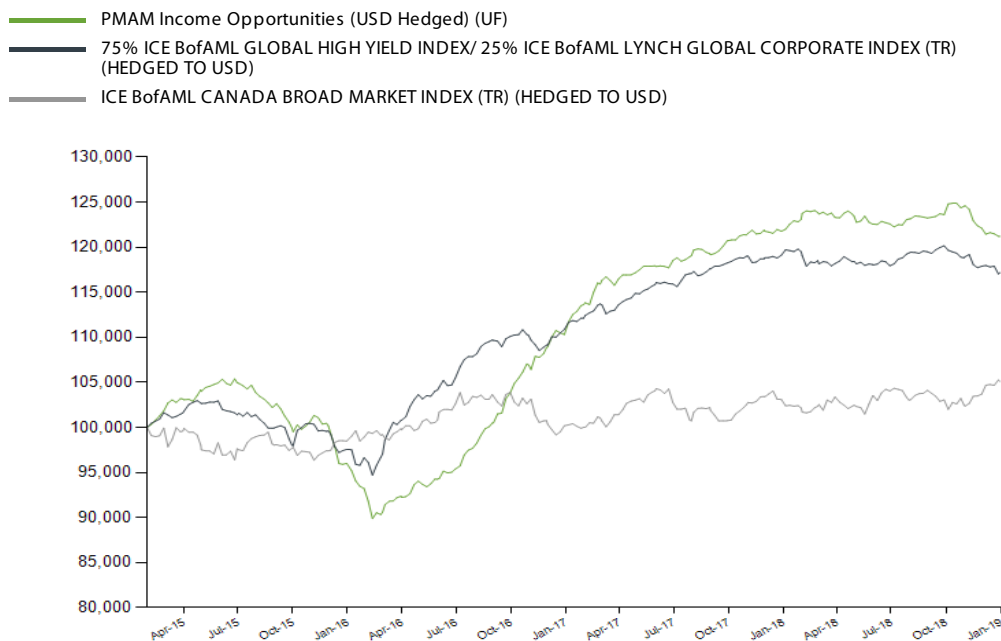


OUTLOOK & REVIEW

- > In December, our Fund returned -0.99% (Class A) and -0.73% (Class F) which slightly underperformed the blended benchmark composed of 75% ICE BofAML Global High Yield Index / 25% ICE BofAML Global Corporate Index (TR) (Hedged to CAD) in December.
- > Credit volatility accelerated in December with risk-off across all markets, compounded by capitulation out of asset managers in an effort to raise cash going into year end. We took advantage of the sell-off, purchasing over 10% of the portfolio at discounted prices. The purchases included Patient Capital watch-list names, covering short positions, and adding to one of our higher conviction Yield-With-Upside investments.
- > Stepping back from short term performance, on the year we navigated corporate bond yields increasing 2.3% (from 5.8% to 8.1%), put capital to work thereby increasing our portfolio yield from 4.2% to 7.4% while protecting the downside.
- > For our current views please join the Bond team for our upcoming Income Insights call on January 23rd at 11am for a deep discussion on our positioning and 2019 outlook.

PERFORMANCE: VALUE OF \$100,000 INVESTED IN CLASS UF ON JANUARY 2015



	1 Mon	3 Mon	6 Mon	1 Yr	3 Yr*	5 Yr*	10 Yr*	Since Inc*
PMAM INCOME OPPORTUNITIES FUND (USD Hedged) (UF)	-0.73	-1.94	-1.12	-0.45	8.07	--	--	5.03
75% ICE BofAML Global High Yield Index/25% ICE BofAML Global Corporate Index (TR) (Hedged to USD)	-0.60	-2.47	-0.64	-1.62	6.29	--	--	4.13
ICE BofAML CANADA BROAD MARKET INDEX (TR) (HEDGED TO USD)	1.36	1.99	1.01	1.93	2.18	--	--	1.28

Note: (*) refers to average annualized performance.

Highlight

The Fund's objective is to provide consistent long-term capital appreciation with an attractive risk-adjusted rate of return. Class UF Units are more suitable for investors who want to invest in the Fund in U.S. dollars and minimize the effect of the fluctuations in the exchange rate between the Canadian dollar and U.S. dollar while achieving similar performance and returns to the Class I Units.

Strategy

Build a portfolio that is long the most attractive securities and short the most unattractive securities based on our multi-factor ranking system. We will buy income securities with superior credit quality and reasonable valuations and sell short income securities with inferior credit quality and expensive valuations. This portfolio will be structured to have positive but not full income market exposure.

Fund Information

Fund Assets: \$522.6M
 Firm Assets: \$6.5B
 Fund Details: 5% Target Distribution
 1% Mgmt Fee (UF)
 20% Performance Fee
 5% Hurdle Rate
 Weekly Liquidity
 RSP Eligible
 Prime Broker: Goldman Sachs & Co., and Scotia Capital Inc
 Administrator: RBC I&TS
 Auditor: PricewaterhouseCoopers
 Lawyer: McMillan LLP

Fund Code

UF Class: PIC508

PIC 508

**PICTON
MAHONEY**
Asset Management

RETURN & RISK ANALYSIS

FUND HIGHLIGHTS	PMAM INCOME OPPORTUNITIES (USD HEDGED) (UF)	75% ICE BOFAML GLOBAL HIGH YIELD INDEX/25% ICE BOFAML GLOBAL CORPORATE INDEX (TR) (HEDGED TO USD)	ICE BOFAMLCANADA BROAD MARKET INDEX (TR) (HEDGED TO USD)
NAV per Unit	9.88		
Net Assets	522.6 M		
MTD Return	-0.73%	-0.60%	1.36%
YTD Return	-0.45%	-1.62%	1.93%
2016 Annual Return (Calendar Year)	14.89	13.64	1.72
2017 Annual Return (Calendar Year)	10.40	7.43	2.91

PERFORMANCE ANALYSIS

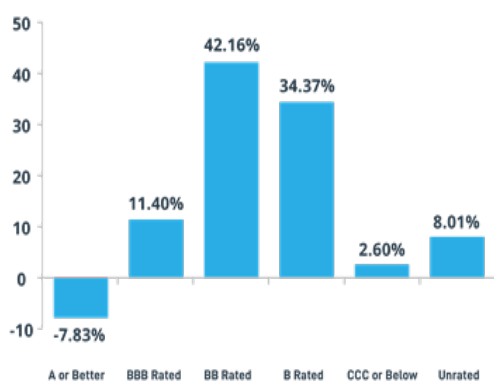
Maximum Drawdown	-13.69%	-6.14%	-3.75%
Period of Drawdown	Jul-15 - Feb-16	Jun-15 - Jan-16	Oct-16 - Jan-17
Time Under Water	15 Months	10 Months	7 Months
Percentage of Positive Months	74.47%	63.83%	55.32%
Beta	0.53	1.00	1.00
Standard Deviation (%)	3.94%	3.49%	4.31%
Sharpe Ratio	1.07	0.95	0.15
Worst Month	-4.17%	-2.04%	-2.03%

TOP FIVE LONG POSITIONS

	Lloyds Banking plc Float 8/28/49		
	MEG Energy 6.375% 01/30/23		
	MEG Energy Corp 7% Due 03/31/2024		
	Royal Bank of Scotland 1.625% 12/29/49		
	Standard Chartered 1.7125% 12/06/65		
Weighted Average Yield (NET)	7.43	6.47	2.70
Weighted Average Modified Duration (NET)	2.74	4.66	7.78
Weighted Average Credit Rating	BB-	BB-	AA2

EXPOSURES

		GEOGRAPHIC COMPOSITION (GROSS)	
Gross	178.89%	Americas	145.04%
Long	133.5%	Europe	32.76%
Short	-45.39%	Pacific Rim	1.1%
Net	88.11%		

SECTOR EXPOSURE (NET)**RATING DISTRIBUTION****SECURITY TYPE ALLOCATION**

	Long	Short	Net
Rate	4.90%	-10.96%	-6.06%
Credit	120.58%	-34.41%	86.17%
Hybrid	7.90%	0.00%	7.90%
Other	0.12%	-0.03%	0.10%
Total	133.50%	-45.39%	88.11%

33 Yonge Street, Suite 830
Toronto, ON M5E 1G4

Bankers Hall - West Tower
888 3rd Street SW, 10th Floor
Calgary, AB T2P 5C5

1250 René Lévesque West,
Bureau 2200
Montréal, QC, H3B 4W8

666 Burrard Street, Suite 600
Vancouver, BC V6C 2X8

www.pictonmahoney.com
service@pictonmahoney.com
institutional@pictonmahoney.com
416.955.4108 1.866.369.4108

Disclaimer

Class UF of the Picton Mahoney Income Opportunities Fund was launched on January 30, 2015. For the complete results since the inception of the Fund on December 31, 2009, please refer to the Class F performance data. Net Assets are reported for Classes A, UA, F, UF, I combined. Commissions, trailing commissions, management fees and expenses all may be associated with fund investments. This is for information only and is not an offer or solicitation to sell units of the fund. Complete information relating to the funds, including risk factors and investor eligibility, is contained in the Confidential Offering Memorandum. This fund is not guaranteed, its values change frequently and past performance may not be repeated. Please see "Risk Factors" in the Confidential Offering Memorandum for more details. Maximum Drawdown, Period of Drawdown and Time Under Water are calculated using monthly data. Beta, standard deviation and Sharpe Ratio are calculated using data from each weekly valuation date. Option positions against credit indices are included in the credit component of the security type allocation. Top 5 holdings are reported in alphabetical order. Weighted Average Credit Rating is calculated using a composite of the S&P, Moody's, DBRS and Fitch credit ratings. Performance data is compared to a blended benchmark of 75% ICE BofAML Global High Yield Index/25% ICE BofAML Global Corporate Index (TR) (Hedged to USD) and the ICE BofAML Canada Broad Market Index (TR) (Hedged to USD) (for information purposes only). The composition of the Fund's portfolio will significantly differ from the Index due to the investment strategy employed. Please see "Investment Strategies" in the Confidential Offering Memorandum for more details.