

FORTIFIED INCOME FUND



**THINK AHEAD.
STAY AHEAD.**

TABLE OF CONTENTS

- 2 Management’s Responsibility Statement
- 3 Independent Auditor’s Report
- 5 Picton Mahoney Fortified Income Fund Financial Statements
- 20 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 Income 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 page.

Picton Mahoney Asset Management

Toronto, Ontario

March 24, 2025

INDEPENDENT AUDITOR'S REPORT

To the Unitholders and Trustee of
Picton Mahoney Fortified Income 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

INDEPENDENT AUDITOR'S REPORT

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

PICTON MAHONEY FORTIFIED INCOME FUND

STATEMENTS OF FINANCIAL POSITION

As at

	December 31, 2024	December 31, 2023
	\$	\$
Assets		
Current assets		
Long positions at fair value*	768,432,114	657,857,881
Cash	69,329,196	72,439,378
Cash, pledged as collateral	10,534,869	24,736,936
Options purchased*	1,189,158	7,821,095
Unrealized gain on foreign exchange forward contracts at fair value	519,906	14,524,109
Credit default swap agreements at fair value	-	3,600
Deposits with brokers for securities sold short	25,837,053	7,753,908
Subscriptions receivable	388,441	798,938
Dividends receivable	-	62,233
Interest and other receivable	11,256,356	9,466,855
	887,487,093	795,464,933
Liabilities		
Current liabilities		
Short positions at fair value**	39,165,813	33,443,398
Options written**	1,359,231	12,581,515
Unrealized loss on foreign exchange forward contracts at fair value	10,899,236	-
Management fee payable	603,477	465,904
Redemptions payable	491,561	508,126
Accrued liabilities	1,138,004	745,696
Payable for investments purchased	7,432	2,931,639
Interest and other payable	638,542	558,997
Distributions payable	1,050	31
	54,304,346	51,235,306
Net Assets Attributable to Holders of Redeemable Units	833,182,747	744,229,627
Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	75,992,341	71,349,037
Class F	700,101,492	603,416,905
Class FT	20,565,255	27,332,222
Class T	5,436,003	3,874,507
Class I	31,087,656	38,256,956
Number of Redeemable Units Outstanding		
Class A	7,566,948	7,243,484
Class F	64,112,963	56,985,613
Class FT	2,465,659	3,387,033
Class T	716,387	521,552
Class I	2,431,151	3,116,424
Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	10.04	9.85
Class F	10.92	10.59
Class FT	8.34	8.07
Class T	7.59	7.43
Class I	12.79	12.28
	729,983,589	667,985,052
	(40,558,209)	(40,968,684)

* Long positions, at cost

** Short positions, at cost

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
	\$	\$
Income		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	50,872,255	47,853,284
Dividends	2,102,631	1,651,939
Net realized gain (loss) on investments and options	4,819,069	(583,733)
Net realized gain (loss) on foreign exchange forward contracts and credit default swap agreements	(7,570,075)	(8,420,461)
Change in unrealized appreciation (depreciation) on investments, options, foreign exchange forward contracts and credit default swap agreements	22,109,805	26,168,889
Interest and borrowing expense	(2,115,707)	(2,606,852)
Dividend expense	(21,904)	(413,383)
Net gains (losses) on investments and derivatives	70,196,074	63,649,683
Other income		
Securities lending income	17,747	23,491
Foreign currency gain (loss) on cash and other assets and liabilities	4,060,737	(4,114,640)
Total Income	74,274,558	59,558,534
Expenses		
Management fees	8,313,709	7,471,921
Transaction costs	1,831,115	3,094,070
Securityholder reporting fees	503,015	515,281
Administrative fees	487,759	494,098
Audit fees	116,306	116,706
Legal fees	85,950	93,930
Independent review committee expense	6,841	6,892
Withholding taxes	4,494	-
Total expense before manager absorption	11,349,189	11,792,898
Less expenses absorbed by manager	-	-
Total expense after manager absorption	11,349,189	11,792,898
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	62,925,369	47,765,636
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	5,149,175	4,082,144
Class F	52,489,011	38,309,997
Class FT	1,921,863	1,891,966
Class T	334,620	201,534
Class I	3,030,700	3,279,995
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	0.71	0.56
Class F	0.89	0.72
Class FT	0.67	0.50
Class T	0.53	0.42
Class I	1.16	0.94

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

PICTON MAHONEY FORTIFIED INCOME FUND

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	71,349,037	73,218,209
Class F	603,416,905	509,028,012
Class FT	27,332,222	26,698,044
Class T	3,874,507	3,117,641
Class I	38,256,956	44,025,377
	<u>744,229,627</u>	<u>656,087,283</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Class A	5,149,175	4,082,144
Class F	52,489,011	38,309,997
Class FT	1,921,863	1,891,966
Class T	334,620	201,534
Class I	3,030,700	3,279,995
	<u>62,925,369</u>	<u>47,765,636</u>
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Class A	20,467,348	18,015,536
Class F	215,220,659	203,768,764
Class FT	5,763,972	17,535,626
Class T	1,676,882	1,172,821
Class I	-	1,584
	<u>243,128,861</u>	<u>240,494,331</u>
Reinvestments of distributions to holders of redeemable units		
Class A	2,886,439	3,031,765
Class F	17,234,400	17,017,167
Class FT	52,287	38,745
Class T	194,340	138,369
Class I	1,643,089	2,235,022
	<u>22,010,555</u>	<u>22,461,068</u>
Redemption of redeemable units		
Class A	(20,078,890)	(23,102,786)
Class F	(154,895,882)	(134,011,932)
Class FT	(13,360,351)	(17,343,497)
Class T	(408,967)	(575,718)
Class I	(10,200,000)	(9,050,000)
	<u>(198,944,090)</u>	<u>(184,083,933)</u>
Net Increase (Decrease) from Redeemable Unit Transactions	<u>66,195,326</u>	<u>78,871,466</u>

	2024 \$	2023 \$
Distributions to Holders of Redeemable Units		
From net investment income		
Class A	(3,771,173)	(3,882,557)
Class F	(33,278,933)	(30,590,517)
Class FT	(1,141,833)	(1,483,590)
Class T	(234,782)	(179,526)
Class I	(1,638,919)	(2,227,407)
	<u>(40,065,640)</u>	<u>(38,363,597)</u>
From return of capital		
Class A	(9,595)	(13,274)
Class F	(84,668)	(104,586)
Class FT	(2,905)	(5,072)
Class T	(597)	(614)
Class I	(4,170)	(7,615)
	<u>(101,935)</u>	<u>(131,161)</u>
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>88,953,120</u>	<u>88,142,344</u>
Net Assets Attributable to Holders of Redeemable Units at End of Year		
Class A	75,992,341	71,349,037
Class F	700,101,492	603,416,905
Class FT	20,565,255	27,332,222
Class T	5,436,003	3,874,507
Class I	31,087,656	38,256,956
	<u>833,182,747</u>	<u>744,229,627</u>

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

PICTON MAHONEY FORTIFIED INCOME FUND

STATEMENTS OF CASH FLOWS

For the years ended December 31

	2024 \$	2023 \$		2024 \$	2023 \$
Cash Flows from Operating Activities			Unrealized foreign exchange gain (loss) on cash		
Increase (decrease) in net assets attributable to holders of redeemable units	62,925,369	47,765,636		4,967,508	(3,203,512)
Adjustments for:			Net increase (decrease) in cash	(22,279,757)	4,377,716
Unrealized foreign exchange (gain) loss on cash	(4,967,508)	3,203,512	Cash, beginning of year	97,176,314	96,002,110
Net realized (gain) loss on investments and options	(4,819,069)	583,733	Cash, end of year	79,864,065	97,176,314
Change in unrealized (appreciation) depreciation on investments, options, foreign exchange forward contracts and credit default swap agreements	(22,109,805)	(26,168,889)	Cash	69,329,196	72,439,378
(Increase) decrease in interest and other receivables	(1,789,501)	(818,602)	Cash, pledged as collateral	10,534,869	24,736,936
(Increase) decrease in dividends receivable	62,233	(62,233)	Net Cash (Overdraft)	79,864,065	97,176,314
(Increase) decrease in deposits with brokers for securities sold short	(18,083,145)	(7,753,908)	Items Classified as Operating Activities:		
Increase (decrease) in interest and other payable	79,545	(116,972)	Interest received, net of withholding tax	49,082,754	47,034,682
Increase (decrease) in other payable and accrued liabilities	529,881	273,940	Dividends received, net of withholding tax	2,160,396	1,589,706
Purchase of long positions and repurchase of investments sold short	(862,362,471)	(865,268,915)	Interest and borrowing expense paid	(2,036,162)	(2,723,824)
Proceeds from sale of long positions and on investments sold short	801,832,012	812,075,233	Dividends paid	(21,904)	(413,383)
Net cash generated (used) by operating activities	(48,702,459)	(36,287,465)	<i>Net of non-cash transfers and switches of \$2,472,336 (2023 - \$2,371,876)</i>		
Cash Flows from Financing Activities			<i>The accompanying notes are an integral part of the financial statements.</i>		
Distributions to holders of redeemable units, net of reinvested distributions	(18,156,001)	(16,033,834)			
Proceeds from redeemable units issued	241,067,022	238,406,740			
Amount paid on redemption of redeemable units	(196,488,319)	(181,707,725)			
Net cash generated (used) by financing activities	26,422,702	40,665,181			

PICTON MAHONEY FORTIFIED INCOME FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As 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	3,700,000	Dye & Durham Ltd. 3.750%, 2026-03-01	3,226,534	3,579,750	CAD	7,500,000	Royal Bank of Canada 6.698%, 2049-12-31	7,510,250	7,830,675
USD	4,000,000	Empire Communities Corp. 9.750%, 2029-05-01	5,544,495	6,059,404	CAD	10,000,000	Royal Bank of Canada 7.408%, 2049-12-31	10,009,700	10,743,200
CAD	8,000,000	Empire Communities Corp. 7.625%, 2029-11-01	8,000,000	8,065,466	CAD	11,800,000	Secure Energy Services Inc. 6.750%, 2029-03-22	11,817,718	12,134,333
CAD	12,000,000	Enbridge Inc. 5.000%, 2082-01-19	10,174,069	11,579,217	CAD	11,660,000	Sleep Country Canada Holdings Inc. 6.625%, 2032-11-28	11,666,188	11,805,201
CAD	4,500,000	EQB Inc. 8.000%, 2084-10-31	4,503,500	4,752,435	CAD	7,000,000	Superior Plus LP 4.250%, 2028-05-18	6,409,196	6,642,994
USD	4,000,000	First Quantum Minerals Ltd. 9.375%, 2029-03-01	5,578,128	6,125,037	CAD	1,677,000	Surge Energy Inc. 8.500%, 2029-09-05	1,677,000	1,698,661
CAD	600,000	Fusion Trust Note 10.923%, 2025-04-15	600,000	600,000	CAD	7,250,000	Tamarack Valley Energy Ltd. 7.250%, 2027-05-10	7,120,603	7,352,708
CAD	5,000,000	G Cooper Equipment Rentals Ltd. 7.450%, 2029-07-04	5,001,938	5,133,642	CAD	1,400,000	Toronto-Dominion Bank 5.750%, 2049-12-31	1,341,850	1,399,370
CAD	600,000	George Weston Ltd. 6.690%, 2033-03-01	623,322	677,016	CAD	2,250,000	Toronto-Dominion Bank 7.283%, 2082-10-31	2,250,000	2,372,066
CAD	9,750,000	Gibson Energy Inc. 5.250%, 2080-12-22	8,275,635	9,521,744	CAD	8,130,000	Toronto-Dominion Bank 5.909%, 2085-01-31	8,130,000	8,104,138
CAD	7,000,000	Gibson Energy Inc. 8.700%, 2083-07-12	7,073,053	7,665,754	CAD	12,250,000	Toronto-Dominion Bank 7.232%, 2049-12-31	12,166,500	12,896,678
CAD	11,000,000	Goeasy Ltd. 6.000%, 2030-05-15	11,000,000	11,082,500	CAD	273,000	Videotron Ltd. 4.650%, 2029-07-15	272,855	279,951
CAD	8,483,000	iA Financial Corp. Inc. 6.611%, 2082-06-30	8,421,088	8,740,654	CAD	182,000	Videotron Ltd. 5.000%, 2034-07-15	181,409	186,458
CAD	10,000,000	iA Financial Corp. Inc. 6.921%, 2084-09-30	10,000,000	10,491,407	CAD	8,900,000	Wolf Midstream Canada LP 6.400%, 2029-07-18	8,949,163	9,211,500
USD	5,682,000	IAMGOLD Corp. 5.750%, 2028-10-15	6,781,181	7,929,391	CAD	6,430,000	Wolf Midstream Canada LP 5.950%, 2033-07-18	6,429,164	6,490,388
CAD	3,055,000	Innergex Renewable Energy Inc. 4.750%, 2025-06-30	2,981,942	3,035,754			Total Canadian Debt - Long	475,950,784	497,437,534
CAD	6,000,000	Intact Financial Corp. 7.338%, 2083-06-30	6,034,000	6,355,666			Global Equities (0.8%)		
CAD	9,000,000	Inter Pipeline Ltd. 6.750%, 2054-12-12	9,000,000	9,017,323			United States Equities (0.6%)		
CAD	5,000,000	Keyera Corp. 6.875%, 2079-06-13	4,906,033	5,258,778		66,875	Telephone and Data Systems Inc.	2,008,717	1,823,575
CAD	4,000,000	Keyera Corp. 5.950%, 2081-03-10	4,003,648	4,049,734		100,000	United States Cellular Corp.	3,348,296	3,331,607
CAD	4,040,000	Kruger Products Inc. 6.625%, 2031-11-01	4,045,500	4,075,543				5,357,013	5,155,182
USD	8,500,000	Manitoulin USD Ltd. 13.290%, 2027-11-10	11,716,865	12,169,752			International Equities (0.2%)		
CAD	5,700,000	Manulife Financial Corp. 7.117%, 2082-06-19	5,583,946	5,942,831		66,950	Brookfield Renewable Partners LP, Preferred	1,494,361	1,687,140
CAD	7,800,000	Mattamy Group Corp. 4.625%, 2028-03-01	7,399,975	7,565,187			Total Global Equities - Long	6,851,374	6,842,322
CAD	12,100,000	Mattr Corp. 7.250%, 2031-04-02	12,169,358	12,377,292			Global Debt (24.6%)		
CAD	6,040,000	National Bank of Canada 7.500%, 2082-11-16	6,042,110	6,397,972			United States Bonds (21.0%)		
USD	5,238,000	Northrivers Midstream Finance LP 6.750%, 2032-07-15	7,449,919	7,585,168	USD	1,691,000	Acadia Healthcare Co Inc. 5.500%, 2028-07-01	2,169,838	2,333,381
CAD	14,625,000	Parkland Corp. 4.375%, 2029-03-26	13,730,350	14,142,264	USD	2,400,000	Ally Financial Inc. 4.700%, 2049-12-31	2,986,506	3,225,128
CAD	5,200,000	Pembina Pipeline Corp. 4.800%, 2081-01-25	4,344,099	4,993,386	USD	4,200,000	Ally Financial Inc. 4.700%, 2049-12-31	4,704,397	5,303,534
CAD	1,750,000	Rogers Communications Inc. 5.000%, 2081-12-17	1,645,598	1,753,613	USD	5,997,000	Blue Racer Midstream LLC 7.250%, 2032-07-15	8,381,564	8,869,052
					USD	2,250,000	CCO Holdings LLC 4.750%, 2030-03-01	2,602,256	2,958,713

PICTON MAHONEY FORTIFIED INCOME FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As 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 (\$)
USD	(750,000)	Gap Inc. 3.875%, 2031-10-01	(822,646)	(933,781)	USD	(750,000)	Windsor Holdings III LLC 8.500%, 2030-06-15	(1,080,199)	(1,136,322)
USD	(495,000)	Gray Television Inc. 7.000%, 2027-05-15	(669,031)	(691,343)	USD	(729,000)	Wolverine World Wide Inc. 4.000%, 2029-08-15	(844,463)	(921,974)
USD	(1,000,000)	Hilton Grand Vacations Borrower LLC 5.000%, 2029-06-01	(1,202,088)	(1,356,610)				(32,269,037)	(34,521,332)
USD	(350,000)	LBM Acquisition LLC 6.250%, 2029-01-15	(451,734)	(463,531)			International Bonds (-0.2%)		
USD	(1,000,000)	Madison IAQ LLC 5.875%, 2029-06-30	(1,339,640)	(1,359,587)	USD	(1,000,000)	Intelsat Jackson Holdings S.A. 6.500%, 2030-03-15	(1,303,886)	(1,330,158)
USD	(1,000,000)	McAfee Corp. 7.375%, 2030-02-15	(1,365,194)	(1,398,644)			Total Global Debt - Short	(33,572,923)	(35,851,490)
USD	(750,000)	NCR Atleos Corp. 9.500%, 2029-04-01	(1,097,382)	(1,169,527)			Options (-0.2%)		
USD	(800,000)	NRG Energy Inc. 3.625%, 2031-02-15	(907,044)	(1,006,920)			Total Written Options - Refer to Appendix A	(3,706,745)	(1,359,231)
USD	(1,160,000)	Post Holdings Inc. 4.625%, 2030-04-15	(1,416,224)	(1,540,065)			Transaction Costs	(20,427)	-
USD	(500,000)	Real Hero Merger Sub 2 Inc. 6.250%, 2029-02-01	(631,042)	(618,908)			Total Short Positions	(40,558,209)	(40,525,044)
USD	(900,000)	Sally Holdings LLC 6.750%, 2032-03-01	(1,208,151)	(1,298,366)			Foreign Currency Forward Contracts (-1.2%)		
USD	(750,000)	Tenneco Inc. 8.000%, 2028-11-17	(933,446)	(1,006,482)			Total Currency Hedge - Refer to Appendix B		(10,379,330)
USD	(1,250,000)	TransDigm Inc. 4.875%, 2029-05-01	(1,550,321)	(1,699,138)			TOTAL INVESTMENT PORTFOLIO (86.3%)	689,425,380	718,716,898
USD	(700,000)	UWM Holdings LLC 6.625%, 2030-02-01	(1,000,504)	(1,001,487)			Other Assets Net of Liabilities (13.7%)		114,465,849
USD	(700,000)	Viking Baked Goods Acquisition Corp. 8.625%, 2031-11-01	(963,942)	(991,499)			TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)		833,182,747

*CCY denotes local currency of debt security

APPENDIX A OPTIONS (-0.1%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
CDX.NA.HY	Call Option	70,850,000	\$109	January, 2025	56,299	2,751
CDX.NA.HY	Call Option	69,000,000	\$110	February, 2025	65,152	10,817
iShares iBoxx High Yield Corp. Bond	Call Option	8,298	\$82	January, 2025	80,981	290
					<u>202,432</u>	<u>13,858</u>
3 Month SOFR	Put Option	1,485	\$95	December, 2025	1,295,784	253,618
CDX.NA.HY	Put Option	70,850,000	\$96	January, 2025	63,642	509
CDX.NA.HY	Put Option	69,000,000	\$105	February, 2025	323,346	252,059
CDX.NA.HY	Put Option	69,000,000	\$107	January, 2025	150,731	176,044
iShares iBoxx High Yield Corp. Bond	Put Option	13,826	\$78	January, 2025	513,348	457,345
S&P E-Mini 1st Week	Put Option	276	\$5,800	January, 2025	301,945	35,725
					<u>2,648,796</u>	<u>1,175,300</u>
					2,851,228	1,189,158
CDX.NA.HY	Written Call Option	(70,850,000)	\$109	January, 2025	(107,702)	(14,877)
CDX.NA.HY	Written Call Option	(69,000,000)	\$109	February, 2025	(123,064)	(25,007)
iShares iBoxx High Yield Corp. Bond	Written Call Option	(8,298)	\$81	January, 2025	(98,331)	(2,566)
					<u>(329,097)</u>	<u>(42,450)</u>

APPENDIX A

OPTIONS (-0.1%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
3 Month SOFR	Written Put Option	(1,485)	\$96	December, 2025	(2,663,133)	(1,081,211)
CDX.NA.HY	Written Put Option	(70,850,000)	\$100	January, 2025	(151,761)	(1,427)
CDX.NA.HY	Written Put Option	(69,000,000)	\$102	February, 2025	(121,858)	(115,709)
CDX.NA.HY	Written Put Option	(69,000,000)	\$105	January, 2025	(44,478)	(36,519)
iShares iBoxx High Yield Corp. Bond	Written Put Option	(13,826)	\$75	January, 2025	(239,972)	(76,953)
S&P E-Mini 1st Week	Written Put Option	(276)	\$5,600	January, 2025	(156,446)	(4,962)
					<u>(3,377,648)</u>	<u>(1,316,781)</u>
Total Written Options					<u>(3,706,745)</u>	<u>(1,359,231)</u>

APPENDIX B

FOREIGN EXCHANGE FORWARD CONTRACTS (-1.2%)

Purchased Currency	Sold Currency	Forward Rate	Maturity Date	Fair Value (\$)	Counterparty	Credit Rating
USD \$5,000,000	CAD \$6,977,800	0.71656	2025-02-13	200,580	Canadian Imperial Bank of Commerce	A-1
USD \$3,257,000	CAD \$4,553,188	0.71532	2025-02-13	122,839	Canadian Imperial Bank of Commerce	A-1
USD \$3,097,000	CAD \$4,364,540	0.70958	2025-02-13	81,912	Canadian Imperial Bank of Commerce	A-1
GBP \$4,017,000	CAD \$7,159,439	0.56108	2025-02-06	63,417	Canadian Imperial Bank of Commerce	A-1
USD \$5,000,000	CAD \$7,136,150	0.70066	2025-02-13	42,838	Canadian Imperial Bank of Commerce	A-1
CAD \$529,654	EUR \$350,000	1.51330	2025-02-06	8,320	Canadian Imperial Bank of Commerce	A-1
Unrealized gain on foreign exchange forward contracts at fair value				<u>519,906</u>		
CAD \$14,418,338	GBP \$8,027,000	1.79623	2025-02-06	(15,154)	Canadian Imperial Bank of Commerce	A-1
CAD \$3,739,391	EUR \$2,527,000	1.47978	2025-02-06	(24,359)	Canadian Imperial Bank of Commerce	A-1
CAD \$332,282,043	USD \$239,014,000	1.39022	2025-02-13	(10,859,723)	Canadian Imperial Bank of Commerce	A-1
Unrealized loss on foreign exchange forward contracts at fair value				<u>(10,899,236)</u>		
Net unrealized gain (loss) on foreign exchange forward contracts at fair value				<u>(10,379,330)</u>		

PICTON MAHONEY FORTIFIED INCOME FUND

FUND SPECIFIC NOTES

As at December 31, 2024 and December 31, 2023

1. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following tables illustrate 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	34,641,026	-	-	34,641,026
Bonds - Long	-	676,674,862	57,116,226	733,791,088
Options - Long	1,189,158	-	-	1,189,158
Forward contracts - Long	-	519,906	-	519,906
Exchange Traded Funds - Short	(2,262,299)	-	-	(2,262,299)
Bonds - Short	-	(36,903,514)	-	(36,903,514)
Options - Short	(1,359,231)	-	-	(1,359,231)
Forward contracts - Short	-	(10,899,236)	-	(10,899,236)
Total	32,208,654	629,392,018	57,116,226	718,716,898

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2023				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities - Long	33,634,512	-	-	33,634,512
Bonds - Long	-	579,525,468	44,697,901	624,223,369
Options - Long	7,821,095	-	-	7,821,095
Forward contracts - Long	-	14,524,109	-	14,524,109
Credit default swaps - Long	-	3,600	-	3,600
Bonds - Short	-	(33,443,398)	-	(33,443,398)
Options - Short	(12,581,515)	-	-	(12,581,515)
Total	28,874,092	560,609,779	44,697,901	634,181,772

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 period ended December 31, 2024 and 2023.

December 31, 2024	Debt Instruments - Long	Debt Instruments - Short	Total
	\$	\$	\$
Balance at Beginning of Year	44,697,901	-	44,697,901
Investment purchases during the year	7,634,122	-	7,634,122
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	4,784,203	-	4,784,203
Balance at End of Year	57,116,226	-	57,116,226
Total change in unrealized appreciation (depreciation) for assets held as at December 31, 2024			4,784,203

December 31, 2023	Debt Instruments - Long	Debt Instruments - Short	Total
	\$	\$	\$
Balance at Beginning of Year	22,925,863	-	22,925,863
Investment purchases during the year	23,956,278	-	23,956,278
Proceeds from sales during the year	(1,600,000)	-	(1,600,000)
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	(584,240)	-	(584,240)
Balance at End of Year	44,697,901	-	44,697,901
Total change in unrealized appreciation (depreciation) for assets held as at December 31, 2023			(584,240)

PICTON MAHONEY FORTIFIED INCOME FUND

FUND SPECIFIC NOTES (CONTINUED)

During the years ended December 31, 2024 and 2023, 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 \$2,855,812 as at December 31, 2024 (December 31, 2023 - \$2,234,895). Transfers between levels on the fair value hierarchy table are deemed to have occurred at the beginning of the reporting period.

December 31, 2024							
Security Name	Fair Value	Valuation Technique	Unobservable Inputs	Reasonable Shift (+)	Reasonable Shift (-)	Change in Valuation (+)	Change in Valuation (-)
Clarity Trust 10.923%, 2025-04-15	600,000	Private valuation	Broker quote	5%	5%	\$30,000	\$(30,000)
Fusion Trust 10.923%, 2025-04-15	600,000	Private valuation	Broker quote	5%	5%	\$30,000	\$(30,000)
Bruce Trail Funding Corporation 16.340%, 2028-08-31	3,799,150	Private valuation	Broker quote	5%	5%	\$189,958	\$(189,958)
Manitoulin USD Ltd. 13.290%, 2027-11-10	12,169,752	Private valuation	Broker quote	5%	5%	\$608,488	\$(608,488)
Real Estate Asset Liquidity Trust 3.707%, 2031-06-12	3,884,258	Private valuation	Broker quote	5%	5%	\$194,213	\$(194,213)
Real Estate Asset Liquidity Trust 3.707%, 2031-07-12	1,272,120	Private valuation	Broker quote	5%	5%	\$63,606	\$(63,606)
Real Estate Asset Liquidity Trust 3.707%, 2031-07-12	2,101,384	Private valuation	Broker quote	5%	5%	\$105,069	\$(105,069)
Real Estate Asset Liquidity Trust 3.707%, 2031-08-12	1,504,945	Private valuation	Broker quote	5%	5%	\$75,247	\$(75,247)
Real Estate Asset Liquidity Trust 3.707%, 2031-11-12	2,240,973	Private valuation	Broker quote	5%	5%	\$112,049	\$(112,049)
St Lawrence Srt Usd Corp. 0.000%, 2033-05-25	8,870,000	Private valuation	Broker quote	5%	5%	\$443,500	\$(443,500)
Granville Usd Ltd. 0.000%, 2031-07-31	8,918,324	Private valuation	Broker quote	5%	5%	\$445,916	\$(445,916)
Deutsche Bank AG/CRAFT 2024-1 14.588%, 2033-11-21	8,333,261	Private valuation	Broker quote	5%	5%	\$416,663	\$(416,663)
BX Commercial Mortgage Trust 2024-PURE 6.961%, 2029-11-15	1,370,189	Private valuation	Broker quote	5%	5%	\$68,509	\$(68,509)
St Lawrence Srt Usd 2 Corp. 0.000%, 2032-11-25	1,451,870	Private valuation	Broker quote	5%	5%	\$72,594	\$(72,594)

December 31, 2023							
Security Name	Fair Value	Valuation Technique	Unobservable Inputs	Reasonable Shift (+)	Reasonable Shift (-)	Change in Valuation (+)	Change in Valuation (-)
Clarity Trust 10.923%, 2025-04-15	600,000	Private valuation	Broker quote	5%	5%	\$30,000	\$(30,000)
Fusion Trust 10.923%, 2025-04-15	600,000	Private valuation	Broker quote	5%	5%	\$30,000	\$(30,000)
Bruce Trail Funding Corporation 16.340%, 2028-08-31	6,435,357	Private valuation	Broker quote	5%	5%	\$321,768	\$(321,768)
Manitoulin USD Ltd. 13.290%, 2027-11-10	11,045,584	Private valuation	Broker quote	5%	5%	\$552,279	\$(552,279)
Real Estate Asset Liquidity Trust 3.707%, 2031-06-12	3,478,677	Private valuation	Broker quote	5%	5%	\$173,934	\$(173,934)
Real Estate Asset Liquidity Trust 3.707%, 2031-07-12	1,116,406	Private valuation	Broker quote	5%	5%	\$55,820	\$(55,820)
Real Estate Asset Liquidity Trust 3.707%, 2031-07-12	2,040,533	Private valuation	Broker quote	5%	5%	\$102,027	\$(102,027)
Real Estate Asset Liquidity Trust 3.707%, 2031-08-12	1,439,565	Private valuation	Broker quote	5%	5%	\$71,978	\$(71,978)
Real Estate Asset Liquidity Trust 3.707%, 2031-11-12	2,098,007	Private valuation	Broker quote	5%	5%	\$104,900	\$(104,900)
St Lawrence Srt Usd Corp. 0.000%, 2033-05-25	7,928,215	Private valuation	Broker quote	5%	5%	\$396,411	\$(396,411)
Granville Usd Ltd. 0.000%, 2031-07-31	7,915,557	Private valuation	Broker quote	5%	5%	\$395,778	\$(395,778)

PICTON MAHONEY FORTIFIED INCOME FUND

FUND SPECIFIC NOTES (CONTINUED)

3. 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	519,906	(519,906)	-	-
Derivative liabilities - Foreign exchange forward contracts	(10,899,236)	519,906	-	(10,379,330)
December 31, 2023				
Derivative assets - Foreign exchange forward contracts	14,524,109	-	-	14,524,109
Derivative assets - Credit default swaps	3,600	-	-	3,600
Derivative liabilities - Foreign exchange forward contracts	-	-	-	-
Derivative liabilities - Credit default swaps	-	-	-	-

4. 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 \$18,636,486 (Collateral - \$19,009,218) of securities on loan (December 31, 2023 - \$30,734,570 (Collateral - \$31,349,265) 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:

	December 31, 2024 (\$)	December 31, 2023 (\$)
Gross securities lending income	27,303	36,140
Securities lending charges	(9,556)	(12,649)
Net securities lending income	17,747	23,491
Withholding taxes on securities lending income	(26)	-
Net securities lending income received by the Fund	17,721	23,491
Security lending charges percentage of gross securities lending income	35%	35%

5. OTHER PRICE RISK

Using Beta as a measure of the relationship of the Fund's performance versus its index, if the blended index consisting of 75% BofA Merrill Lynch Global High Yield Index (hedged to Canadian dollars) and 25% BofA Merrill Lynch Global Corporate Index (hedged to Canadian dollars) were to increase or decrease by 10%, net assets would have increased or decreased by approximately \$130,820,064 (December 31, 2023 - \$34,508,749). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

PICTON MAHONEY FORTIFIED INCOME FUND

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 \$	Forwards Currency Contracts \$	Total \$	Percentage of Net Assets %
United States Dollar	302,198,230	13,320,672	(320,229,612)	(4,710,710)	-0.6%
European Euro	501,369	-	(4,284,590)	(3,783,221)	-0.5%
British Pound	7,278,057	-	(7,222,819)	55,238	0.0%
Net Exposure	309,977,656	13,320,672	(331,737,021)	(8,438,693)	-1.1%

FINANCIAL INSTRUMENTS					
December 31, 2023 Currency	Monetary \$	Non-Monetary \$	Forwards Currency Contracts \$	Total \$	Percentage of Net Assets %
United States Dollar	337,712,225	9,997,112	(347,368,028)	341,309	0.0%
European Euro	478,193	-	(509,807)	(31,614)	0.0%
British Pound	8,356,760	-	(6,263,224)	2,093,536	0.3%
Net Exposure	346,547,178	9,997,112	(354,141,059)	2,403,231	0.3%

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 \$421,935 (December 31, 2023 - \$120,162). 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 \$21,997,905 (December 31, 2023 - \$18,152,770). 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	9,242,129	-	9,242,129
1-3 years	80,619,267	(1,542,254)	79,077,013
3-5 years	264,849,133	(16,713,287)	248,135,846
Greater than 5 years	379,080,559	(18,647,973)	360,432,586
Total	733,791,088	(36,903,514)	696,887,574

Debt Instruments by Maturity Date	December 31, 2023 (\$)		
	Long Positions	Short Positions	Total
Less than 1 year	-	(687,833)	(687,833)
1-3 years	105,630,328	(5,658,866)	99,971,462
3-5 years	140,814,470	(8,468,060)	132,346,410
Greater than 5 years	377,778,571	(18,628,639)	359,149,932
Total	624,223,369	(33,443,398)	590,779,971

PICTON MAHONEY FORTIFIED INCOME 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	0.0%	0.0%	0.0%	AAA	0.1%	0.1%	0.0%
AA-	0.0%	0.0%	0.0%	AA-	-0.2%	0.0%	-0.2%
A+	0.0%	0.0%	0.0%	A+	-0.2%	0.0%	-0.2%
BBB+	3.0%	3.0%	0.0%	BBB+	1.6%	1.8%	-0.2%
BBB	3.5%	3.5%	0.0%	BBB	5.9%	5.9%	0.0%
BBB-	10.7%	10.7%	0.0%	BBB-	11.0%	11.0%	0.0%
BB+	9.4%	9.4%	0.0%	BB+	8.2%	8.3%	-0.1%
BB	16.5%	17.2%	-0.7%	BB	15.6%	16.7%	-1.1%
BB-	10.5%	11.2%	-0.7%	BB-	14.1%	14.9%	-0.8%
B+	9.6%	10.5%	-0.9%	B+	9.2%	9.6%	-0.4%
B	7.5%	8.5%	-1.0%	B	3.7%	4.1%	-0.4%
B-	4.1%	4.5%	-0.4%	B-	2.7%	3.4%	-0.7%
CCC+	0.3%	0.7%	-0.4%	CCC+	-0.4%	0.0%	-0.4%
CCC	-0.3%	0.0%	-0.3%	CCC	0.0%	0.0%	0.0%
NR	9.0%	9.0%	0.0%	NR	8.1%	8.1%	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.

PICTON MAHONEY FORTIFIED INCOME FUND

FUND SPECIFIC NOTES (CONTINUED)

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	92.5%	91.4%
Canadian Equities	3.3%	4.3%
Energy	2.3%	2.0%
Financials	0.7%	1.1%
Real Estate	0.3%	0.3%
Industrial	0.0%	0.8%
Utilities	0.0%	0.1%
Global Equities	0.8%	0.1%
United States	0.6%	0.0%
International	0.2%	0.1%
Canadian Debt	63.6%	53.5%
Corporate Bonds	59.8%	51.1%
Asset-Backed Securities	3.8%	2.4%
Global Debt	24.6%	30.4%
United States Bonds	21.0%	27.3%
International Bonds	3.6%	3.1%
Derivatives	0.2%	3.1%
SHORT POSITIONS	-6.2%	-6.2%
Global Equities	-0.3%	0.0%
International Index Equivalents	-0.3%	0.0%
Canadian Debt	-0.1%	-0.2%
Corporate Bonds	-0.1%	-0.2%
Global Debt	-4.3%	-4.3%
United States Bonds	-4.1%	-4.1%
International Bonds	-0.2%	-0.2%
Derivatives	-1.5%	-1.7%

PICTON MAHONEY FORTIFIED INCOME 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 \$
Short positions	39,165,813	-	-	39,165,813
Distributions payable	1,050	-	-	1,050
Redemptions payable	491,561	-	-	491,561
Accrued liabilities and other payables	-	2,380,023	-	2,380,023
Payable for investments purchased	7,432	-	-	7,432
Derivative liabilities	12,258,467	-	-	12,258,467

December 31, 2023 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	33,443,398	-	-	33,443,398
Distributions payable	31	-	-	31
Redemptions payable	508,126	-	-	508,126
Accrued liabilities and other payables	-	1,770,597	-	1,770,597
Payable for investments purchased	2,931,639	-	-	2,931,639
Derivative liabilities	12,581,515	-	-	12,581,515

11. FUND UNIT TRANSACTIONS

For the years ended December 31

	2024					2023				
	Class A	Class F	Class FT	Class T	Class I	Class A	Class F	Class FT	Class T	Class I
Units issued and outstanding, beginning of year	7,243,484	56,985,613	3,387,033	521,552	3,116,424	7,452,695	48,748,371	3,370,617	422,609	3,673,271
Units issued	2,043,734	19,896,274	702,155	223,253	-	1,821,247	19,301,891	2,185,146	158,132	-
Units reinvested	289,927	1,599,384	6,345	25,833	130,830	310,303	1,627,084	4,860	18,762	185,142
Units redeemed	(2,010,197)	(14,368,308)	(1,629,874)	(54,251)	(816,103)	(2,340,761)	(12,691,733)	(2,173,590)	(77,951)	(741,989)
Units issued and outstanding, end of year	7,566,948	64,112,963	2,465,659	716,387	2,431,151	7,243,484	56,985,613	3,387,033	521,552	3,116,424
Weighted average number of units held during the year	7,287,963	59,261,798	2,864,541	627,051	2,616,990	7,336,081	53,222,415	3,751,858	484,910	3,478,171

12. COMMISSIONS

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

	2024	2023
Brokerage commissions	1,831	3,094
Soft Dollar commissions	132	136

13. TAX LOSS CARRY FORWARDS

As at December 31 (in \$000)

	2024	2023
Net capital losses carry forward	32,762	28,800
Non-capital losses carry forward	-	-

PICTON MAHONEY FORTIFIED INCOME FUND NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

1. GENERAL INFORMATION

Picton Mahoney Fortified Income Fund (the "Fund") is an open-ended mutual trust established under the laws of the Province of Ontario pursuant to a trust agreement dated October 21, 2015 (the "Trust Declaration"). The Fund commenced operations on October 29, 2015. 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 29, 2015, 15,001 Class A 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 FT, Class T and Class I units.

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 FT 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 FT units are also designed to provide cash flow to investors by making monthly distributions of cash. Class T units are available to all investors and are designed to provide cash flow to investors by making monthly distributions of cash. 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.

As at December 31, 2024, the Fund currently has 5 Classes of Units: Class A, Class F, Class FT, Class T, and Class I.

The investment objective of the Fund is to maximize total return to unitholders through income and capital appreciation by investing primarily in global income securities while mitigating capital loss by engaging in hedging strategies for downside risk protection.

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 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

PICTON MAHONEY FORTIFIED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

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.

Credit default swaps are agreements to mitigate credit risk exposure to certain issuing entities ("referenced entity") held by the Fund or to increase credit risk exposure to the referenced entity by creating a notional investment position for the Fund. Where a notional investment position is created, the credit risk exposure of the Fund is comparable to the exposure that would have resulted if the Fund was invested directly in the referenced entity. Under a credit default swap agreement, the protection buyer, whose intention is to reduce its credit risk exposure to the referenced entity, pays a premium to the protection seller, who assumes the credit risk of that entity defaulting. This premium is paid at regular intervals over the term of the swap agreement. In return for the premium paid, the protection buyer is entitled to receive from the protection seller full payment for a loss arising from a credit default event of the referenced entity. A credit default event may be triggered by bankruptcy, failure to pay or restructuring of the referenced entity. If a credit default event occurs, the swap may be settled by either the physical delivery of the bond for proceeds equal to par value, or a cash payment equal to the loss amount. Credit default swaps are valued daily based on dealer-supplied valuations determined using observable 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.

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.

(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.

PICTON MAHONEY FORTIFIED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

The Fund's units are divided into the Class A, Class F, Class FT, Class T 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) 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.

(m) IFRS 9, Financial Instruments

IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and liabilities.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortized cost.

(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. 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

PICTON MAHONEY FORTIFIED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

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.

(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 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.

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.

PICTON MAHONEY FORTIFIED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

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 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.

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.

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.

PICTON MAHONEY FORTIFIED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

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. For Class FT and Class T units, unitholders will receive a target monthly distribution at an initial rate of 5% per annum. The target rate of monthly distribution will be reset at the beginning of each calendar year to provide a target yield based on the net asset value per Class FT unit or Class T unit as at December 31 of the prior year. Throughout the year, such monthly distributions to unitholders will be composed of net income, net capital gains and/or a return of capital. All distributions on Class FT and Class T 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 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 1.90%, on Class F units is 0.90%, on Class FT units is 0.90%, and on Class T units is 1.90%. 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.

(b) Performance Fees

The Manager receives a performance fee payable in respect of each class of units of the Fund. The performance fee is equal to the daily net asset value of the class of units of the Fund during the calendar quarter multiplied by 20% of the amount by which the total return of the class of units exceeds the total percentage increase or decrease in the blended benchmark consisting of 75% BofA Merrill Lynch Global High Yield Index (hedged to Canadian dollars) and 25% BofA Merrill Lynch Global Corporate Index (hedged to Canadian dollars) (the "Performance Fee Index") since the end of the period for which the last performance fee was paid. If at any time the total return of the class of units of the Fund is less than its Performance Fee Index, then no performance fee will be payable until the total return of the class of units of the Fund relative to its Performance Fee Index has exceeded the amount of the deficiency calculated on a percentage basis. Investors in Class I units may negotiate a different performance fee than the one described herein or no performance fee at all. Any performance fee for Class I units will be paid directly to the Manager. The Manager reserves the right, in its discretion, to discontinue, decrease or waive the performance fee at any time. For the year ended December 31, 2024, the Fund incurred no performance fees (December 31, 2023 - \$nil).

PICTON MAHONEY FORTIFIED INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

(c) 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.**



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

Auditor

PricewaterhouseCoopers LLP

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

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