

FORTIFIED ALPHA ALTERNATIVE FUND



**THINK AHEAD.
STAY AHEAD.**

PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2024)

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements for Picton Mahoney Fortified Alpha Alternative Fund (the "Fund"). If you have not received a copy of the annual financial statements with the management report of fund performance, you may obtain a copy of the annual financial statements, at no cost, by calling 416-955-4108 or toll-free at 1-866-369-4108, by writing to us at Picton Mahoney Asset Management, 33 Yonge Street, Suite 320, Toronto ON M5E 1G4, or by visiting our website at www.pictonmahoney.com or SEDAR+ at www.sedarplus.ca.

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

INVESTMENT OBJECTIVE AND STRATEGIES

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

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

The strategy is expected to combine the firm's best ideas by deploying the investment expertise of the firm's investment teams including the equity, fixed income, arbitrage and quantitative teams. The low correlation among these components to equity markets will aim to enhance risk-adjusted returns.

The investment strategy of the Fund is global in nature and will have exposure to international markets, including emerging markets. Strategies can be implemented within and across various financial markets 101 including global equity markets, emerging markets, global government and corporate fixed income markets, foreign exchange markets, commodity markets and volatility markets.

The strategy will consist of individual security risk premia strategies implemented primarily through long and short positions across global equity markets and may include global fixed income and other asset classes.

The Manager will seek to obtain exposure to skill-based, alpha processes either directly or indirectly through investment in other funds, including funds for which the Manager is the manager and/or portfolio manager.

Markets as well as some strategies possess the propensity for sharp declines in performance, known as tail risk. The Manager will attempt to mitigate some of these risks through tail-risk hedging strategies. These may be run both internally and externally and may involve allocation to external funds or portfolio managers (i.e., sub-advisers).

The portfolio will be considered in both the strategic and tactical aspects of the portfolio management process. The returns of the Fund should be generally independent of the movements in common stock market or bond market indices. Each component of the portfolio is intended to provide access to a unique return stream, such as risk premia and skill-based investment processes. The Manager will also use a risk-budgeting process to weigh different components of the portfolios.

The Fund may also choose to: i) invest up to 100% of its portfolio in international securities; ii) pairs trade by taking short positions from time to time in securities of one issuer while taking a long position in securities of another issuer in an attempt to gain from the relative valuation differences between the two issuers; iii) invest in fixed income securities; iv) engage in arbitrage strategies, including: a) yield and credit curve arbitrage by combining a long position in an issuer's bond at one maturity with a short position in the bonds of the same issuer at a different maturity; b) fixed income arbitrage by taking offsetting long and short positions in government bonds and investment grade corporate bonds, government agency securities, swap contracts, and futures and options on fixed income instruments that are mathematically, fundamentally, or historically interrelated; c) capital structure arbitrage by combining a long position in an issuer's senior debt with a short position in its junior debt or common equity using a hedge ratio; or d) convertible arbitrage by combining a long position in an issuer's convertible securities with a short position in its common equity. v) take long and short positions in securities impacted by event driven situations, such as mergers, divestitures, restructurings or other issuer events; vi) take long and short positions in private company debt offerings; vii) participate in initial public offerings, secondary offerings, and private financings (including special warrant financings) in existing publicly traded issuers to the extent permitted by securities regulations; viii) invest in private placements by private companies, to the extent permitted by securities regulations; ix) purchase, hold, sell, or otherwise deal in commodity forward contracts, commodity futures, financial futures or options on financial futures, but not physical commodities; x) use derivative instruments, such as options, futures, forward contracts and swaps, cleared and uncleared, for both hedging and non-hedging strategies, in a manner which is consistent with the investment objectives of the Fund and as permitted by securities regulations, including to: a) hedge against losses from changes in the prices of the Fund's investments and from exposure to foreign currencies; b) implement option spreads by purchasing an option on a security and simultaneously selling an option on the same security with the same expiry date; and c) gain exposure to individual securities and markets instead of buying the securities directly; and xi) hold cash and cash equivalents.

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

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

RISK

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

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

1. **Equity Investment Risk** – Equity investments, such as stocks, carry several risks. A number of factors may cause the price of a stock to fall. These include specific developments relating to the company, stock market conditions where the company's securities trade and general economic, financial and political conditions in the countries where the company operates. Since a Fund's unit price is based on the value of its investments, an overall decline in the value of the stocks it holds will reduce the value of the Fund and, therefore, the value of your investment. However, if the price of the stocks in the portfolio increases, your investment will be worth more. Equity funds generally tend to be more volatile than fixed income funds, and the value of their units can vary widely.
2. **Currency Risk** – The net asset value and unit price of a Fund's units is calculated in Canadian dollars. Most foreign investments are purchased in currencies other than the Canadian dollar. As a result, the value of foreign investments will be affected by the value of the Canadian dollar relative to the value of the foreign currency. If the Canadian dollar rises in value relative to the other currency but the value of the investment otherwise remains constant, the value of the investment in Canadian dollars will have fallen. Similarly, if the value of the Canadian dollar has fallen relative to the foreign currency, the value of the Fund's investment will have increased.
3. **Liquidity Risk** – Liquidity is a measure of how quickly an investment can be sold for cash at a fair market price. If a Fund cannot sell an investment quickly, it may lose money or make a lower profit, especially if it has to

meet a large number of redemption requests. Substantial redemptions by Unitholders within a short period of time could require the Manager to arrange for the Fund's positions to be liquidated more rapidly than would otherwise be desirable, which could adversely affect the value of the remaining units of the Fund. In general, investments in smaller companies, smaller markets or certain sectors of the economy tend to be less liquid than other types of investments. The less liquid an investment, the more its value tends to fluctuate.

4. **Leverage Risk** - The Fund has received exemptive relief from Canadian securities regulatory authorities from certain investment restrictions set out in NI 81-102 that would restrict the ability of the Fund to leverage their assets through borrowing, short sales and/or derivatives. Investment decisions may be made for the assets of the Fund that exceed the net asset value of the Fund. As a result, if these investment decisions are incorrect, the resulting losses will be more than if investments were made solely in an unleveraged long portfolio as is the case in most conventional equity mutual funds. In addition, leveraged investment strategies can also be expected to increase a Fund's turnover, transaction and market impact costs, interest and other costs and expenses.

Pursuant to the terms of the exemptive relief, the Fund's aggregate gross exposure, calculated as the sum of the following, must not exceed three times the Fund's net asset value: (i) the aggregate market value of the Fund's long positions; (ii) the aggregate market value of physical short sales on equities, fixed income securities or other portfolio assets; and (iii) the aggregate notional value of the Fund's specified derivatives positions excluding any specified derivatives used for hedging purposes. If the Fund's aggregate gross exposure exceeds three times the Fund's net asset value, the Fund must, as quickly as is commercially reasonable, take all necessary steps to reduce the aggregate gross exposure to three times the Fund's net asset value or less.

The Fund has also obtained exemptive relief such that the Fund is permitted to engage in short selling transactions and cash borrowing up to a combined maximum of 100% of its net asset value, which is in excess of the short sale and cash borrowing limits provided for both conventional mutual funds and alternative mutual funds in NI 81-102.

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

LEVERAGE

Leverage occurs when the Fund borrows money or securities, or uses derivatives, to generate investment exposure that would otherwise not be possible.

The Fund's aggregate exposure to its sources of leverage is calculated as the sum of the following: (i) the market value of short holdings; (ii) the amount of cash borrowed for investment purposes; and (iii) the notional value of the Fund's derivatives positions, excluding any derivatives used for hedging purposes. The Fund's exposure to leverage must not exceed 300% of the Fund's NAV.

During the year January 1, 2024 to December 31, 2024, the Fund's aggregate exposure reached a low of 92.66% and a high of 142.10% of the Fund's NAV.

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As at December 31, 2024, the Fund's aggregate exposure was 113.21% of the Fund's NAV. The primary source of leverage was short positions in equity and fixed income securities.

RESULTS OF OPERATIONS

For the year January 1, 2024 to December 31, 2024, the net asset value of the Fund increased by approximately \$399.5 million from \$299.3 million to \$698.8 million. During the same period, performance on the Fund's portfolio increased its assets by \$57.3 million. The Fund also received \$427.4 million in proceeds, had reinvestment of distributions of \$0.2 million, net redemptions of \$84.7 million, and paid distributions totaling \$0.7 million. For the year ended December 31, 2024 the Fund Class A units returned 12.39%, the Fund Class F units returned 13.28%, the Fund Class FT units returned 13.36%, the Fund Class I units returned 17.96%, and the Fund Class ETF units returned 13.34%.

Equities were the feature in 2024 as the soft-landing narrative for the U.S. economy gained traction through the year, bolstering positive sentiment which culminated in a year-end rally associated with a "business friendly" Trump election win. Aside from a couple contained pullbacks, the trend in equities was generally positive and sustained. The volatility, however, was on the fixed income side of a "balanced" ledger, with the benchmark U.S. 10-Year Treasury yield exploring a roughly 80-100 basis point range in three phases through the year. As the inflation narrative calmed and resurged into year-end (again, on the back of the Trump win), "balanced" investors seemed to be grappling with a new reality. The Picton Mahoney Fortified Alpha Alternative Fund, for its part, is a purpose-built portfolio diversifier, seeking to deliver returns independent of these, and other, traditional asset class risks.

For the year ended December 31, 2024, the largest contributor to performance of the Fund was the Picton Mahoney Fortified Market Neutral Alternative Fund, followed by the Picton Mahoney Fortified Special Situations Alternative Fund. While our allocation process focuses on risk-weighting these uncorrelated strategies to achieve diversification benefits in the Fund, we note that periodically, one strategy can be a dominant contributor to returns, but that over time, should not be relied upon as a singular return driver. Put another way, we welcome changes in leadership among the component strategies of the Fund and highlight that returns beyond the top contributor are still largely additive. Beyond the active manager skill elements of the portfolio, our proprietary Factor Risk Premia strategy was a solid and consistent contributor through the period, delivering uncorrelated returns at least in line with expectations. Tail risk management and other hedging strategies were also a modest positive contribution to performance.

Portfolio risk as measured by standard deviation of daily returns remained at the lower end of the anticipated long-term range during the period under review. Part of this reality is somewhat transient in nature, as the Picton Mahoney Fortified Arbitrage Plus strategy, for reasons the managers have publicly articulated, has not been fully invested for some time. That said, we believe the fundamental portfolio construction imperative of utilizing leverage to achieve diversification benefits (including lower overall portfolio volatility) were amply demonstrated in the period under review notwithstanding.

RECENT DEVELOPMENTS

As noted in prior reports, among other risk controls, we monitor and assess the Fund's "beta footprint", which will note any portfolio sensitivity to PMAM's proprietary nine defined asset classes. We remain pleased to note the "footprint" remains negligible at best, which stands as a proof statement

to the independent and uncorrelated nature of returns the Fund offers investors, seeking diversification of returns beyond traditional asset class risks and portfolio construction schemes.

Therefore, despite the risks present in the market currently (equity index concentration / valuation, lurking inflation and interest rate volatility, trade wars, etc.), they are not expected to influence the path of returns in the strategy. While not expected, should any of these present risks pose a systemic or "grossing down" risk in the marketplace, we believe that continued risk asset upside and/or further downside in implied volatility presents an opportunity to upsize our tail risk hedging strategies. To wit, every effort is made to ensure positive returns in an environment of duress which might send the underlying alpha component strategies askew of their historical return path for brief periods of time. Over the life of the Fund, we expect this hedging strategy to be a cost, but as is the case with any premium paid for protection, the benefits should outweigh the costs from a quality and sequencing of returns perspective for investors.

To the extent some of the component strategies have out- or underperformed expectations relative to their historical experience, we expect the Fund will nonetheless continue to accrue the benefits of portfolio construction relative to the underlying components. The prudent use of leverage to access component returns with a low correlation to traditional markets and to each other continues remains a worthwhile endeavor. We also continue to hunt for new sources of uncorrelated return as well as seek to optimize the portfolio construction methodology, risk management and reporting and operational capabilities to enhance future risk and return experience for investors.

We continue to believe sourcing returns from non-directional, uncorrelated strategies is the best long-term strategy vis-à-vis portfolio construction imperatives such as risk diversification, lower correlation, and quality of returns and as such, remain confident the purpose-built nature of the Picton Mahoney Fortified Alpha Alternative Fund can continue to deliver on these objectives.

RELATED PARTY TRANSACTIONS

Picton Mahoney Asset Management is the manager (the "Manager"), portfolio advisor (the "Portfolio Advisor"), and trustee ("the Trustee") of the Fund. The Manager is an investment manager focused on equity and fixed income securities investments with approximately \$12.0 billion of assets under management as of December 31, 2024. As at December 31, 2024, the Manager holds 834 units of Class A, 853 units of Class F, 1,033 units of Class FT, and 846 units of Class I of the Fund (December 31, 2023 - 832 units of Class A, 852 units of Class F, 2070 units of Class I, and 2169 units of Class FT).

Management Fees

As a result of providing investment and management services, the Manager receives a management fee calculated and accrued daily based on the NAV of the class of units of the Fund, plus applicable taxes, payable on the last day of each calendar quarter. For the year ended December 31, 2024, the Fund incurred management fees of \$5,135,956 (December 31, 2023 - \$1,947,153). Management fees in respect of Class I units are direct fees negotiated with the investor, paid directly by the investor, and would not exceed the management fee payable on Class A units of the Fund. The Manager uses these management fees to pay for sales and trailing commissions to registered dealers on the distribution of the Fund's shares, investment advice, as well as general administrative expenses relating to Picton Mahoney's role.

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As a Percentage of Management Fees			
	Annual Rates	Dealer Compensation	General Administration and Investment Advice
Class A units	1.95%	51.35%	48.65%
Class F units	0.95%	-	100.00%
Class FT units	0.95%	-	100.00%
Class ETF units	0.95%	-	100.00%

Out of the management fees that the Manager received from the Fund, the Manager paid trailer commissions of \$109,923 for the year ended December 31, 2024.

Performance Fees

The Manager receives a performance fee in respect of each class of units of the Fund. The performance fee for each class shall be calculated and become a liability of the Fund on each valuation day (the "Valuation Day") and shall be payable at the end of each calendar quarter. The performance fee is equal to 20% of the amount by which the performance of the applicable class exceeds an annual hurdle rate of return equal to 2%, for each class of units of the Fund, plus applicable taxes. The performance fee in respect of each class of units of the Fund on a particular Valuation Day shall be equal to the product of, (a) 20% of the positive difference between (i) the unit price on the Valuation Day; and (ii) the greatest unit price on any previous Valuation Day (or the unit price on the date when the units of the class were first issued, where no performance fee liability has previously arisen in respect of units of the class (the "High Water Mark")); less (iii) the hurdle amount per unit on the Valuation Day; and (b) the number of units outstanding on the applicable Valuation Day on which the performance fee is determined, plus applicable taxes. The hurdle amount per unit is the product of (a) 2% for each calendar year (prorated for the number of days in the year); (b) the unit price on the applicable Valuation Day; and (c) the number of days since the most recently determined High Water Mark or the beginning of the current calendar year, whichever is most recent. Investors in Class I units may negotiate a different performance fee than the one described herein or no performance fee at all. Any performance fee for Class I units will be paid directly to the Manager. The Manager reserves the right, in its discretion, to discontinue, decrease or waive the performance fee at any time. For the year ended December 31, 2024, the Fund incurred performance fees of \$13,524,395 (December 31, 2023 - \$1,490,554).

Independent Review Committee

The Fund receives standing instructions (the "SI") from the independent review committee (the "IRC"). The SI constitutes a written approval or recommendation from the IRC that permits the Manager to proceed with specific action(s) set out in the SI on an ongoing basis. The SI is designed to ensure that the Manager's actions are carried out in accordance with the law, the instrument and the Manager's policies and procedures in order to achieve a fair and reasonable result for the Fund. The SI outlines actions related to i) Fees and Expenses; ii) Trade Allocations; iii) Broker Selections; iv) Code of Ethics and Conduct; v) Portfolio Pricing Issues, amongst other things. The Manager must provide the IRC with a written report summarizing each instance where the Manager has relied on the SI. For the year ended December 31, 2024, the IRC did not provide any recommendations to the Manager.

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FINANCIAL HIGHLIGHTS

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

Class A Units - Net Assets per Unit			
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$) ⁽⁷⁾
Net Assets, beginning of year	10.27	10.06	10.00
Increase (decrease) from operations:			
Total revenue	0.63	0.30	0.20
Total expense	(0.56)	(0.34)	(0.22)
Realized gains (losses)	(0.02)	(0.17)	(0.14)
Unrealized gains (losses)	1.15	0.64	0.54
Total increase (decrease) from operations⁽¹⁾	1.20	0.43	0.38
Distributions:			
From income	(0.02)	(0.23)	(0.26)
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	-	(0.00)	(0.00)
Total annual distributions⁽¹⁾⁽²⁾	(0.02)	(0.23)	(0.26)
Net Assets, end of year	11.53	10.27	10.06

Class A Units - Ratios/Supplemental Data			
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$) ⁽⁷⁾
Total Net Asset Value (\$'000's) ⁽³⁾	25,872	4,939	1,094
Number of units outstanding (000's) ⁽³⁾	2,244	481	109
Management expense ratio ⁽⁴⁾	5.00%	3.53%	2.82%
Management expense ratio before waivers or absorptions	5.00%	3.67%	3.55%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.60%	0.77%	0.74%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	3.55%	3.73%	3.22%
Portfolio turnover rate ⁽⁶⁾	206.00%	162.10%	129.18%
Net Asset Value per unit	11.53	10.27	10.06

Class F Units - Net Assets per Unit			
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$) ⁽⁷⁾
Net Assets, beginning of year	10.45	10.14	10.00
Increase (decrease) from operations:			
Total revenue	0.54	0.31	0.20
Total expense	(0.52)	(0.26)	(0.14)
Realized gains (losses)	(0.08)	(0.19)	(0.14)
Unrealized gains (losses)	1.41	0.68	0.54
Total increase (decrease) from operations⁽¹⁾	1.35	0.54	0.46
Distributions:			
From income	(0.02)	(0.24)	(0.27)
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	-	(0.00)	(0.00)
Total annual distributions⁽¹⁾⁽²⁾	(0.02)	(0.24)	(0.27)
Net Assets, end of year	11.82	10.45	10.14

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Class F Units - Ratios/Supplemental Data			
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$) ⁽⁷⁾
Total Net Asset Value (\$000's) ⁽³⁾	496,635	197,186	31,625
Number of units outstanding (000's) ⁽³⁾	42,030	18,876	3,120
Management expense ratio ⁽⁴⁾	4.31%	2.62%	1.70%
Management expense ratio before waivers or absorptions	4.31%	2.77%	2.75%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.60%	0.77%	0.74%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	3.55%	3.73%	3.22%
Portfolio turnover rate ⁽⁶⁾	206.00%	162.10%	129.18%
Net Asset Value per unit	11.82	10.45	10.14

Class FT Units - Net Assets per Unit			
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$) ⁽⁷⁾
Net Assets, beginning of year	9.91	9.89	10.00
Increase (decrease) from operations:			
Total revenue	0.58	0.30	0.20
Total expense	(0.42)	(0.29)	(0.15)
Realized gains (losses)	-	(0.23)	(0.17)
Unrealized gains (losses)	1.05	0.79	0.37
Total increase (decrease) from operations⁽¹⁾	1.21	0.57	0.25
Distributions:			
From income	(0.50)	(0.51)	(0.32)
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	-	(0.00)	-
Total annual distributions⁽¹⁾⁽²⁾	(0.50)	(0.51)	(0.32)
Net Assets, end of year	10.71	9.91	9.89

Class FT Units - Ratios/Supplemental Data			
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$) ⁽⁷⁾
Total Net Asset Value (\$000's) ⁽³⁾	6,938	549	20
Number of units outstanding (000's) ⁽³⁾	648	55	2
Management expense ratio ⁽⁴⁾	4.03%	2.62%	1.70%
Management expense ratio before waivers or absorptions	4.03%	2.77%	2.72%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.60%	0.77%	0.74%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	3.55%	3.73%	3.22%
Portfolio turnover rate ⁽⁶⁾	206.00%	162.10%	129.18%
Net Asset Value per unit	10.71	9.91	9.89

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Class I Units - Net Assets per Unit			
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$) ⁽⁷⁾
Net Assets, beginning of year	10.68	10.20	10.00
Increase (decrease) from operations:			
Total revenue	0.44	0.31	0.19
Total expense	(0.14)	(0.07)	(0.09)
Realized gains (losses)	(0.21)	(0.14)	(0.18)
Unrealized gains (losses)	1.87	0.61	0.17
Total increase (decrease) from operations⁽¹⁾	1.96	0.71	0.09
Distributions:			
From income	(0.02)	(0.23)	(0.00)
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	-	(0.00)	-
Total annual distributions⁽¹⁾⁽²⁾	(0.02)	(0.23)	(0.00)
Net Assets, end of year	12.58	10.68	10.20

Class I Units - Ratios/Supplemental Data			
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$) ⁽⁷⁾
Total Net Asset Value (\$000's) ⁽³⁾	11	22	21
Number of units outstanding (000's) ⁽³⁾	1	2	2
Management expense ratio ⁽⁴⁾	0.45%	1.12%	0.79%
Management expense ratio before waivers or absorptions	0.45%	1.13%	1.06%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.60%	0.77%	0.74%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	3.55%	3.73%	3.22%
Portfolio turnover rate ⁽⁶⁾	206.00%	162.10%	129.18%
Net Asset Value per unit	12.58	10.68	10.20

Class ETF Units - Net Assets per Unit			
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$) ⁽⁷⁾
Net Assets, beginning of year	10.45	10.13	10.00
Increase (decrease) from operations:			
Total revenue	0.53	0.31	0.20
Total expense	(0.53)	(0.27)	(0.10)
Realized gains (losses)	(0.12)	(0.20)	(0.17)
Unrealized gains (losses)	1.49	0.77	0.50
Total increase (decrease) from operations⁽¹⁾	1.37	0.61	0.43
Distributions:			
From income	(0.02)	(0.23)	(0.21)
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	-	(0.00)	(0.00)
Total annual distributions⁽¹⁾⁽²⁾	(0.02)	(0.23)	(0.21)
Net Assets, end of year	11.82	10.45	10.13

PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2024)

Class ETF Units - Ratios/Supplemental Data			
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)⁽⁷⁾
Total Net Asset Value (\$000's) ⁽³⁾	169,413	96,628	28,574
Number of units outstanding (000's) ⁽³⁾	14,330	9,250	2,820
Management expense ratio ⁽⁴⁾	4.32%	2.62%	1.70%
Management expense ratio before waivers or absorptions	4.32%	2.77%	2.72%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.60%	0.77%	0.74%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	3.55%	3.73%	3.22%
Portfolio turnover rate ⁽⁶⁾	206.00%	162.10%	129.18%
Net Asset Value per unit	11.82	10.45	10.13
Closing Market Price (TSX)	11.86	10.45	10.12

EXPLANATORY NOTES

(1) Net Assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(2) Distributions were paid in cash, reinvested in additional units of the Fund, or both.

(3) This information is provided as at the periods shown.

(4) The management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. In the period the class is established, the MER is annualized.

(5) The trading expense ratio ("TER") represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. In the period the class is established, the TER is annualized. The TER is calculated at the fund level and applies to all classes of the Fund. The Fund's TER is shown both with and without the short dividend expense from equities and interest expense from fixed income securities.

(6) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund. Portfolio turnover rate is calculated based on the lesser of the cost of purchases or proceeds of sales divided by the average market value of the portfolio, excluding short-term investments.

(7) For the period from May 4, 2022 (commencement of operations) to December 31, 2022.

PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

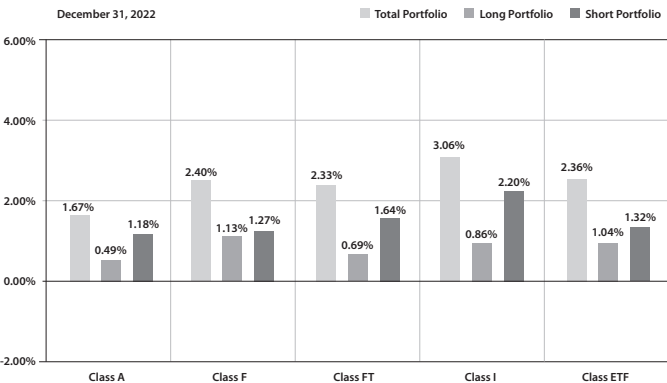
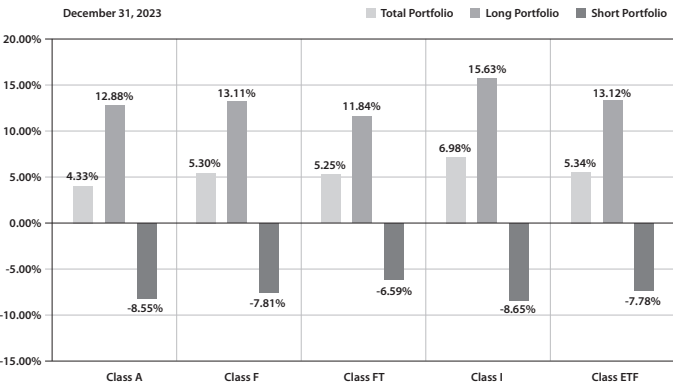
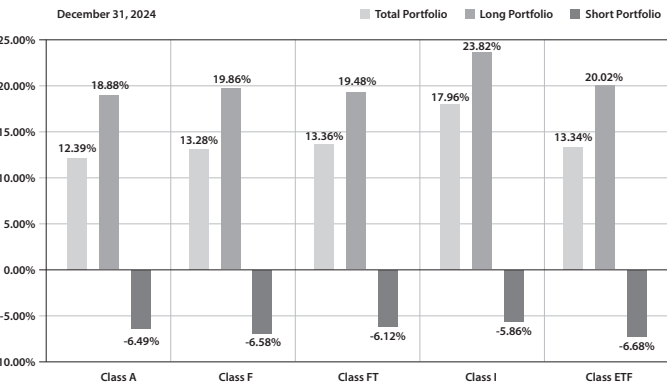
MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2024)

PAST PERFORMANCE

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

Year-by-Year-Returns

The following chart indicates the performance of each series of the Fund each year from inception to December 31, 2024. The chart shows, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period.



PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2024)

ANNUAL COMPOUND RETURNS

The following table presents the compound returns of the units of the Fund for the period indicated to December 31, 2024.

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

Annual Compound Returns	1 Year	Since Inception
Total portfolio - Class A units	12.39%	6.81%
Long portfolio - Class A units	18.88%	24.90%
Short portfolio - Class A units	-6.49%	-18.09%
Total portfolio - Class F units	13.28%	7.80%
Long portfolio - Class F units	19.86%	25.86%
Short portfolio - Class F units	-6.58%	-18.06%
Total portfolio - Class FT units	13.36%	7.78%
Long portfolio - Class FT units	19.48%	23.97%
Short portfolio - Class FT units	-6.12%	-16.19%
Total portfolio - Class I units	17.96%	10.38%
Long portfolio - Class I units	23.82%	1.67%
Short portfolio - Class I units	-5.86%	8.71%
Total portfolio - Class ETF units	13.34%	8.08%
Long portfolio - Class ETF units	20.02%	25.54%
Short portfolio - Class ETF units	-6.68%	-17.46%
S&P/TSX Composite Index (TR)	21.65%	9.98%

PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2024)

SUMMARY OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2024

Portfolio by Category		Portfolio by Category	
Percentage of Net Asset Value (%)		Percentage of Net Asset Value (%)	
LONG POSITIONS		SHORT POSITIONS	
Canadian Equities	73.4%	Canadian Equities	-26.9%
Investment Funds	29.3%	Index Equivalents	-18.4%
Financials	9.9%	Materials	-1.7%
Energy	8.3%	Energy	-1.1%
Industrial	7.3%	Consumer Staples	-1.1%
Materials	5.7%	Industrial	-1.0%
Information Technology	4.1%	Financials	-0.9%
Utilities	2.7%	Utilities	-0.9%
Real Estate	2.4%	Consumer Discretionary	-0.7%
Consumer Staples	1.5%	Real Estate	-0.7%
Consumer Discretionary	1.1%	Information Technology	-0.3%
Health Care	0.7%	Communication Services	-0.1%
Communication Services	0.4%	Health Care	0.0%
Global Equities	28.7%	Global Equities	-36.2%
United States	25.5%	United States Equities	-18.5%
International	3.0%	International Index Equivalents	-15.7%
International Index Equivalents	0.2%	International Equities	-2.0%
Canadian Debt	41.3%	Canadian Debt	-6.2%
Corporate Bonds	40.1%	Government Bonds	-5.3%
Asset-Backed Securities	0.6%	Corporate Bonds	-0.9%
Government Bonds	0.6%		
Global Debt	16.8%	Global Debt	-10.8%
United States Bonds	14.5%	United States Bonds	-10.2%
International Bonds	2.3%	International Bonds	-0.6%
Derivatives	0.6%	Derivatives	-0.7%
Total Long Positions	160.8%	Total Short Positions	-80.8%
		Cash	14.2%
		Other Assets (net)	5.8%
		Total	100.0%

PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2024)

Top 25 Holdings	
	Percentage of Net Asset Value (%)
LONG POSITIONS	
Picton Mahoney Fortified Arbitrage Plus Alternative Fund	29.1%
Cash	14.2%
Enbridge Inc.	1.8%
Shopify Inc.	1.4%
Royal Bank of Canada	1.3%
Canadian Pacific Kansas City Ltd.	1.3%
Prime Healthcare Services Inc. 9.375%, 2029-09-01	1.2%
Bank of Montreal	1.2%
NVIDIA Corp.	1.1%
Suncor Energy Inc.	1.1%
Waste Connections Inc.	1.1%
Agnico Eagle Mines Ltd.	1.0%
Royal Bank of Canada 7.408%, 2049-12-31	1.0%
Royal Bank of Canada 6.698%, 2049-12-31	1.0%
Toronto-Dominion Bank 7.232%, 2049-12-31	0.9%
Getty Images Inc. 9.750%, 2027-03-01	0.9%
WSP Global Inc.	0.9%
NRG Energy Inc. 5.750%, 2029-07-15	0.9%
Microsoft Corp.	0.9%
Doman Building Materials Group Ltd. 7.500%, 2029-09-17	0.9%
AutoCanada Inc. 5.750%, 2029-02-07	0.8%
SHORT POSITIONS	
iShares Core S&P/TSX Capped Composite Index ETF	-14.0%
iShares Core S&P 500 ETF	-12.1%
iShares S&P/TSX 60 Index ETF	-3.9%
Canadian Government Bond 2.750%, 2027-09-01	-1.1%
Total Net Asset Value (\$000)	698,869

The Summary of Investment Portfolio may change due to ongoing portfolio transactions. A quarterly update is available on our website at www.pictonmahoney.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

**THINK AHEAD.
STAY AHEAD.**

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PICTON MAHONEY ASSET MANAGEMENT CORPORATE INFORMATION

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Shareholder Services
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