

# FORTIFIED CORE BOND FUND



**THINK AHEAD.  
STAY AHEAD.**



## TABLE OF CONTENTS

---

2	Management's Responsibility Statement
3	Independent Auditor's Report
5	Picton Mahoney Fortified Core Bond Fund Financial Statements
18	Notes to the Financial Statements

## MANAGEMENT'S RESPONSIBILITY STATEMENT

---

The accompanying financial statements have been prepared by Picton Mahoney Asset Management, the Manager of the Picton Mahoney Fortified Core Bond 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 Core Bond 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.

## INDEPENDENT AUDITOR'S REPORT

---

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Christina Fox.

**/s/PricewaterhouseCoopers LLP**

**Chartered Professional Accountants, Licensed Public Accountants**

Toronto, Ontario

March 24, 2025

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## STATEMENTS OF FINANCIAL POSITION

As at

	December 31, 2024 \$	December 31, 2023 \$
<b>Assets</b>		
<b>Current assets</b>		
Long positions at fair value*	57,758,708	19,879,748
Cash	2,046,440	880,113
Options purchased*	55,809	48,751
Unrealized gain on foreign exchange forward contracts at fair value	20,586	305,503
Deposits with brokers for futures sold short	316,404	-
Due from Manager	32,160	81,680
Subscriptions receivable	1,922	-
Dividends receivable	-	1,071
Interest and other receivable	418,408	190,199
	<b>60,650,437</b>	<b>21,387,065</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Options written**	43,345	101,896
Unrealized loss on foreign exchange forward contracts at fair value	230,624	-
Cash overdraft	-	159,481
Management fee payable	17,141	1,337
Accrued liabilities	94,899	107,449
Payable for investments purchased	2,121	78,361
	<b>388,130</b>	<b>448,524</b>
<b>Net Assets Attributable to Holders of Redeemable Units</b>	<b>60,262,307</b>	<b>20,938,541</b>
<b>Net Assets Attributable to Holders of Redeemable Units per Class</b>		
Class A	2,986,567	54,002
Class F	13,830,526	2,381,729
Class I	22,229,523	17,461,500
Class O****	1,022,229	7,337
Class ETF	20,193,462	1,033,973
<b>Number of Redeemable Units Outstanding</b>		
Class A	288,153	5,294
Class F	1,314,065	231,431
Class I	2,078,726	1,681,782
Class O****	95,020	702
Class ETF	1,910,000	100,000
<b>Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Class A	10.36	10.20
Class F	10.52	10.29
Class I	10.69	10.38
Class O****	10.76	10.45
Class ETF***	10.57	10.34
* Long positions, at cost	56,442,786	19,448,481
** Short positions, at cost	(123,509)	(146,824)
*** Closing Market Price (TSX)	10.62	10.39

\*\*\*\* Class O units were first issued on November 3, 2023.

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

Approved on behalf of the Manager

David Picton

Arthur Galloway



President



CFO

## STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31

	2024 \$	2023 \$
<b>Income</b>		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	1,209,700	846,301
Dividends	33,660	21,637
Net realized gain (loss) on investments and options	613,670	161,418
Net realized gain (loss) on foreign exchange forward contracts and futures contracts	(152,029)	(224,021)
Change in unrealized appreciation (depreciation) on investments, options, foreign exchange forward contracts and futures contracts	410,938	715,273
Interest and borrowing expense	(13,420)	(16,012)
Dividend expense	-	(11,062)
Net gains (losses) on investments and derivatives	<b>2,102,519</b>	<b>1,493,534</b>
Other income		
Securities lending income	2,831	1,436
Foreign currency gain (loss) on cash and other assets and liabilities	6,414	(10,632)
Total Income	<b>2,111,764</b>	<b>1,484,338</b>
<b>Expenses</b>		
Transaction costs	79,372	87,234
Administrative fees	76,650	56,758
Management fees	55,550	17,870
Legal fees	27,260	63,904
Securityholder reporting fees	7,820	5,990
Independent review committee fees	7,069	7,038
Audit fees	4,796	3,213
Total expense before manager absorption	258,517	242,007
Less expenses absorbed by manager	(97,880)	(100,870)
Total expense after manager absorption	<b>160,637</b>	<b>141,137</b>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<b>1,951,127</b>	<b>1,343,201</b>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class</b>		
Class A	51,795	1,916
Class F	119,017	60,825
Class I	1,668,023	1,213,781
Class O****	26,809	337
Class ETF	85,483	66,342
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Class A	0.54	0.60
Class F	0.44	0.52
Class I	0.81	0.75
Class O****	0.78	0.48
Class ETF	0.28	0.60

\*\*\*\* Class O units were first issued on November 3, 2023.

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

# PICTON MAHONEY FORTIFIED CORE BOND FUND

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

For the years ended December 31

	2024 \$	2023 \$		2024 \$	2023 \$
<b>Net Assets Attributable to Holders of Redeemable Units at Beginning of Year</b>			<b>Distributions to Holders of Redeemable Units</b>		
Class A	54,002	51,177	From net investment income		
Class F	2,381,729	51,231	Class A	(36,539)	(1,344)
Class I	17,461,500	15,792,113	Class F	(107,009)	(54,268)
Class O****	7,337	-	Class I	(853,294)	(718,406)
Class ETF	1,033,973	1,113,195	Class O****	(13,871)	(25)
	<u>20,938,541</u>	<u>17,007,716</u>	Class ETF	(120,746)	(48,720)
				<u>(1,131,459)</u>	<u>(822,763)</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>			From capital gains		
Class A	51,795	1,916	Class A	(5,174)	-
Class F	119,017	60,825	Class F	(20,212)	-
Class I	1,668,023	1,213,781	Class I	(39,111)	-
Class O****	26,809	337	Class O****	(1,588)	-
Class ETF	85,483	66,342	Class ETF	(34,969)	-
	<u>1,951,127</u>	<u>1,343,201</u>		<u>(101,054)</u>	<u>-</u>
<b>Redeemable Unit Transactions</b>			From return of capital		
Proceeds from redeemable units issued			Class A	-	-
Class A	2,974,725	53,450	Class F	-	(19)
Class F	12,720,403	2,506,977	Class I	-	(252)
Class I	6,300,000	501,398	Class O****	-	-
Class O****	1,093,688	7,000	Class ETF	-	(17)
Class ETF	19,334,839	104,195		<u>-</u>	<u>(288)</u>
	<u>42,423,655</u>	<u>3,173,020</u>	<b>Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>		
				<u>39,323,766</u>	<u>3,930,825</u>
Reinvestments of distributions to holders of redeemable units			<b>Net Assets Attributable to Holders of Redeemable Units at End of Year</b>		
Class A	39,350	1,344	Class A	2,986,567	54,002
Class F	78,336	34,538	Class F	13,830,526	2,381,729
Class I	892,405	718,658	Class I	22,229,523	17,461,500
Class O****	15,460	25	Class O****	1,022,229	7,337
Class ETF	-	-	Class ETF	20,193,462	1,033,973
	<u>1,025,551</u>	<u>754,565</u>	<b>Net Assets Attributable to Holders of Redeemable Units at End of Year</b>		
Redemption of redeemable units				<u>60,262,307</u>	<u>20,938,541</u>
Class A	(91,592)	(52,541)	**** Class O units were first issued on November 3, 2023.		
Class F	(1,341,738)	(217,555)	The accompanying notes are an integral part of the financial statements.		
Class I	(3,200,000)	(45,792)			
Class O****	(105,606)	-			
Class ETF	(105,118)	(201,022)			
	<u>(4,844,054)</u>	<u>(516,910)</u>			
<b>Net Increase (Decrease) from Redeemable Unit Transactions</b>					
	<u>38,605,152</u>	<u>3,410,675</u>			



# PICTON MAHONEY FORTIFIED CORE BOND FUND

## STATEMENTS OF CASH FLOWS

For the years ended December 31

	2024 \$	2023 \$
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	1,951,127	1,343,201
Adjustments for:		
Unrealized foreign exchange (gain) loss on cash	(17,391)	15,840
Net realized (gain) loss on investments and options	(613,670)	(161,418)
Change in unrealized (appreciation) depreciation on investments, options, foreign exchange forward contracts and futures contracts	(410,938)	(715,273)
(Increase) decrease in due from manager	49,520	(60,080)
(Increase) decrease in interest and other receivables	(228,209)	(10,805)
(Increase) decrease in dividends receivable	1,071	(1,071)
(Increase) decrease in deposits with brokers for futures sold short	(316,404)	-
Increase (decrease) in other payable and accrued liabilities	3,254	82,510
Purchase of long positions and repurchase of investments sold short	(106,362,494)	(26,908,746)
Proceeds from sale of long positions and on investments sold short	69,881,834	24,513,580
<b>Net cash generated (used) by operating activities</b>	<b>(36,062,300)</b>	<b>(1,902,262)</b>
<b>Cash Flows from Financing Activities</b>		
Distributions to holders of redeemable units, net of reinvested distributions	(206,962)	(68,497)
Proceeds from redeemable units issued	42,420,429	3,173,020
Amount paid on redemption of redeemable units	(4,842,750)	(516,910)
<b>Net cash generated (used) by financing activities</b>	<b>37,370,717</b>	<b>2,587,613</b>
Unrealized foreign exchange gain (loss) on cash	17,391	(15,840)
Net increase (decrease) in cash	1,308,417	685,351
Cash, beginning of year	720,632	51,121
<b>Cash, end of year</b>	<b>2,046,440</b>	<b>720,632</b>
<b>Cash</b>	<b>2,046,440</b>	<b>880,113</b>
<b>Cash overdraft</b>	<b>-</b>	<b>(159,481)</b>
<b>Net Cash (Overdraft)</b>	<b>2,046,440</b>	<b>720,632</b>
<b>Items Classified as Operating Activities:</b>		
Interest received, net of withholding tax	981,491	835,496
Dividends received, net of withholding tax	34,731	20,566
Interest and borrowing expense paid	(13,420)	(16,012)
Dividends paid	-	(11,062)

Net of non-cash transfers and switches of \$1,304 (2023 - \$0)

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

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2024

CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
<b>LONG POSITIONS (95.9%)</b>					CAD	800,000	Canadian Government Bond 1.500%, 2031-12-01	706,063	720,719
<b>Canadian Equities (0.7%)</b>					CAD	450,000	Canadian Government Bond 2.250%, 2025-06-01	432,774	448,478
<b>Energy (0.4%)</b>					CAD	300,000	Government of Newfoundland and Labrador 6.550%, 2030-10-17	350,580	348,496
	225	Cenovus Energy Inc., Preferred Series 5	5,177	5,603	CAD	200,000	Government of Newfoundland and Labrador 3.850%, 2034-12-02	200,436	198,098
	1,400	Cenovus Energy Inc., Preferred Series 7	31,703	34,650	CAD	200,000	Province of New Brunswick Canada 4.650%, 2035-09-26	215,210	211,932
	1,500	Enbridge Inc., Preferred	45,642	51,128	CAD	1,000,000	Province of British Columbia Canada 2.750%, 2052-06-18	744,680	761,517
	4,000	Pembina Pipeline Corp., Preferred Series 19	89,109	99,320	CAD	650,000	Province of New Brunswick Canada 3.050%, 2050-08-14	510,885	524,319
	2,250	Pembina Pipeline Corp., Preferred Series 9	50,642	55,688	CAD	500,000	Province of Alberta Canada 3.050%, 2048-12-01	382,600	410,575
			222,273	246,389	CAD	500,000	Province of Alberta Canada 1.650%, 2031-06-01	453,450	450,183
<b>Financials (0.2%)</b>					CAD	800,000	Province of British Columbia Canada 2.200%, 2030-06-18	742,600	756,728
	1,000	Brookfield Corp., Preferred Ser. 44	19,717	25,150	CAD	1,000,000	Province of British Columbia Canada 1.550%, 2031-06-18	859,350	892,880
	3,950	Fairfax Financial Holdings Ltd., Preferred	90,781	98,908	CAD	200,000	Province of British Columbia Canada 4.150%, 2034-06-18	208,078	205,090
			110,498	124,058	CAD	200,000	Province of Manitoba Canada 4.400%, 2042-03-05	207,496	202,413
<b>Real Estate (0.1%)</b>					CAD	450,000	Province of Manitoba Canada 3.200%, 2050-03-05	359,905	372,953
	2,150	Brookfield Office Properties Inc., Preferred Series CC	43,362	46,204	CAD	700,000	Province of Manitoba Canada 2.050%, 2031-06-02	649,320	644,763
<b>Total Canadian Equities - Long</b>					CAD	450,000	Province of Nova Scotia Canada 3.150%, 2051-12-01	355,470	368,179
			<b>376,133</b>	<b>416,651</b>	CAD	500,000	Province of Nova Scotia Canada 2.000%, 2030-09-01	468,950	466,147
<b>Canadian Debt (82.6%)</b>					CAD	500,000	Province of Ontario Canada 2.650%, 2050-12-02	367,770	378,683
<b>Asset-Backed Securities (0.9%)</b>					CAD	750,000	Province of Ontario Canada 1.750%, 2025-09-08	722,875	743,606
CAD	200,000	BX Commercial Mortgage Trust 2024-PURE 6.961%, 2029-11-15	200,000	200,320	CAD	575,000	Province of Ontario Canada 1.900%, 2051-12-02	349,713	365,613
USD	250,000	St Lawrence Srt Usd 2 Corp. 0.000%, 2032-11-25	343,888	362,968	CAD	1,000,000	Province of Ontario Canada 1.050%, 2027-09-08	947,950	949,566
			543,888	563,288	CAD	1,000,000	Province of Ontario Canada 1.350%, 2030-12-02	889,313	893,904
<b>Government Bonds (37.5%)</b>					CAD	200,000	Province of Ontario Canada 4.150%, 2034-06-02	208,234	205,475
CAD	200,000	Province of Alberta Canada 4.500%, 2040-12-01	213,086	207,928	CAD	650,000	Province of Prince Edward Island Canada 2.650%, 2051-12-01	462,625	473,200
CAD	500,000	Canadian Government Bond 2.250%, 2029-06-01	470,787	487,310	CAD	1,000,000	Province of Quebec Canada 2.850%, 2053-12-01	753,428	773,500
CAD	1,150,000	Canadian Government Bond 2.750%, 2033-06-01	1,090,746	1,114,757	CAD	700,000	Province of Quebec Canada 2.100%, 2031-05-27	654,290	649,049
CAD	1,700,000	Canadian Government Bond 0.500%, 2030-12-01	1,468,902	1,468,220	CAD	400,000	Province of Saskatchewan Canada 3.100%, 2050-06-02	317,130	329,976
CAD	500,000	Canadian Government Bond 1.000%, 2026-09-01	456,130	484,910	CAD	500,000	Province of Saskatchewan Canada 2.200%, 2030-06-02	476,100	473,264
CAD	400,000	Canadian Government Bond 3.000%, 2025-10-01	392,960	399,959					
CAD	1,250,000	Canadian Government Bond 3.000%, 2034-06-01	1,227,565	1,228,469					
CAD	1,200,000	Canadian Government Bond 0.250%, 2026-03-01	1,139,270	1,163,544					
CAD	800,000	Canadian Government Bond 1.750%, 2053-12-01	555,790	567,195					
CAD	300,000	Canadian Government Bond 1.250%, 2027-03-01	272,103	289,805					

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2024

CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
CAD	700,000	Province of Quebec Canada 5.000%, 2041-12-01	768,610	766,046	CAD	200,000	Brookfield Renewable Partners ULC 5.450%, 2055-03-12	200,000	200,686
CAD	200,000	Province of Saskatchewan Canada 3.400%, 2042-02-03	185,160	180,349	CAD	250,000	Canada Life Capital Trust 7.529%, 2032-06-30	295,940	297,961
			22,238,384	22,577,798	CAD	300,000	Canadian Imperial Bank of Commerce 4.200%, 2032-04-07	299,662	302,740
<b>Corporate Bonds (44.2%)</b>					CAD	100,000	Canadian Imperial Bank of Commerce 5.330%, 2033-01-20	100,300	103,941
CAD	150,000	407 International Inc. 5.750%, 2036-02-14	169,394	166,963	CAD	250,000	Canadian Imperial Bank of Commerce 3.650%, 2028-12-10	249,713	250,415
CAD	200,000	Algonquin Power & Utilities Corp. 5.250%, 2082-01-18	170,623	192,032	CAD	250,000	Canadian Imperial Bank of Commerce 3.800%, 2030-12-10	249,583	249,681
CAD	100,000	Algonquin Power Co. 4.090%, 2027-02-17	97,370	101,126	CAD	400,000	Canadian Natural Resources Ltd. 4.150%, 2031-12-15	404,096	400,606
CAD	200,000	Algonquin Power Co. 2.850%, 2031-07-15	183,140	200,188	CAD	150,000	Canadian Pacific Railway Co. 2.540%, 2028-02-28	132,675	145,973
CAD	100,000	Allied Properties REIT 1.726%, 2026-02-12	93,306	97,429	CAD	200,000	Capital Power Corp. 8.125%, 2054-06-05	207,126	221,249
CAD	300,000	AltaGas Ltd. 2.075%, 2028-05-30	282,150	284,538	CAD	200,000	Capital Power Corp. 7.950%, 2082-09-09	210,204	219,672
CAD	350,000	AltaGas Ltd. 2.166%, 2027-03-16	335,432	340,133	CAD	300,000	Capital Power Corp. 3.147%, 2032-10-01	259,996	271,997
CAD	100,000	AltaGas Ltd. 5.141%, 2034-03-14	100,000	104,972	CAD	300,000	CCL Industries Inc. 3.864%, 2028-04-13	298,808	299,897
CAD	200,000	AltaGas Ltd. 5.250%, 2082-01-11	172,155	193,516	CAD	300,000	Canadian Imperial Bank of Commerce 5.300%, 2034-01-16	307,896	313,259
CAD	250,000	ARC Resources Ltd. 3.465%, 2031-03-10	223,017	239,291	CAD	150,000	Chip Mortgage Trust 4.244%, 2030-01-28	150,000	150,011
CAD	200,000	ATS Corp. 6.500%, 2032-08-21	201,250	202,062	CAD	200,000	Choice Properties REIT 3.546%, 2025-01-10	199,030	199,971
CAD	200,000	Bank of Montreal 7.373%, 2049-12-31	193,750	211,558	CAD	200,000	CNH Industrial Capital Canada Ltd. 4.000%, 2028-04-11	201,574	201,657
CAD	200,000	Bank of Montreal 7.325%, 2082-11-26	197,109	211,469	CAD	300,000	Cogeco Communications Inc. 2.991%, 2031-09-22	279,300	276,896
CAD	200,000	Bank of Montreal 5.625%, 2082-05-26	189,000	201,987	CAD	100,000	Cominar Real Estate Investment Trust 7.800%, 2027-12-18	100,498	100,750
CAD	250,000	Bank of Montreal 6.034%, 2033-09-07	267,268	266,919	CAD	200,000	Daimler Truck Finance Canada Inc. 2.460%, 2026-12-15	191,395	196,085
USD	75,000	Bank of Nova Scotia 4.900%, 2049-12-31	96,160	107,013	CAD	200,000	Dream Industrial Real Estate Investment Trust 2.057%, 2027-06-17	186,733	192,092
CAD	150,000	Bank of Nova Scotia 5.500%, 2026-05-08	149,996	153,974	CAD	200,000	Dream Industrial Real Estate Investment Trust 5.383%, 2028-03-22	209,156	208,531
CAD	200,000	Bank of Nova Scotia 7.023%, 2082-07-27	197,652	208,373	CAD	550,000	Enbridge Inc. 4.210%, 2030-02-22	560,885	558,639
CAD	300,000	Bank of Nova Scotia 4.680%, 2029-02-01	312,240	311,071	CAD	250,000	Enbridge Inc. 4.730%, 2034-08-22	259,600	255,664
CAD	200,000	Bank of Nova Scotia 3.836%, 2030-09-26	200,250	200,316	CAD	400,000	Enbridge Inc. 5.000%, 2082-01-19	350,278	385,974
CAD	400,000	Bank of Nova Scotia 4.950%, 2034-08-01	404,682	413,340					
CAD	374,000	Bank of Nova Scotia 4.442%, 2035-11-15	373,985	378,243					
CAD	400,000	Bell Telephone Co of Canada or Bell Canada 2.200%, 2028-05-29	367,285	382,439					
CAD	500,000	Bell Telephone Co of Canada or Bell Canada 5.850%, 2032-11-10	542,730	546,464					
CAD	350,000	Bell Telephone Co of Canada or Bell Canada 7.650%, 2031-12-30	405,290	406,150					

# **PICTON MAHONEY FORTIFIED CORE BOND FUND**

## **SCHEDULE OF INVESTMENT PORTFOLIO**

As at December 31, 2024

CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
CAD	250,000	Fairfax Financial Holdings Ltd. 4.250%, 2027-12-06	253,853	253,937	CAD	100,000	Pembina Pipeline Corp. 3.710%, 2026-08-11	97,334	100,317
CAD	200,000	Fairfax Financial Holdings Ltd. 4.730%, 2034-11-22	199,858	202,709	CAD	400,000	Pembina Pipeline Corp. 3.310%, 2030-02-01	390,630	389,432
CAD	300,000	Federation des Caisses Desjardins du Quebec 3.804%, 2029-09-24	300,804	300,281	CAD	100,000	Reliance LP 3.836%, 2025-03-15	99,199	100,026
CAD	250,000	First Capital Real Estate Investment Trust 3.604%, 2026-05-06	249,390	249,909	CAD	200,000	Rogers Communications Inc. 5.000%, 2081-12-17	181,123	200,413
CAD	100,000	Ford Credit Canada Co. 5.668%, 2030-02-20	100,000	104,718	CAD	200,000	Rogers Communications Inc. 3.100%, 2025-04-15	197,078	199,777
CAD	400,000	George Weston Ltd. 6.690%, 2033-03-01	444,199	451,344	CAD	400,000	Rogers Communications Inc. 4.250%, 2032-04-15	401,088	398,053
CAD	300,000	Gibson Energy Inc. 5.250%, 2080-12-22	255,157	292,977	CAD	200,000	Royal Bank of Canada 4.464%, 2035-10-17	206,294	203,322
CAD	100,000	Gibson Energy Inc. 4.450%, 2031-11-12	99,946	101,168	CAD	250,000	Royal Bank of Canada 3.626%, 2028-12-10	250,000	250,465
CAD	100,000	Gibson Energy Inc. 2.450%, 2025-07-14	97,552	99,405	CAD	400,000	Royal Bank of Canada 6.698%, 2049-12-31	408,600	417,636
CAD	250,000	Gibson Energy Inc. 2.850%, 2027-07-14	245,250	245,057	CAD	200,000	Royal Bank of Canada 4.500%, 2080-11-24	182,490	200,049
CAD	150,000	General Motors Financial of Canada Ltd. 1.750%, 2026-04-15	130,559	146,694	CAD	200,000	Royal Bank of Canada 7.408%, 2049-12-31	202,000	214,864
CAD	200,000	Granite REIT Holdings LP 2.194%, 2028-08-30	182,614	188,576	CAD	400,000	Royal Bank of Canada 5.228%, 2030-06-24	430,480	427,282
CAD	350,000	Husky Midstream LP 4.100%, 2029-12-02	352,747	352,009	CAD	200,000	Sleep Country Canada Holdings Inc. 6.625%, 2032-11-28	200,138	202,491
CAD	200,000	iA Financial Corp. Inc. 6.611%, 2082-06-30	194,500	206,075	CAD	200,000	Superior Plus LP 4.250%, 2028-05-18	188,338	189,800
CAD	200,000	iA Financial Corp. Inc. 6.921%, 2084-09-30	200,000	209,828	CAD	150,000	Sysco Canada Inc. 3.650%, 2025-04-25	143,775	150,035
CAD	400,000	Intact Financial Corp. 7.338%, 2083-06-30	402,500	423,711	CAD	350,000	TELUS Corp. 5.000%, 2029-09-13	363,724	365,825
CAD	250,000	Inter Pipeline Ltd. 6.750%, 2054-12-12	250,000	250,481	CAD	400,000	Toronto-Dominion Bank 5.750%, 2049-12-31	389,500	399,820
CAD	200,000	Inter Pipeline Ltd. 4.232%, 2027-06-01	200,920	201,746	CAD	300,000	Toronto-Dominion Bank 4.859%, 2031-03-04	300,255	304,111
CAD	150,000	Keyera Corp. 6.875%, 2079-06-13	141,000	157,763	CAD	400,000	Toronto-Dominion Bank 5.177%, 2034-04-09	414,632	416,463
CAD	125,000	Keyera Corp. 5.950%, 2081-03-10	107,460	126,554	CAD	310,000	Toronto-Dominion Bank 5.909%, 2085-01-31	310,000	309,014
CAD	400,000	Loblaw Cos Ltd. 6.500%, 2029-01-22	435,710	436,489	CAD	300,000	Toronto-Dominion Bank 7.232%, 2049-12-31	304,500	315,837
USD	200,000	Manitoulin USD Ltd. 13.290%, 2027-11-10	272,947	286,347	CAD	400,000	Toronto-Dominion Bank 4.680%, 2029-01-08	416,256	414,413
CAD	200,000	Manulife Financial Corp. 7.117%, 2082-06-19	191,250	208,520	CAD	250,000	TransCanada Pipelines Ltd. 5.277%, 2030-07-15	267,203	265,518
CAD	300,000	Manulife Financial Corp. 4.064%, 2034-12-06	302,352	300,753	CAD	100,000	Veren Inc. 5.503%, 2034-06-21	100,000	103,747
CAD	400,000	National Bank of Canada 5.426%, 2032-08-16	409,640	415,840	CAD	250,000	Videotron Ltd. 3.625%, 2028-06-15	248,625	248,433
CAD	400,000	North West Redwater Partnership 4.150%, 2033-06-01	407,552	400,705	CAD	100,000	VW Credit Canada Inc. 2.450%, 2026-12-10	93,959	97,816
CAD	100,000	Pembina Pipeline Corp. 4.800%, 2081-01-25	80,686	96,027	CAD	300,000	VW Credit Canada Inc. 4.490%, 2029-11-19	305,550	303,195
CAD	250,000	Pembina Pipeline Corp. 4.240%, 2027-06-15	253,175	253,490	CAD	300,000	Whitecap Resources Inc. 4.382%, 2029-11-01	303,056	302,539
					CAD	100,000	Wolf Midstream Canada LP 5.950%, 2033-07-18	99,987	100,939
								26,087,117	26,680,658
							<b>Total Canadian Debt - Long</b>	<b>48,869,389</b>	<b>49,821,744</b>



# PICTON MAHONEY FORTIFIED CORE BOND FUND

## APPENDIX A

### OPTIONS (0.0%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
CDX.NA.HY	Call Option	2,650,000	\$109	January, 2025	2,106	103
CDX.NA.HY	Call Option	3,500,000	\$110	February, 2025	3,305	549
iShares iBoxx High Yield Corp. Bond	Call Option	393	\$82	January, 2025	3,835	14
					9,246	666
3 Month SOFR	Put Option	40	\$95	December, 2025	34,903	6,831
CDX.NA.HY	Put Option	2,650,000	\$96	January, 2025	2,380	19
CDX.NA.HY	Put Option	3,500,000	\$105	February, 2025	16,402	12,786
CDX.NA.HY	Put Option	4,500,000	\$107	January, 2025	9,830	11,481
iShares iBoxx High Yield Corp. Bond	Put Option	652	\$78	January, 2025	24,209	21,567
S&P E-Mini 1st Week	Put Option	19	\$5,800	January, 2025	20,786	2,459
					108,510	55,143
<b>Total Purchased Options</b>					<b>117,756</b>	<b>55,809</b>
CDX.NA.HY	Written Call Option	(2,650,000)	\$109	January, 2025	(4,028)	(556)
CDX.NA.HY	Written Call Option	(3,500,000)	\$109	February, 2025	(6,242)	(1,268)
iShares iBoxx High Yield Corp. Bond	Written Call Option	(393)	\$81	January, 2025	(4,657)	(122)
					(14,927)	(1,946)
3 Month SOFR	Written Put Option	(40)	\$96	December, 2025	(71,734)	(29,124)
CDX.NA.HY	Written Put Option	(2,650,000)	\$100	January, 2025	(5,676)	(53)
CDX.NA.HY	Written Put Option	(3,500,000)	\$102	February, 2025	(6,181)	(5,869)
CDX.NA.HY	Written Put Option	(4,500,000)	\$105	January, 2025	(2,901)	(2,382)
iShares iBoxx High Yield Corp. Bond	Written Put Option	(652)	\$75	January, 2025	(11,320)	(3,629)
S&P E-Mini 1st Week	Written Put Option	(19)	\$5,600	January, 2025	(10,770)	(342)
					(108,582)	(41,399)
<b>Total Written Options</b>					<b>(123,509)</b>	<b>(43,345)</b>

## APPENDIX B

### FOREIGN EXCHANGE FORWARD CONTRACTS (-0.3%)

Purchased Currency	Sold Currency	Forward Rate	Maturity Date	Fair Value (\$)	Counterparty	Credit Rating
USD \$500,000	CAD \$697,250	0.71710	2025-02-13	20,586	Canadian Imperial Bank of Commerce	A-1
<b>Unrealized gain on foreign exchange forward contracts at fair value</b>				<b>20,586</b>		
CAD \$339,487	GBP \$189,000	1.79623	2025-02-06	(357)	Canadian Imperial Bank of Commerce	A-1
CAD \$7,045,635	USD \$5,068,000	1.39022	2025-02-13	(230,267)	Canadian Imperial Bank of Commerce	A-1
<b>Unrealized loss on foreign exchange forward contracts at fair value</b>				<b>(230,624)</b>		
<b>Net unrealized gain (loss) on foreign exchange forward contracts at fair value</b>				<b>(210,038)</b>		

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## 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	660,544	-	-	660,544
Bonds - Long	-	55,889,337	1,208,827	57,098,164
Options - Long	55,809	-	-	55,809
Forward contracts - Long	-	20,586	-	20,586
Options - Short	(43,345)	-	-	(43,345)
Forward contracts - Short	-	(230,624)	-	(230,624)
<b>Total</b>	<b>673,008</b>	<b>55,679,299</b>	<b>1,208,827</b>	<b>57,561,134</b>

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2023				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	593,826	-	-	593,826
Bonds - Long	-	19,285,922	-	19,285,922
Options - Long	48,751	-	-	48,751
Forward contracts - Long	-	305,503	-	305,503
Options - Short	(101,896)	-	-	(101,896)
<b>Total</b>	<b>540,681</b>	<b>19,591,425</b>	<b>-</b>	<b>20,132,106</b>

## 2. RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

The following table reconciles the Fund's Level 3 fair value measurements of financial instruments for the year ended December 31, 2024.

December 31, 2024	Debt Instruments - Long \$	Debt Instruments - Short \$	Total \$
<b>Balance at Beginning of year</b>	-	-	-
Investment purchases during the year	1,156,335	-	1,156,335
Proceeds from sales during the year	-	-	-
Transfers in during the year	-	-	-
Transfers out during the year	-	-	-
Net realized gain (loss) on sale of investments	-	-	-
Change in unrealized appreciation (depreciation) in value of investments	52,492	-	52,492
<b>Balance at End of year</b>	<b>1,208,827</b>	<b>-</b>	<b>1,208,827</b>
<b>Total change in unrealized appreciation (depreciation) for assets held as at December 31, 2024</b>			<b>52,492</b>

During the year ended December 31, 2023, no Level 3 securities were held.

During the year ended December 31, 2024, certain securities held long were classified as Level 3. The Fund's long Level 3 securities consist of debt instruments which were measured at the transaction price as determined at the time of purchase. If there was a 5% increase or decrease in the price of Level 3 securities, with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased, respectively, by approximately \$60,441. Transfers between levels on the fair value hierarchy table are deemed to have occurred at the beginning of the reporting period.



# PICTON MAHONEY FORTIFIED CORE BOND FUND

## FUND SPECIFIC NOTES (CONTINUED)

December 31, 2024							
Security Name	Fair Value	Valuation Technique	Unobservable Inputs	Reasonable Shift (+)	Reasonable Shift (-)	Change in Valuation (+)	Change in Valuation (-)
Manitoulin USD Ltd. 13.290%, 2027-11-10	286,347	Private valuation	Broker quote	5%	5%	\$14,317	\$(14,317)
Deutsche Bank AG/CRAFT 2024-1 14.588%, 2033-11-21	359,192	Private valuation	Broker quote	5%	5%	\$17,960	\$(17,960)
BX Commercial Mortgage Trust 2024-PURE 6.961%, 2029-11-15	200,320	Private valuation	Broker quote	5%	5%	\$10,016	\$(10,016)
St Lawrence Srt Usd 2 Corp. 0.000%, 2032-11-25	362,968	Private valuation	Broker quote	5%	5%	\$18,148	\$(18,148)

## 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 \$11,033,273 (Collateral - \$11,253,943) of securities on loan (December 31, 2023 - \$5,017,017 (Collateral - \$5,117,362) 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	4,356	2,209
Securities lending charges	(1,525)	(773)
<b>Net securities lending income</b>	<b>2,831</b>	<b>1,436</b>
Withholding taxes on securities lending income	-	-
<b>Net securities lending income received by the Fund</b>	<b>2,831</b>	<b>1,436</b>
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 \$
<b>December 31, 2024</b>				
Derivative assets - Foreign exchange forward contracts	20,586	(20,586)	-	-
Derivative liabilities - Foreign exchange forward contracts	(230,624)	20,586	-	(210,038)

Financial Assets and Liabilities	Amounts Eligible for Offset			
	Gross Assets / (Liabilities) \$	Financial Instruments \$	Collateral received/paid \$	Net \$
<b>December 31, 2023</b>				
Derivative assets - Foreign exchange forward contracts	305,503	-	-	305,503
Derivative liabilities - Foreign exchange forward contracts	-	-	-	-



# PICTON MAHONEY FORTIFIED CORE BOND FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 5. OTHER PRICE RISK

Using Beta as a measure of the relationship of the Fund's performance versus its index, if the ICE BofA Canada Broad Market Index were to increase or decrease by 10%, net assets would have increased or decreased by approximately \$3,792,556 (December 31, 2023 - \$1,309,334). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

### 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	6,459,533	267,306	(6,569,698)	157,141	0.3%
British Pound	362,265	-	(340,427)	21,838	0.0%
<b>Net Exposure</b>	<b>6,821,798</b>	<b>267,306</b>	<b>(6,910,125)</b>	<b>178,979</b>	<b>0.3%</b>

FINANCIAL INSTRUMENTS					
December 31, 2023 Currency	Monetary \$	Non-Monetary \$	Forward Currency Contracts \$	Total \$	Percentage of Net Assets %
United States Dollar	7,424,199	155,781	(7,340,646)	239,334	1.1%
European Euro	35	-	-	35	0.0%
British Pound	328,750	-	(317,700)	11,050	0.1%
<b>Net Exposure</b>	<b>7,752,984</b>	<b>155,781</b>	<b>(7,658,346)</b>	<b>250,419</b>	<b>1.2%</b>

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 \$8,949 (December 31, 2023 - \$12,521). 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 \$3,243,296 (December 31, 2023 - \$1,025,238). 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	3,109,751	-	3,109,751
1-3 years	7,614,357	-	7,614,357
3-5 years	8,002,372	-	8,002,372
Greater than 5 years	38,371,684	-	38,371,684
<b>Total</b>	<b>57,098,164</b>	<b>-</b>	<b>57,098,164</b>

Debt Instruments by Maturity Date		December 31, 2023 (\$)	
	Long Positions	Short Positions	Total
Less than 1 year	448,040	-	448,040
1-3 years	5,452,266	-	5,452,266
3-5 years	2,794,041	-	2,794,041
Greater than 5 years	10,591,575	-	10,591,575
<b>Total</b>	<b>19,285,922</b>	<b>-</b>	<b>19,285,922</b>

# **PICTON MAHONEY FORTIFIED CORE BOND FUND**

## **FUND SPECIFIC NOTES (CONTINUED)**

### **8. CREDIT RISK**

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

December 31, 2024				December 31, 2023			
Bond Ratings	Net	Long	Short	Bond Ratings	Net	Long	Short
AAA	16.5%	16.5%	0.0%	AAA	31.4%	31.4%	0.0%
AA	3.0%	3.0%	0.0%	AA	2.6%	2.6%	0.0%
AA-	15.6%	15.6%	0.0%	AA-	2.5%	2.5%	0.0%
A+	3.7%	3.7%	0.0%	A+	3.5%	3.5%	0.0%
A	3.6%	3.6%	0.0%	A	0.8%	0.8%	0.0%
A-	5.0%	5.0%	0.0%	A-	2.2%	2.2%	0.0%
BBB+	12.3%	12.3%	0.0%	BBB+	8.5%	8.5%	0.0%
BBB	12.0%	12.0%	0.0%	BBB	10.6%	10.6%	0.0%
BBB-	13.4%	13.4%	0.0%	BBB-	12.9%	12.9%	0.0%
BB+	1.4%	1.4%	0.0%	BB+	4.5%	4.5%	0.0%
BB	3.0%	3.0%	0.0%	BB	4.9%	4.9%	0.0%
BB-	1.7%	1.7%	0.0%	BB-	4.7%	4.7%	0.0%
B+	0.7%	0.7%	0.0%	B+	1.9%	1.9%	0.0%
B	0.5%	0.5%	0.0%	B	0.2%	0.2%	0.0%
B-	0.3%	0.3%	0.0%	B-	0.9%	0.9%	0.0%
NR	2.0%	2.0%	0.0%	NR	0.0%	0.0%	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
<b>LONG POSITIONS</b>	<b>95.9%</b>	<b>96.7%</b>
<b>Canadian Equities</b>	<b>0.7%</b>	<b>2.8%</b>
Energy	0.4%	1.2%
Financials	0.2%	1.4%
Real Estate	0.1%	0.1%
Utilities	0.0%	0.1%
<b>Global Equities</b>	<b>0.4%</b>	<b>0.1%</b>
United States	0.4%	0.0%
International	0.0%	0.1%
<b>Canadian Debt</b>	<b>82.6%</b>	<b>59.9%</b>
Corporate Bonds	44.2%	34.8%
Government Bonds	37.5%	25.1%
Asset-Backed Securities	0.9%	0.0%
<b>Global Debt</b>	<b>12.1%</b>	<b>32.2%</b>
United States Bonds	8.7%	26.1%
International Bonds	3.4%	6.1%
<b>Derivatives</b>	<b>0.1%</b>	<b>1.7%</b>
<b>SHORT POSITIONS</b>	<b>-0.4%</b>	<b>-0.5%</b>
<b>Derivatives</b>	<b>-0.4%</b>	<b>-0.5%</b>

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 10. LIQUIDITY RISK

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

December 31, 2024 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Accrued liabilities and other payables	-	112,040	-	112,040
Payable for investments purchased	2,121	-	-	2,121
Derivative liabilities	273,969	-	-	273,969

December 31, 2023 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Accrued liabilities and other payables	-	108,786	-	108,786
Payable for investments purchased	78,361	-	-	78,361
Derivative liabilities	101,896	-	-	101,896
Cash overdraft	159,481	-	-	159,481

### 11. FUND UNIT TRANSACTIONS

For the years ended December 31

	2024					2023				
	Class A	Class F	Class I	Class O****	Class ETF	Class A	Class F	Class I	Class O****	Class ETF
Units issued and outstanding, beginning of year	5,294	231,431	1,681,782	702	100,000	5,087	5,086	1,565,981	-	110,000
Units issued	287,861	1,206,347	610,664	102,960	1,820,000	5,231	244,389	49,398	700	10,000
Units reinvested	3,835	7,551	85,224	1,450	-	133	3,421	70,860	2	-
Units redeemed	(8,837)	(131,264)	(298,944)	(10,092)	(10,000)	(5,157)	(21,465)	(4,457)	-	(20,000)
<b>Units issued and outstanding, end of year</b>	<b>288,153</b>	<b>1,314,065</b>	<b>2,078,726</b>	<b>95,020</b>	<b>1,910,000</b>	<b>5,294</b>	<b>231,431</b>	<b>1,681,782</b>	<b>702</b>	<b>100,000</b>
<b>Weighted average number of units held during the year</b>	<b>96,058</b>	<b>268,611</b>	<b>2,055,284</b>	<b>34,455</b>	<b>308,142</b>	<b>3,212</b>	<b>116,288</b>	<b>1,618,419</b>	<b>700</b>	<b>110,384</b>

\*\*\*\* Class O units were first issued on November 3, 2023.

### 12. COMMISSIONS

For the years ended December 31 (in \$000)

	2024	2023
Brokerage commissions	79	87
Soft Dollar commissions	2	1

### 13. TAX LOSS CARRY FORWARDS

As at December 31 (in \$000)

	2024	2023
Net capital losses carry forward	-	49
Non-capital losses carry forward	-	-

# PICTON MAHONEY FORTIFIED CORE BOND FUND NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

## 1. GENERAL INFORMATION

Picton Mahoney Fortified Core Bond Fund (the "Fund") is an open-ended mutual trust established under the laws of the Province of Ontario pursuant to a trust agreement dated September 19, 2018, as amended (the "Trust Declaration"). The Fund commenced operations on October 28, 2022. Picton Mahoney Asset Management acts as manager (the "Manager"), portfolio advisor (the "Portfolio Advisor"), and trustee (the "Trustee") for the Fund pursuant to the Trust Declaration. The Manager is responsible for the day-to-day business of the Fund, including the management of the Fund's investment portfolio. The address of the Fund's registered office is 33 Yonge Street, Suite 320, Toronto, Ontario, M5E 1G4. The financial statements are presented in Canadian dollars (CAD). These financial statements were authorized for issue by the Manager on March 24, 2025.

On October 28, 2022, 5,001 Class A units, 5,000 Class F units, and 5,000 Class I units of the Fund were issued to the Manager of the Fund, for cash consideration of CAD \$10.00 per unit.

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

Class A units are available to all investors. Class F units are available to investors who are enrolled in a dealer sponsored fee for service or wrap program and who are subject to an annual asset based fee rather than commissions on each transaction or, at the discretion of the Manager, any other investor for whom the Manager does not incur distribution costs. Class I units are available to institutional investors or to other investors on a case-by-case basis, all at the discretion of the Manager. ETF units are listed and issued and sold on a continuous basis and will be available to investors that purchase such units on the TSX through a registered broker or dealer in the province or territory where the investor resides. Class O units are available to only investors who have a discretionary managed account with the Manager and make the required minimum initial investment and minimum subsequent investment as determined by the Manager from time to time.

As at December 31, 2024, the Fund currently has 5 Classes of Units: Class A, Class F, Class I, Class O and Class ETF. As at December 31, 2024, the Manager holds 1 units of Class A, 752 units of Class I, and 732 units of Class O of the Fund (December 31, 2023 - 1 unit of Class A, 721 units of Class I, and 702 units of Class O).

The investment objective of the Fund is to preserve capital while maximizing total return to unitholders predominantly through income, supplemented with capital appreciation. The Fund invests primarily in a well-diversified portfolio of North American fixed-income securities and engages in hedging strategies or volatility management and risk mitigation.

## 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, warrants, and exchanged traded funds are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

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.

Cash and cash equivalents includes cash in hand, deposits held at call with banks and brokers and other short-term investments in an active market with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in the statement of financial position.

### **(f) Investment Transactions and Income Recognition**

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

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

### **(g) Valuation of Fund Units**

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

The Fund's units are divided into the Class A, Class F, Class I, Class O, and Class ETF 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.

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

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.

ETF units of the Fund are available for purchase or sale on the TSX through a registered broker or dealer. The cut-off time for ETF units of the Fund is 2:00pm (Eastern Time) on a trading day.

### (h) 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.

### (i) 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.

### (j) 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.

### (k) Securities Lending Transactions

The Fund may enter into securities lending transactions. These transactions involve the temporary exchange of securities as collateral with a commitment to deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the Statements of Comprehensive Income.

The Fund has entered into a securities lending program with their custodian, RBC Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the

Fund. The Fund will receive collateral of at least 102% of the value of the securities on loan. Collateral will generally be comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or a permitted supranational agency as defined in National Instrument 81-102. Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which the Fund's custodian, RBC Investor Services Trust, is entitled to receive.

### (l) Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. The Manager has determined that all of the underlying funds in which the Funds invest are unconsolidated structured entities. In making this determination, the Manager evaluated the fact that decision making about the underlying funds' activities is not governed by voting or similar rights held by the Funds and other investors in any underlying funds.

The Fund invests in mortgage-related and other asset-backed securities. These securities include mortgage pass-through securities, collateralized mortgage obligations, commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. The Manager has determined that such securities are also unconsolidated structured entities. The debt and equity securities issued by these securities may include tranches with varying levels of subordination. These securities may provide a monthly payment which consists of both interest and principal payments.

Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans.

The carrying value of mortgage related and other asset-backed securities are disclosed in the Schedule of Investment Portfolio. The fair value of such securities as at December 31, 2024 and December 31, 2023 represents the maximum exposure in losses at that date. The change in fair value of mortgage related and other asset backed securities are included in the Statement of Comprehensive Income and Change in unrealized appreciation (depreciation) on investments, options, and foreign exchange forward contracts.

### (m) 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.

### (n) 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



# PICTON MAHONEY FORTIFIED CORE BOND FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

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. The Fund may enter into forward currency contracts to manage currency risk.

#### Interest rate risk:

Interest rate risk arises when a fund invests in interest-bearing financial instruments and from the possibility that changes in the prevailing levels of market interest rates will affect future cash flows or fair values of such financial instruments. There is minimal fair value sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates. Market prices may also be affected by changes in market interest rates. Also, changes in the market interest rate may affect the borrowing expenses of the short positions held by the Fund. Refer to Note 7 within the fund specific notes for the fund exposure.

#### Credit risk:

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

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

# PICTON MAHONEY FORTIFIED CORE BOND FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

The Fund primarily invests in fixed income securities and is therefore exposed to the credit risk of the underlying fixed income portfolio. Refer to Note 8 within the fund specific notes for the fund exposure.

### Liquidity risk:

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

### Concentration risk:

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

### 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.

Generally, all orders to purchase ETF units directly from a Fund must be placed by a Designated Broker or an "ETF Dealer", which is a registered dealer (that may or may not be a Designated Broker) that has entered into an agreement with us authorizing the dealer to subscribe for, purchase and redeem ETF units from one or more Funds on a continuous basis from time to time. For each Prescribed Number of Units issued, an ETF Dealer must deliver payment consisting of, either: (i) a group of securities or assets representing the constituents of the Fund (a "Basket of Securities") for each Prescribed Number of Units for which the subscription order has been accepted and cash, in an amount sufficient so that the value of the securities and cash received is equal to the aggregate net asset value of the Prescribed Number of Units next determined following the receipt of the subscription order; or (ii) cash only, securities other than Baskets of Securities or a combination of securities other than Baskets of Securities and cash, in an amount sufficient so that the value of the securities and cash received is equal to the aggregate net asset value of the Prescribed Number of Units next determined following the receipt of the subscription order. When you redeem ETF units of a Fund, you receive the proceeds of your sale in cash at a redemption price per unit equal to 95% of the closing trading price on the effective date of the cash redemption request, subject to a maximum redemption price of the applicable net asset value per unit. As unitholders will generally be able to sell ETF units at the market price on the TSX or another exchange or marketplace through a registered broker or dealer subject only to customary brokerage commissions.

## 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, Class I and Class O will be automatically reinvested in additional units. All annual distributions on Class ETF units will be paid in cash.

## 8. TAXATION

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



# PICTON MAHONEY FORTIFIED CORE BOND FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

Statement of Financial Position as a deferred tax asset.

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

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

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

### 9. OPERATING EXPENSES

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

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

#### *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 1.30% and on Class F units and Class ETF units is 0.65%. The management fee for Class I units and Class O units of the Fund is negotiated by the investor and paid directly by the investor, and would not exceed the management fee payable on Class A units of the Fund.

#### (b) Fund of Fund Expenses

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

### 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.**

A decorative horizontal bar consisting of several rectangular segments in varying shades of gray and black.

## **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](mailto:service@pictonmahoney.com)

[www.pictonmahoney.com](http://www.pictonmahoney.com)

### **Fund Administration & Transfer Agent**

#### **Picton Mahoney Funds**

C/O RBC Investor Services Trust,  
Shareholder Services  
155 Wellington Street West, 3<sup>rd</sup> Floor  
Toronto, ON  
Canada M5V 3L3

### **Auditor**

#### **PricewaterhouseCoopers LLP**

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