifty (50) days' notice will be given of any meeting of Unitholders. The quorum at any meeting of all Unitholders is one Unitholder present in person or represented by proxy holding 10% of the Units (whether Class A Units or Class F Units) except for the purpose of any meeting called to consider item (d) below under "Matters Requiring Unitholder Approval", in which case, the quorum shall be Unitholder(s) holding 15% of the outstanding Units (whether Class A Units or Class F Units). If no quorum is present at such meeting within one-half hour after the time called for the meeting, the meeting, if called on the requisition of Unitholders, will be terminated and otherwise will be adjourned for not less than ten (10) days and at the adjourned meeting the Unitholders then present in person or represented by proxy will form the necessary quorum. At any meeting of Unitholders, each Unitholder will be entitled to one vote for each Unit registered in the Unitholder's name.

The Fund does not intend to hold annual meetings of Unitholders; however, it has provided an undertaking to the TSX to hold annual meetings, if so instructed by the TSX.

Matters Requiring Unitholder Approval

Pursuant to the Trust Agreement, the following matters require the approval of Unitholders by resolution passed by at least 66⅔% of the votes cast at a meeting called and held for such purpose (an “**Extraordinary Resolution**”), other than item (f), which requires approval of Unitholders by a simple majority (50%) vote at a meeting called and held for such purpose (an “**Ordinary Resolution**”):

- (i) a change in the investment objectives of the Fund as described under the heading “Investment Objectives” in this AIF, unless such a change is necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (ii) a change in the investment restrictions of the Fund as described under the heading “Investment Restrictions” in this AIF, unless such a change is necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (iii) any change in the basis of calculating fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund other than a fee or expense charged by a person or company that is at arm’s length to the Fund;
- (iv) except as described under “Organization and Management Details of the Fund – The Manager”, a change in the manager of the Fund, other than a change resulting in an affiliate of such person assuming such position;
- (v) except as described under “Organization and Management Details of the Fund – The Trustee”, a change in the trustee of the Fund other than a change resulting in an affiliate of such person being appointed as trustee of the Fund;
- (vi) a change in the auditor of the Fund;
- (vii) a reorganization, other than a Permitted Merger (as defined below), with, or transfer of assets to, a mutual fund trust, if
 - (a) the Fund ceases to continue after the reorganization or transfer of assets; and
 - (b) the transaction results in Unitholders becoming securityholders in the mutual fund trust;
- (viii) a reorganization, other than a Permitted Merger, with, or acquisition of assets of, a mutual fund trust, if
 - (a) the Fund continues after the reorganization or acquisition of assets;
 - (b) the transaction results in the securityholders of the mutual fund trust becoming Unitholders; and
 - (c) the transaction would be a significant change to the Fund;
- (ix) a liquidation, dissolution or termination of the Fund, other than as described under “Termination of the Fund” or in connection with a Permitted Merger;
- (x) an amendment, modification or variation in the provisions or rights attaching to the Units;
- (xi) an issuance of additional Units following the issuance of Units on the Closing of the Offering, other than:
 - (i) for net proceeds not less than 100% of the NAV per Class A Unit or NAV per Class F Unit, as applicable, calculated as of the close of business on the Business Day immediately prior to the pricing of such offering;
 - or (ii) by way of Unit distribution;
- (xii) a reduction in the frequency of calculating the NAV per Class A Unit or NAV per Class F Unit; and

- (xiii) any amendment to the above provisions.

The Manager may, without obtaining Unitholder approval, merge the Fund (a “**Permitted Merger**”) with another fund or funds, provided that:

- (a) the fund(s) with which the Fund is merged must be managed by the Manager or an affiliate of the Manager (the “**Affiliated Fund(s)**”);
- (b) Unitholders are permitted to redeem their Units at a redemption price equal to 100% of the NAV per Class A Unit or NAV per Class F Unit, as applicable, less any costs of funding the redemption, including commissions prior to the effective date of the merger;
- (c) the funds being merged have similar investment objectives as set forth in their respective declarations of trust, as determined in good faith by the Manager in its sole discretion;
- (d) the Manager must have determined in good faith that there will be no increase in the management expense ratio borne by the Unitholders as a result of the merger;
- (e) the merger of the funds is completed on the basis of an exchange ratio determined with reference to the NAV per Unit of each fund; and
- (f) the merger of the funds must be capable of being accomplished on a tax-deferred rollover basis for Unitholders.

If the Manager determines that a merger is a Permitted Merger, the Manager can effect the merger, including any required changes to the Trust Agreement, without seeking Unitholder approval for the merger or such amendments. If a decision is made to merge, the Manager will issue a press release at least thirty (30) Business Days prior to the proposed effective date thereof disclosing details of the proposed merger and will comply with all applicable laws including the requirements of the TSX concerning mergers involving listed investment funds. While the funds to be merged will have similar investment objectives, the funds may have different investment strategies, guidelines and restrictions and, accordingly, the units of the merged funds will be subject to different risk factors.

The Unitholders will also be permitted to vote on any modification, amendment, alteration or deletion of rights, privileges or restrictions attaching to the Units which would have a material adverse effect on the interest of the Unitholders. No amendment may be made to the Trust Agreement which would have the effect of reducing the expenses reimbursable to the Manager.

Amendments to the Trust Agreement

Pursuant to the Trust Agreement, the Manager is entitled, without the consent of or notice to the Unitholders, to make all such amendments to the Trust Agreement as the Manager believes are necessary or desirable for the purpose of: (i) making any change or correction which is of a typographical nature or is required to cure or correct a clerical omission, mistake or manifest error contained therein; (ii) amending the existing provisions or adding any provisions which are for the protection or benefit of the Unitholders; (iii) curing an ambiguity or correcting any administrative difficulty in the Trust Agreement; (iv) supplementing any provision which may be defective or inconsistent with another provision; (v) maintaining the status of the Fund as a “unit trust” and a “mutual fund trust” for the purposes of the Tax Act or to respond to amendments to the Tax Act or to the interpretation thereof; (vi) changing the Fund’s taxation year-end as permitted under the Tax Act; (vii) complying with applicable law including the rules and policies of Canadian securities regulatory authorities; (viii) conforming the Trust Agreement with current market practice within the securities or investment funds industries; (ix) changing the name of the Fund; (x) adding additional redemption rights, subject to the restriction set forth under “Redemption of Units – Exercise of Redemption Rights”; and (xi) removing any conflict or any inconsistencies which may exist between any of the terms of the Trust Agreement and any provisions of any applicable law.

Any amendments made by the Manager without the consent of Unitholders must be disclosed in the next regularly scheduled report to Unitholders. Such amendments may be made only if they will not materially adversely affect the interest of any Unitholder.

Reporting to Unitholders

The Fund will furnish to Unitholders such financial statements of the Fund (including interim unaudited and annual audited financial statements, accompanied by interim and annual management reports of fund performance) prepared in accordance with National Instrument 81-106 – *Investment Fund Continuous Disclosure* of the CSA (“**NI 81-106**”) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders’ tax returns under the Tax Act and equivalent provincial legislation.

The Fund will comply with all of the continuous disclosure requirements applicable to it as a reporting issuer under applicable securities laws. Prior to any meeting of Unitholders, the Fund will provide to Unitholders (along with notice of such meeting) all such information as is required by applicable law to be provided to Unitholders.

Accounting and Reporting

The fiscal year of the Fund is the calendar year. The annual financial statements of the Fund which shall be audited by the auditor of the Fund will be prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as published by the International Accounting Standards Board or any successor accounting standards board, in each case, applicable as at the date on which such statements are prepared or required to be prepared in accordance with IFRS. The auditor will be asked to report on the fair presentation of the annual financial statements in accordance with IFRS. The Manager will ensure that the Fund complies with all applicable reporting and administrative requirements, including preparing and issuing interim unaudited financial statements.

The Manager will keep adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative will have the right to examine the books and records of the Fund during normal business hours at the offices of the Manager. Notwithstanding the foregoing, a Unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

ORGANIZATION AND MANAGEMENT DETAILS OF THE FUND

The Trustee

TSX Trust Company (formerly, Equity Financial Trust Company) acts as trustee of the Fund pursuant to the provisions of the Trust Agreement. The address of the Trustee is 100 Adelaide Street West, Suite 301, Toronto, Ontario M5H 1S3.

Pursuant to the Trust Agreement, the Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Unitholders and to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. The Trust Agreement provides that the Trustee will not be liable in carrying out its duties under the Trust Agreement except in cases of willful misconduct, bad faith, gross negligence or disregard or material breach of its obligations or duties or its standard of care. The Trustee and each of its directors, officers, and employees will be indemnified by the Fund for all liabilities and expenses reasonably incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Trustee or any of its officers, directors or employees in the exercise of its duties under the Trust Agreement, except those resulting from the Trustee’s or such person’s willful misconduct, bad faith, gross negligence, disregard or material breach of the Trustee’s or such person’s obligations or duties or standard of care in relation to the matter in respect of which indemnification is claimed.

Unless the Trustee resigns or is removed as described below, the Trustee will continue as trustee until the termination date of the Fund. The Trustee or any successor trustee may resign upon sixty (60) days’ written notice to Unitholders and the Manager, and the Trustee is deemed to have resigned in certain circumstances, including if the Trustee becomes bankrupt or insolvent or in the event the Trustee (i) ceases to be resident in Canada for the purposes of the Tax Act; (ii) ceases to carry out its functions of managing the Fund in Canada; or (iii) ceases to exercise the main powers and discretions of the trustee in respect of the Fund in Canada. The Trustee may not be removed other than by an

Extraordinary Resolution in the event the Trustee is in material breach or default of the provisions of the Trust Agreement and, if capable of being cured, such breach or default had not been cured within twenty (20) Business Days' notice of such breach or default; provided that the Manager or an affiliate of the Manager may be appointed as trustee at any time. Any such resignation or removal shall become effective only upon the appointment of a successor trustee. If the Trustee resigns or is removed by Unitholders, its successor must be approved by Unitholders. If, after the resignation or removal of the Trustee, no successor has been appointed within ninety (90) days, the Trustee, the Manager or any Unitholder may apply to a court of competent jurisdiction for the appointment of a successor trustee. If a successor trustee is not appointed, the Fund shall be terminated. Notwithstanding the foregoing, Unitholder approval shall not be required to approve the appointment of a person as a successor Trustee where: (i) such person is a trust company duly authorized to carry on business as a trust company in the relevant jurisdictions; or (ii) such person is the Manager or an affiliate of the Manager or the Trustee.

The Trustee is entitled to fees for its services under the Trust Agreement and will be reimbursed by the Fund for all reasonable costs and expenses incurred by the Trustee on behalf of the Fund. In the event the trustee is an affiliate of the Manager, no fees will be payable to the trustee for its services as trustee under the Trust Agreement.

The services to be provided by the Trustee under the Trust Agreement are not exclusive to the Fund and nothing in the Trust Agreement prevents the Trustee from providing similar services to other investment funds and other clients (whether or not their activities are similar to those of the Fund) or from engaging in other activities.

The Manager

Picton Mahoney acts as the manager and portfolio manager of the Fund. The principal office of the Manager is currently located at 33 Yonge Street, Suite 830, Toronto, Ontario M5E 1G4. Effective Jun 1, 2024, the principal office of the Manager will be located at 33 Yonge Street, Suite 320, Toronto, Ontario M5E 1G4. The Manager is a general partnership that was established under the laws of the Province of Ontario as of September 13, 2004.

Duties and Services to be Provided by the Manager

The Manager was appointed to act as the manager of the Fund pursuant to the Trust Agreement and has the authority to manage the business affairs, activities and day-to-day operations of the Fund, to make all decisions regarding the business of the Fund and has authority to bind the Fund, including providing and arranging for the provision of marketing and administrative services required by the Fund. The Manager may delegate certain of its duties to third parties. The Manager's duties include: maintaining accounting records for the Fund; authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements, income tax forms and financial and accounting information as required by the Fund; calculating the NAV of the Fund; ensuring that Unitholders are provided with financial statements and other reports as are required by applicable law from time to time; monitoring the Fund's compliance with regulatory requirements; preparing the Fund's reports to Unitholders; negotiating contractual agreements with third party providers of services, including auditors and printers; and establishing and monitoring the Reinvestment Plan, and amending, modifying, suspending or terminating the Reinvestment Plan in a manner which the Manager believes is in the best interests of the Unitholders.

The Manager also acts as the portfolio manager of the Fund and will implement the investment strategy for the Fund on an ongoing basis. In such capacity, the Manager will act at all times on a basis which is fair and reasonable to the Fund, act honestly and in good faith with a view to the best interests of the Fund and, in connection therewith, exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

The Manager shall exercise its powers and discharge its duties as manager honestly, in good faith and in the best interests of the Fund and shall exercise the care, diligence and skill of a reasonably prudent person in similar circumstances. The Manager will not be liable for any default, failure or defect in any of the securities comprising the Fund's portfolio or any losses in the NAV of the Fund which on a particular day is equal to (i) the aggregate fair value of the assets of the Fund, less (ii) the aggregate fair value of the liabilities of the Fund (the "**NAV of the Fund**"), if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of willful misconduct, bad faith, gross negligence, disregard of the Manager's standard of care or any material breach or default by it of its obligations.

Unless the Manager resigns or is removed as described below, the Manager will continue as manager until the termination of the Fund. The Manager may resign as the manager of the Fund, if the Fund is in breach or default of the provisions of the Trust Agreement and, if capable of being cured, any such breach or default has not been cured within thirty (30) days' notice of such breach or default to the Fund and the Manager is deemed to have resigned if the Manager becomes bankrupt or insolvent or in the event that the Manager ceases to be resident in Canada for the purposes of the Tax Act or to carry out its functions of managing the Fund in Canada. In the event that the Manager is in material breach or default of the provisions of the Trust Agreement and, if capable of being cured, any such breach or default has not been cured within thirty (30) days' notice of such breach or default to the Manager, the Trustee shall give notice thereof to Unitholders of the Fund and such Unitholders, upon approval by way of Extraordinary Resolution (as defined herein), may direct the Trustee to remove the Manager and appoint a successor manager. If a successor Manager is not appointed within one hundred and twenty (120) days of such termination, the Fund shall be terminated.

The Manager is entitled to fees for its services as manager under the Trust Agreement and will be reimbursed for all reasonable costs and expenses incurred by the Manager on behalf of the Fund. In addition, the Manager and each of its officers, partners, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced, or other claim that is made against, the Manager, or any of its officers, partners, employees or agents, in the exercise of its duties as manager, except those resulting from the Manager's or such person's willful misconduct, bad faith, gross negligence, disregard or material breach of the Manager's or such person's obligations or duties or standard of care in relation to the matter in respect of which indemnification is claimed.

The management services to be provided by the Manager are not exclusive to the Fund and nothing in the Trust Agreement prevents the Manager from providing similar management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities.

Officers of the Manager

The name and municipality of residence of each of the executive officers and senior management of the Manager and their principal occupation are as follows:

<u>Name and Municipality of Residence</u>	<u>Position with Manager</u>	<u>Principal Occupation</u>
DAVID K. PICTON Toronto, Ontario	Member of the Executive Committee President and Chief Executive Officer	Member of the Executive Committee President and Chief Executive Officer of the Manager
ARTHUR F. GALLOWAY Toronto, Ontario	Member of the Executive Committee Chief Financial Officer, Chief Operating Officer and Corporate Secretary	Member of the Executive Committee Chief Financial Officer, Chief Operating Officer and Corporate Secretary of the Manager
CATRINA DUONG Toronto, Ontario	Chief Compliance Officer	Chief Compliance Officer

The following is a brief description of the background of the executive officers and senior management of the Manager.

David Picton

David Picton, President and Chief Executive Officer of Picton Mahoney, is a founding partner of the firm and lead portfolio manager responsible for the Canadian equity market neutral, long short, and long only strategies. Mr. Picton has been a prominent presence in the Canadian investment industry for several decades, including launching Synergy Asset Management in 1997 and working as its lead Canadian momentum portfolio manager and spending eight years as Head of Quantitative Research at RBC Dominion Securities Inc. where he was one of the top ranked analysts in his sector. Mr. Picton holds an Honours Bachelor of Commerce degree from the University of British Columbia. He also received a Leslie Wong Fellowship from the University of British Columbia's prestigious Portfolio Management Foundation.

Arthur Galloway

Arthur Galloway is the Chief Financial Officer, Chief Operating Officer and Corporate Secretary of the Manager. Arthur Galloway is responsible for firm-wide financial operations, internal financial control and internal and external financial reporting. He is also responsible for the financial oversight and administration of Picton Mahoney's investment funds. Before joining Picton Mahoney in 2005, Mr. Galloway spent ten years with Investors Financial Services, most recently as a Director, where his clients included numerous global asset management firms. He holds a Bachelor of Business degree in Finance from Brock University and is a Chartered Financial Analyst charterholder.

Catrina Duong

Catrina Duong, Chief Compliance Officer, is responsible for the monitoring and oversight of Picton Mahoney's compliance program. Before joining Picton Mahoney in 2017, Ms. Duong was a member of the Legal and Compliance Department at BlackRock Asset Management Canada Limited. She has a Bachelor of Arts (Hons) from the University of Toronto, a law degree from Queen's University and is a member of the Bar of the Province of Ontario.

The Investment Team

As of December 31, 2023, the Manager's investment team is composed of 43 individuals. Philip Mesman and Sam Acton are responsible for the Portfolio Manager's bond and income strategies and are the lead portfolio managers of the Fund. The investment decisions made by the individuals identified below are not subject to the oversight, approval or ratification of any committee of the Portfolio Manager.

T. Philip Mesman

Portfolio Manager

T. Philip Mesman, Co-Head of Fixed Income, is a partner and lead portfolio manager of Picton Mahoney's Income Strategies. Prior to joining Picton Mahoney Asset Management in 2010, he was Managing Director and Portfolio Manager at HIM Money Inc., a subsidiary of Harris Investments Management Inc. Mr. Mesman's previous experience includes portfolio management, quantitative and credit analytics and trading positions with a Canadian chartered bank, Merrill Lynch Canada Inc. and Greywolf Capital Inc. respectively. He additionally brings expertise in the long/short, special situation and structured product arenas. Mr. Mesman earned a B.A. in Economics from the University of Western Ontario and is a CFA charterholder.

Sam Acton

Portfolio Manager

Sam Acton, Co-Head of Fixed Income, is a portfolio manager on Picton Mahoney's Fixed Income Team. Prior to joining Picton Mahoney in 2012, he was an Associate at Greenhill & Co. where he was involved in mergers and acquisitions and other strategic advisory assignments. Mr. Acton holds a B. Math from the University of Waterloo and a BBA from Wilfrid Laurier University and is a Chartered Financial Analyst charterholder.

Prime Brokers

Scotia Capital Inc. at its office in Toronto, Ontario has been appointed as a Prime Broker of the Fund to facilitate short selling of securities pursuant to an agreement with the Fund.

RBC Dominion Securities Inc. at its office in Toronto, Ontario has been appointed as a Prime Broker of the Fund to facilitate derivative transactions pursuant to an agreement with the Fund.

Goldman Sachs & Co, LLP, at its office in New York, New York, has been appointed as a Prime Broker of the Fund to facilitate derivative transactions pursuant to an agreement with the Fund.

Brokerage Arrangements

Execution is based on the most advantageous execution terms reasonably available under the circumstances, including prompt execution of orders in an efficient manner and price. In selecting and monitoring dealers and negotiating commissions, the Manager considers the dealer's reliability, the quality of its execution services on a continuing basis and its financial condition. When more than one dealer is believed to meet these criteria, preference may be given to dealers who provide research or statistical material or other services to the Fund or the Manager. Such research and order execution goods and services include advice, both directly and in writing, as to the value of securities; the advisability of investing in, purchasing or selling securities; the availability of securities, or purchasers or sellers of securities; analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy or the performance of accounts; trading software; market data; custody, clearing and settlement services that were directly related to executed orders; as well as databases and software that supported these goods and services. Dealers and third parties may provide the same or similar goods and services in the future. The users of these research and order execution goods and services are portfolio managers, research analysts and traders. Such services allow the Manager to supplement its own investment research activities and obtain the views and information of others prior to making investment decisions. The Manager is of the opinion that, because this material may be analyzed and reviewed by its staff, its receipt and use do not tend to reduce expenses but may benefit the Fund by supplementing the Manager's research. The Manager conducts trade cost analysis to ensure that the Fund receives a reasonable benefit considering the use of the research and order execution goods and services, as applicable, and the amount of the brokerage commission paid. The Manager also makes a good faith determination that the Fund receives reasonable benefit considering the use of the goods and services, the amount of brokerage commissions paid, the range of services and the quality of research received.

Since October 2012, dealers (which are not affiliated entities of the Manager) or third parties have provided research that included advice, economic analyses, and statistical data, databases and software as described above.

The names of such dealers and third parties are available upon request by calling the Manager toll-free at 1-866-369-4108 or by sending an email to service@pictonmahoney.com.

Custodian

The Bank of Nova Scotia (the "**Custodian**") was appointed custodian of the Fund pursuant to a custodian agreement (the "**Custodian Agreement**") made as of October 18, 2012, between the Manager on behalf of the Fund and the Bank of Nova Scotia. The custodian's principal place of business in respect of the Fund will be Toronto, Ontario. Pursuant to the Custodian Agreement, the Fund undertakes and agrees to pay all reasonable fees and expenses of the Custodian for safekeeping and administrative services, as may be mutually agreed upon by the parties to the Custodian Agreement from time to time.

In the Custodian Agreement, the Custodian covenants, when carrying out its duties in respect of the safekeeping of and dealing with the assets of the Fund, to exercise, at a minimum, the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. The Custodian agrees to act as the custodian of all the cash, securities and other assets owned by the Fund (the "**Portfolio Securities**"), and to accept such Portfolio Securities for safekeeping and to act as a depository for the Portfolio Securities, upon the terms and conditions of the Custodian Agreement. Pursuant to the Custodian Agreement, the Custodian may appoint sub-custodians for the purpose of providing for the safekeeping of Portfolio Securities located outside Canada subject to the conditions contained in the Custodian Agreement.

Pursuant to the Custodian Agreement, the Custodian will be indemnified out of the Fund's assets in certain circumstances, including from and against any loss, liability, judgments and amounts paid in settlement, claim or expense (including reasonable legal counsel fees and disbursements as agreed to by the Manager) actually and reasonably incurred by the Custodian arising from or in connection with the performance of its duties to the Fund under the Custodian Agreement provided; however, that such indemnity shall not apply to any liability or expense occasioned by or resulting from the fraud, willful default, negligence, bad faith, breach of the standard of care of the Custodian provided for in the Custodian Agreement, or wrongful act of the Custodian or any of its employees, directors or executive officers in the performance of the Custodian's duties under the Custodian Agreement.

Subject to compliance with applicable securities legislation, the Custodian Agreement may be terminated by either the Manager or the Custodian giving prior written notice to the other. The termination shall be effective on the date specified in the notice, which shall not be less than sixty (60) days after delivery of the notice, or such earlier date as may be agreed upon by the parties. The Custodian Agreement may be terminated with one Business Day prior written notice in the event that a bankruptcy event occurs in respect of either party which is not cured within thirty (30) days of receipt of notice from the other party to the Custodian Agreement; or the Custodian ceases to be an entity qualified to act as a custodian of the Fund under applicable securities legislation, provided; however, termination will not be effective until such time as all of the cash, securities and other assets owned by the Fund have been transferred out of the accounts opened in the name of and for the benefit of the Fund with the Custodian or a designated sub-custodian.

Registrar and Transfer Agent

TSX Trust Company (formerly, Equity Financial Trust Company) (in such capacity, the “**Registrar and Transfer Agent**”) has been appointed the registrar, transfer and distribution agent for the Units. The Registrar and Transfer Agent is located in, and the register of Units is kept by the Registrar and Transfer Agent in Toronto, Ontario.

Auditor

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered Accountants, at its principal office located at PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario M5J 0B2.

CALCULATION OF NAV

The NAV of the Fund on a particular date will be equal to the aggregate fair value of the assets of the Fund less the aggregate fair value of the liabilities of the Fund expressed in Canadian dollars. The NAV per Class A Unit and the NAV per Class F Unit on any day will be obtained by dividing the NAV of the Fund attributable to the relevant class on such day by the number of Units of such class then outstanding.

The NAV per Class A Unit and the NAV per Class F Unit will be calculated as of 4:00 p.m. (Toronto time), or such other time as the Manager deems appropriate (the “**Valuation Time**”), on each Business Day and any other day on which the Manager elects, in its discretion, to calculate the NAV per Class A Unit and the NAV per Class F Unit (each, a “**Valuation Date**”).

Valuation Policies and Procedures of the Fund

In determining the NAV of the Fund at any time:

- (i) the value of any cash on hand or on deposit, bill, demand note and account receivable, prepaid expense, distribution, dividend or other amount received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the NAV is being determined, and to be received) and interest accrued and not yet received shall be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution, dividend or other amount received (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the NAV is being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;
- (ii) the value of any security that is listed or traded upon a stock exchange (or, if more than one, on the principal stock exchange for the security, as determined by the Manager) and is freely transferable shall be determined by taking the latest available sale price at the close of business on such day or lacking any recent sales or any record thereof, at the “bid” price at the close of business on such day and if sold short at the “asked” price at the close of business on such day, plus, in the case of listed securities, for greater certainty, accrued interest, as calculated in accordance with market practice, as at the Valuation Date on which the NAV is being determined, all as reported by any means in common use;

- (iii) the value of any security traded over-the-counter which is freely transferable shall be valued at the “bid” price at the close of business on such day if held long by a major dealer or an independent pricing service, and at the “asked” price at the close of business on such day if held short by a major dealer or an independent pricing service, unless included in the NASDAQ National Market System, in which case, they are valued based upon their sales price (if such prices are available);
- (iv) the value of any security or other asset for which a market quotation is not readily available will be its fair value at the Valuation Time on the Valuation Date on which the NAV is being determined as determined by the valuation agent, with input from the Manager (generally the valuation agent will value such security at cost until there is a clear indication of an increase or decrease in value);
- (v) the value of all assets of the Fund quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Fund in foreign currency and the value of all liabilities and contractual obligations payable by the Fund in foreign currency shall be determined using the applicable rate of exchange current at, or as nearly as practicable to, the Valuation Time on the Valuation Date;
- (vi) the value of any futures contract, or forward contract, shall be the gain or loss with respect thereto that would be realized if, at the Valuation Time on a Valuation Date, the position in the futures contract, or the forward contract, as the case may be, were to be closed out in accordance with its terms unless daily limits are in effect in which case fair value shall be based on the current market value of the underlying interest;
- (vii) the value of any swaps will be valued at a rate, determined at the Valuation Time on the Valuation Date provided by a pricing source selected by the Manager;
- (viii) the value of any investment in an investment fund (excluding those that trade on a stock exchange) will be valued at the NAV of the holding in such investment fund as provided by such investment fund at, or as nearly practicable to, the Valuation Time on the Valuation Date;
- (ix) short-term investments shall be valued at cost plus accrued interest which approximates fair value;
- (x) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for which no published market exists will be valued at fair market value as determined by the Manager;
- (xi) purchased or written clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;
- (xii) where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received by the Fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation of such options shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the NAV of the Fund. The securities, if any, which are the subject of a written clearing corporation option, or over-the-counter option shall be valued at their then current market value; and
- (xiii) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held in margin.

If a security cannot be valued under the foregoing principles or if the foregoing principles are at any time considered by the Manager to be inappropriate under the circumstances for any reason, then notwithstanding such principles, the Manager may make such valuation as it considers fair and reasonable.

The valuation agent calculates the value of the Fund’s securities for which there exists a published market on the basis of quoted prices in such market. For this purpose, a published market means any market on which such securities are traded if the prices are regularly published in a newspaper or business or financial publication of general and regular paid circulation. The process of valuing investments for which no published market exists is

based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold.

The NAV of the Fund and the NAV per Unit of each class will be calculated in Canadian dollars in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. The NAV per Class A Unit and the NAV per Class F Unit determined in accordance with the principles set out above may differ from NAV per Unit determined under IFRS.

For financial reporting purposes, the fair value of the Fund's investments are measured in accordance with IFRS 9: Financial Instruments. IFRS 9 addresses the classification, measurement and de-recognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39: Financial Instruments: Recognition and Measurement. The Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. Pursuant to NI 81-106, the NAV of investment funds is calculated based on the fair value of investments using the closing or last trade price. As of December 31, 2023, there was no difference between the Fund's NAV per Class A Unit and NAV per Class F Unit for purposes of unitholder transactions and net assets for financial reporting purposes.

Reporting of NAV

The NAV of the Fund and the NAV per Class A Unit and the NAV per Class F Unit will be calculated as of the Valuation Time on each Valuation Date. Such information will be provided by the Manager to Unitholders on the Manager's website at www.pictonmahoney.com, or upon request at no cost, by contacting the Manager at 1-866-369-4108.

CONFLICTS OF INTEREST

Principal Holders of Securities of the Fund

CDS & Co., the nominee of CDS, holds all of the Units as registered owner for various brokers and other persons on behalf of their clients and others.

As of March 1, 2024, to the knowledge of the Manager, no person or company beneficially, directly or indirectly, owned more than 10% of any class of Units.

As of March 1, 2024, to the knowledge of the Manager, the executive officers and senior management of the Manager did not own beneficially, directly or indirectly, more than 10% of any class of Units of the Fund.

As of March 1, 2024, Picton Partner Corporation and 2510232 Ontario Inc. own beneficially, directly or indirectly, 48.355% (48.355 units) of the outstanding units of the Manager. Picton Partner Corporation and 2510232 Ontario Inc. are controlled entities of David Picton.

As of March 1, 2024, the members of the IRC do not own, directly or indirectly, any securities of the Fund, Picton Mahoney or any person or company that provides services to the Fund or Picton Mahoney.

Affiliated Entities

No person or company that provides services to the Fund or the Manager in relation to the Fund is an affiliated entity of the Manager.

FUND GOVERNANCE

Independent Review Committee

NI 81-107 requires all publicly offered investment funds, such as the Fund, to establish an IRC to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintain records in respect of these matters and provide assistance to the IRC in carrying out its functions. The IRC is required to conduct regular assessments and provide reports to the Manager and to Unitholders in respect of its functions.

The investment funds in the Manager's family share the same IRC. The fees and expenses of the IRC are borne and shared *pro rata* by all of the applicable investment funds in the Manager's family. Each investment fund is also responsible for its *pro rata* share of all expenses associated with insuring and indemnifying the IRC members.

The current annual fee payable to each member is \$14,000 (\$17,000 for the Chair), plus applicable taxes. Expenses incurred by the members of the IRC in connection with performing their duties are also the responsibility of the investment funds, including the Fund.

In accordance with NI 81-107, the mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager may be subject when managing the Fund. The IRC is empowered to represent the best interests of the Fund in any matter where the Manager has referred a conflict of interest matter to it. In those cases, it has sought to ensure that the Manager's proposed course of action represents a fair and reasonable result for the Fund.

Effective January 1, 2024, the members of the IRC are: Roderick McIsaac (Chair), Paul Manias and Patricia Z. Dunwoody.

The IRC will prepare a report, at least annually, of its activities for Unitholders which will be available to Unitholders on the Manager's website at www.pictonmahoney.com or upon request at no cost, by contacting the Manager at 1-866-369-4108. The report prepared by the IRC will also be available at www.sedarplus.com.

Policies Regarding Business Practices

Picton Mahoney, the Manager and Portfolio Manager of the Fund, maintains policies, procedures and guidelines concerning the governance of the Fund. These policies, procedures and guidelines aim to monitor and manage the business and sales practices, risk management and internal conflicts of interest relating to the Fund, and to ensure compliance with regulatory and corporate requirements. The Fund is also managed in accordance with its investment guidelines and those guidelines are monitored regularly by appropriate personnel and the management committee of the Manager to ensure compliance therewith.

Picton Mahoney is committed to the fair treatment of investors in the products managed by Picton Mahoney through the application of high standards of integrity and ethical business conduct by the employees of Picton Mahoney. As a result of this, Picton Mahoney has established a Compliance Manual to guide the firm and its employees. This manual includes policies governing subjects such as the code of ethics and conduct, trading procedures and proxy voting in addition to other procedures.

Picton Mahoney manages its investment funds in the best interests of each fund, in compliance with the requirements of NI 81-107 by setting out its policies and procedures for dealing with conflict of interest matters and providing guidance on managing and resolving these conflicts in the best interests of the funds. For further information on the Picton Mahoney's conflicts of interest policy, see "Conflicts of Interest".

In addition to the policies, practices or guidelines applicable to the Fund relating to the business practices, sales practices, risk management and internal conflicts already disclosed in this AIF, all employees of Picton Mahoney are bound by the Code of Ethics and Conduct which, among other things, addresses proper business practices and conflicts of interest and a trading and disclosure policy which sets out the policies and procedures of the Manager with respect to trading and disclosure.

Risk Management

The Portfolio Manager may employ short selling and other hedging strategies in an effort to reduce overall portfolio risk and protect the Fund against losses associated with the risks of investing in income assets.

The Portfolio Manager employs the following risk management strategies:

- (a) diversification of the Fund's portfolio by issuer, market capitalization, sector, industry, credit rating and region;
- (b) short selling of government bonds to reduce the interest rate risk inherent in the Fund's investment grade corporate debt positions;
- (c) short selling of corporate bonds to reduce the credit risks, both macro and idiosyncratic, inherent in the Fund's portfolio and, depending upon the stage of economic cycle, to potentially enhance returns;
- (d) purchasing credit, equity, foreign exchange and commodity protection with a view to reducing Fund losses from macro-economic driven shocks; and
- (e) managing the relative weighting of long and short positions of the Fund.

Three key risks of particular focus include interest rate risk, credit deterioration and price risk.

Use of Derivatives

The Portfolio Manager may use derivative instruments to reduce or hedge against various risks, including currency exchange risk associated with foreign investments, and as a substitute for purchasing or selling securities directly to obtain investment exposures consistent with its investment objectives, strategies and risk management. The derivatives that the Portfolio Manager may use include, but are not limited to, options, swaps, futures and forwards. The Portfolio Manager may also employ various option strategies to increase income return of the Fund's portfolio including, but not limited to, covered call and put option writing. No assurance can be given that the Fund's portfolio will be hedged from any particular risk at any time.

The Portfolio Manager has written policies and procedures in place that set out the objectives and goals for derivatives trading and the risk management procedures applicable to those transactions by the Fund. The Chief Compliance Officer of the Portfolio Manager is responsible for setting and reviewing these policies and procedures. These policies and procedures are reviewed and approved at least annually by the risk management committee of the Portfolio Manager. The compliance team of the Portfolio Manager is the group that monitors the risks associated with the use of derivatives independent of the portfolio management team. Risk measurement procedures and simulations are used to test the Fund under stress conditions.

Short Sales

Short selling will be used in the Fund's portfolio to the extent the Portfolio Manager believes it is necessary to reduce overall portfolio risk or if the Portfolio Manager believes there is an opportunity to generate returns from short selling. The degree of short selling will depend on the Portfolio Manager's assessment of market conditions.

The Portfolio Manager may sell short securities of companies or governments or use derivatives to obtain short exposure in the Fund's portfolio. The Portfolio Manager will manage the relative long and short positions in the Fund's portfolio to ensure the Fund will not have Net Exposure in excess of 150% or less than 50%, on a daily mark-to-market basis.

Written policies and procedures regarding objectives and risk management procedures have been adopted by the Portfolio Manager in connection with its short selling activities. The Chief Compliance Officer of the Portfolio Manager is responsible for setting and reviewing these policies and procedures. Such policies and procedures are reviewed and approved at least annually by the risk management committee of the Manager. The authorization of short selling transactions and placing limits or other controls on short selling is the responsibility of the portfolio manager with post-

trade review conducted by the compliance department. Risk measurement procedures and simulations are used to test the Fund under stress conditions.

Securities Lending

In order to generate additional returns, the Fund may lend securities held in its portfolio. Any securities lending must be pursuant to a securities lending agreement to be entered with a securities borrower acceptable to the Portfolio Manager pursuant to which securities will be loaned to the securities borrower on the terms therein, which terms shall include that: (i) the borrower will pay a negotiated securities lending fee and will make compensation payments equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as “securities lending arrangements” for the purposes of the Tax Act; and (iii) collateral security will be provided. The Portfolio Manager will be responsible for settling and reviewing any securities lending agreements. If a securities lending agent is appointed, such agent will be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis.

Proxy Voting Policy

The Manager has established policies and procedures in relation to voting on matters for which the Fund receives, in its capacity as securityholder, and for reviewing proxy materials for a meeting of securityholders of an issuer. It is the Manager’s policy to exercise the voting rights of the Fund in the best interest of the Fund and to maximize the value of the Fund’s investments over the long-term. The Manager has retained Institutional Shareholder Services (“ISS”) to provide in-depth research, voting recommendations, vote execution, recordkeeping and reporting. The Manager has elected to follow the ISS sustainability proxy voting guidelines (the “**Sustainability Guidelines**”) because the Manager believes responsible corporate governance, social and environmental practices may have a significant effect on the value of an issuer. As such, the Manager’s Proxy Voting Policy (the “**Proxy Voting Policy**”) generally mirrors the Sustainability Guidelines. The intention of the Proxy Voting Policy is to provide the Manager with a disciplined and consistent approach to voting and not to dictate precisely how each ballot item must be voted in every circumstance. While the Proxy Voting Policy is intended to reflect the Fund’s general position on certain issues, the Manager may depart from the Proxy Voting Policy on any particular proxy vote depending upon the facts and circumstances. The Manager will document, in writing, occurrences where a proxy vote was cast in a manner inconsistent with the Proxy Voting Policy.

While serving as a framework, the Proxy Voting Policy cannot contemplate all possible proposals with which the Fund may be presented. In the absence of a specific guideline for a particular proposal (e.g., in the case of a transactional issue or contested proxy), the Manager will evaluate the issue and cast the Fund’s vote in a manner that, in the Manager’s view, will maximize the value of the Fund’s investment.

The current Proxy Voting Policy and procedures of the Manager are available to Unitholders at no cost by calling toll free at 1-866-369-4108, on the Manager’s website at www.pictonmahoney.com or by writing to Picton Mahoney Asset Management, 33 Yonge Street, Suite 830, Toronto, Ontario M5E 1G4 until May 31, 2024 and 33 Yonge Street, Suite 320, Toronto, Ontario M5E 1G4 as of June 1, 2024.

The Fund’s proxy voting record for the annual period from July 1st to June 30th will be available at any time after August 31st following the end of that annual period, to any Unitholder on request to the Manager, at no cost, and will also be available on the Manager’s website at www.pictonmahoney.com. Information contained on the Manager’s website is not part of this AIF and is not incorporated herein by reference.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of certain of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by certain Unitholders. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length with and is not affiliated with the Fund or the Manager and holds Units as capital property.

Generally, the Units will be considered to be capital property to a purchaser, provided the purchaser does not hold the Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Provided that the Fund qualifies as a "mutual fund trust" for the purposes of the Tax Act at all material times, certain Unitholders who might not otherwise be considered to hold Units as capital property may, in certain circumstances, be entitled to have such Units and all other "Canadian securities" as defined in the Tax Act owned or subsequently acquired by them treated as capital property by making the irrevocable election under subsection 39(4) of the Tax Act. Unitholders should consult their own tax advisors as to whether an election under subsection 39(4) of the Tax Act is available or advisable in their circumstances.

This summary is based upon the provisions of the Tax Act and the regulations thereunder (the "**Regulations**") as of the date of this AIF, all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) ("**Finance**") prior to the date of this AIF (the "**Proposed Amendments**"), and the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**") as of the date of this AIF. This summary assumes that the Proposed Amendments will be enacted as proposed. No assurance can be given that the Proposed Amendments will become law as proposed or at all. Other than the Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, or any changes in the administrative policies and assessing practices of the CRA.

This summary assumes that the Fund will, at all times, comply with its investment restrictions and that the Fund will, at no time, be subject to the tax imposed on "SIFT trusts" for purposes of the Tax Act. This summary also assumes the Fund has not entered into any new forward agreement on or after March 21, 2013, and will not do so in the future.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor's particular circumstances, including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units, based on their particular circumstances.

Status of the Fund

This summary is based on the assumptions that the Fund will qualify, at all times, as a "mutual fund trust" within the meaning of the Tax Act, that the Fund has not been established and will not be maintained primarily for the benefit of non-residents, and that not more than 50% (based on fair market value) of the Units are or will be held by persons who are non-residents of Canada for purposes of the Tax Act, partnerships that are not "Canadian partnerships" as defined in the Tax Act, or any combination thereof.

To qualify as a "mutual fund trust", (i) the Fund must be a "unit trust" resident in Canada for purposes of the Tax Act; (ii) the only undertaking of the Fund must be (a) the investing of its funds in property (other than real property or interests in real property or an immovable or a real right in an immovable), (b) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or real right in immovables) that is capital property of the Fund, or (c) any combination of the activities described in (a) and (b); and (iii) the Fund must comply with certain minimum requirements respecting the ownership and dispersal of Units. In this regard, the Manager intends to: (i) cause the Fund to qualify as a "unit trust" throughout the existence of the Fund; and (ii) ensure that the Fund's undertakings conform at all times with the above-mentioned restrictions for "mutual fund trusts".

If the Fund were not to qualify as a “mutual fund trust” at all times, the income tax considerations described below would, in some respects, be materially and adversely different.

Taxation of the Fund

The Fund is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including dividends and 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 is required to include, in computing its income for each taxation year, the taxable portion of any net capital gains, any dividends received by it in the taxation year and all interest that accrues to it during the year, or which 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. The Manager intends to make distributions to Unitholders and to deduct, in computing its income in each taxation year, such amount as will be sufficient to ensure that the Fund will not be liable for income tax under Part I of the Tax Act for each year other than such tax on net realized capital gains that will be recoverable by the Fund in respect of such year by reason of the capital gains refund mechanism.

The Fund has elected under subsection 39(4) of the Tax Act to have all securities included in its portfolio that are “Canadian securities” (as defined in the Tax Act) deemed to be capital property to the Fund. On this basis, subject to the possible application of the “derivative forward agreement” rules (described in greater detail below), gains (or losses) realized by the Fund on the sale of Canadian securities will be taxed as capital gains (or capital losses). Under the Tax Act, gains or losses on dispositions of securities pursuant to a “derivative forward agreement” will generally be taxed on income account rather than as capital gains, with a corresponding adjustment being made to the adjusted cost base of such securities to prevent double taxation.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income. Any losses incurred by the Fund may not be allocated to Unitholders but may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with the detailed rules and limitations in the Tax Act.

Taxation of Unitholders

A Unitholder will generally be required to include in computing income for a taxation year the amount of the Fund’s net income for the taxation year, including the taxable portion of its net realized capital gains, paid or payable to the Unitholder in the taxation year (whether received in cash, Units or reinvested in additional Units pursuant to the Reinvestment Plan).

The non-taxable portion of the Fund’s net realized capital gains paid or payable and designated to a Unitholder in a taxation year will not be included in the Unitholder’s income for the year and will not reduce the adjusted cost base of the Unitholder’s Units. Any other amount in excess of the Unitholder’s share of the Fund’s net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder’s income, but will generally reduce the adjusted cost base of the Unitholder’s Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder’s adjusted cost base will be increased, by the amount of such deemed capital gain, to zero. Any losses of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Unitholder.

Provided that appropriate designations are made by the Fund, such portion of: (i) the net realized taxable capital gains of the Fund; and (ii) the taxable dividends, if any, received or deemed to be received by the Fund on shares of taxable Canadian corporations as is paid or becomes payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules in the Tax Act will apply.

Under the Tax Act, the Fund is permitted to deduct, in computing its income for a taxation year, an amount that is less than the amount of its distributions for the year. This enables the Fund to utilize, in a taxation year, losses from

prior years. The amount distributed to a Unitholder but not deducted by the Fund is not included in the Unitholder's income. However, the adjusted cost base of the Unitholder's Units is reduced by such amount. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased, by the amount of such deemed capital gain, to zero.

On the disposition or deemed disposition of a Unit (whether on a sale, redemption or otherwise), the Unitholder will realize a capital gain (or a capital loss) to the extent that the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit to the Unitholder immediately before the disposition and any reasonable costs of disposition. Based in part on the current published administrative policies and assessing practices of the CRA, a conversion of Class F Units into Class A Units or of Class A Units into Class F Units will not constitute a disposition of Class F Units or Class A Units, respectively, for purposes of the Tax Act.

For the purpose of determining the adjusted cost base of Units to a Unitholder, when Units are acquired, the cost of the newly acquired Units is averaged with the adjusted cost base of all Units of the same class owned by the Unitholder as capital property immediately before that time. The cost of Units acquired as a distribution or as a reinvestment of a distribution of income or capital gains from the Fund will generally be equal to the amount of the distribution. If a Unitholder participates in the Reinvestment Plan and acquires a Unit from the Fund at a price that is less than the fair market value of the Unit, it is the CRA's administrative position that the Unitholder must include the difference in computing the Unitholder's income and increase the cost of such Unit by a corresponding amount. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units. See "Description of the Units".

Any taxable capital gain realized on the disposition of Units in a taxation year will be included in the Unitholder's income and any allowable capital loss realized will be required to be deducted from taxable capital gains of the Unitholder for that year. Allowable capital losses for a taxation year in excess of taxable capital gains may generally be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as taxable dividends from taxable Canadian corporations or as net realized taxable capital gains, as well as taxable capital gains realized by the Unitholders on the disposition of Units, may increase the Unitholder's liability for alternative minimum tax.

Taxation of Registered Plans

Provided the Fund qualifies as a "mutual fund trust" (as defined in the Tax Act) at all times, Units will be a qualified investment under the Tax Act. Amounts of income and capital gains included in computing the income of a Registered Plan (as defined below) are generally not taxable under Part I of the Tax Act, provided that the Units are qualified investments for the Registered Plan. Unitholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF"), registered disability savings plan ("RDSP"), registered education savings plans ("RESP"), first home savings account ("FHSA"), tax-free savings account ("TFSA") or deferred profit sharing plan (each, a "**Registered Plan**" and collectively, "**Registered Plans**").

Notwithstanding the foregoing, if the Units are "prohibited investments" (as defined in the Tax Act) for a TFSA, FHSA, RRSP, RRIF, RDSP or RESP, the holder of the TFSA, FHSA or RDSP, the annuitant of the RRSP or RRIF or the subscriber of the RESP, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Units will be a "prohibited investment" for a TFSA, FHSA, RRSP, RRIF, RDSP or RESP if the holder of the TFSA, FHSA or RDSP, the annuitant under the RRSP or RRIF or the subscriber of the RESP, as applicable, (i) does not deal at arm's length with the Fund for purposes of the Tax Act, or (ii) has a "significant interest" as defined in the Tax Act in the Fund. Generally, a holder, annuitant or subscriber, as the case may be, will not have a significant interest in the Fund unless the holder, annuitant or subscriber, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder or annuitant, as the case may be, does not deal at arm's length. In addition, the Units will not be a "prohibited investment" if such Units are "excluded property" as defined in the Tax Act for a TFSA, FHSA, RRSP, RRIF, RDSP or RESP.

Holders of TFSAs, FHSAs, or RDSPs, annuitants of RRSPs and RRIFs and subscribers of RESPs, should consult with their own tax advisers regarding the “prohibited investment” rules based on their particular circumstances.

International Tax Reporting

Foreign Account Tax Compliance Act

In March 2010, the U.S. enacted the Foreign Account Tax Compliance Act (“**FATCA**”), which imposes certain reporting requirements on non-U.S. financial institutions. The governments of Canada and the United States have entered into an Intergovernmental Agreement (the “**IGA**”) which establishes a framework for cooperation and information sharing between the two countries and may provide relief from a 30% U.S. withholding tax under U.S. tax law (the “**FATCA Tax**”) for Canadian entities such as the Fund, provided that (i) the Fund complies with the terms of the IGA and the Canadian legislation implementing the IGA in Part XVIII of the Tax Act, and (ii) the government of Canada complies with the terms of the IGA. The Fund will endeavour to comply with the requirements imposed under the IGA and Part XVIII of the Tax Act. Under Part XVIII of the Tax Act, Unitholders are required to provide identity and residency and other information to the Fund (and may be subject to penalties for failing to do so), which, in the case of “Specified U.S. Persons” or certain non-U.S. entities controlled by “Specified U.S. Persons”, will be provided, along with certain financial information (for example, account balances), by the Fund to the CRA and from the CRA to the U.S. Internal Revenue Service. The Fund may be subject to FATCA Tax if it cannot satisfy the applicable requirements under the IGA or Part XVIII of the Tax Act, or if the Canadian government is not in compliance with the IGA and if the Fund is otherwise unable to comply with any relevant and applicable U.S. legislation. Any such FATCA Tax in respect of the Fund would reduce the Fund’s distributable cash flow and NAV.

*Common Reporting Standard (“**CRS**”)*

Part XIX of the Tax Act implements the Common Reporting Standard developed by the Organisation for Economic Co-operation and Development. Pursuant to Part XIX of the Tax Act, “Canadian financial institutions” that are not “non-reporting financial institutions” (as both terms are defined in Part XIX of the Tax Act) are required to have procedures in place to identify accounts held by residents of foreign countries (other than the U.S.) or by certain entities the “controlling persons” of which are resident in a foreign country, and to report required information to the CRA. Such information is expected to be exchanged on a reciprocal, bilateral basis with the tax authorities of the foreign country in which the account holders or such controlling persons are resident, pursuant to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters or the relevant bilateral tax treaty. Pursuant to Part XIX of the Tax Act, Unitholders are required to provide certain information regarding their investment in the Fund for the purpose of such information exchange, unless the investment is held within certain Registered Plans. The Fund, in conjunction with assistance from its service providers where necessary, will endeavour to ensure that it satisfies any obligations imposed on it under the Tax Act in respect of CRS.

The Fund’s ability to satisfy its obligations under Part XIX of the Tax Act depends on each Unitholder in the Fund providing the Fund with any information, including information concerning the direct or indirect owners of such Unitholders, that the Fund determines is necessary to satisfy such obligations.

Unitholders are encouraged to consult with their own tax advisors regarding the possible implications of CRS in respect of their interests in the Fund.

REMUNERATION OF OFFICERS, TRUSTEES AND IRC

The Fund does not directly employ any directors or officers to carry out Fund operations. Picton Mahoney, in its capacity as Manager, provides or retains all personnel necessary to conduct the Fund’s operations.

For the year ended December 31, 2023, the Fund paid the Trustee \$27,300, plus applicable taxes, for services provided to the Fund.

For their services as members of the IRC, the IRC members are paid an annual fee (as set out in the table below) and are reimbursed for their expenses. As previously mentioned, the Fund shares its IRC with other investment funds

managed and/or administered by the Manager, and the costs and expenses associated with the IRC are shared on a pro rata basis among those investment funds.

For the year ended December 31, 2023, the IRC members received in the aggregate \$45,000, plus applicable taxes, in annual fees and each IRC member received the following amounts in fees and in reimbursement of expenses, in aggregate for all of the investment funds managed or administered by the Manager:

<i>Name of IRC Member</i>	<i>Aggregate Annual Fees*</i>	<i>Expenses Reimbursed</i>	<i>Indemnities Paid</i>
Michèle McCarthy (Chair)	\$17,000	Nil	Nil
Paul Manias	\$14,000	Nil	Nil
Patricia Z. Dunwoody	\$14,000	Nil	Nil

*Plus applicable tax

In 2023, the Fund paid an annual secretarial fee in the amount of \$3,400 to Independent Review Inc., the entity that provides IRC services to the Fund.

TERMINATION OF THE FUND

The Fund does not have a fixed termination date. Pursuant to the Trust Agreement, the Fund will terminate on the date specified in a resolution passed by the affirmative vote of at least 66⅔% of the votes of Unitholders cast either in person or by proxy at a meeting of Unitholders called for the purpose of considering such resolution or in writing pursuant to the Trust Agreement (an Extraordinary Resolution) calling for the termination of the Fund or when terminated by the Manager, as described below. In addition to such termination, the Trust Agreement also provides that:

- (i) in the event that the Manager resigns and no new Manager is appointed by the Trustee within one hundred and twenty (120) days of the Manager giving notice to the Trustee of such resignation, the Fund will automatically terminate on the date which is sixty (60) days following the end of such one hundred and twenty (120) day period; and
- (ii) the Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion, it is no longer economically feasible to continue the Fund or that it would be in the best interests of the Unitholders.

The Manager may, in its discretion, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders to do so. The Manager will provide notice of such termination upon at least thirty (30) days' notice to Unitholders of the termination date by way of press release. The Fund will issue a second press release at least ten (10) Business Days in advance of the termination date. Upon the termination of the Fund, the affairs of the Fund will be wound up and all of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for shall be distributed to Unitholders in their pro rata portions, which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to the termination date, such unliquidated assets in specie rather than in cash, subject to compliance with any securities or other laws applicable to such distributions. Following such distribution, the Fund will be dissolved.

MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to purchasers of Units:

- (i) the Trust Agreement;
- (ii) the Custodian Agreement; and

(iii) the Reinvestment Plan Agreement.

Copies of the foregoing documents may be inspected during business hours at the principal office of the Fund. All of the foregoing contracts have been filed with the securities regulatory authorities.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

As of the date of this AIF, there are no ongoing material legal or administrative proceedings pending to which the Fund or the Manager is a party or which are known to be contemplated.

Picton Mahoney and the partners, directors and officers of Picton Mahoney have not within the last ten (10) years been subject to any penalties or sanctions imposed by a court or securities regulator relating to trading in securities, promotion or management of a publicly traded fund, or theft or fraud nor has Picton Mahoney or any of its directors or officers entered into a settlement agreement with a regulatory authority with respect to these matters.

OTHER MATERIAL INFORMATION - RISK FACTORS

In addition to the considerations set out elsewhere herein, described below are certain considerations relating to an investment in Units which prospective investors should consider. Additional risks and uncertainties not currently known to the Manager or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk actually occurs, the financial condition, liquidity and the ability to the Fund to meet its objectives could be materially adversely affected.

Fund Specific and Investment Strategy Risks

Bank Loans Risk

The Fund may invest in bank loans and participations. Bank loans are not traded on regulated exchanges, are not registered with governmental authorities and are not subject to the rules of any self-regulatory organization. Investment in bank loans may be in the form of either a participation or an assignment. The special risks associated with these obligations include (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) environmental liabilities that may arise with respect to collateral securing the obligations; (iii) adverse consequences resulting from participating in such instruments with other institutions with lower credit quality; and (iv) limitations on the ability of the Fund to directly enforce its rights with respect to participations (as discussed further below). The Portfolio Manager will balance the magnitude of these risks against the potential investment gain prior to entering into each such investment. Successful claims by third parties arising from these and other risks, absent bad faith, may be borne by the Fund.

Bank loan participations involve certain risks in addition to those associated with direct loans. A bank loan participant has no contractual relationship with the borrower of the underlying bank loan. As a result, the participant is generally dependent upon the lender to enforce its rights and obligations under the agreement in the event of a default and may not have the right to object to amendments or modifications of the terms of such agreement. A participant in a syndicated bank loan generally does not have voting rights, which are retained by the lender. In addition, a bank loan participant is subject to the credit risk of the lender as well as the borrower, since a bank loan participant is dependent upon the lender to pay its percentage of payments of principal and interest received on the underlying loan.

In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively, "**Lender Liability**"). Generally, Lender Liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to a borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. In particular, it is anticipated that certain affiliates of the Portfolio Manager may originate or syndicate loans in which the Fund may participate. To the extent that an action is brought against an affiliate, a borrower may attempt to bring the Fund into such action.

In addition, under common law principles that in some cases form the basis for Lender Liability claims, if a lender or bondholder: (i) intentionally takes an action that results in the undercapitalization of an obligor to the detriment of other

creditors of such obligor; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a lender or bondholder to dominate or control an obligor to the detriment of such creditors, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, which remedial action is called “equitable subordination.”

The historical performance of the term loan market is not necessarily indicative of its future performance. Should increases in default rates occur with respect to the bank loans in which the Fund invests, the Fund will suffer greater losses or reduced profits.

The Fund may purchase loans that may be in default or are from borrowers in financial distress or bankruptcy proceedings. In addition, some loans that may be purchased by the Fund may not have any maturity in the case of a defaulted or bankrupt borrower. As with other types of debt instruments, loans involve the risk of loss in the case of default or insolvency of the borrower. Such loans may also be less liquid than the debt instruments of publicly traded companies.

Call Risk

If the securities in which the Fund invests are redeemed by the issuer before maturity (or “called”), the Fund may have to reinvest the proceeds in securities that pay a lower interest rate, which may decrease the Fund’s yield. This will most likely happen when interest rates are declining.

Class F Units Risk

The Class F Units are not (and will not be) listed on any stock exchange. It is expected that liquidity for the Class F Units will be obtained primarily by means of conversion into Class A Units and the sale of those Class A Units through the facilities of the TSX.

Concentration Risk

The Fund may concentrate its investments in specific industries, commodities or regions. This concentrated focus may constrain the liquidity and the number of investments available to the Fund. In addition, the investments of the Fund may be disproportionately exposed to the risks associated with the industries, commodities or regions in which the Fund concentrates its investments.

Convertible Bonds Risk

The Fund holds investments in convertible bonds which involve risks of default on interest and principal and price changes due to, without limitation, such factors as interest rates, general economic conditions and the issuer’s creditworthiness. Convertible bonds may be less liquid than other securities and involve the risk that the Portfolio Manager may not be able to dispose of them at current market prices. During periods of thin trading, the spread between bid and ask prices is likely to increase. Convertible bonds may experience greater price volatility than conventional debt securities, due to, among other things, the volatility of the underlying equity security. There is no guarantee that an investment in convertible bonds of an issuer will provide a greater rate of return than either the equity or fixed income securities of such issuer, or any positive return at all. Convertible bonds often rank subordinate to conventional debt securities of an issuer, and the analysis of the creditworthiness of convertible debentures may be more complex than for rated debt instruments. Generally, debt securities will decrease in value when interest rates rise and increase in value when interest rates decline. In addition, convertible bonds typically contain provisions which allow the issuer of these securities to call or redeem the securities. In circumstances where an issuer has exercised its call or redemption right, the Fund would have to seek alternative investment opportunities.

Credit Risk

An issuer of a bond or other fixed income investment may not be able to pay interest or to repay the principal at maturity. The risk of this occurring is greater with some issuers than with others. For example, the risk of default is quite low for most government and high-quality corporate securities. Where this risk is considered greater, the interest rate paid by the

issuer is generally higher than for an issuer where this risk is considered to be lower. This risk could increase or decline during the term of the fixed income investment.

Companies and governments that borrow money, as well as their debt securities, may be rated by specialized rating agencies. A downgrade in an issuer's credit rating or other adverse news regarding an issuer can reduce a security's market value. Other factors can also influence a debt security's market value, such as the level of liquidity of the security or a change in the market perception of the creditworthiness of the security, the parties involved in structuring the security and the underlying assets, if any. Lower rated debt instruments such as an instrument that has a credit rating below investment grade or may not be rated at all (sometimes referred to as "high yield"), generally offer a better yield than higher-grade debt instruments, but have the potential for substantial loss as compared to higher grade instruments.

Currency Exposure Risk

As the Fund's portfolio may be invested in securities traded in U.S. dollars and other foreign currencies, the NAV of the Fund, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of the U.S. dollar and other foreign currencies relative to the Canadian dollar. The Fund may not be fully hedged and distributions received on the Fund's portfolio will not be hedged and accordingly no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, if used, involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Portfolio Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns of the Fund's portfolio if the Portfolio Manager's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

Cyber Security Risk

With the increased use of technology in the course of business, the Fund is susceptible to operational, information security and related risks. Generally, cyber security incidents can result from deliberate attacks or unintentional events that threaten the integrity, confidentiality or availability of the Fund's information resources. A cyber security incident includes, but is not limited to, gaining unauthorized access to the Fund's electronic systems (e.g., through hacking or malicious software) to corrupt data, disrupt business operations or steal confidential or sensitive information, or may involve denial of service attacks which may cause system failures and disrupt business operations. Failures or breaches of the electronic systems of the Fund, Manager, other service providers (e.g., registrar, custodian, sub-custodians and prime brokers) or the issuers of securities in which the Fund invests have the ability to cause disruptions and negatively impact the Fund's business operations. These disruptions could potentially result in financial losses, interference with the Fund's ability to calculate its NAV, impediments to trading, inability of the Fund to process transactions including redeeming units, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or compensation or additional compliance costs associated with corrective measures. Similar adverse consequences could result from cyber security incidents affecting the issuers of securities in which the Fund invests and counterparties with which the Fund engages in transactions. In addition, substantial costs may be incurred to prevent any cyber security incidents in the future. While the Fund has established business continuity plans and risk management systems seeking to address system breaches or failures, there are inherent limitations in such plans and systems and there is no guarantee that such efforts will succeed. Furthermore, the Fund cannot control the cyber security plans and systems of the Fund's service providers or issuers of securities in which the Fund invests.

Distressed Claims Risk

The Fund may, from time to time, invests in claims or accounts payable securities that may be in default or are from issuers in default, under bankruptcy protection, or in distress and heading towards bankruptcy. Such claims or accounts payable may not have any maturity date or required interest and may be unsecured or under-secured. As with other types of debt obligations, claims and accounts payable involve the risk of loss in case of default or insolvency of the borrower. In addition, claims may be subject to other contract defenses and offsets, such as warranty claims or failure to provide the product or services.

Distressed Securities Risk

Distressed securities purchased by the Fund may be subject to certain additional risks to the extent that such securities may be unsecured and subordinated to substantial amounts of senior indebtedness, a significant portion of which may be secured.

Distressed securities may result in significant returns to the Fund, but also involve a substantial degree of risk. The Fund may lose a substantial portion or all of its investment in a distressed environment or may be required to accept cash or securities with a value less than the Fund's investment. Among the risks inherent in investments in entities experiencing significant financial or business problems is the difficulty in obtaining information as to the true condition of such issuers. Such investments also may be adversely affected by applicable laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the relevant court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and ask prices of such instruments may be greater than normally expected. In trading distressed securities, litigation sometimes arises. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses.

Equity Risk

Equity securities such as common shares or units of income trusts give the holder part ownership in a company or income trust, as applicable. The value of an equity security changes with the fortunes of the company that issued it. General market conditions and the health of the economy as a whole can also affect equity prices. Equity related securities that provide indirect exposure to the equity securities of an issuer, such as convertible debentures, can also be affected by equity risk. Present economic conditions may adversely affect global companies and the pricing of their securities. Further continued volatility or illiquidity could impair materially the profitability of these issuers.

Fixed Income Investment Risk

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

Floating Rate Loan Liquidity Risk

Floating rate loans may be subject to legal or contractual restrictions on resale. The liquidity of floating rate loans varies significantly over time and among individual floating rate loans. During periods of infrequent trading, valuing a floating rate loan can be more difficult, and buying and selling a floating rate loan at an acceptable price can be more difficult and delayed. Any difficulty in selling a floating rate loan can result in a financial loss to the Fund. Floating rate loans may also be subject to certain risks due to longer settlement periods than settlement periods associated with other securities. Settlement of trade transactions in most securities typically occur in one or two business days after the trade date (T+1 or T+2). Settlement of transactions in floating rate loans are typically longer than T+2.

Fluctuations in NAV Risk

Fluctuations in NAV per Class A Unit (and/or the trading price of the Class A Units) and fluctuations in the NAV per Class F Unit may occur for a number of reasons beyond the control of the Fund or the Manager. The NAV of the Fund varies according to, among other things, the value of the investments held in the Fund's portfolio. The Manager, the Portfolio Manager and the Fund have no control over the factors that affect the value of such investments, including market, economic, political, regulatory and other conditions.

General Risks of Investing in Debt Securities

Generally, debt securities will decrease in value when interest rates rise and increase in value when interest rates decline. The NAV of the Fund will fluctuate with interest rate changes and the corresponding changes in the value of the securities in the Fund's portfolio. The value of debt securities is also affected by the risk of default in the payment of interest and principal and price changes due to such factors as general economic conditions and the issuer's creditworthiness. Corporate debt securities may not pay interest or their issuers may default on their obligations to pay interest and/or principal amounts. Certain of the debt securities that may be included in the Fund's portfolio from time to time may be unsecured, which will increase the risk of loss in case of default or insolvency of the issuer.

Hedging Instruments Risk

The Fund may enter into swaps and other negotiated principal transactions and sell securities short for hedging, leveraging or other purposes. Typically, these techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the instrument and the value of the Fund's securities or other objective of the Portfolio Manager; (ii) possible lack of a secondary market for closing out a position in such instrument; (iii) losses resulting from interest rate, spread or other market movements; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen the Fund's position; and (v) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. The ability of the Fund to hedge successfully depends on the ability of the Portfolio Manager to predict pertinent market movements, which cannot be assured. The Portfolio Manager is not required to hedge and there can be no assurance that hedging transactions will be available or, if undertaken, will be effective. In addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-Canadian currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. Moreover, it should be noted that the Fund will always be exposed to certain risks that cannot be hedged practically. In addition, by hedging a particular position, any potential gain from an increase in value of such position may be limited.

High-Yield Securities Risk

The Fund will make investments in "high-yield" bonds that are not investment grade. Securities in the lower rating categories are subject to greater risk of loss, as to timely repayment of principal and timely payment of interest and have lower recovery rates once in default than higher-rated securities. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. The yields and prices of lower-rated securities may tend to fluctuate more than those for higher-rated securities.

In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of the securities. High-yield securities that are rated BB+ or lower by S&P or Ba1 or lower by Moody's are often referred to in the financial press as "junk bonds" and may include securities of issuers in default. "Junk bonds" are considered by the ratings agencies to be predominantly speculative and may involve major risk exposures such as: (i) vulnerability to economic downturns and changes in interest rates; (ii) sensitivity to adverse economic changes and corporate developments and risk of repayment; (iii) redemption or call provisions which may be exercised at inopportune times; and (iv) difficulty in accurately valuing or disposing of such securities.

Income Trust Investment Risk

Income trust securities may be included in the Fund. The value of income trusts and the stability of distributions from income trusts may fluctuate in accordance with changes in the financial conditions of those income trusts, the condition of equity markets generally, economic conditions, interest rates and other factors. Generally, the declaration of trust or trust agreement under which an income trust is governed provides that no unitholder of such income trust shall be subject to any liability whatsoever to any person in connection with a holding of units. In addition, legislation in force in the Provinces of Ontario, Alberta, British Columbia, Manitoba, Saskatchewan and Québec provides that the holders of units of an income trust that is (i) governed under the laws of such province and (ii) a reporting issuer under the securities laws of such province are not, as beneficiaries, liable for any act, default, obligation or liability of the income trust. However, there remains a risk that if the Fund holds units in an income trust that is governed under the laws of a

jurisdiction other than the Provinces of Ontario, Alberta, British Columbia, Manitoba, Saskatchewan or Québec could be held liable for the obligations of such income trust to the extent that claims are not satisfied out of the assets of the income trust. Generally, income trusts publicly disclose that the risk of such liability is remote and undertake to manage their affairs to seek to minimize such risk wherever possible.

Interest Rate Risk

The majority of the Fund's investments are subject to interest rate risk, which will vary depending upon whether such assets are floating rate or fixed rate. Changes in short-term market interest rates will directly affect the yield on the floating rate assets owned by the Fund. If short-term market interest rates fall, the yield on such assets will also fall. Also, to the extent that credit spreads in the market experience a general increase, the value of the Fund's existing floating rate assets may decrease, which will cause the Fund's NAV to decrease. Conversely, when short-term market interest rates rise, because of the lag between changes in such short-term rates and the resetting of the floating rates on the debt in the Fund, the impact of rising rates will be delayed to the extent of such lag. Changes in short-term market interest rates will have a different effect on any fixed rate assets in the Fund. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decline. Conversely, as interest rates decline, the market value of fixed income securities tends to rise. This risk will be greater for long-term securities than for short-term securities.

Liability of Unitholders Risk

The Fund is a unit trust and as such its Unitholders do not receive the protection of statutorily mandated limited liability in some provinces and territories as in the case of shareholders of most Canadian corporations. There is no guarantee, therefore, that Unitholders could not be made party to legal action in connection with the Fund. However, the Trust Agreement provides that no Unitholder, in its capacity as such, will be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with the Fund's property or the obligations or the affairs of the Fund and all such persons are to look solely to the Fund's property for satisfaction of claims of any nature arising out of or in connection therewith and only the Fund's property will be subject to levy or execution.

Pursuant to the Trust Agreement, the Fund will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having limited liability. The Trust Agreement also provides that the Trustee and the Manager shall use reasonable efforts to cause to be inserted in each material written agreement, undertaking and obligation signed by or on behalf of the Fund a provision to the effect that such agreement, undertaking or obligation will not be binding upon Unitholders personally.

As a result of the foregoing, it is considered that the risk of any personal liability of Unitholders is minimal in view of the nature of its activities. In the event that a Unitholder should be required to satisfy any obligation of the Fund, such Unitholder will be entitled to reimbursement from any available assets of the Fund.

Liquidity of the Securities in the Fund's Portfolio Risk

Some of the securities in which the Fund intends to invest may trade infrequently and some may have no market at all. It is possible that the Fund may not be able to sell portions of such positions without facing substantially adverse prices. If the Fund is required to transact in such securities or other assets before their intended investment horizon, the performance of the Fund could suffer.

The market value of the Fund's investments may fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of financial markets, developments or trends in any particular industry and the financial condition of the issuers of securities in which the Fund invests. During periods of limited liquidity and higher price volatility, the Fund's ability to acquire or dispose of its investments at a price and time that the Fund deems advantageous may be impaired. As a result, in periods of rising market prices, the Fund may be unable to participate in price increases fully to the extent that it is unable to acquire the desired positions quickly. The Fund's inability to dispose fully and promptly of positions in declining markets will conversely cause the NAV of Fund to decline as the value of unsold positions is marked to lower prices.

Loss of Investment Risk

An investment in the Fund is appropriate only for investors who have the capacity to absorb investment losses and who can withstand the effect of a distribution not being made in any period.

Nature of Units Risk

The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions.

No Assurance of Achieving Distribution and Capital Preservation Objectives Risk

There is no assurance that the Fund will be able to achieve its total return, capital preservation and distribution investment objectives. The funds available for distribution to Unitholders will vary according to, among other things, the levels of interest, dividends or distributions paid on the securities comprising the Fund’s portfolio and the value of the securities in the Fund. There is no assurance that the Fund will earn any return. No assurance can be given as to the amount of distributions in future years. No assurance can be given that the NAV of the Fund will appreciate or be preserved.

It is possible that, due to declines in the market value of the securities in the Fund, the Fund will have insufficient assets to achieve in full its total return, capital preservation and distribution investment objectives.

No Guaranteed Return Risk

There is no guarantee that an investment in Units will earn any positive return in the short or long-term.

Not a Trust Company Risk

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under provisions of that Act or any other legislation.

Over-the-Counter Transactions Risk

In addition to trading on U.S. and Canadian exchanges, the Fund may trade other products, some of which may trade on non-U.S. and non-Canadian exchanges while others trade on the over-the-counter (“OTC”) market. These transactions present certain risks different from the risks of trading on U.S. and Canadian exchanges. The OTC market is unregulated and, accordingly, there are certain risks related to trading OTC instruments, including the absence of daily price limits and the risk of counterparty default, in addition to the risks of trading futures contracts.

Performance Fee Risk

The redemption price received by investors whose Units are redeemed during a calendar year will reflect an accrual for the Performance Fee, based on any increase in NAV from the beginning of the fiscal year through the date of redemption. No adjustment will be made to the redemption price or to the amount payable to the Portfolio Manager for the Performance Fee if the Fund’s performance subsequently declines.

Performance based payments to the Portfolio Manager, such as the Performance Fee, may create an incentive for the Portfolio Manager to engage in investment strategies and make investments that are more speculative than would be the case in the absence of such payments.

Performance of the Fund Risk

The NAV per Class A Unit and the NAV per Class F Unit will vary as the fair value of the securities in the Fund’s portfolio varies. The Fund and the Manager have no control over the factors that affect the fair value of the securities in the Fund’s portfolio, including factors that affect the markets generally, such as general economic and political

conditions and fluctuations in interest rates, and factors unique to each issuer included in the Fund's portfolio, such as changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution policies and other events that may affect the value of its securities.

Portfolio Liquidity Risk

There is no assurance that an adequate market will exist for the assets included in the Fund's portfolio and it cannot be predicted whether the assets included in the Fund's portfolio will trade at a discount to, a premium to, or at their respective par or maturity values. Certain assets held in the Fund's portfolio may trade infrequently, if at all, and may trade at a significant premium or discount to the latest price at which they are valued in the Fund's portfolio. The Fund may experience a lack of liquidity of the assets in the Fund's portfolio due to, for example, restrictions on transfers in loan agreements and the nature of the private syndication of loans including, for example, the lack of publicly available information.

If the Portfolio Manager determines that it is appropriate to acquire certain securities for the Fund's portfolio, the Portfolio Manager may be unable to acquire such securities in quantities or at prices which are acceptable to the Portfolio Manager, if the market for such securities is particularly illiquid. Some of the Fund's securities may be very thinly traded or no market for them may exist, which may make it difficult for the Fund to value them or dispose of them at an acceptable price, or at all, when it wants to.

Portfolio Turnover Risk

The proportions of investments held in the Fund are adjusted on a relatively frequent basis. In order to do so, the Fund actively trades on a frequent ongoing basis, such that the operation of the Fund may result in a high annual portfolio turnover rate. The Fund has no limit on the rate of portfolio turnover, and portfolio securities may be sold without regard to the time that they have been held when, in the opinion of the Portfolio Manager, investment considerations warrant such action. The high rate of portfolio turnover of the Fund involves correspondingly greater expenses than a lower turnover rate (e.g., greater transaction costs such as brokerage fees and market impact costs), and the greater the chance that a unitholder receiving distributions of income or capital gains from the Fund in a year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

Potential Conflicts of Interest Risk

The Manager and the Portfolio Manager and their officers, partners, affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts which invest primarily in the securities held by the Fund.

Although executive officers, directors and professional staff of the Manager and the Portfolio Manager will devote as much time to the Fund as is deemed appropriate to perform their duties, the staff of the Manager and the Portfolio Manager may have conflicts in allocating their time and services among the Fund and the other funds managed by the Manager and the Portfolio Manager.

Preferred Shares Investment Risk

There is a chance that the issuer of any of the preferred shares included in the Fund's portfolio will have its ability to pay dividends deteriorate or will default (fail to make scheduled dividend payments on the preferred shares or scheduled interest payments on other obligations of the issuer not included in the Fund's portfolio), which would negatively affect the value of any such security.

Unlike interest payments on debt securities, dividend payments on preferred shares typically must be declared by the issuer's board of directors. An issuer's board of directors is generally not under any obligation to pay dividends (even if such dividends have accrued), and may suspend payment of dividends on preferred shares at any time. In the event that an issuer of preferred shares experiences economic difficulties, the issuer's preferred shares may lose substantial value due to the reduced likelihood that the issuer's board of directors will declare a dividend and the fact that the preferred shares may be subordinated to other securities of the issuer. In addition, the ability of a board of directors of a preferred share issuer to declare dividends (even if such dividends have accrued) may be constrained by restrictions imposed by such issuer's lenders.

Because many preferred shares allow holders to convert preferred shares into common shares of the issuer, their market price can be sensitive to changes in the value of the issuer's common shares. To the extent that the Fund's portfolio includes convertible preferred shares, declining common share values may also cause the value of the Fund's investments to decline.

A preferred share may include a call or a redemption provision that permits the issuer of such security to "call" or repurchase its securities. The existence of such provisions will, if exercised, require such a security to be removed from the Fund and replaced. These actions may have implicit costs to the Fund and may therefore reduce the distributions paid to Unitholders.

At any time that the Fund's portfolio is reinvested as a result of a redemption or call provision in the terms of a preferred share, the distributions available to Unitholders may be affected as, among other things, the securities included in the Fund's portfolio upon any such reinvestment may not provide the same rate of return as the preferred shares replaced. In addition, if the call or redemption price of a preferred share is less than the volume weighted average trading price traded upon its inclusion in the Fund's portfolio, and that preferred share is redeemed, the NAV of the Fund will be negatively impacted.

Prepayment Risk

Many types of debt securities, including some mortgage-backed securities and floating rate debt instruments, allow the issuer to prepay principal prior to maturity. Debt securities subject to prepayment risk can offer less income and/or potential for capital gains.

Private Company Risk

There are risks associated with investing in private company securities. There is typically much less available information concerning private companies than for public companies. The valuation of private company securities is also more subjective and private company securities are very illiquid as there are no established markets for such securities. As a result, in order to sell this type of holding, the Fund may need to discount the securities from recent prices or dispose of the securities over a long period of time.

Rebalancing Risk

Rebalancing risk arises when the weights of two or more components of an overall portfolio are to be kept in a specific ratio, but the independent movement of each in the market demands that some of the components be bought or sold in order to restore the ratio back to its desired level. The greater the volatility of the components the greater the potential rebalancing required, and this leads to performance degradation over time.

Redemption Risk

If holders of a substantial number of Units exercise their redemption rights, the number of Units outstanding and the NAV of the Fund could be significantly reduced. A significant number of redemptions would increase the management expense ratio of the Fund. Many closed-end funds, like the Fund, with a redemption feature, have experienced significant redemptions and, as a result, some have ceased to be economically feasible and have been terminated or merged with other funds. The Manager may terminate the Fund upon notice to Unitholders if, in the opinion of the Manager, the NAV of the Fund is reduced as a result of redemptions or otherwise so that it is no longer economically feasible to continue the Fund.

Reinvestment Risk

The Fund's investments are subject to reinvestment risk as there is a risk that borrowers will prepay their debt.

Reliance on the Manager and the Portfolio Manager Risk

Unitholders will be dependent on the ability of Picton Mahoney as the Manager and the Portfolio Manager to effectively manage the Fund in a manner consistent with the investment objectives, strategies and restrictions of the Fund.

Performance of the Fund (and therefore the return to Unitholders) will be dependent on the ability of the Portfolio Manager, which provides portfolio management services to the Fund to successfully execute the investment strategies of the Fund. There is no certainty that the individuals who are principally responsible for providing administration and portfolio management services to the Fund, will continue to be employed by Picton Mahoney. The loss of the services of any one of these individuals could impair the ability of the Manager or the Portfolio Manager to perform its duties.

Repurchase and Reverse Repurchase Risk

The Fund may enter into repurchase transactions and reverse repurchase transactions. In a repurchase transaction, the Fund sells a security at one price to a third party for cash and agrees to buy the same security back from the same party for cash at a set price at a set future date. It is a way for the fund to borrow short-term cash and earn fees. In a reverse repurchase transaction, the Fund buys a security at one price from a third party and agrees to sell the same security back to the same party at a higher price later on. It is a way for the Fund to earn a profit (or interest) and for the other party to borrow some short-term cash.

The risks with these types of transactions are that the other party may default under the agreement or go bankrupt. In a reverse repurchase transaction, the Fund may be left holding the security and may not be able to sell it at the same price it paid for it, plus interest, if the market value of the security has dropped. In the case of a repurchase transaction, the Fund could incur a loss if the value of the security sold has increased more than the value of the cash or collateral held.

Securities Lending Risk

The Fund may engage in securities lending. Although they will receive collateral for the loans and such collateral will be marked to market, the Fund will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral be insufficient to reconstitute the portfolio of loaned securities.

Senior Loan Risk

Senior loans (including leveraged loans, syndicated loans, bank loans or floating rate debt instruments) are loans made to companies or other entities by one or a syndicate of financial institutions or other lenders. These loans are typically used to finance mergers and acquisitions, leveraged buyouts, recapitalizations, refinancings and capital expenditures and for other general corporate purposes. Once the loan is issued, the lenders have the option to hold their portion for the life of the loan or to sell it to other investors in the secondary market. Senior loans are a type of debt security that are typically rated below investment grade or are unrated but deemed to be of comparable quality. Senior loans are typically secured by specific collateral of the issuer and are senior to most of the issuer's other securities in the event of bankruptcy.

Investments in senior loans may be considered speculative because of the credit risk of their issuers. Historically, these entities have been more likely to default on their payments of interest and principal relative to companies that issue investment grade debt securities, and such defaults will reduce the Fund's NAV and income distributions. The value of senior loans may also decrease significantly during an economic downturn because borrowers may have a more difficult time keeping up with payments. Economic and other events (whether real or perceived) can reduce the demand for certain senior loans or senior loans generally, which may reduce market prices.

There is no active trading market for certain senior loans. As such, elements of judgment may play a greater role in the valuation of senior loans relative to securities with a more developed secondary market, and it may be harder for the Fund to realize full value if it needs to liquidate the asset. Some senior loans are subject to the risk that a court could mandate that other indebtedness of the borrower is repaid first, and if this happens it is possible that the borrower will default on the senior loan. A court could also take other action which would be detrimental to lenders, such as invalidating loans or causing interest and/or principal previously paid to the lenders to be refunded to the borrower. Such events would negatively impact the Fund's investment in the senior loan. In some cases, the Fund's rights under the senior loan may be limited or the Fund may not be able to unilaterally enforce its rights and remedies under the senior loan.

The Fund may purchase and sell interests in senior loans on a when issued and delayed delivery basis. In some cases, this means that no income accrues to the Fund in connection with the purchase of the senior loan interests until the Fund actually takes delivery of the interests. Because these transactions are subject to market fluctuation, the value of the interests in the senior loans at delivery may be more or less than the purchase price, and the yields available on such interests when delivery occurs may be higher or lower than the yields at the time of purchase. Because the Fund relies

on the buyer or seller, as the case may be, to complete the transaction, failure by the other party to adhere to its obligations may result in the Fund missing the opportunity of obtaining an advantageous price or yield. When the Fund is the buyer in such a transaction, however, it will maintain cash, liquid securities or liquid senior loans having an aggregate value at least equal to the amount of its purchase commitments until payment is made. The Fund will only make commitments to purchase senior loan interests in this manner if it intends to actually acquire the interests, but the Fund may sell such interests prior to the settlement date if the sale is considered to be advisable. Settlement of transactions in most securities occurs several days after the trade date. In contrast, portfolio transactions in senior loans may have longer than normal settlement periods. This potentially longer settlement timeline may create a mismatch between the settlement time for a senior loan and the time in which the Fund must settle redemption requests from its investors.

Short Sales Risk

The Fund may sell securities short. A short sale is effected by selling a security which the Fund does not own. In order to make delivery to the buyer of a security sold short, the Fund must borrow the security. In so doing, it incurs the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. The Fund must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security. This obligation must be collateralized by a deposit of cash or marketable securities with the lender. Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be available for purchase by the Fund. In addition, purchasing securities to close out the short position can itself cause the price of the relevant securities to rise further, thereby increasing the loss incurred by the Fund. Furthermore, the Fund may prematurely be forced to close out a short position if a counterparty from which, the Fund borrowed securities demands their return, resulting in a loss on what might otherwise have been ultimately a profitable position.

Market regulators in various jurisdictions have at times taken measures to impose restrictions on the ability of investors to enter into short sales, including the imposition of a complete prohibition on taking short positions in respect of certain issuers. Such restrictions may negatively affect the ability of the Fund to implement its strategies and/or they could cause the Fund to incur losses. It cannot be determined how future regulations may limit the Fund's ability to engage in short selling and how such limitations may impact the Fund's performance.

Status of the Fund for Securities Law Purposes Risk

The Fund is not a "mutual fund" for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Units and restrictions imposed on mutual funds under Canadian securities laws, including NI 81-102, will not apply to the Fund.

Suspension of Trading Risk

For all securities traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Such a suspension could render it impossible to liquidate positions listed on that market and thereby expose the Fund to losses. In addition, there is no guarantee that non-exchange markets will remain liquid enough to close out positions.

Taxation Matters Affecting the Fund Risk

The return on investment in Units of the Fund is subject to changes in Canadian federal, provincial and territorial tax laws, tax proposals and other governmental policies or regulations, as well as changes in governmental, administrative or judicial interpretation of the foregoing. There can be no assurance that tax laws, tax proposals, policies or regulations or the interpretation thereof will not be changed in a manner that will fundamentally alter the tax consequences to investors of acquiring, holding or disposing of Units of the Fund.

The Fund may be subject to loss restriction rules (the "**Loss Restriction Rules**") contained in the Tax Act unless the Fund qualifies as an "investment fund" as defined in the Tax Act, which, among other things, requires that certain investment diversification restrictions are met, and that Unitholders hold only fixed (and not discretionary) interests in

the Fund. If the Fund experiences a “loss restriction event” (i) the Fund will be deemed to have a year-end for tax purposes (which would result in an allocation of the Fund’s net income and net realized capital gains at such time to Unitholders so that the Fund is not liable for income tax on such amounts) and (ii) the Fund will be deemed to realize any unrealized capital losses and its ability to carry forward losses will be restricted. Generally, the Fund will have a loss restriction event when a person becomes a “majority-interest beneficiary” of the Fund, or a group of persons becomes a “majority-interest group of beneficiaries” of the Fund, as those terms are defined in the Tax Act.

If the Fund does not qualify as a “mutual fund trust” under the Tax Act at all times, or ceases to so qualify, the income tax considerations described under the heading “Certain Canadian Federal Income Tax Considerations” would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the Unitholders.

The U.S. tax characterization of the transactions described herein is uncertain. Any U.S. tax liability of the Fund will reduce the value of its Units. Similarly, any U.S. tax liability of the Fund will reduce the amounts otherwise available to the Fund for distribution to Unitholders. The Portfolio Manager understands that interest paid to the Fund by U.S. issuers will generally be free of U.S. withholding tax or other U.S. tax other than potentially under FATCA, and that dividends paid to the Fund by U.S. corporations will be subject to U.S. withholding tax, generally at the rate of 15%, and not be subject to other U.S. tax other than potentially under FATCA. The Manager, Portfolio Manager and the Fund will use commercially reasonable efforts to manage the investments and affairs of the Fund in a manner that will not result in the Fund being subject to U.S. tax other than U.S. withholding tax on dividends (or on dividends paid on U.S. equities or debt instruments that are treated as equity for U.S. federal income tax purposes).

Trading Price of Units Risk

The Class A Units may trade in the market at a discount to the NAV per Class A Unit and there can be no assurance that the Class A Units will trade at a price equal to (or greater than) the NAV per Class A Unit.

Unsecured Loan Risk

Unsecured loans are loans that are not protected by a guarantor or collateralized by any assets of the borrower in the case of bankruptcy, liquidation or default. In the event of the bankruptcy of the borrower, the unsecured creditors have a general claim on the assets of the borrower after the specific pledged assets have been assigned to the secured creditors. The unsecured creditors usually realize a smaller proportion of their claims than the secured creditors. Unsecured loans issued by companies and other entities may have a higher interest rate than secured debt instruments but typically assume a greater amount of risk and/or have lower ratings due to their higher default risk.

Investments in unsecured loans may be considered speculative because of the credit risk of their issuers. Historically, these entities have been more likely to default on their payments of interest and principal relative to entities that issue investment grade debt securities, and such defaults will reduce the Fund’s NAV and income distributions. The value of unsecured loans may also decrease significantly during an economic downturn because borrowers may have a more difficult time keeping up with payments. Economic and other events (whether real or perceived) can reduce the demand for certain unsecured loans or unsecured loans generally, which may reduce market prices.

There is no active trading market for certain unsecured loans. As such, elements of judgment may play a greater role in the valuation of unsecured loans relative to securities with a more developed secondary market, and it may be harder for the Fund to realize full value if it needs to liquidate the asset. Some unsecured loans are subject to the risk that a court could mandate that other indebtedness of the borrower is repaid first, and if this happens it is possible that the borrower will default on the unsecured loan. A court could also take other action which would be detrimental to lenders, such as invalidating loans or causing interest and/or principal previously paid to the lenders to be refunded to the borrower. Such events would negatively impact the Fund’s investment in the unsecured loan. In some cases, the Fund’s rights under the unsecured loan may be limited or the Fund may not be able to unilaterally enforce its rights and remedies under the unsecured loan.

The Fund may purchase and sell interests in unsecured loans on a when issued and delayed delivery basis. In some cases, this means that no income accrues to the Fund in connection with the purchase of the unsecured loan interests until the Fund actually takes delivery of the interests. Because these transactions are subject to market fluctuation, the

value of the interests in the unsecured loans at delivery may be more or less than the purchase price, and the yields available on such interests when delivery occurs may be higher or lower than the yields at the time of purchase. Because the Fund relies on the buyer or seller, as the case may be, to complete the transaction, failure by the other party to adhere to its obligations may result in the Fund missing the opportunity of obtaining an advantageous price or yield. When the Fund is the buyer in such a transaction, however, it will maintain cash, liquid securities or liquid unsecured loans having an aggregate value at least equal to the amount of its purchase commitments until payment is made. The Fund will only make commitments to purchase unsecured loan interests in this manner if it intends to actually acquire the interests, but the Fund may sell such interests prior to the settlement date if the sale is considered to be advisable. Settlement of transactions in most securities occurs several days after the trade date. In contrast, portfolio transactions in unsecured loans may have longer than normal settlement periods. This potentially longer settlement timeline may create a mismatch between the settlement time for an unsecured loan and the time in which the Fund must settle redemption requests from its investors.

Use of Derivative Instruments Risk

The Fund is subject to the full risk of its investment position in the securities comprising the Fund's portfolio should the market price of such securities decline. The use of derivative instruments involves risks different from and possibly greater than the risks associated with investing directly in such securities and other traditional investments. Derivatives are subject to a number of risks, such as liquidity risk, interest rate risk, market risk, credit risk, leveraging risk, counterparty risk, trading execution risk and short selling risk. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index.

Use of Leverage Risk

The Fund may employ leverage, including borrowings under loan facilities, margin purchases, short selling and the use of derivative instruments, which will be secured by the assets of the Fund. There can be no assurance that such a strategy will enhance returns and in fact the strategy may reduce returns (both distributions and capital). If the securities in the Fund's portfolio suffer a decrease in value, the leverage component will cause a decrease in NAV of the Fund in excess of that which would otherwise be experienced.

Use of Prime Broker to Hold Assets Risk

Some or all of the assets of the Fund may be held in one or more margin accounts due to the fact that the Fund may sell securities short. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. The Prime Broker may also lend, pledge or hypothecate the assets of the Fund in such accounts, which may result in a potential loss of such assets. As a result, the assets of the Fund could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the Prime Broker experiences financial difficulty. In such case, the Fund may experience losses due to insufficient assets of the Prime Broker to satisfy the claims of its creditors, and adverse market movements while its positions cannot be traded, and which would adversely affect the total return to the Fund.

US FATCA Compliance Risk

In March 2010, the U.S. enacted FATCA, which imposes certain reporting requirements on non-U.S. financial institutions. The governments of Canada and the United States have entered into an IGA which establishes a framework for cooperation and information sharing between the two countries and may provide relief from the FATCA Tax for Canadian entities such as the Fund, provided that (i) the Fund complies with the terms of the IGA and the Canadian legislation implementing the IGA in Part XVIII of the Tax Act; and (ii) the government of Canada complies with the terms of the IGA. The Fund will endeavour to comply with the requirements imposed under the IGA and Part XVIII of the Tax Act. Under Part XVIII of the Tax Act, Unitholders are required to provide identity and residency and other information to the Fund (and may be subject to penalties for failing to do so), which, in the case of "Specified U.S. Persons" or certain non-U.S. entities controlled by "Specified U.S. Persons", will be provided, along with certain financial information (for example, account balances), by the Fund to the CRA and from the CRA to the U.S. Internal Revenue Service. The Fund may be subject to FATCA Tax if it cannot satisfy the applicable requirements under the IGA or Part XVIII of the Tax Act, or if the Canadian government is not in compliance with the IGA and if the Fund is

otherwise unable to comply with any relevant and applicable U.S. legislation. Any such FATCA Tax in respect of the Fund would reduce the Fund's distributable cash flow and NAV.

Volatility Risk

The value of securities in the Fund's portfolio may fluctuate, sometimes rapidly and unpredictably. The value of a security may fluctuate due to factors affecting markets generally or particular industries. This volatility may affect the Fund's NAV and the market price of the units of the Fund. Securities in the Fund's portfolio may be subject to price volatility and the prices may be more volatile than the market as a whole. Events or financial circumstances affecting individual securities or sectors may increase the volatility of the Fund.

General and Market Risks

Changes in Legislation Risk

There can be no assurance that applicable laws, or other legislation, legal and statutory rights will not be changed in a manner which adversely affects the Fund or its unitholders. There can be no assurance that income tax, securities, and other laws or the interpretation and application of such laws by courts or government authorities will not be changed in a manner which adversely affects the distributions received by the Fund or by the unitholders.

Developed Countries Investment Risk

Investments in a developed country may subject the Fund to regulatory, political, currency, security, economic and other risks associated with developed countries. Developed countries generally tend to rely on services sectors (e.g., the financial services sector) as the primary means of economic growth. A prolonged slowdown in services sectors is likely to have a negative impact on economies of certain developed countries, although individual developed country economies can be impacted by slowdowns in other sectors. In the past, certain developed countries have been targets of terrorism. Acts of terrorism in developed countries or against their interests may cause uncertainty in the financial markets and adversely affect the performance of the issuers to which the Fund has exposure. Heavy regulation of certain markets, including labour and product markets, may have an adverse effect on certain issuers. Such regulations may negatively affect economic growth or cause prolonged periods of recession. Many developed countries are heavily indebted and face rising healthcare and retirement expenses. In addition, price fluctuations of certain commodities and regulations impacting the import of commodities may negatively affect developed country economies.

European Investment Risk

Investing in European countries may expose the Fund to the economic and political risks associated with Europe in general and the specific European countries in which they may invest. The economies and markets of European countries are often closely connected and interdependent, and events in one country in Europe can have an adverse impact on other European countries. The Fund may make investments in securities of issuers that are domiciled in, have significant operations in, or that are listed on at least one securities exchange within member countries of the European Union (the "EU"). A number of countries within the EU are also members of the Economic and Monetary Union (the "eurozone") and have adopted the euro as their currency. Eurozone membership requires member countries to comply with restrictions on inflation rates, deficits, interest rates, debt levels, and fiscal and monetary controls, each of which may significantly affect every country in Europe. Changes in import or export tariffs, changes in governmental or EU regulations on trade, changes in the exchange rate of the euro and other currencies of certain EU countries which are not in the eurozone, the default or threat of default by an EU member country on its sovereign debt, and/or an economic recession in an EU member country may have a significant adverse effect on the economies of other EU member countries and their trading partners.

Although certain European countries are not in the eurozone, many of these countries are obliged to meet the criteria for joining the eurozone. Consequently, these countries must comply with many of the restrictions noted above. The European financial markets have experienced volatility and adverse trends in recent years due to concerns about economic downturns, rising government debt levels and the possible default of government debt in several European countries, including, but not limited to, Austria, Belgium, Cyprus, France, Greece, Ireland, Italy, Portugal, Spain and Ukraine. In order to prevent further economic deterioration, certain countries, without prior warning, can institute "capital controls".

Countries may use these controls to restrict volatile movements of capital entering and exiting their country. Such controls may negatively affect the Fund's investments. A default or debt restructuring by any European country would adversely impact holders of that country's debt and sellers of credit default swaps linked to that country's creditworthiness, which may be located in countries other than those listed above. In addition, the credit ratings of certain European countries were downgraded in the past. These events have adversely affected the value and exchange rate of the euro and may continue to significantly affect the economies of every country in Europe, including countries that do not use the euro and non-EU member countries. Responses to the financial problems by European governments, central banks and others, including austerity measures and reforms, may not produce the desired results, may result in social unrest and may limit future growth and economic recovery or have other unintended consequences. Further defaults or restructurings by governments and other entities of their debt could have additional adverse effects on economies, financial markets and asset valuations around the world. In addition, one or more countries may abandon the euro and/or withdraw from the EU. The impact of these actions, especially if they occur in a disorderly fashion, is not clear but could be significant and far-reaching, and could adversely impact the value of the Fund's investments in the region. Please also see "U.K. Investments Risk" below.

Foreign Investment Risk

To the extent that the Fund invests in securities of foreign issuers, it will be affected by world economic factors and in many cases by the value of the Canadian dollar as measured against foreign currencies. Obtaining complete information about potential investments from foreign markets may also be of greater difficulty. Foreign issuers may not follow certain standards that are applicable in North America, such as accounting, auditing, financial reporting and other disclosure requirements. The political climate may differ, affecting stability and volatility in foreign markets. As a result, the Fund's value may fluctuate to a greater degree if it invests in foreign securities than if the Fund limits its investments to North American securities.

Global Financial Developments Risk

Global financial markets have experienced a sharp increase in volatility in the last several years. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as global governments have worked to restore much needed liquidity to the global economies, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. No assurance can be given that this stimulus will continue or that, if it continues, it will be successful or these economies will not be adversely affected by the inflationary pressures resulting from such stimulus or central banks' efforts to slow inflation. Further, continued market concerns about the European sovereign debt crisis and matters related to the U.S. government debt limits may adversely impact global equity markets. Some of these economies are experiencing significantly diminished growth and some are experiencing a recession. These market conditions and further volatility or illiquidity in capital markets may also adversely affect the prospects of the Fund and the value of the Fund's portfolio. A substantial drop in the markets in which the Fund invests could be expected to have a negative effect on the Fund.

Market Risk

Market risk is the risk of being invested in the equity and fixed income markets. The market value of the Fund's investments will rise and fall based on specific company developments and broader equity or fixed income market conditions. Market value will also vary with changes in the general economic, political, social and financial conditions in countries where the investments are based.

Epidemic and Pandemic Risk

The impact of global epidemics and pandemics (such as the recent COVID-19 pandemic) in the future could affect the economies of many nations, individual companies and the market in general in ways that cannot necessarily be foreseen at the present time. In addition, the impact of infectious diseases in emerging developing or emerging market countries may be greater due to less established health care systems. Health crises caused by future epidemics and pandemics may exacerbate other pre-existing political, social and economic risks in certain countries. The impact of future epidemics

and pandemics may be short term or may last for an extended period of time.

Market Disruption Risk

War and occupation, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect securities markets, inflation and other factors relating to the securities that may be held by the Fund from time to time.

Sensitivity to Interest Rates Risk

The market price of the Class A Units may be affected by the level of interest rates prevailing from time to time. In addition, any decrease in the NAV of the Fund resulting from an increase in interest rates may also negatively affect the market price of the Class A Units as well as the NAV per Class A Unit and the NAV per Class F Unit. Unitholders will therefore be exposed to the risk that the NAV per Class A Unit and the NAV per Class F Unit or the market price of the Class A Units may be negatively affected by interest rate fluctuations.

U.K. Investment Risk

Investments in U.K. issuers may subject the Fund to regulatory, political, currency, security, and economic risks specific to the U.K. The U.K.'s economy relies heavily on the export of financial services to the U.S. and other European countries. A prolonged slowdown in the financial services sector may have a negative impact on the U.K.'s economy. In the past, the U.K. has been a target of terrorism. Acts of terrorism in the U.K. or against the U.K.'s interests may cause uncertainty in the U.K.'s financial markets and adversely affect the performance of the issuers to which the Fund has exposure. Secessionist movements, such as the Catalan movement in Spain and the independence movement in Scotland, may have an adverse effect on the U.K. economy. The U.K. left the EU in 2020 and the U.K. and the European Parliament approved a post-Brexit EU-U.K. trade deal, the Trade and Cooperation Agreement, on April 28, 2021. Although the economic downside risks to Brexit have generally declined, implementing the trade deal and the general withdrawal agreement may give rise to significant uncertainties and instability in the financial markets in the U.K. The Fund may face risks associated with the potential uncertainty and consequences that follow Brexit, including with respect to volatility in exchange rates and interest rates. Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in global political institutions, regulatory agencies and financial markets. Brexit has also led to legal uncertainty and could lead to politically divergent national laws and regulations as a new relationship between the U.K. and EU is defined and the U.K. determines which EU laws to replace or replicate. Any of these effects of Brexit could adversely affect any of the companies to which the Fund has exposure and any other assets that any the Fund invests in. The political, economic and legal consequences of Brexit are not yet fully known. In the short term, financial markets may experience heightened volatility, particularly those in the U.K. and Europe, but possibly worldwide. The U.K. and Europe may be less stable than they have been in recent years, and investments in the U.K. and the EU may be difficult to value, or subject to greater or more frequent rises and falls in value. In the longer term, there is likely to be a period of significant political, regulatory and commercial uncertainty as the U.K. seeks to negotiate its long-term exit from the EU and the terms of its future trading relationships.

U.S. Investment Risk

The Fund may have significant exposure to U.S. issuers. Decreasing imports or exports, changes in trade regulations and/or an economic recession in the U.S. may have a material adverse effect on the U.S. economy and the securities listed on U.S. exchanges. Policy and legislative changes in the U.S. are changing many aspects of financial and other regulation and may have a significant effect on the U.S. markets generally, as well as the value of certain securities. In addition, a continued rise in the U.S. public debt level or U.S. austerity measures may adversely affect U.S. economic growth and the securities to which the Fund may have exposure.

The U.S. has developed increasingly strained relations with a number of countries, including traditional allies, such as certain European countries and Canada, as well as historical adversaries, such as North Korea, Iran, China and Russia. If these relations were to worsen, it could adversely affect U.S. issuers as well as non-U.S. issuers that rely on the U.S.

for trade. The U.S. has also experienced increased internal unrest and discord. If this trend were to continue, it may have an adverse impact on the U.S. economy.

EXEMPTION AND APPROVALS

While the Fund is subject to the investment restrictions contained in NI 81-102, it is not subject to all of the investment restrictions and operating policies that apply to mutual funds under such legislation. The Fund has not applied for or obtained exemptive relief from, or approvals under, any provisions of NI 81-102.



PICTON MAHONEY TACTICAL INCOME FUND

Picton Mahoney acts as the manager and portfolio manager of the Fund. Currently, the principal office of the Manager is located at 33 Yonge Street, Suite 830, Toronto, Ontario M5E 1G4. Effective June 1, 2024, the principal office of the Manager will be located at 33 Yonge Street, Suite 320, Toronto, Ontario M5E 1G4.

Additional information about the Fund is available in the Fund's management reports of fund performance and financial statements.

You can get a copy of these documents at no cost by calling toll-free at 1-866-369-4108, on the Fund's website at www.pictonmahoney.com or by email to service@pictonmahoney.com.

These documents and other information about the Fund, such as material contracts, are also available at www.sedarplus.com.