AUDITED ANNUAL FINANCIAL STATEMENTS **DECEMBER 2024**

PICTON MAHONEY Asset Management

FORTIFIED ARBITRAGE ALTERNATIVE FUND

THINK AHEAD.
STAY AHEAD.

TABLE OF CONTENTS

MANAGEMENT'S RESPONSIBILITY STATEMENT

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

The financial statements have been prepared in accordance with those requirements of International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain amounts that are based on estimates and judgements. Management maintains appropriate processes to ensure that relevant and reliable financial information is produced.

The financial statements have been audited by PricewaterhouseCoopers LLP. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on these financial statements. Their report is set out on the following pages.

Picton Mahoney Asset Management
Toronto, Ontario
March 24, 2025

INDEPENDENT AUDITOR'S REPORT

To the Unitholders and Trustee of
Picton Mahoney Fortified Arbitrage Alternative Fund (the Fund)

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Fund's financial statements comprise:

- the statements of financial position as at December 31, 2024 and 2023;
- the statements of comprehensive income for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the 2024 Annual Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
March 24, 2025

STATEMENTS OF FINANCIAL POSITION

As at

	December 31, 2024 $	December 31, 2023 $
Assets		
Current assets		
Long positions at fair value*	**153,925,269**	165,378,258
Cash	**-**	150,303,317
Cash, pledged as collateral	**2,589,119**	29,978,290
Options purchased*	**268,841**	95,572
Unrealized gain on foreign exchange forward contracts at fair value	**129,978**	5,623,914
Unrealized gain on contracts for differences	**-**	8,926
Subscriptions receivable	**41,775**	152,551
Receivable for investments sold	**-**	425,312
Dividends receivable	**47,823**	237,200
Interest and other receivable	**999,987**	532,800
	158,002,792	352,736,140
Liabilities		
Current liabilities		
Short positions at fair value**	**11,364,907**	41,138,186
Options written**	**13,494**	42,543
Unrealized loss on foreign exchange forward contracts at fair value	**4,475,447**	-
Unrealized loss on contracts for differences	**-**	378,163
Cash overdraft	**270,214**	-
Management fee payable	**105,228**	101,549
Performance fee payable	**65,757**	214,188
Redemptions payable	**43,083**	189,397
Accrued liabilities	**258,503**	210,011
Payable for investments purchased	**-**	1,855,963
Dividends payable	**49,644**	121,796
	16,646,277	44,251,796
Net Assets Attributable to Holders of Redeemable Units	**141,356,515**	308,484,344
Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	**12,065,301**	14,934,051
Class F	**115,425,258**	131,179,135
Class I	**13,865,956**	162,371,158
Number of Redeemable Units Outstanding		
Class A	**1,045,127**	1,299,571
Class F	**9,419,878**	10,851,949
Class I	**995,747**	12,060,642
Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	**11.54**	11.49
Class F	**12.25**	12.09
Class I	**13.93**	13.46
* Long positions, at cost	**147,703,025**	167,343,448
** Short positions, at cost	**(11,193,088)**	(40,990,838)

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

Approved on behalf of the Manager

David Picton — President

Arthur Galloway — CFO

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31

	2024 $	2023 $
Income		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	**4,943,919**	4,740,981
Dividends	**609,643**	877,516
Net realized gain (loss) on investments and options	**6,365,260**	18,812,851
Net realized gain (loss) on foreign exchange forward contracts and contracts for differences	**(2,629,646)**	(5,219,386)
Change in unrealized appreciation (depreciation) on investments, options, foreign exchange forward contracts and contracts for differences	**(1,235,309)**	(7,643,165)
Interest and borrowing expense	**(103,499)**	(150,239)
Dividend expense	**(533,479)**	(488,143)
Net gains (losses) on investments and derivatives	**7,416,889**	10,930,415
Other income		
Securities lending income	**4,779**	1,407
Foreign currency gain (loss) on cash and other assets and liabilities	**1,212,953**	39,477
Total Income	**8,634,621**	10,971,299
Expenses		
Management fees	**1,659,495**	2,033,235
Performance fees	**870,386**	466,877
Transaction costs	**165,208**	359,004
Securityholder reporting fees	**139,137**	220,576
Administrative fees	**114,872**	194,823
Withholding taxes	**52,928**	80,095
Legal fees	**42,765**	51,306
Audit fees	**20,876**	40,115
Independent Review Committee fees	**6,550**	6,886
Total expense before manager absorption	**3,072,217**	3,452,917
Less expenses absorbed by manager	**-**	-
Total expense after manager absorption	**3,072,217**	3,452,917
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	**5,562,404**	7,518,382
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	**351,727**	430,406
Class F	**4,185,376**	5,066,562
Class I	**1,025,301**	2,021,414
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	**0.31**	0.32
Class F	**0.42**	0.41
Class I	**0.79**	0.72

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

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

For the years ended December 31

	2024 $	2023 $
Net Assets Attributable to Holders of Redeemable Units at Beginning of Year		
Class A	**14,934,051**	18,087,105
Class F	**131,179,135**	183,937,418
Class I	**162,371,158**	139,778,516
	308,484,344	341,803,039
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Class A	**351,727**	430,406
Class F	**4,185,376**	5,066,562
Class I	**1,025,301**	2,021,414
	5,562,404	7,518,382
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Class A	**614,750**	2,058,616
Class F	**29,292,306**	30,141,327
Class I	**-**	150,000,000
	29,907,056	182,199,943
Reinvestments of distributions to holders of redeemable units		
Class A	**251,406**	578,089
Class F	**1,977,295**	4,283,939
Class I	**245,455**	5,656,029
	2,474,156	10,518,057
Redemption of redeemable units		
Class A	**(3,827,867)**	(5,611,311)
Class F	**(48,873,329)**	(87,159,577)
Class I	**(149,530,503)**	(129,428,772)
	(202,231,699)	(222,199,660)
Net Increase (Decrease) from Redeemable Unit Transactions	**(169,850,487)**	(29,481,660)

	2024 $	2023 $
Distributions to Holders of Redeemable Units		
From net investment income		
Class A	**(219,429)**	-
Class F	**(1,980,487)**	-
Class I	**(208,142)**	-
	(2,408,058)	-
From capital gains		
Class A	**(39,337)**	(608,854)
Class F	**(355,038)**	(5,090,534)
Class I	**(37,313)**	(5,656,029)
	(431,688)	(11,355,417)
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	**(167,127,829)**	(33,318,695)
Net Assets Attributable to Holders of Redeemable Units at End of Year		
Class A	**12,065,301**	14,934,051
Class F	**115,425,258**	131,179,135
Class I	**13,865,956**	162,371,158
Net Assets Attributable to Holders of Redeemable Units at End of Year	**141,356,515**	308,484,344

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

STATEMENTS OF CASH FLOWS

For the years ended December 31

	2024 $	2023 $
Cash Flows from Operating Activities		
Increase (decrease) in net assets attributable to holders of redeemable units	**5,562,404**	7,518,382
Adjustments for:		
Unrealized foreign exchange (gain) loss on cash	**(569,345)**	553,737
Net realized (gain) loss on investments and options	**(6,365,260)**	(18,812,851)
Change in unrealized (appreciation) depreciation on investments, options, foreign exchange forward contracts and contracts for differences	**1,235,309**	7,643,165
(Increase) decrease in interest and other receivables	**(467,187)**	(500,575)
(Increase) decrease in dividends receivable	**189,377**	(156,845)
Increase (decrease) in interest and other payable	**-**	(9,262)
Increase (decrease) in dividends payable	**(72,152)**	121,796
Increase (decrease) in other payable and accrued liabilities	**(96,260)**	247,981
Purchase of long positions and repurchase of investments sold short	**(430,974,268)**	(537,985,968)
Proceeds from sale of long positions and on investments sold short	**425,751,106**	652,111,831
Net cash generated (used) by operating activities	**(5,806,276)**	110,731,391

	2024 $	2023 $
Cash Flows from Financing Activities		
Distributions to holders of redeemable units, net of reinvested distributions	**(365,590)**	(837,360)
Proceeds from redeemable units issued	**29,826,027**	181,504,195
Amount paid on redemption of redeemable units	**(202,186,208)**	(221,849,870)
Increase (decrease) in margin borrowings	**-**	(878,112)
Net cash generated (used) by financing activities	**(172,725,771)**	(42,061,147)
Unrealized foreign exchange gain (loss) on cash	**569,345**	(553,737)
Net increase (decrease) in cash	**(178,532,047)**	68,670,244
Cash, beginning of year	**180,281,607**	112,165,100
Cash, end of year	**2,318,905**	180,281,607
Cash	**-**	150,303,317
Cash, pledged as collateral	**2,589,119**	29,978,290
Cash overdraft	**(270,214)**	-
Net Cash (Overdraft)	**2,318,905**	180,281,607
Items Classified as Operating Activities:		
Interest received, net of withholding tax	**4,476,732**	4,240,406
Dividends received, net of withholding tax	**746,092**	640,576
Interest and borrowing expense paid	**(103,499)**	(159,501)
Dividends paid	**(605,631)**	(366,347)

Net of non-cash transfers and switches of $191,805 (2023 - $550,905)

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

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2024

CCY*	No. of shares/ units/ Face value	Security Description	Average cost ($)	Fair value ($)
	LONG POSITIONS (109.1%)			
	Canadian Equities (5.6%)			
	Materials (1.8%)			
	65,700	Filo Corp.	2,097,894	2,091,231
	30,900	SilverCrest Metals Inc., NYSE	453,559	404,410
			2,551,453	2,495,641
	Industrial (0.3%)			
	12,000	Heroux-Devtek Inc.	371,046	381,360
	Financials (3.5%)			
	36,780	Canadian Western Bank	1,637,321	2,160,825
	48,246	CI Financial Corp.	1,505,376	1,492,731
	9,845	National Bank of Canada	1,226,345	1,316,572
	3,600	VM Hotel Acquisition Corp., Restricted	38	44
	1,200	VM Hotel Acquisition Corp.	15,192	15
			4,384,272	4,970,187
		Total Canadian Equities - Long	**7,306,771**	**7,847,188**
	Canadian Debt (16.4%)			
	Short-Term Notes (16.4%)			
CAD	23,500,000	Canadian Treasury Bill 3.110%, 2025-06-18	23,141,155	23,141,155
		Total Canadian Debt - Long	**23,141,155**	**23,141,155**
	Global Equities (49.9%)			
	United States Equities (23.2%)			
	13,500	Abpro Holdings Inc., Warrants, 2028-06-02	417	1,213
	18,000	Air Transport Services Group Inc.	558,077	569,012
	1,892	AirJoule Technologies Corp., Warrants	127	2,748
	16,160	Alpha Modus Holdings Inc., Warrants, 2026-08-26	3,459	1,966
	16,160	AltEnergy Acquisition Corp., Warrants, 2028-11-02	721	98
	35,949	Avid Bioservices Inc.	610,782	638,521
	5,200	Berry Global Group Inc.	505,027	483,646
	8,110	CERo Therapeutics Holdings Inc., Warrants, 2026-09-01	262	97
	42,376	ChampionX Corp.	1,938,260	1,657,108
	5,390	Direct Selling Acquisition Corp., Warrants	1,021	85
	7,170	Electriq Power Holdings Inc., Warrants, 2028-07-31	2,212	3
	40,900	Endeavor Group Holdings Inc.	1,539,883	1,840,562
	56,100	Everi Holdings Inc.	1,001,751	1,090,033
	45,611	Frontier Communications Parent Inc.	2,225,216	2,276,253
	9,771	GIGCapital 7 Inc.	15,136	16,161
	53,500	HashiCorp Inc.	2,417,562	2,632,258
	12,223	Hess Corp.	2,386,750	2,338,211
	6,980	iLearningEngines Holdings Inc., Warrants, 2029-04-16	1,906	131
	62,100	Infinera Corp.	565,019	586,784
	6,824	Juniper Networks Inc.	344,258	367,547
	46,300	Kellanova	5,080,401	5,391,707
	8,470	Newbury Street Acquisition Corp., Warrants, 2027-12-31	1,987	-
	990	Northern Star Investment Corp. II, Warrants, 2028-01-31	-	7
	23,900	Pactiv Evergreen Inc.	587,789	600,499
	13,500	Papaya Growth Opportunity Corp. I, Warrants	419	390
	20,900	Pershing Square Tontine Holdings Ltd.	-	3
	5,225	Pershing Square Tontine Holdings Ltd., Rights	-	1
	102,750	Retail Opportunity Investments Corp.	2,485,395	2,565,388
	8,110	Roadzen Inc., Warrants, 2028-11-30	276	1,750
	61,800	Smartsheet Inc.	4,621,900	4,980,015
	37,800	Summit Materials Inc.	2,700,779	2,750,831
	8,110	Syntec Optics Holdings Inc., Warrants, 2026-11-08	328	1,283
	8,110	Tevogen Bio Holdings Inc., Warrants, 2026-11-04	341	630
	17,987	United States Steel Corp.	1,156,436	879,289
	16,520	Viveon Health Acquisition Corp., Warrants, 2027-12-31	3,218	143
	5,390	XBP Europe Holdings Inc., Warrants, 2027-12-31	2,753	310
	18,890	Zeo Energy Corp., Warrants, 2026-10-20	884	2,839
	10,780	Zoomcar Holdings Inc., Warrants, 2028-07-01	351	304
	79,626	Zuora Inc.	1,101,389	1,136,026
			31,862,492	32,813,852
	International Equities (26.7%)			
	49,600	Agriculture & Natural Solutions Acquisition Corp.	682,049	748,305
	29,400	Alchemy Investments Acquisition Corp. 1, Warrants, 2028-06-26	-	3,810
	51,600	Aldel Financial II Inc.	713,081	746,568
	77,400	Andretti Acquisition Corp. II	1,047,574	1,112,059
	38,700	Andretti Acquisition Corp. II, Warrants, 2029-10-24	-	8,622
	18,760	Andretti Acquisition Corp. II, Class A units	101	108
	2,345	Andretti Acquisition Corp. II, Class B units	31,701	33,726
	174,900	Arcadium Lithium plc	1,327,041	1,290,413
	140,600	Ares Acquisition Corp. II	1,944,771	2,220,287
	36,850	Ares Acquisition Corp. II, Warrants, 2028-06-12	-	7,950
	10,420	Baird Medical Investment Holdings Ltd., Warrants, 2028-09-21	309	3,747

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2024

CCY*	No. of shares/ units/ Face value	Security Description	Average cost ($)	Fair value ($)
	35,199	Black Spade Acquisition II Co.	470,305	503,197
	11,733	Black Spade Acquisition II Co., Warrants, 2030-08-28	-	7,594
	13,700	Bleichroeder Acquisition Corp. I, Rights, 2025-02-14	-	3,350
	13,700	Bleichroeder Acquisition Corp. I	190,779	194,276
	6,900	Bold Eagle Acquisition Corp.	95,555	100,030
	8,110	Borealis Foods Inc., Warrants, 2026-08-26	225	883
	8,900	Bowen Acquisition Corp.	117,128	140,033
	8,900	Bowen Acquisition Corp., Rights	-	2,145
	16,160	Cactus Acquisition Corp. 1 Ltd., Warrants, 2026-10-29	521	281
	17,600	Cantor Equity Partners Inc.	241,533	261,224
	8,110	Captivision Inc., Warrants, 2028-11-16	-	117
	131,900	Centurion Acquisition Corp.	1,816,729	1,916,914
	65,950	Centurion Acquisition Corp., Warrants, 2029-08-01	-	12,805
	14,773	Centurion Acquisition Corp., Class A units	81	85
	18,466	Centurion Acquisition Corp., Class B units	25,312	26,558
	14,200	Chenghe Acquisition II Co.	195,101	206,676
	7,100	Chenghe Acquisition II Co., Warrants, 2029-07-29	-	523
	15,300	Churchill Capital Corp. IX, Warrants, 2029-06-11	-	9,572
	61,200	Churchill Capital Corp. IX	838,965	910,989
	27,498	Cohen Circle Acquisition Corp. I	378,180	395,478
	9,166	Cohen Circle Acquisition Corp. I, Warrants, 2029-11-29	-	5,800
	2	Cohen Circle Acquisition Corp. I, NASD	28	29
	1,055	Cohen Circle Acquisition Corp., Class A units	14,360	15,173
	10,546	Cohen Circle Acquisition Corp., Class B units	72	76
	18,898	Colombier Acquisition Corp. II	258,724	319,356
	7,566	Colombier Acquisition Corp. II, Warrants, 2028-12-31	-	17,410
	10,780	CSLM Acquisition Corp., Rights	296	1,860
	5,390	CSLM Acquisition Corp., Warrants	165	620
	13,500	DP Cap Acquisition Corp. I, Warrants	627	485
	8,600	Dynamix Corp.	119,949	122,696
	4,550	Enstar Group Ltd.	2,026,968	2,107,445
	93,900	EQV Ventures Acquisition Corp.	1,282,929	1,347,776
	31,300	EQV Ventures Acquisition Corp., Warrants, 2030-08-07	-	16,206
	20,600	Fact II Acquisition Corp.	288,448	295,678
	16,160	Finnovate Acquisition Corp., Warrants	538	1,102
	49,200	GigCapital7 Corp.	661,833	707,244
	49,200	GigCapital7 Corp., Warrants, 2029-09-11	-	4,550
	10,480	Global Blue Group Holding AG, Warrants, 2025-08-31	14,479	460
	133,000	GP-Act III Acquisition Corp., NASD	1,821,095	1,943,421
	14,522	GP-Act III Acquisition Corp., OTC	79	84
	66,500	GP-Act III Acquisition Corp., NASD, Warrants, 2027-12-31	-	13,390
	18,152	GP-Act III Acquisition Corp., OTC, Warrants, 2027-12-31	24,831	26,106
	8,582	Graf Global Corp., Class A units	47	49
	10,728	Graf Global Corp., Class B units	14,726	15,429
	35,350	Graf Global Corp., Warrants, 2029-08-07	-	7,372
	70,700	Graf Global Corp.	968,248	1,025,964
	34,400	GSR III Acquisition Corp.	476,976	497,712
	730	GSR III Acquisition Corp., Class A units	-	-
	6,489	GSR III Acquisition Corp., Class B units	10,157	10,499
	14,200	Haymaker Acquisition Corp. 4	187,731	219,951
	8,700	Haymaker Acquisition Corp. 4, Warrants, 2028-09-12	-	1,752
	136,300	HCM II Acquisition Corp.	1,869,556	1,964,197
	68,150	HCM II Acquisition Corp., Warrants, 2029-10-10	-	11,762
	12,655	HCM II Acquisition Corp. - Class A	69	73
	15,818	HCM II Acquisition Corp. - Class B	21,573	22,750
	14,060	Investcorp AI Acquisition Corp., Warrants, 2027-06-28	-	324
	39,000	Israel Acquisitions Corp.	527,766	634,379
	52,400	Israel Acquisitions Corp., Warrants, 2028-02-28	-	3,022
	27,500	Jackson Acquisition Co II	389,662	397,880
	117,500	Launch One Acquisition Corp.	1,600,393	1,696,653
	58,750	Launch One Acquisition Corp., Warrants, 2029-08-29	-	11,407
	17,165	Launch One Acquisition Corp. - Class A	94	99
	21,456	Launch One Acquisition Corp. - Class B	29,263	30,858
	48,100	Launch Two Acquisition Corp.	656,751	689,011
	24,050	Launch Two Acquisition Corp., Warrants, 2029-11-26	-	6,741
	8,436	Launch Two Acquisition Corp. - A	46	49
	10,546	Launch Two Acquisition Corp. - B	14,336	15,167
	30,200	Legato Merger Corp. III	408,439	446,934

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2024

CCY*	No. of shares/ units/ Face value	Security Description	Average cost ($)	Fair value ($)
	15,100	Legato Merger Corp. III, Warrants, 2029-03-28	-	3,475
	106,400	Lionheart Holdings	1,460,495	1,547,085
	53,200	Lionheart Holdings, Warrants, 2029-08-09	-	8,416
	12,874	Lionheart Sponsor, LLC, Class A units	58	61
	16,092	Lionheart Sponsor, LLC, Class B units	22,135	23,144
	129,700	M3-Brigade Acquisition V Corp.	1,794,783	1,876,547
	64,850	M3-Brigade Acquisition V Corp., Warrants, 2030-09-23	-	16,788
	12,101	M3-Brigade Sponsor V LLC, Class B units	24,800	26,106
	14,522	M3-Brigade Sponsor V LLC, Class A units	79	84
	7,640	Mars Acquisition Corp., Rights	-	4,175
	23,000	Melar Acquisition Corp. I	315,709	333,434
	11,500	Melar Acquisition Corp. I, Warrants, 2031-06-01	-	1,902
	126,700	Mercer Park Opportunities Corp.	1,738,904	1,803,987
	126,700	Mercer Park Opportunities Corp., Warrants, 2029-08-29	-	9,111
	126,700	Mercer Park Opportunities Corp., Rights	-	9,111
	17,200	Mountain Lake Acquisition Corp.	244,903	247,866
	99,200	Nabors Energy Transition Corp. II	1,358,995	1,540,838
	26,150	Nabors Energy Transition Corp. II, Warrants, 2028-09-05	-	6,017
	42,900	Newbury Street II Acquisition Corp.	597,402	616,374
	25,428	Newbury Street II Acquisition, Class A units	141	146
	2,543	Newbury Street II Acquisition, Class B units	35,260	36,574
	5,390	Northern Revival Acquisition Corp., Warrants	1,871	233
	5,200	Oaktree Acquisition Corp. III Life Sciences	72,012	75,759
	21,550	Pearl Holdings Acquisition Corp., Warrants, 2026-12-15	837	1,336
	5,407	PowerUp Acquisition Corp., Warrants, 2027-02-18	-	369
	7,100	RF Acquisition Corp. II	96,592	104,359
	7,100	RF Acquisition Corp. II, Rights	-	564
	10,780	Roth CH Acquisition Co., Warrants, 2028-10-29	332	144
	6,532	Silexion Therapeutics Corp., Warrants, 2029-08-15	1,859	316
	69,000	Silverbox Corp. IV	946,437	1,001,294
	23,000	Silverbox Corp. IV, Warrants, 2029-09-24	-	7,615
	14,776	SilverBox Corp. IV - Class A	81	85
	1,847	SilverBox Corp. IV - Class B	25,347	26,564
	98,600	SIM Acquisition Corp. I	1,342,912	1,423,745
	49,300	SIM Acquisition Corp. I, Warrants, 2029-08-28	-	8,579
	4,218	SIM Acquisition Corp. I, Class A units	19	20
	5,273	SIM Acquisition Corp. I, Class B units	7,187	7,584
	17,700	Spark I Acquisition Corp.	242,745	270,855
	9,900	Spark I Acquisition Corp., Warrants, 2028-11-27	-	1,512
	19,717	TortoiseEcofin Acquisition Corp. III, Warrants	74	85
	16,300	Translational Development Acquisition Corp.	234,908	235,131
	24,270	Valuence Merger Corp. I, Warrants, 2027-03-01	-	1,225
	24,200	Voyager Acquisition Corp.	332,180	349,090
	12,100	Voyager Acquisition Corp., Warrants, 2031-05-16	-	2,175
	34,400	Willow Lane Acquisition Corp.	476,881	493,754
	7,800	Zalatoris II Acquisition Corp.	113,190	121,715
	17,520	Zooz Power Ltd., Warrants, 2029-04-04	500	1,398
			35,297,923	37,772,073
		Total Global Equities - Long	**67,160,415**	**70,585,925**
	Global Debt (37.0%)			
	Short-Term Notes (36.2%)			
USD	36,500,000	United States Treasury Bill 4.888%, 2025-02-06	48,822,190	51,276,957
	United States Bonds (0.8%)			
USD	70,000	Axon Enterprise Inc. 0.500%, 2027-12-15	295,542	262,763
USD	196,000	Cinemark Holdings Inc. 4.500%, 2025-08-15	626,861	613,073
USD	70,000	Granite Construction Inc. 3.750%, 2028-05-15	216,558	198,208
			1,138,961	1,074,044
		Total Global Debt - Long	**49,961,151**	**52,351,001**
	Options (0.2%)			
		Total Purchased Options - Refer to Appendix A	**157,008**	**268,841**
		Transaction Costs	**(23,475)**	**-**
		Total Long Positions	**147,703,025**	**154,194,110**
	SHORT POSITIONS (-8.0%)			
	Canadian Equities (-2.7%)			
	Materials (-0.3%)			
	(33,398)	Lundin Mining Corp.	(460,438)	(413,133)
	Financials (-2.4%)			
	(26,254)	National Bank of Canada	(3,024,538)	(3,440,324)
		Total Canadian Equities - Short	**(3,484,976)**	**(3,853,457)**

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2024

CCY*	No. of shares/ units/ Face value	Security Description	Average cost ($)	Fair value ($)
		Global Equities (-5.3%)		
		United States Equities (-3.7%)		
	(300)	Axon Enterprise Inc.	(288,179)	(256,427)
	(12,043)	Chevron Corp.	(2,457,972)	(2,508,676)
	(13,629)	Cinemark Holdings Inc.	(620,529)	(607,249)
	(49,579)	Coeur Mining Inc.	(463,486)	(407,864)
	(27,800)	Endeavor Group Holdings Inc.	(1,042,626)	(1,251,042)
	(1,457)	Granite Construction Inc.	(203,421)	(183,794)
			(5,076,213)	(5,215,052)
		International Equities (-1.6%)		
	(35,525)	Amcor plc	(501,176)	(480,779)
	(15,517)	Nokia Oyj	(89,515)	(98,863)
	(31,134)	Schlumberger N.V.	(2,016,854)	(1,716,756)
			(2,607,545)	(2,296,398)
		Total Global Equities - Short	**(7,683,758)**	**(7,511,450)**
		Options (0.0%)		
		Total Written Options - Refer to Appendix A	**(20,056)**	**(13,494)**
		Transaction Costs	**(4,298)**	**-**
		Total Short Positions	**(11,193,088)**	**(11,378,401)**
		Foreign Currency Forward Contracts (-3.1%)		
		Total Currency Hedge - Refer to Appendix B		**(4,345,469)**
		TOTAL INVESTMENT PORTFOLIO (98.0%)	**136,509,937**	**138,470,240**
		Other Assets Net of Liabililties (2.0%)		2,886,275
		TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)		**141,356,515**

**CCY denotes local currency of debt security*

APPENDIX A

OPTIONS (0.2%)

Issuer	Option Type	Number of Options	Strike $	Expiry	Average Cost $	Fair Value $
United States Steel Corp.	Call Option	69	$40	January, 2025	44,143	25,901
					44,143	25,901
Canadian Western Bank	Put Option	199	$40	March, 2025	12,342	2
Filo Corp.	Put Option	69	$29	February, 2025	2,122	2,203
Juniper Networks Inc.	Put Option	65	$32	January, 2026	16,409	8,413
Juniper Networks Inc.	Put Option	116	$35	January, 2025	11,412	6,256
Kellanova	Put Option	163	$65	June, 2025	7,889	12,753
Nokia Oyj Inc.	Put Option	69	$5	January, 2025	1,426	1,389
United States Steel Corp.	Put Option	177	$40	January, 2025	61,265	211,924
					112,865	242,940
Total Purchased Options					**157,008**	**268,841**
Frontier Communications	Written Call Option	(183)	$35	February, 2025	(12,287)	(7,896)
Frontier Communications Parent Inc.	Written Call Option	(30)	$35	January, 2025	(619)	(324)
Juniper Networks Inc.	Written Call Option	(45)	$40	January, 2025	(1,522)	(57)
Summit Materials Inc.	Written Call Option	(35)	$53	January, 2025	(714)	(309)
					(15,142)	(8,586)
Juniper Networks Inc.	Written Put Option	(65)	$27	January, 2026	(2,742)	(4,207)
Smartsheet Inc.	Written Put Option	(65)	$55	January, 2025	(2,172)	(701)
					(4,914)	(4,908)
Total Written Options					**(20,056)**	**(13,494)**

APPENDIX B

FOREIGN EXCHANGE FORWARD CONTRACTS (-3.1%)

Purchased Currency	Sold Currency	Forward Rate	Maturity Date	Fair Value ($)	Counterparty	Credit Rating
USD $4,000,000	CAD $5,614,240	0.71247	2025-02-13	128,587	Canadian Imperial Bank of Commerce	A-1
USD $1,500,000	CAD $2,152,350	0.69691	2025-02-13	1,391	Canadian Imperial Bank of Commerce	A-1
Unrealized gain on foreign exchange forward contracts at fair value				**129,978**		
CAD $556,960	USD $400,000	1.39240	2025-02-13	(17,306)	Canadian Imperial Bank of Commerce	A-1
CAD $120,882,740	USD $87,307,000	1.38457	2025-02-13	(4,458,141)	Canadian Imperial Bank of Commerce	A-1
Unrealized loss on foreign exchange forward contracts at fair value				**(4,475,447)**		
Net unrealized gain (loss) on foreign exchange forward contracts at fair value				**(4,345,469)**		

FUND SPECIFIC NOTES

As at December 31, 2024 and December 31, 2023

1. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2024	Level 1 $	Level 2 $	Level 3 $	Total $
Equities - Long	72,270,053	6,163,060	-	78,433,113
Short-term notes - Long	-	74,418,112	-	74,418,112
Bonds - Long	-	1,074,044	-	1,074,044
Options - Long	268,841	-	-	268,841
Forward contracts - Long	-	129,978	-	129,978
Equities - Short	(11,364,907)	-	-	(11,364,907)
Options - Short	(13,494)	-	-	(13,494)
Forward contracts - Short	-	(4,475,447)	-	(4,475,447)
Total	**61,160,493**	**77,309,747**	**-**	**138,470,240**

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2023	Level 1 $	Level 2 $	Level 3 $	Total $
Equities - Long	109,939,612	201,313	-	110,140,925
Short-term notes - Long	-	48,027,927	-	48,027,927
Bonds - Long	-	7,209,406	-	7,209,406
Options - Long	95,572	-	-	95,572
Forward contracts - Long	-	5,623,914	-	5,623,914
Contracts for differences - Long	-	8,926	-	8,926
Equities - Short	(41,138,186)	-	-	(41,138,186)
Options - Short	(42,543)	-	-	(42,543)
Contracts for differences - Short	-	(378,163)	-	(378,163)
Total	**68,854,455**	**60,693,323**	**-**	**129,547,778**

2. TRANSFERS BETWEEN LEVELS 1 AND 2

The following table presents the transfers between Levels 1 and 2 for securities held at December 31, 2024 and 2023.

December 31, 2024	Transfer from Level 1 to 2 $	Transfer from Level 2 to 1 $
Equities - Long	2,350	705
	2,350	705

December 31, 2023	Transfer from Level 1 to 2 $	Transfer from Level 2 to 1 $
Equities - Long	202	810
	202	810

As of December 31, 2024 and 2023, the equity securities transferred out of Level 1 relate to positions which were thinly traded on and around the period end, but were actively traded on December 31, 2023 and 2022, respectively.

The equity securities transferred into Level 1 relate to positions for which significant trading activity existed on December 31, 2024 and 2023 but which were thinly traded around December 31, 2023 and 2022, respectively.

FUND SPECIFIC NOTES (CONTINUED)

3. SECURITIES LENDING TRANSACTIONS

The Fund has entered into a securities lending program with its custodian, RBC Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund will receive collateral of at least 102% of the value of the securities on loan. Collateral consists primarily of fixed income securities. As at December 31, 2024, there was $nil (Collateral - $nil) of securities on loan (December 31, 2023 - $8,109,543 (Collateral - $8,271,736) of securities on loan). Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which the Fund's custodian is entitled to receive.

For the years ended December 31 2024 and 2023 securities lending income were as follows:

	2024 ($)	2023 ($)
Gross securities lending income	7,352	2,164
Securities lending charges	(2,573)	(757)
Net securities lending income	**4,779**	**1,407**
Withholding taxes on securities lending income	-	-
Net securities lending income received by the Fund	**4,779**	**1,407**
Security lending charges percentage of gross securities lending income	35%	35%

4. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

Financial Assets and Liabilities	Amounts Eligible for Offset			
	Gross Assets / (Liabilities) $	Financial Instruments $	Collateral received/paid $	Net $
December 31, 2024				
Derivative assets - Foreign exchange forward contracts	129,978	(129,978)	-	-
Derivative liabilities - Foreign exchange forward contracts	(4,475,447)	129,978	2,589,119	(1,756,350)
December 31, 2023				
Derivative assets - Foreign exchange forward contracts	5,623,914	-	-	5,623,914
Derivative assets - Contracts for differences	8,926	(8,926)	-	-
Derivative liabilities - Foreign exchange forward contracts	-	-	-	-
Derivative liabilities - Contracts for differences	(378,163)	8,926	369,237	-

5. OTHER PRICE RISK

Using Beta as a measure of the relationship of the Fund's performance versus its index, if the HFRI ED Merger Arbitrage Index (Hedged to Canadian dollar) were to increase or decrease by 5%, net assets would have increased or decreased by approximately $5,910,636 (December 31, 2023 - $13,094,917). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

FUND SPECIFIC NOTES (CONTINUED)

6. CURRENCY RISK

The currency risk reflects the net impact after taking into consideration the forward contracts. Foreign currencies to which the Fund had exposure as at December 31, 2024 and 2023 were as follows:

FINANCIAL INSTRUMENTS					
December 31, 2024 Currency	**Monetary $**	**Non-Monetary $**	**Forward Currency Contracts $**	**Total $**	**Percentage of Net Assets %**
United States Dollar	55,643,787	63,478,944	(118,230,107)	892,624	0.6%
Net Exposure	**55,643,787**	**63,478,944**	**(118,230,107)**	**892,624**	**0.6%**

FINANCIAL INSTRUMENTS					
December 31, 2023 Currency	**Monetary $**	**Non-Monetary $**	**Forward Currency Contracts $**	**Total $**	**Percentage of Net Assets %**
United States Dollar	66,960,768	69,154,184	(134,311,277)	1,803,675	0.6%
Net Exposure	**66,960,768**	**69,154,184**	**(134,311,277)**	**1,803,675**	**0.6%**

If the Canadian dollar had strengthened or weakened by 5% in relation to all other currencies held in the investment portfolio, net assets would have decreased or increased by approximately $44,631 (December 31, 2023 - $90,184). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

7. INTEREST RATE RISK

If the yield curve had shifted in parallel by 1%, with all other variables held constant, net assets will increase or decrease by $181,940 (December 31, 2023 - $552,373). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

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

Debt Instruments by Maturity Date	December 31, 2024 ($)		
	Long Positions	**Short Positions**	**Total**
Less than 1 year	75,031,185	-	75,031,185
1-3 years	262,763	-	262,763
3-5 years	198,208	-	198,208
Total	**75,492,156**	**-**	**75,492,156**

Debt Instruments by Maturity Date	December 31, 2023 ($)		
	Long Positions	**Short Positions**	**Total**
Less than 1 year	48,027,927	-	48,027,927
1-3 years	5,810,220	-	5,810,220
3-5 years	1,399,186	-	1,399,186
Total	**55,237,333**	**-**	**55,237,333**

FUND SPECIFIC NOTES (CONTINUED)

8. CREDIT RISK

The following table shows debt as a percentage of net assets attributable to holders of redeemable units held under each credit rating. All counterparties to derivative contracts had a credit rating of A- or higher. All cash is held with a financial institution with a minimum of credit rating A+.

December 31, 2024			
Bond Ratings	**Net**	**Long**	**Short**
AAA	52.6%	52.6%	0.0%
NR	0.8%	0.8%	0.0%

December 31, 2023			
Bond Ratings	**Net**	**Long**	**Short**
AAA	15.6%	15.6%	0.0%
NR	2.3%	2.3%	0.0%

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

9. CONCENTRATION RISK

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

Jurisdiction	% of Net Assets			
	December 31, 2024		December 31, 2023	
LONG POSITIONS		**109.2%**		**55.4%**
Canadian Equities		**5.6%**		**3.6%**
Financials	3.5%		0.0%	
Materials	1.8%		0.0%	
Industrial	0.3%		0.0%	
Energy	0.0%		2.3%	
Utilities	0.0%		1.3%	
Global Equities		**49.9%**		**32.1%**
International	26.7%		10.6%	
United States	23.2%		21.5%	
Canadian Debt		**16.4%**		**4.8%**
Short-Term Notes	16.4%		4.8%	
Global Debt		**37.0%**		**13.1%**
Short-Term Notes	36.2%		10.8%	
United States Bonds	0.8%		2.3%	
Derivatives		**0.3%**		**1.8%**
SHORT POSITIONS		**-11.2%**		**-13.4%**
Canadian Equities		**-2.7%**		**-3.6%**
Financials	-2.4%		-0.1%	
Materials	-0.3%		0.0%	
Energy	0.0%		-2.2%	
Utilities	0.0%		-1.3%	
Global Equities		**-5.3%**		**-9.7%**
United States Equities	-3.7%		-9.7%	
International Equities	-1.6%		0.0%	
Derivatives		**-3.2%**		**-0.1%**

FUND SPECIFIC NOTES (CONTINUED)

10. LIQUIDITY RISK

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

December 31, 2024 Financial Liabilities	On Demand $	< 3 months $	> 3 months $	Total $
Short positions	11,364,907	-	-	11,364,907
Redemptions payable	43,083	-	-	43,083
Accrued liabilities and other payables	-	479,132	-	479,132
Derivative liabilities	4,488,941	-	-	4,488,941
Cash overdraft	270,214	-	-	270,214

December 31, 2023 Financial Liabilities	On Demand $	< 3 months $	> 3 months $	Total $
Short positions	41,138,186	-	-	41,138,186
Redemptions payable	189,397	-	-	189,397
Accrued liabilities and other payables	-	647,544	-	647,544
Payable for investments purchased	1,855,963	-	-	1,855,963
Derivative liabilities	420,706	-	-	420,706

11. FUND UNIT TRANSACTIONS

For the years ended December 31

	2024			2023		
	Class A	Class F	Class I	Class A	Class F	Class I
Units issued and outstanding, beginning of year	1,299,571	10,851,949	12,060,642	1,551,777	15,147,788	10,526,861
Units issued	52,675	2,385,194	-	175,185	2,458,105	10,799,447
Units reinvested	21,826	161,766	17,684	50,338	354,696	420,567
Units redeemed	(328,945)	(3,979,031)	(11,082,579)	(477,729)	(7,108,640)	(9,686,233)
Units issued and outstanding, end of year	1,045,127	9,419,878	995,747	1,299,571	10,851,949	12,060,642
Weighted average number of units held during the year	1,146,389	10,008,268	1,297,727	1,364,920	12,472,519	2,820,060

12. COMMISSIONS

For the years ended December 31 (in $000)

	2024	2023
Brokerage commissions	165	359
Soft Dollar commissions	24	30

13. TAX LOSS CARRY FORWARDS

As at December 31 (in $000)

		2024	2023
Net capital losses carry forward		-	-
Non-capital losses carry forward	2042	-	116

14. LEVERAGE

During the year ended December 31, 2024, the Fund's aggregate exposure reached a low of 10.58% (year ended December 31, 2023 - 8.61%) and a high of 26.81% (year ended December 31, 2023 - 44.53%) of the Fund's NAV. As at December 31, 2024, the Fund's aggregate exposure was 15.95% (December 31, 2023 - 19.18%) of the Fund's NAV. The primary source of leverage was short positions in cash overdraft, equity securities and margin borrowings, which is governed by a prime brokerage agreement between the Fund and CIBC.

As at December 31, 2024 and December 31, 2023

1. GENERAL INFORMATION

Picton Mahoney Fortified Arbitrage Alternative Fund (formerly Vertex Liquid Alternative Fund) (the "Fund") was formed on January 3, 2019 under the laws of British Columbia. The Fund commenced operations on January 17, 2019. Picton Mahoney Asset Management acts as manager (the "Manager"), portfolio advisor (the "Portfolio Advisor") and trustee (the "Trustee") for the Fund. The Manager is responsible for the day-to-day business of the Fund, including the management of the Fund's investment portfolio. The address of the Fund's registered office is 33 Yonge Street, Suite 320, Toronto, Ontario, M5E 1G4. The financial statements are presented in Canadian dollars (CAD). These financial statements were authorized for issue by the Manager on March 24, 2025.

On October 21, 2019, the Manager and Vertex One Asset Management Inc. ("Vertex"), the previous manager for the Fund, entered into a purchase agreement (the "Purchase Agreement") pursuant to which the Manager acquired the investment fund management contracts for the Fund as of January 13, 2020 (the "Transaction").

Unitholders of the Fund approved the change of manager from Vertex to the Manager at a special meeting of the Fund's unitholders on November 28, 2019.

Further details of the Transaction were provided in a management information circular that was sent to unitholders in connection with the meetings as required by securities regulations, which is also available under the Fund's profile at www.sedarplus.ca. On closing of the Transaction, the Manager became the investment fund manager and Portfolio Advisor of the Fund.

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

Class A units are available to all investors. Class F units have lower fees than Class A units and are generally available only to investors who have fee-based accounts with dealers who have been approved by us to sell Class F units. Class I units are available to the Picton Mahoney Fortified Arbitrage Plus Alternative Fund, other investment funds managed by the Manager, institutional investors and to other investors on a case-by-case basis, all at the discretion of the Manager. There are no fees associated with this class in order to prevent fee duplication. As at December 31, 2024, the Fund currently has 3 classes of units: Class A, Class F, and Class I.

The investment objective of the Fund is to generate consistent, positive returns, with low volatility and low correlation to equity markets by investing in securities in Canada, the United States and in other foreign jurisdictions.

The Fund falls within the definition of an "alternative mutual fund" set out in NI 81-102 as it is permitted to use strategies generally prohibited by other types of mutual funds, such as the ability to invest more than 10% of its NAV in securities of a single issuer, either directly or through the use of specified derivatives, the ability to borrow cash, up to 30% of its NAV, to use for investment purposes, the ability to sell securities short (the combined level of cash borrowing and short selling is limited to 100% of its NAV in aggregate), and the ability to use leverage through the use of cash borrowing, short selling and specified derivatives. The maximum aggregate exposure to these sources of leverage, as calculated in accordance with section 2.9.1 of NI 81-102, shall not exceed 300% of the fund's NAV.

The Fund currently has an agreement whereby the Picton Mahoney Fortified Arbitrage Plus Alternative Fund has entered into derivative agreements with Canadian Imperial Bank of Commerce ("CIBC") in order to obtain economic exposure to the Fund's Class I units (formerly Class O units), similar to what would be achieved by an investment directly in the Class I units of the Fund.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The following is a summary of the material accounting policies and estimation techniques adopted by the Funds and applied in the preparation of these financial statements.

(a) Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

(b) Classification

(i) Assets

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

(ii) Liabilities

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss. As such, the Fund classifies all of its investment portfolio as financial assets or liabilities as fair value through profit or loss.The Fund's policy requires the Manager to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

(c) Fair Value Measurements

The Fund utilizes a three tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The three levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair values are classified as Level 1 when the related security or derivative is actually traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

(d) Valuation of Investments and Derivatives

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets, which include equities, bonds, options, and warrants are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

Securities not listed on any recognized public securities exchange are valued in the same manner based on available public quotations from recognized dealers in such securities. If market quotations are not readily available, securities will be valued at fair value as determined in good faith by or under the supervision of the Manager. The cost of investments represents the amount paid for each security and is determined on an average cost basis.

The fair value of financial assets and liabilities that are not traded in an active market, including over-the-counter derivatives, is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants and which make the maximum use of observable inputs.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Investment fund units held as investments are valued at their respective Net Asset Values on the relevant valuation dates as reported by the investment fund manager, as these values are the most readily and regularly available.

Warrants, options, and futures that are not listed on any recognized public securities exchange are valued using the Black-Scholes model and based on observable market inputs.

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

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

Other financial assets (held for collection) and other financial liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, where appropriate at the contract's effective interest rate. Due to their short-term nature, the fair value of other financial assets and financial liabilities carried at amortized cost approximates their carrying amount.

Receivable for investments sold and payable for investments purchased

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

(e) Cash

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

(f) Collateral

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

(g) Investment Transactions and Income Recognition

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

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

As at December 31, 2024 and December 31, 2023

(h) Valuation of Fund Units

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

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

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

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

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

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

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

(i) Foreign Currency Translation

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

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

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

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

(k) Transaction Costs

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

(l) 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.

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.

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.

(m) Margin Borrowings

Borrowings are recognized at fair value net of transaction costs incurred. They are subsequently valued at amortized cost; any difference is recognized in the Statements of Comprehensive Income over the period of the borrowing using the effective interest method.

The Fund has a margin borrowing facility for investment purposes up to 50% of its most recently calculated net asset value attributable to holders of redeemable units. The margin borrowing facility has no maturity and bears interest at Canadian overnight rates plus agreed spread with CIBC. The margin borrowing facility can be settled by the Fund at its discretion without any penalty. The securities held with CIBC form collateral for the margin borrowings. As at December 31, 2024, the total value of securities held as collateral was $108,375,095 (December 31, 2023 - $107,800,175). The margin borrowings from CIBC are due on demand. The carrying value of the margin borrowing approximates its fair value and is shown as "Margin borrowings" in the Statements of Financial Position. For the year January 1, 2024 to December 31, 2024, the Fund borrowed a minimum of $nil (year ended December 31, 2023 - $nil) and a maximum of $7,199,995 (year ended December 31, 2023 - $24,147,574) under this margin borrowing facility.

(n) Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Picton Mahoney has determined that all of the underlying funds in which the Fund invests are unconsolidated structured entities. In making this determination, Picton Mahoney evaluated the fact that decision making about the underlying funds' activities is not governed by voting or similar rights held by the Fund and other investors in any underlying funds.

The Fund may invest in underlying funds whose investment objectives range from achieving short- to long-term income and capital growth potential. Underlying funds may use leverage in a manner consistent with their respective investment objectives. Underlying funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportionate stake in the respective fund's net assets. The Fund's interests in underlying funds as at December 31, 2024 and December 31, 2023, held in the form of redeemable units, are included at their fair value in the Statement of Financial Position, which represent the Fund's maximum exposure in these underlying funds. The Fund does not provide and has not committed to provide any additional significant financial or other support to the underlying funds. The change in fair value of each of the underlying funds during the periods is included in 'Change in unrealized appreciation (depreciation) of investments, options, and foreign exchange forward contracts' in the Statement of Comprehensive Income.

(o) Offsetting

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

(p) Future accounting changes

In April 2024, the International Accounting Standards Board issued IFRS 18, "Presentation and Disclosure in the Financial Statements" which aims to improve the quality of financial reporting by introducing new requirements which include new required categories and subtotals in the Statement of comprehensive income and enhanced guidance on grouping of information. IFRS 18 replaces IAS 1, "Presentation of Financial Statements". This standard is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted. The Manager is currently assessing the impact of these new requirements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

Where no market data is available, the Fund may value positions using its own models, which are based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by the Manager, independent of the party that created them. Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund may consider observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

4. FINANCIAL INSTRUMENTS RISKS

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

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

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

Short sales entail certain risks, including the risk that a short sale of a security may expose a Fund to losses if the value of the security increases. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. In addition, a short sale by a Fund requires the Fund to borrow securities in order that the short sale may be transacted. There is no assurance that the lender of the securities will not require the security to be paid back by a Fund before the Fund wants to do so, possibly requiring the Fund to borrow the security elsewhere or purchase the security on the market at an unattractive price. Moreover, the borrowing of securities entails the payment of a borrowing fee. The borrowing fee may increase during the borrowing period, adding to the expense of the short sale strategy. There is also no guarantee that the securities sold short can be repurchased by a Fund due to supply and demand constraints in the equity markets. Finally, in order to maintain the appropriate ratios between the long portfolio and the short portfolio of a Fund, the Manager may be required to buy or sell short securities at unattractive prices. The maximum risk resulting for financial instruments held long is determined by the fair value of the instrument.

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

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

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

The Fund is exposed to credit risk. For other financial assets at amortized cost, the Manager considers both historical analysis and forward looking information in determining any expected credit loss. At December 31, 2024 and December 31, 2023, all receivables for investments sold, dividends receivable, due from manager, due from manager, deposits with brokers for securities sold short, and cash are held with counterparties with a good credit quality and are due to be settled within one week. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

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

Liquidity Risk:
Liquidity risk is the risk that a Fund will not be able to generate sufficient cash availability to execute its payment obligations. The Fund primarily invests in liquid securities that are readily realizable in an active market which is essential if the Fund is required to fund daily redemptions in the course of operations. The Fund from time to time may invest in restricted securities through private placements. However, this type of investment does not constitute a significant percentage of the Fund's Net Asset Value. The Fund may also maintain a cash reserve to accommodate normal-type redemptions. All liabilities of the Fund mature in one year or less. Redeemable units are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity will be representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

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

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.

Geopolitical Risk:
Unforeseeable events such as military action, terrorism, tariffs, trade, restrictions, natural disasters and pandemics may adversely impact global commercial activity and contribute to potential market volatility and liquidity concerns in various economic markets. These events may create significant disruption in supply chains, economic activity, global trading markets and issuers in which the Fund invests, thereby impacting the performance of the Fund.

5. CAPITAL MANAGEMENT

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

6. REDEEMABLE UNIT TRANSACTIONS

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

Investors may be admitted to the Fund or may acquire additional Units on a daily basis. Units of the Fund are offered at the Class Net Asset Value per Unit calculated as of the applicable Valuation Date. The minimum initial investment in the Fund is $2,000 for all Classes and the Manager has the discretion to accept a lesser initial subscription, provided, in each case, that the issuance of Units in respect of such subscription shall otherwise be exempt from the prospectus requirements of applicable securities legislation. Subsequent investments are subject to an additional minimum investment of CAD $500 subject to applicable securities legislation. The capital of the Fund is represented by issued redeemable Units with no par value. The Units are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's Net Asset Value per Unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of Units other than as described above. The relevant movements are shown on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units and in the Fund Specific Notes of each Fund.

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

7. DISTRIBUTIONS

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

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

8. TAXATION

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

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

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

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

9. OPERATING EXPENSES

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

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

Auditor's Fees
For the year ended December 31, 2024, fees paid or payable to PricewaterhouseCoopers LLP ("PwC") and other PwC Network firms for audit services to public interest entity funds managed by the Manager were $355,133. Fees for other services were $319,757.

10. RELATED PARTY TRANSACTIONS

(a) Management Fees

The Manager receives a management fee payable for providing its services to the Fund. The management fee varies for each class of units. The management fee is calculated and accrued daily based on a percentage of the net asset value of the class of units of the Fund, plus applicable taxes, and is payable on the last business day of each calendar quarter. This fee differs among the classes of units of the Fund. The annual management fee payable by the Fund to the Manager on Class A units is 2.00% and on Class F units is 1.00%. The management fee for Class I units of the Fund is negotiated by the investor and paid directly by the investor, and would not exceed the management fee payable on Class A units of the Fund.

Management Fee Distributions

The Manager may, in its discretion, agree to charge a reduced management fee as compared to the fee that the Manager otherwise would be entitled to receive from the Fund with respect to investments in the Fund by unitholders who hold a minimum amount of units during any period and/ or meet other criteria as determined by the Manager from time to time. In such cases, an amount equal to the difference between the management fee otherwise chargeable and the reduced fee payable by the Fund will be distributed regularly by the Fund to those unitholders as "Management Fee Distributions". The Manager reserves the right, in its discretion, to discontinue or change Management Fee Distributions at any time.

(b) Performance Fees

The Manager is entitled to a performance fee in relation to each Class A Units and Class F Units that is equal to 15% of the amount by which the total return of the class of Units exceeds the previous high water mark for each applicable class of Units. Any day a performance fee is paid for the Fund, a high water mark is set, which is equal to the NAV of such Fund on such date, after deducting all fees and expenses. No further performance fee will be paid until the NAV, adjusted for any distributions since the high water mark was last set, exceeds this high water mark value. This high water mark is perpetual and cannot be reset. Deficiencies to the high water mark accrue for each day the Fund does not exceed the high water mark and performance fees will not be accrued until the class of Units of the Fund has exceeded the high water mark. There is no performance fee associated with Class I Units of the Fund. Performance fees for the Fund will be calculated and accrued (and become payable) daily, and such accrued fees will be paid by the Fund quarterly such that, to the extent possible, the Unit price each day will reflect any performance fees payable at the end of such day. The Manager reserves the right to change the period for which any performance fee may be paid by a Fund to the Manager.

Performance fees are subject to applicable taxes. No change in the Manager's performance fee payment policy will be made without at least 60 days notice to the unitholders. The Manager has reserved the right to change the period for which any performance fee may be paid by the Fund to the Manager.

For the year ended December 31, 2024, the Fund incurred performance fees of $870,386 (December 31, 2023 - $466,877).

(c) Fund-on-Fund Fees and Expenses

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

11. SUBSEQUENT EVENT

Subsequent to year end, changes in U.S. policy and administration led to announced changes in trade arrangements amount the U.S., Canada, and Mexico. The potential for changes in existing trade agreements, the imposition of new tariffs, and retaliatory tariffs, or greater restrictions on trade in general, may lead to greater economic and market uncertainty. Should material market changes materialize, these may have an impact on the fund performance and underlying investments.

THINK AHEAD.
STAY AHEAD.

PICTON MAHONEY ASSET MANAGEMENT CORPORATE INFORMATION

Corporate Address

Picton Mahoney Asset Management
33 Yonge Street, Suite. 320
Toronto, Ontario
Canada M5E 1G4

Telephone: 416.955.4108
Toll free: 1.866.369.4108
Fax: 416.955.4100
Email: service@pictonmahoney.com
www.pictonmahoney.com

Fund Administration & Transfer Agent

Picton Mahoney Funds
C/O RBC Investor Services Trust,
Shareholder Services
155 Wellington Street West, 3rd Floor
Toronto, ON
Canada M5V 3L3

Auditor

PricewaterhouseCoopers LLP
18 York Street, Suite 2500
Toronto, Ontario
Canada M5J 0B2