

FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND



**THINK AHEAD.
STAY AHEAD.**

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

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

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

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

INVESTMENT OBJECTIVE AND STRATEGIES

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

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

The investment strategy of the Fund is global in nature and will have exposure to international markets, including emerging markets. Strategies can be implemented within and across various financial markets including global equity markets including emerging markets, global government and corporate fixed income markets, foreign exchange markets, commodity derivative markets, currency markets and volatility markets. To achieve the investment objective, the Fund invests in an actively managed portfolio comprised of securities across a variety of asset classes identified as attractive investment candidates by the Portfolio Advisor's investment process.

Consistent with the investment objectives of the Fund, up to 50% of the aggregate market value of the Fund may be sold short, as permitted by exemptive relief obtained by the Fund and/or securities regulations. The Fund will short sell securities identified as unattractive investments by the Portfolio Advisor's investment process and/or to hedge the market exposure of the Fund's long positions.

The Portfolio Advisor utilizes a multi-layered investment process based on modern portfolio construction techniques and a comprehensive set of traditional and alternative assets classes, factor risk premia strategies and alpha processes: i) asset class exposure includes exposure to global equity markets, global fixed income markets (both government and corporate), commodity markets and currency markets; ii) a risk premium reflects

exposure to sources of systemic risk. Factor risk premia seeks to harvest risk premia through exposures to factors. Factors are attributes relating to a group of securities that help explain their return and risk. Factor risk premia strategies are implemented by ranking groups of securities by their exposure to a factor such as momentum or value. This strategy can be implemented within a traditional asset class, such as equities or fixed income, or an alternative asset class, such as commodities or currencies; iii) alpha process seeks to capture idiosyncratic returns associated with manager skill. Alpha processes can be implemented by investing in other actively managed strategies, such as a market neutral strategy. This may include investing in funds for which the Manager is the manager and/or portfolio advisor.

The Portfolio Advisor will use a proprietary economic cycle model in order to assess asset class and risk premia strategy behavior and to construct portfolios. Using both systematic as well as discretionary approaches, the Portfolio Advisor will apply strategic and tactical allocations at all levels of the Fund, within and across layers. The strategic allocations will be aligned with a longer-term view of the behavior and characteristics of markets and strategies. The tactical allocations will be based on a short to intermediate time horizon and may contain portfolio hedges through the use of options, futures and other securities.

The portfolio management process will also use a risk-budgeting process to weigh different components of the portfolios. The risk-budgeting will occur across layers as well as within layers. A variety of methods are used to measure risk, including, standard deviation of returns (volatility), maximum drawdown experienced through time, tail-risk as defined by a large loss over a short time horizon as well as both historical and hypothetical stress tests. Both qualitative and quantitative approaches are used to estimate risk measures. The risk measures are potentially applied to the individual markets as well as asset classes, strategies, layers and fund investments.

On a position-by-position basis, margin requirements of the applicable exchange will be adhered to by the Fund. The Fund may also choose to: i) invest up to 100% of its portfolio in international securities; ii) pairs trade by taking short positions from time to time in securities of one issuer while taking a long position in securities of another issuer in an attempt to gain from the relative valuation differences between the two issuers; iii) invest in fixed income securities; iv) engage in arbitrage strategies, including: a) yield and credit curve arbitrage by combining a long position in an issuer's bond at one maturity with a short position in the bonds of the same issuer at a different maturity; b) fixed income arbitrage by taking offsetting long and short positions in government bonds and investment grade corporate bonds, government agency securities, swap contracts, and futures and options on fixed income instruments that are mathematically, fundamentally, or historically interrelated; c) capital structure arbitrage by combining a long position in an issuer's senior debt with a short position in its junior debt or common equity using a hedge ratio; or d) convertible arbitrage by combining a long position in an issuer's convertible securities with a short position in its common equity. v) take long and short positions in securities impacted by event driven situations, such as mergers, divestitures, restructurings or other issuer events; vi) take long and short positions in private company debt offerings; vii) participate in initial public offerings, secondary offerings, and private financings (including special warrant financings) in existing publicly traded issuers to the extent permitted by securities regulations, but shall not invest in any private placements by a private company; viii) purchase, hold, sell, or otherwise deal in commodity forward contracts, commodity futures, financial futures or options on

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

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

financial futures, but not physical commodities; ix) use derivative instruments, such as options, futures, forward contracts and swaps, cleared and uncleared, for both hedging and non-hedging strategies, in a manner which is consistent with the investment objectives of the Fund and as permitted by securities regulations, including to: a) hedge against losses from changes in the prices of the Fund's investments and from exposure to foreign currencies; b) implement option spreads by purchasing an option on a security and simultaneously selling an option on the same security with the same expiry date; and c) gain exposure to individual securities and markets instead of buying the securities directly; and x) hold cash and cash equivalents.

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

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

RISK

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

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

1. **Equity Investment Risk** – Equity investments, such as stocks, carry several risks. A number of factors may cause the price of a stock to fall. These include specific developments relating to the company, stock market conditions where the company's securities trade and general economic, financial and political conditions in the countries where the company operates. Since a Fund's unit price is based on the value of its investments,

an overall decline in the value of the stocks it holds will reduce the value of the Fund and, therefore, the value of your investment. However if the price of the stocks in the portfolio increases, your investment will be worth more. Equity funds generally tend to be more volatile than fixed income funds, and the value of their units can vary widely.

2. **Fixed Income Investment Risk** – Certain general investment risks can affect fixed income investments in a manner similar to equity investments. For example, specific developments relating to a company and general financial, political and economic (other than interest rate) conditions in the country in which the company operates. For government fixed income investments, general economic, financial and political conditions may affect the value of government securities. Since a Fund's unit price is based on the value of its investments, an overall decline in the value of its fixed income investments will reduce the value of the Fund and therefore, the value of your investment. However, your investment will be worth more if the value of the fixed income investments in the portfolio increases.

3. **Credit Risk** – An issuer of a bond or other fixed income investment may not be able to pay interest or to repay the principal at maturity. The risk of this occurring is greater with some issuers than with others. For example, the risk of default is quite low for most government and high quality corporate securities. Where this risk is considered greater, the interest rate paid by the issuer is generally higher than for an issuer where this risk is considered to be lower. This risk could increase or decline during the term of the fixed income investment. Companies and governments that borrow money, as well as their debt securities, may be rated by specialized rating agencies. A downgrade in an issuer's credit rating or other adverse news regarding an issuer can reduce a security's market value. Other factors can also influence a debt security's market value, such as the level of liquidity of the security or a change in the market perception of the creditworthiness of the security, the parties involved in structuring the security and the underlying assets, if any. Lower rated debt instruments such as an instrument that has a credit rating below investment grade or may not be rated at all (sometimes referred to as "high yield"), generally offer a better yield than higher-grade debt instruments, but have the potential for substantial loss as compared to higher grade instruments.

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

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

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

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

aggregate gross exposure exceeds three times the Fund's net asset value, the Fund must, as quickly as is commercially reasonable, take all necessary steps to reduce the aggregate gross exposure to three times the Fund's net asset value or less.

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

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

LEVERAGE

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

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

During the year January 1 to December 31, 2024, the Fund's aggregate exposure reached a low of 205.87% and a high of 298.40% of the Fund's NAV. As at December 31, 2024, the Fund's aggregate exposure was 255.18% of the Fund's NAV. The primary source of leverage was short positions in equity securities.

RESULTS OF OPERATIONS

For the year January 1, 2024 to December 31, 2024, the net asset value of the Fund decreased by approximately \$33.8 million from \$66.3 million to \$32.5 million. During the same period, performance on the Fund's portfolio increased its assets by \$6.4 million. The Fund also received \$9.6 million in proceeds and had net redemptions of \$49.8 million. For the year ended December 31, 2024, the Fund Class A units returned 11.02%, the Fund Class F units returned 11.53%, the Fund Class FT units returned 11.80%, the Fund Class I units returned 14.46%, the Fund Class ETF units returned 11.55%, and the Fund Class P units returned 12.37%.

Equities were the feature in 2024 as the soft-landing narrative for the U.S. economy gained traction through the year, bolstering positive sentiment which culminated in a year-end rally associated with a "business friendly" Trump election win. Aside from a couple contained pullbacks, the trend in equities was generally positive and sustained. The volatility, however, was on the fixed income side of a "balanced" ledger, with the benchmark U.S. 10-Year Treasury yield exploring a roughly 80-100 basis point range in three phases through the year. As the inflation narrative calmed and resurged into year-end (again, on the back of the Trump win), "balanced" investors seemed to be grappling with a new reality. Given the Fund is built with greater diversification in mind, thus redistributing the equity risk in a typical "balanced" mandate, the relative lack of equity exposure was an

opportunity cost, but the Fund made up for this in many other aspects of the portfolio, posting returns inline with the median Tactical Balanced fund in Canada.

While equity gains skated most balanced investors to respectable returns, the quality of these returns leaves something to be desired. For instance, the widely known concentration risk in U.S. mega-cap tech names has continued to power index-level gains while brewing a potential bubble in valuations. The Fund's core focus on diversification across not only a broader asset class palette, but into diversifying uncorrelated strategies is a noteworthy portfolio construction advantage, especially when concentration risks in equity returns ultimately come into play on the downside.

The Picton Mahoney Multi-Asset Strategies team continues to believe that striving for and achieving diversification benefits in portfolios is highly additive to the investor experience of headline returns meeting or exceeding plan. Moreover, as these market environments tend to mask lurking macro-level risks, diversification benefits achieved in real-time are often similarly ignored.

Our proprietary economic cycle models were largely more cautious through the year than the sentiment exhibited in the marketplace, but as noted above, the Fund's structural "underweight" equity allocation allowed for capital to be allocated to diversifying strategies, managed internally, which contributed solidly to returns.

Within the asset allocation layers of the portfolio, the Fund exhibited many puts and takes, with certain asset classes posting gains in one quarter only to be offset in another. On the whole, despite some tactical adjustments, the Rates asset class was the largest drag on performance, with most of this coming in the fourth quarter. Precious Metals offset roughly half of the losses in rates, with performance contribution more evenly distributed across the four quarters of the period. In terms of broader portfolio management notes, portfolio hedges were relatively flat through the period under review.

We remain confident that the Fund is well diversified and continues to offer investors a more robust approach to garnering returns beyond those of a traditional two asset class portfolio construction model.

RECENT DEVELOPMENTS

As at period-end, our proprietary economic cycle model has shifted toward a more constructive stance than it held earlier in the year. While this is seemingly in agreement with the soft-landing narrative in the marketplace, we are nonetheless cautious of a brewing equity bubble, concentrated in high-growth, high multiple U.S. tech mega-caps. As such, we are confident that the Fund's diversification processes, namely to redistribute equity risk, will offer investors returns which are less sensitive to the level and direction of an already-inflated stock market.

To the extent we had noted the conundrum of an ebullient market against a less constructive economic cycle model previously, the allocation to our Strategic and Tactical Asset Allocation layers remains below target, though less-so than at period-end last year. While not holding a target allocation to these layers of the portfolio may suggest a lack of conviction, we remind investors that the non-directional layers of portfolio return drivers are delivering uncorrelated returns at least in line with expectations, offering a notable diversifier to traditional asset class risks.

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

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

One of the more dynamic market forces of late has been the discounting of forward monetary policy and with the U.S. Federal Reserve becoming less dovish in their December meeting, the volatility in interest rates has become a challenge for portfolios which exhibit a high degree of interest rate sensitivity. While many investors prefer to wage this battle in their fixed income sleeves, we believe that shortening duration is merely a way to play defense amid rate volatility tied to a potential resurgence in inflation. We encourage investors to explore a wider toolkit and note the Fund's dedicated exposure to inflation-sensitive assets in both the Strategic and Tactical Asset Allocation layers of the portfolio. We note our fundamental equity research efforts (as it pertains to the proprietary equity market neutral strategy in the "alpha" layer), are also squarely focused on capturing emergent themes around inflation dynamics as well, not the least of which is the persistent "services" inflation vs the more tamed "goods" inflation.

RELATED PARTY TRANSACTIONS

Picton Mahoney Asset Management is the manager (the "Manager"), portfolio advisor (the "Portfolio Advisor"), and trustee ("the Trustee") of the Fund. The Manager is an investment manager focused on equity and fixed income securities investments with approximately \$12.0 billion of assets under management as of December 31, 2024. As at December 31, 2024, the Manager holds 1 unit of Class A, 836 units of Class FT, 703 units of Class I, and 700 units of Class P (December 31, 2023 - 1 unit of Class A, 796 units of Class FT, 700 units of Class P, and 768 units of Class I).

The Fund holds 1,891 units (market value of \$35,509) totaling 0.00% of the net assets of Picton Mahoney Fortified Market Neutral Alternative Fund, 1,064,343 units (market value of \$10,700,690) totaling 3.40% of the net assets of Picton Mahoney Fortified Special Situations Alternative Fund, 371,790 units (market value of \$3,956,104) totaling 0.45% of the net assets of Picton Mahoney Fortified Arbitrage Plus Alternative Fund, 4,024 units (market value of \$43,604) totaling 0.00% of the net assets of Picton Mahoney Fortified Income Alternative Fund, 224,773 units (market value of \$2,403,675) 3.99% of the net assets of Picton Mahoney Fortified Core Bond Fund and 3,047 units (market value of \$30,495) 0.16% of the net assets of Picton Mahoney Fortified Inflation Opportunities Alternative Fund. For the year ended December 31, 2024, the Manager has absorbed \$135,800 of expenses.

Management Fees

As a result of providing investment and management services, the Manager receives a management fee calculated and accrued daily based on the NAV of the class of units of the Fund, plus applicable taxes, payable on the last day of each calendar quarter. For the year ended December 31, 2024, the Fund incurred management fees of \$570,541 (December 31, 2023 - \$827,036). Management fees in respect of Class I units are direct fees negotiated with the investor, paid directly by the investor, and would not exceed the management fee payable on Class A units of the Fund. The Manager uses these management fees to pay for sales and trailing commissions to registered dealers on the distribution of the Fund's shares, investment advice, as well as general administrative expenses relating to Picton Mahoney's role as Manager.

The following is a breakdown:

As a Percentage of Management Fees			
	Annual Rates	Dealer Compensation	General Administration and Investment Advice
Class A units	1.95%	51.03%	48.97%
Class F units	0.95%	-	100.00%
Class FT units	0.95%	-	100.00%
Class P units	0.70%	-	100.00%
Class ETF units	0.95%	-	100.00%

Out of the management fees that the Manager received from the Fund, the Manager paid trailer commissions of \$67,304 for the year ended December 31, 2024.

Performance Fees

The Manager receives a performance fee in respect of each class of units of the Fund. The performance fee for each class shall be calculated and become a liability of the Fund on each valuation day (the "Valuation Day") and shall be payable at the end of each calendar quarter. The performance fee is equal to 20% of the amount by which the performance of the applicable class exceeds an annual hurdle rate of return equal to 2%, for each class of units of the Fund, plus applicable taxes. The performance fee in respect of each class of units of the Fund on a particular Valuation Day shall be equal to the product of, (a) 20% of the positive difference between (i) the unit price on the Valuation Day; and (ii) the greatest unit price on any previous Valuation Day (or the unit price on the date when the units of the class were first issued, where no performance fee liability has previously arisen in respect of units of the class (the "High Water Mark")); less (iii) the hurdle amount per unit on the Valuation Day; and (b) the number of units outstanding on the applicable Valuation Day on which the performance fee is determined, plus applicable taxes. The hurdle amount per unit is the product of (a) 2% for each calendar year (prorated for the number of days in the year); (b) the unit price on the applicable Valuation Day; and (c) the number of days since the most recently determined High Water Mark or the beginning of the current calendar year, whichever is most recent. Investors in Class I units may negotiate a different performance fee than the one described herein or no performance fee at all. Any performance fee for Class I units will be paid directly to the Manager. The Manager reserves the right, in its discretion, to discontinue, decrease or waive the performance fee at any time. For the year ended December 31, 2024, the Fund incurred performance fees of \$615,250 (December 31, 2023 - \$nil).

Independent Review Committee

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

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

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

FINANCIAL HIGHLIGHTS

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

Class A Units - Net Assets per Unit					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Net Assets, beginning of year	11.42	11.32	12.02	11.02	10.35
Increase (decrease) from operations:					
Total revenue	0.36	0.22	0.22	0.17	0.09
Total expense	(0.52)	(0.34)	(0.38)	(0.57)	(0.38)
Realized gains (losses)	1.81	0.12	(0.43)	1.03	(0.30)
Unrealized gains (losses)	(0.36)	0.10	(0.17)	0.34	1.16
Total increase (decrease) from operations⁽¹⁾	1.29	0.10	(0.76)	0.97	0.57
Distributions:					
From income	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions⁽¹⁾⁽²⁾	-	-	-	-	-
Net Assets, end of year	12.68	11.42	11.32	12.02	11.02

Class A Units - Ratios/Supplemental Data					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Total Net Asset Value (\$000's) ⁽³⁾	6,476	7,493	7,899	7,629	6,349
Number of units outstanding (000's) ⁽³⁾	511	656	698	635	576
Management expense ratio ⁽⁴⁾	3.78%	3.62%	3.53%	4.70%	3.64%
Management expense ratio before waivers or absorptions	4.06%	3.79%	3.63%	5.02%	3.94%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.99%	0.92%	0.80%	0.66%	1.26%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	3.44%	2.69%	2.10%	1.82%	2.55%
Portfolio turnover rate ⁽⁶⁾	195.47%	104.22%	89.60%	157.77%	217.90%
Net Asset Value per unit	12.68	11.42	11.32	12.02	11.02

Class F Units - Net Assets per Unit					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Net Assets, beginning of year	12.04	11.80	12.40	11.27	10.50
Increase (decrease) from operations:					
Total revenue	0.37	0.21	0.23	0.19	0.09
Total expense	(0.48)	(0.23)	(0.27)	(0.43)	(0.30)
Realized gains (losses)	1.85	0.11	(0.53)	0.97	(0.37)
Unrealized gains (losses)	(0.35)	0.05	(0.08)	0.25	0.98
Total increase (decrease) from operations⁽¹⁾	1.39	0.14	(0.65)	0.98	0.40
Distributions:					
From income	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions⁽¹⁾⁽²⁾	-	-	-	-	-
Net Assets, end of year	13.43	12.04	11.80	12.40	11.27

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

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

Class F Units - Ratios/Supplemental Data					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Total Net Asset Value (\$000's) ⁽³⁾	21,877	27,548	51,654	43,624	23,039
Number of units outstanding (000's) ⁽³⁾	1,629	2,288	4,376	3,517	2,044
Management expense ratio ⁽⁴⁾	3.28%	2.50%	2.42%	3.37%	2.78%
Management expense ratio before waivers or absorptions	3.56%	2.66%	2.51%	3.70%	3.09%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.99%	0.92%	0.80%	0.66%	1.26%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	3.44%	2.69%	2.10%	1.82%	2.55%
Portfolio turnover rate ⁽⁶⁾	195.47%	104.22%	89.60%	157.77%	217.90%
Net Asset Value per unit	13.43	12.04	11.80	12.40	11.27

Class FT Units - Net Assets per Unit				
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$) ⁽⁷⁾
Net Assets, beginning of year	8.69	8.96	9.93	10.00
Increase (decrease) from operations:				
Total revenue	0.27	0.17	0.22	0.08
Total expense	(0.32)	(0.17)	(0.19)	(0.12)
Realized gains (losses)	1.37	0.09	(1.20)	0.09
Unrealized gains (losses)	(0.28)	0.07	0.75	0.06
Total increase (decrease) from operations⁽¹⁾	1.04	0.16	(0.42)	0.11
Distributions:				
From income	(0.44)	-	(0.50)	-
From dividends	-	-	-	-
From capital gains	-	-	-	-
Return of capital	-	(0.45)	-	(0.27)
Total annual distributions⁽¹⁾⁽²⁾	(0.44)	(0.45)	(0.50)	(0.27)
Net Assets, end of year	9.27	8.69	8.96	9.93

Class FT Units - Ratios/Supplemental Data				
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$) ⁽⁷⁾
Total Net Asset Value (\$000's) ⁽³⁾	348	376	410	22
Number of units outstanding (000's) ⁽³⁾	38	43	46	2
Management expense ratio ⁽⁴⁾	3.28%	2.49%	1.63%	2.70%
Management expense ratio before waivers or absorptions	3.38%	2.65%	1.71%	3.11%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.99%	0.92%	0.80%	0.66%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	3.44%	2.69%	2.10%	1.82%
Portfolio turnover rate ⁽⁶⁾	195.47%	104.22%	89.60%	157.77%
Net Asset Value per unit	9.27	8.69	8.96	9.93

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

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

Class I Units - Net Assets per Unit					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Net Assets, beginning of year	13.27	12.87	13.31	11.70	10.63
Increase (decrease) from operations:					
Total revenue	0.43	0.26	0.24	0.19	0.09
Total expense	(0.17)	(0.10)	(0.07)	(0.09)	(0.05)
Realized gains (losses)	2.20	0.13	(0.48)	1.16	(0.21)
Unrealized gains (losses)	(0.50)	0.11	(0.11)	0.35	1.23
Total increase (decrease) from operations⁽¹⁾	1.96	0.40	(0.42)	1.61	1.06
Distributions:					
From income	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions⁽¹⁾⁽²⁾	-	-	-	-	-
Net Assets, end of year	15.20	13.27	12.87	13.31	11.70

Class I Units - Ratios/Supplemental Data					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Total Net Asset Value (\$000's) ⁽³⁾	11	10	10	13	12
Number of units outstanding (000's) ⁽³⁾	1	1	1	1	1
Management expense ratio ⁽⁴⁾	0.74%	1.49%	0.60%	0.56%	0.57%
Management expense ratio before waivers or absorptions	1.02%	1.65%	0.61%	0.87%	0.94%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.99%	0.92%	0.80%	0.66%	1.26%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	3.44%	2.69%	2.10%	1.82%	2.55%
Portfolio turnover rate ⁽⁶⁾	195.47%	104.22%	89.60%	157.77%	217.90%
Net Asset Value per unit	15.20	13.27	12.87	13.31	11.70

Class P Units - Net Assets per Unit			
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$) ⁽⁸⁾
Net Assets, beginning of year	9.57	9.35	10.00
Increase (decrease) from operations:			
Total revenue	0.20	0.18	0.16
Total expense	(0.26)	(0.15)	(0.13)
Realized gains (losses)	1.29	0.10	(0.72)
Unrealized gains (losses)	0.24	0.08	(0.18)
Total increase (decrease) from operations⁽¹⁾	1.47	0.21	(0.87)
Distributions:			
From income	-	-	-
From dividends	-	-	-
From capital gains	-	-	-
Return of capital	-	-	-
Total annual distributions⁽¹⁾⁽²⁾	-	-	-
Net Assets, end of year	10.75	9.57	9.35

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

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

Class P Units - Ratios/Supplemental Data			
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$) ⁽⁸⁾
Total Net Asset Value (\$000's) ⁽³⁾	8	27,562	30,166
Number of units outstanding (000's) ⁽³⁾	1	2,881	3,226
Management expense ratio ⁽⁴⁾	2.14%	2.24%	1.51%
Management expense ratio before waivers or absorptions	2.35%	2.40%	1.60%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.99%	0.92%	0.80%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	3.44%	2.69%	2.10%
Portfolio turnover rate ⁽⁶⁾	195.47%	104.22%	89.60%
Net Asset Value per unit	10.75	9.57	9.35

Class ETF Units - Net Assets per Unit					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Net Assets, beginning of year	11.70	11.47	12.05	10.96	10.20
Increase (decrease) from operations:					
Total revenue	0.38	0.22	0.22	0.19	0.10
Total expense	(0.47)	(0.24)	(0.26)	(0.39)	(0.29)
Realized gains (losses)	1.86	0.19	(0.48)	0.89	(0.39)
Unrealized gains (losses)	(0.41)	(0.07)	(0.14)	0.10	0.19
Total increase (decrease) from operations⁽¹⁾	1.36	0.10	(0.66)	0.79	(0.39)
Distributions:					
From income	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
Total annual distributions⁽¹⁾⁽²⁾	-	-	-	-	-
Net Assets, end of year	13.06	11.70	11.47	12.05	10.96

Class ETF Units - Ratios/Supplemental Data					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Total Net Asset Value (\$000's) ⁽³⁾	3,786	3,277	4,818	5,904	2,192
Number of units outstanding (000's) ⁽³⁾	290	280	420	490	200
Management expense ratio ⁽⁴⁾	3.28%	2.48%	2.42%	3.37%	2.78%
Management expense ratio before waivers or absorptions	3.63%	2.64%	2.52%	3.46%	2.84%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.99%	0.92%	0.80%	0.66%	1.26%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	3.44%	2.69%	2.10%	1.82%	2.55%
Portfolio turnover rate ⁽⁶⁾	195.47%	104.22%	89.60%	157.77%	217.90%
Net Asset Value per unit	13.06	11.70	11.47	12.05	10.96
Closing Market Price (TSX)	12.77	11.58	11.48	12.11	11.04

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

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

EXPLANATORY NOTES

- (1) Net Assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.
- (2) Distributions were paid in cash, reinvested in additional units of the Fund, or both.
- (3) This information is provided as at the periods shown.
- (4) The management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. In the period the class is established, the MER is annualized.
- (5) The trading expense ratio ("TER") represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. In the period the class is established, the TER is annualized. The TER is calculated at the fund level and applies to all classes of the Fund. The Fund's TER is shown both with and without the short dividend expense from equities and interest expense from fixed income securities.
- (6) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund. Portfolio turnover rate is calculated based on the lesser of the cost of purchases or proceeds of sales divided by the average market value of the portfolio, excluding short-term investments.
- (7) Class FT units were first issued on July 8, 2021.
- (8) Class P units were first issued on March 7, 2022.

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

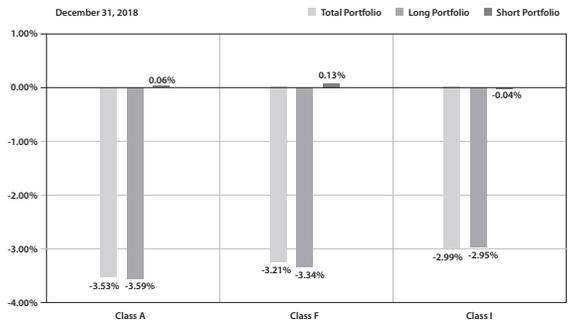
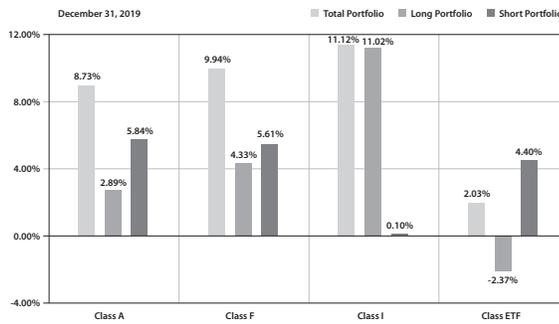
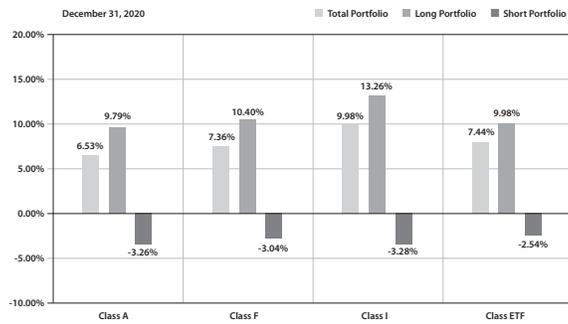
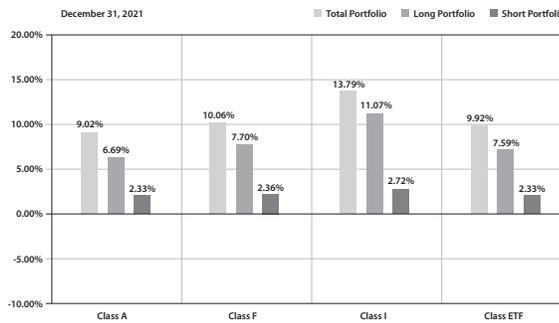
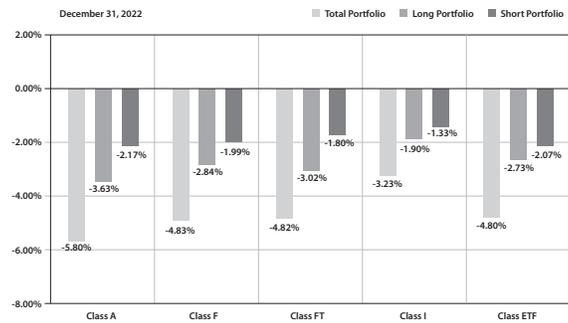
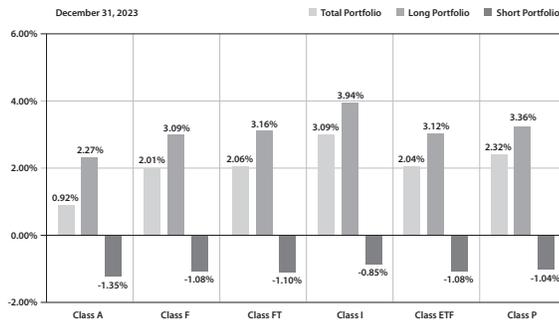
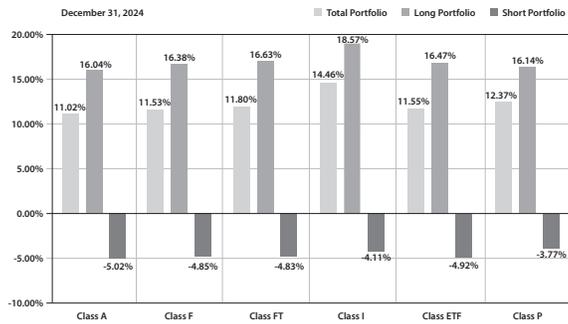
MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2024)

PAST PERFORMANCE

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

Year-by-Year>Returns

The following chart indicates the annual performance of each series of the Fund each year from inception on September 21, 2018 to December 31, 2024. The chart shows, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period.



PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

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

ANNUAL COMPOUND RETURNS

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

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

Annual Compound Returns	1 Year	3 Year	5 Year	Since Inception
Total portfolio - Class A units	11.02%	1.81%	4.15%	4.11%
Long portfolio - Class A units	16.04%	6.51%	13.49%	12.80%
Short portfolio - Class A units	-5.02%	-4.70%	-9.34%	-8.69%
Total portfolio - Class F units	11.53%	2.68%	5.04%	5.07%
Long portfolio - Class F units	16.38%	6.34%	12.49%	11.95%
Short portfolio - Class F units	-4.85%	-3.66%	-7.45%	-6.88%
Total portfolio - Class FT units*	11.80%	2.79%	-	2.95%
Long portfolio - Class FT units*	16.63%	9.24%	-	11.81%
Short portfolio - Class FT units*	-4.83%	-6.45%	-	-8.86%
Total portfolio - Class I units	14.46%	4.52%	7.39%	7.16%
Long portfolio - Class I units	18.57%	6.92%	13.51%	8.34%
Short portfolio - Class I units	-4.11%	-2.40%	-6.12%	-1.18%
Total portfolio - Class ETF units**	11.55%	2.71%	-	4.99%
Long portfolio - Class ETF units**	16.47%	7.20%	-	9.07%
Short portfolio - Class ETF units**	-4.92%	-4.49%	-	-4.08%
Total portfolio - Class P units***	12.37%	-	-	2.60%
Long portfolio - Class P units***	16.14%	-	-	8.35%
Short portfolio - Class P units***	-3.77%	-	-	-5.75%
Blended Benchmark Index	11.17%	4.24%	6.21%	6.27%

*Class FT units were first issued on July 8, 2021.

**Class ETF units were first issued on July 5, 2019.

***Class P units were first issued on March 8, 2022.

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

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

SUMMARY OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2024

Portfolio by Category		Portfolio by Category	
	Percentage of Net Asset Value (%)		Percentage of Net Asset Value (%)
LONG POSITIONS		SHORT POSITIONS	
Canadian Equities	92.0%	Canadian Equities	-23.7%
Investment Funds	53.5%	Index Equivalents	-15.3%
Financials	8.5%	Materials	-1.8%
Industrial	6.4%	Industrial	-1.1%
Energy	5.6%	Energy	-1.0%
Materials	5.3%	Consumer Staples	-1.0%
Information Technology	3.5%	Utilities	-0.8%
Utilities	2.4%	Consumer Discretionary	-0.8%
Real Estate	2.0%	Real Estate	-0.8%
Consumer Staples	1.4%	Financials	-0.7%
Index Equivalents	1.2%	Information Technology	-0.3%
Consumer Discretionary	1.1%	Communication Services	-0.1%
Health Care	0.7%	Health Care	0.0%
Communication Services	0.4%		
Global Equities	48.7%	Global Equities	-33.5%
International Index Equivalents	23.2%	United States Equities	-16.6%
United States	23.1%	International Index Equivalents	-15.3%
International	2.4%	International Equities	-1.6%
Global Debt	17.8%	Global Debt	-18.6%
United States Bonds	17.8%	United States Bonds	-18.6%
Derivatives	1.9%	Derivatives	-2.4%
Total Long Positions	160.4%	Total Short Positions	-78.2%
		Cash	8.2%
		Other Assets (net)	9.6%
		Total	100.0%

PICTON MAHONEY FORTIFIED MULTI-STRATEGY ALTERNATIVE FUND

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

Top Holdings	
	Percentage of Net Asset Value (%)
LONG POSITIONS	
Picton Mahoney Fortified Special Situations Alternative Fund	32.9%
Picton Mahoney Fortified Arbitrage Plus Alternative Fund	12.2%
United States Treasury Inflation Indexed Bond 2.125%, 2029-04-15	9.0%
United States Treasury Inflation Indexed Bond 1.625%, 2029-10-15	8.7%
Cash	8.2%
Picton Mahoney Fortified Core Bond Fund	7.4%
iShares Core MSCI Europe ETF	3.6%
SPDR S&P 500 ETF Trust	2.3%
iShares Russell 2000 Value ETF	1.5%
Royal Bank of Canada	1.1%
Shopify Inc.	1.1%
Invesco DB Base Metals Fund	1.1%
Canadian Pacific Kansas City Ltd.	1.0%
Bank of Montreal	1.0%
Invesco DB Energy Fund	0.9%
Waste Connections Inc.	0.9%
iShares MSCI United Kingdom ETF	0.9%
Agnico Eagle Mines Ltd.	0.9%
SHORT POSITIONS	
iShares Core S&P/TSX Capped Composite Index ETF	-10.7%
United States Treasury Note/Bond 4.625%, 2029-04-30	-9.3%
iShares Core S&P 500 ETF	-9.3%
United States Treasury Note/Bond 4.125%, 2029-10-31	-9.2%
iShares S&P/TSX 60 Index ETF	-4.0%
Vanguard Communication Services ETF	-1.3%
Vanguard Consumer Discretionary ETF	-1.2%
Total Net Asset Value (\$000)	<u>32,505</u>

The Summary of Investment Portfolio may change due to the ongoing portfolio transactions. A quarterly update is available on our website at www.pictonmahoney.com. Picton Mahoney Fortified Multi-Strategy Alternative Fund invests in other investment funds. The prospectus and other information about the underlying investment funds are available on the internet at www.sedarplus.ca.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

**THINK AHEAD.
STAY AHEAD.**



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