

PICTON MAHONEY SPECIAL SITUATIONS FUND

At Picton Mahoney Asset Management, we recognize the increasing importance of Know Your Product (KYP) requirements. To help you with this, we have prepared this KYP document for each of our offering memorandum funds, mutual funds and liquid alternatives. These documents are

carefully crafted to include information you might need to satisfy KYP requirements for the portfolios you have entrusted us with. You can expect to find these documents maintained on a quarterly basis.

THIS DOCUMENT INCLUDES

- ✓ FIRM OVERVIEW
- ✓ UNDERSTAND OUR PROCESS
- ✓ KNOW YOUR PRODUCT (KYP)
- ✓ WHAT MAKES US DIFFERENT?
- ✓ USEFUL RESOURCES TO COMPLETE THE KYP JOURNEY

FIRM OVERVIEW

OUR MISSION	To help investors achieve their financial goals with greater certainty.
FIRM BACKGROUND	<p>In 2004, Picton Mahoney Asset Management (“PMAM”) was founded with the goal of providing thought-leading investment management services to institutional, retail, and high-net-worth investors in Canada.</p> <p>PMAM has about \$13.6 billion in assets under management in sub-advisory, hedge fund and mutual fund assets as at March 31, 2025, and has been 100% employee-owned since inception.</p>
THE INVESTMENT TEAM	<p>The Picton Mahoney Special Situations Fund is managed by Phil Mesman, CFA and Sam Acton, CFA.</p> <p>Philip Mesman, Co-Head of Fixed Income, is a partner and lead Portfolio Manager of Picton Mahoney Asset Management’s Income Strategies. Prior to joining Picton Mahoney Asset Management in February 2010, he was Managing Director and Portfolio Manager at HIM Money Inc., a subsidiary of Harris Investments Management Inc. Mr. Mesman’s previous experience includes portfolio management, quantitative and credit analytics and trading positions with a Canadian chartered bank, Merrill Lynch Canada Inc. and Greywolf Capital Inc. respectively. He additionally brings expertise in the long/short, special situation and structured product arenas. Mr. Mesman earned a B.A. in Economics from the University of Western Ontario and is a CFA charterholder.</p> <p>Sam Acton, Co-Head of Fixed Income, is a Portfolio Manager on Picton Mahoney Asset Management’s Fixed Income team. Prior to joining Picton Mahoney Asset Management in 2012, he was an Associate at Greenhill & Co. where he was involved in mergers and acquisitions and other strategic advisory assignments. Mr. Acton holds a B. Math from the University of Waterloo and a BBA from Wilfrid Laurier University and is a CFA charterholder.</p>

THE PROCESS

OUR PHILOSOPHY AND WHY IT WORKS

PMAM's investment philosophy is firmly rooted in the belief that fundamental change is the core driver of share price performance. We also believe that systematic and repeatable processes alongside strong risk management capabilities are the key to successful investing and consistent outperformance. PMAM was born out of these principles, which remain intact and unchanged to this day.

The rationale behind our thinking:

- Disclosure in many markets is efficient and instantaneous with securities quickly reflecting all known information. Therefore, change at the margin is the key driver of price.
- Our research has found that positive and negative fundamental changes tend to occur in bundles.
- Many investors are reluctant to change their long-standing opinion on a security even though fundamental information is changing before their eyes.
- Small changes today have the potential to compound significantly over time.

We believe that proper portfolio construction is a key differentiator in the Canadian investment industry. Our goal is to construct diversified portfolios that maximize our investor's exposure to the fundamental change characteristics we value - while at the same time maintaining our pre-determined risk targets.

OUR PROCESS

After optimizing the investable universe with pre-determined risk/reward criteria, market risk of securities is assessed using their credit beta, rate beta, and a liquidity score – a composite score of trade, market, and issue characteristics. We look at the key characteristics of the company, the risks, and the competitive landscape, analyze the bond covenants and structure, and conclude with valuation metrics and target price. Valuable input from our Equity Analysts is also taken into account.

When constructing portfolios, the Portfolio Managers, along with their respective Portfolio Analysts begin assessing those securities which rank as attractive long and short candidates by both our Quantitative and Fundamental processes.

Proprietary systems group securities by conventional metrics, credit, and rate beta as well as strategy classification—these drive hedging decisions and reporting. Our hedging-tool kit is expansive. The proprietary Stress-Testing Model helps assess the portfolio impact of traditional market shocks and binary events. Our Weekly Credit Committee Meeting with Detailed Portfolio Reporting and daily automated Attribution Reports provide rigorous oversight.

Optimization and risk control software are used as a tool to assist Portfolio Managers with the efficient weighting of securities to maximize the potential return of the portfolio without taking on excessive risk while accounting for:

- Security Concentration
- Industry Concentration
- Sector Concentration
- Flows, Positioning and Liquidity
- Tracking Error

The Portfolio Manager assesses all information and makes the final decision on the selection and weighting of names in the portfolio.

RISK MANAGEMENT

The fund is continuously monitored by our Risk and Quantitative Research Teams along with our Portfolio Managers and Compliance Team. This three-tier approach ensures daily adherence to respective investment policy guidelines as well as active risk monitoring.

1. Portfolio Managers:

- Review daily portfolio returns, quantitative/fundamental recommendations and positioning through PM Perform, our proprietary portfolio management tool.

2. Risk Committee:

- Receive reports produced by Risk and Quantitative Teams: Factor/risk exposures, attribution, surplus/deficit of active risk
- Establish and oversee risk mandate: Set thresholds for active risk factors and conduct ongoing liquidity assessment and stress testing against custom metrics

	<ul style="list-style-type: none">• Communicate findings to Portfolio Managers• Provide recommendations to Senior Management Committee when necessary <p>3. Compliance Team:</p> <ul style="list-style-type: none">• Monitor portfolios against Investment Policy Guidelines: Pre- and post-trade warnings, hard rules and monitoring to help prevent breaches
<p>BUY/ SELL DISCIPLINE</p>	<p>We put a strong focus on names where both independent fundamental and quantitative inputs agree with each other when it comes to buy/sell decisions. Risk management and proprietary portfolio optimization systems act as a tool for position weightings. We always take a position with an investment thesis behind it. When the underlying company exhibits negative relative and/or absolute change and our thesis is no longer valid, we replace the security with a name that has more attractive characteristics. Portfolio managers have the ultimate say on adds/trims and weighting.</p>
<p>INVESTMENT RESEARCH</p>	<p>The vast majority (~80%-90%) of investment research/ideas are generated in-house. Our Quantitative and Fundamental Teams operate independently, providing recommendations based on their thorough assessments of specific trends and fundamental change characteristics.</p> <p>We use several proprietary quantitative factors, including Rate and Credit Beta and Liquidity Score, as well as conventional quantitative considerations, including yield to worst and duration. Corporate bonds necessitate a value investment style, given the asymmetric return potential of the asset. We combine quantitative and fundamental analytics to simplify our opportunity set, generate ideas, and assess risk and opportunity.</p> <p>For initiation of a position, we analyze financial statements and bond covenants with a review of sell-side research and industry analysis. For longer-term positions we maintain regular dialogue with the management team to stay up to date with industry and company developments.</p> <p>Our stress-testing models are updated daily with an aim to assess portfolio implications from various macro developments, such as increasing government bond yields (Rate Risk), and/or widening credit spreads (Credit Risk), market liquidity changes and risk on/off.</p>

KYP

OBJECTIVE	The investment objective of the Fund is to provide long-term capital appreciation and income and to provide unitholders with an attractive risk-adjusted rate of return with less volatility to the traditional equity market, with monthly distributions.	
STRATEGY	<p>The Fund seeks to build a diversified portfolio by investing long or short in event-driven, credit situations including fixed income securities that are impacted by some form of catalyst such as a corporate event, capital structure reorganization, or other opportunistic situations. The Fund seeks gains through income and movements in security prices that can occur over a short to long-term time horizon providing an attractive risk-adjusted return with less volatility to the traditional equity and credit markets.</p> <p>The Fund utilizes hedging tools aimed to mitigate risks commonly associated with income investing (rate risk, liquidity risk, currency risk, and credit risk).</p>	
INCEPTION DATE	July 3, 2015	
FUND STRUCTURE	Open-ended Trust	
FUND CODES	Class A: PIC 550; Class F: PIC 551	
BASE CURRENCY	Canadian Dollar	
BENCHMARK	HFRX FIXED INCOME-CREDIT INDEX (in CAD)	
PRODUCT AUM	\$81.7 Million	
STRATEGY AUM	\$507.4 Million	
CIFSC CLASSIFICATION	Alternative Credit Focused	
MINIMUM INVESTMENTS	Initial: \$25,000 Subsequent: \$5,000	
DISTRIBUTIONS	The frequency of distributions is monthly. All distributions paid will be automatically reinvested in additional units unless the unitholder elects to have distributions paid in cash.	
RISK RATING	Low	
FEES	Management Fee	Class A: 2.00%; Class F: 1.00%
	Performance Fee	17.5% (of performance above an annualized hurdle rate of 2%) with a perpetual high watermark. Performance fee crystallization is quarterly.
	MER¹	As at December 31, 2023, Class A: 3.21%; Class F: 3.05%
¹ This does not include fees paid to advisor.		
NAV CALCULATION FREQUENCY	Weekly	
LOCKUPS & REDEMPTIONS	The fund does not have a hard lockup. However, in order to protect the interest of the majority of investors in the fund and to discourage short-term trading in the fund, investors may be subject to a short-term trading	

deduction of 5% of NAV if units are redeemed within 120 days of purchase. The fund does not require a notice period for redemptions.

SERVICE PROVIDERS

- For the Picton Mahoney Special Situations Fund:
- Auditor: PricewaterhouseCoopers LLP
 - Administrator: RBC Investor & Treasury Services Trust
 - Valuation Agent: RBC Investor & Treasury Services Trust
 - Prime Broker: Scotia Capital Inc. and Goldman Sachs & Co.
 - Registrar: RBC Investor & Treasury Services Trust
 - Legal Counsel: McMillan LLP

WHAT MAKES US DIFFERENT?

THE FUND

- The fund aims to provide a unique source of return through long-short event-driven credit investing that aims to have a low correlation to major markets.
- The strategy aims to unlock the potential for equity-like return, with credit-like volatility.
- The strategy utilizes hedging tools to mitigate the common risks associated with fixed income investing – currency, rate, credit, and liquidity risks.
- PMAM's portfolio management team has over 15 years of experience developing and managing innovative investment strategies for our clients. PMAM's investment solutions manage risk exposures to help investors maximize their overall returns for the level of risk they are comfortable accepting. Our differentiated investment process combines discipline with stringent risk controls to enhance risk-adjusted returns through all market cycles. Our process has been especially important during more uncertain market environments.
- Our investment results reflect the unique blending of Fundamental and Quantitative research.

USEFUL LINKS²

KYP Contents

[FUND PROFILE](#)

- Trailing Performance
- Exposure data
- Geographic breakdown
- Sector Breakdown
- Risk/Reward Analysis

[MEET THE PORTFOLIO MANAGERS](#)

- Find out more about our thought-leaders

[OUR FIXED INCOME OUTLOOK](#)

- Learn about our house-views and economic outlook

² Product-specific links are provided for Class-F of the Fund.

Disclosure

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The offering of units of the Picton Mahoney Authentic Hedge® funds are made pursuant to an Offering Memorandum only to those investors in jurisdictions of Canada who meet certain eligibility or minimum purchase requirements. Prospective investors should consult with their investment advisor to determine suitability of investment. Please see the fund’s Confidential Offering Memorandum for more information, including investment objectives and strategies, risk factors and investor eligibility.

All currency noted in this document is in Canadian Dollar. Past performance is no guarantee of future performance.

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