

# FORTIFIED ALPHA ALTERNATIVE FUND



**THINK AHEAD.  
STAY AHEAD.**



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## MANAGEMENT'S RESPONSIBILITY STATEMENT

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

The financial statements have been prepared in accordance with International Financial Reporting Standards 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.

### **Picton Mahoney Asset Management**

Toronto, Ontario

August 29, 2023

## NOTICE TO UNITHOLDERS

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The auditor of the Fund has not reviewed these financial statements.

Picton Mahoney Asset Management, the Manager of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice.

# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## STATEMENTS OF FINANCIAL POSITION

As at June 30, 2023 (unaudited) and December 31, 2022

	June 30, 2023 \$	December 31, 2022 \$
<b>Assets</b>		
<b>Current assets</b>		
Long positions at fair value*	249,825,231	73,711,334
Cash	51,334,785	15,787,413
Options purchased*	811,660	148,755
Due from Manager	640	30,380
Subscriptions receivable	1,938,032	790,819
Receivable for investments sold	1,217,830	36,612
Dividends receivable	175,556	43,669
Interest and other receivable	1,045,105	446,907
	<u>306,348,839</u>	<u>90,995,889</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Short positions at fair value**	120,886,165	28,985,943
Options written**	686,303	77,212
Unrealized loss on futures contracts	24,786	5,482
Management fee payable	393,212	33,982
Redemptions payable	223,062	1,037
Accrued liabilities	55,791	39,342
Payable for investments purchased	5,209,035	102,236
Interest payable	363,275	82,910
Dividends payable	148,997	43,589
Distributions payable	18	290,415
	<u>127,990,644</u>	<u>29,662,148</u>
<b>Net Assets Attributable to Holders of Redeemable Units</b>	<u>178,358,195</u>	<u>61,333,741</u>
<b>Net Assets Attributable to Holders of Redeemable Units per Class</b>		
Class A	3,691,737	1,093,660
Class F	136,761,777	31,624,537
Class FT	120,228	20,413
Class I	21,217	20,679
Class ETF	37,763,236	28,574,452
<b>Number of Redeemable Units Outstanding</b>		
Class A	365,264	108,689
Class F	13,360,087	3,119,932
Class FT	12,208	2,063
Class I	2,048	2,027
Class ETF	3,690,000	2,820,000
<b>Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Class A	10.11	10.06
Class F	10.24	10.14
Class FT	9.85	9.89
Class I	10.36	10.20
Class ETF***	10.23	10.13
* Long positions, at cost	247,244,236	73,625,396
** Short positions, at cost	(121,392,563)	(30,243,775)
*** Closing Market Price (TSX)	10.23	10.12

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 (LOSS)

For the six months ended June 30, 2023 and the period from May 4, 2022 (commencement of operations) to June 30, 2022 (unaudited)

	2023 \$	2022 \$
<b>Income</b>		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	2,477,936	154,544
Dividends	820,097	62,213
Net realized gain (loss) on investments and options	19,002	(2,513)
Net realized gain (loss) on futures contracts	(94,162)	(51,329)
Change in unrealized appreciation (depreciation) on investments, options and futures contracts	1,804,191	(458,488)
Interest and borrowing expense	(639,600)	(49,234)
Dividend expense	(929,433)	(65,580)
Net gains (losses) on investments and derivatives	<u>3,458,031</u>	<u>(410,387)</u>
Other income		
Foreign currency gain (loss) on cash and other assets and liabilities	(12,493)	38,413
Total Income	<u>3,445,538</u>	<u>(371,974)</u>
<b>Expenses</b>		
Management fees	653,042	9,784
Transaction costs	420,148	34,512
Performance fees	323,505	164
Administrative fees	64,405	5,993
Withholding taxes	19,905	724
Legal fees	18,645	1,035
Securityholder reporting fees	17,786	588
Audit fees	12,543	1,600
Independent review committee expense	3,318	950
Total expense before manager absorption	<u>1,533,297</u>	<u>55,350</u>
Less expenses absorbed by manager	(330,785)	(3,224)
Total expense after manager absorption	<u>1,202,512</u>	<u>52,126</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<u>2,243,026</u>	<u>(424,100)</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class</b>		
Class A	35,800	(2,170)
Class F	1,579,414	(25,168)
Class FT	1,063	(664)
Class I	538	(354,871)
Class ETF	626,211	(41,227)
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Class A	0.13	(0.14)
Class F	0.18	(0.13)
Class FT	0.16	(0.18)
Class I	0.26	(0.17)
Class ETF	0.20	(0.13)

# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

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

For the six months ended June 30, 2023 and the period from May 4, 2022 (commencement of operations) to June 30, 2022 (unaudited)

	2023 \$	2022 \$		2023 \$	2022 \$
<b>Net Assets Attributable to Holders of Redeemable Units at Beginning of Period</b>			<b>Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<b>117,024,454</b>	<b>26,716,557</b>
Class A	1,093,660	-	<b>Net Assets Attributable to Holders of Redeemable Units at End of Period</b>		
Class F	31,624,537	-	Class A	3,691,737	241,716
Class FT	20,413	-	Class F	136,761,777	3,248,239
Class I	20,679	-	Class FT	120,228	36,836
Class ETF	28,574,452	-	Class I	21,217	16,215,704
	<u>61,333,741</u>	<u>-</u>	Class ETF	37,763,236	6,974,062
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>			<b>Net Assets Attributable to Holders of Redeemable Units at End of Period</b>	<b>178,358,195</b>	<b>26,716,557</b>
Class A	35,800	(2,170)			
Class F	1,579,414	(25,168)			
Class FT	1,063	(664)			
Class I	538	(354,871)			
Class ETF	626,211	(41,227)			
	<u>2,243,026</u>	<u>(424,100)</u>			
<b>Redeemable Unit Transactions</b>					
Proceeds from redeemable units issued					
Class A	3,017,854	243,886			
Class F	109,553,540	3,303,083			
Class FT	100,000	37,500			
Class I	-	23,037,500			
Class ETF	13,607,093	7,015,289			
	<u>126,278,487</u>	<u>33,637,258</u>			
Reinvestments of distributions to holders of redeemable units					
Class A	30,351	-			
Class F	520,199	-			
Class FT	515	313			
Class I	226	-			
Class ETF	-	-			
	<u>551,291</u>	<u>313</u>			
Redemption of redeemable units					
Class A	(452,480)	-			
Class F	(5,379,624)	(29,676)			
Class FT	-	-			
Class I	-	(6,466,925)			
Class ETF	(4,691,089)	-			
	<u>(10,523,193)</u>	<u>(6,496,601)</u>			
<b>Net Increase (Decrease) from Redeemable Unit Transactions</b>	<b>116,306,585</b>	<b>27,140,970</b>			
<b>Distributions to Holders of Redeemable Units</b>					
From net investment income					
Class A	(33,448)	-			
Class F	(1,136,289)	-			
Class FT	(1,763)	(313)			
Class I	(226)	-			
Class ETF	(353,431)	-			
	<u>(1,525,157)</u>	<u>(313)</u>			

## PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

### STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2023 and the period from May 4, 2022 (commencement of operations) to June 30, 2022 (unaudited)

	2023 \$	2022 \$
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	2,243,026	(424,100)
Adjustments for:		
Unrealized foreign exchange (gain) loss on cash	61,342	(1,194)
Net realized (gain) loss on investments and options	(19,002)	2,513
Change in unrealized (appreciation) depreciation on investments, options and futures contracts	(1,804,191)	458,488
(Increase) decrease in due from manager	29,740	(3,060)
(Increase) decrease in interest and other receivables	(598,198)	(232,024)
(Increase) decrease in dividends receivable	(131,887)	(24,016)
Increase (decrease) in interest payable	280,365	88,288
Increase (decrease) in dividends payable	105,408	14,874
Increase (decrease) in other payable and accrued liabilities	375,679	19,949
Purchase of long positions and repurchases of investments sold short	(288,354,302)	(45,306,409)
Proceeds from sales of long positions and on investments sold short	209,854,891	29,255,730
<b>Net cash generated (used) by operating activities</b>	<b>(77,957,129)</b>	<b>(16,150,961)</b>
<b>Cash Flows from Financing Activities</b>		
Distributions to holders of redeemable units, net of reinvested distributions	(1,264,263)	-
Proceeds from redeemable units issued	124,808,431	33,603,629
Amount paid on redemption of redeemable units	(9,978,325)	(6,496,601)
<b>Net cash generated (used) by financing activities</b>	<b>113,565,843</b>	<b>27,107,028</b>
Unrealized foreign exchange gain (loss) on cash	(61,342)	1,194
Net increase (decrease) in cash	35,608,714	10,956,067
Cash, beginning of period	15,787,413	-
<b>Cash, end of period</b>	<b>51,334,785</b>	<b>10,957,261</b>
Cash	51,334,785	10,957,261
Cash overdraft	-	-
<b>Net Cash (Overdraft)</b>	<b>51,334,785</b>	<b>10,957,261</b>
<b>Items Classified as Operating Activities:</b>		
Interest received, net of withholding tax	1,894,112	-
Dividends received, net of withholding tax	668,305	37,473
Interest and borrowing expense paid	(359,235)	-
Dividends paid	(824,025)	(50,706)

Net of non-cash transfers and switches of \$322,843 (2022 - \$0)





# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2023 (unaudited)

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 (\$)
	2,290	Westshore Terminals Investment Corp.	65,607	71,540					
	6,600	WSP Global Inc.	1,098,756	1,155,132					
			<u>10,667,427</u>	<u>11,302,248</u>					
		<b>Consumer Discretionary (2.1%)</b>					<b>Information Technology (3.4%)</b>		
	3,401	BRP Inc.	359,545	380,878	49,066		Celestica Inc.	778,915	943,539
	5,027	Dollarama Inc.	424,390	451,022	10,271		CGI Inc.	1,283,283	1,434,859
	8,513	Gildan Activewear Inc.	347,247	363,590	348		Constellation Software Inc.	846,589	955,176
	3,442	Linamar Corp.	220,312	239,632	5,814		Descartes Systems Group Inc.	569,571	616,982
	2,844	Martinrea International Inc.	34,915	37,683	1,525		Docebo Inc.	77,649	79,971
	18,249	Park Lawn Corp.	488,591	443,998	4,190		Kinaxis Inc.	699,364	793,167
	10,497	Pet Valu Holdings Ltd.	385,675	319,109	3,608		Lumine Group Inc.	54,829	65,557
	609	Pollard Banknote Ltd.	14,921	15,712	1,683		Open Text Corp.	93,061	92,733
	8,890	Restaurant Brands International Inc.	811,477	913,092	13,536		Shopify Inc.	954,778	1,158,952
	5,103	Sleep Country Canada Holdings Inc.	131,545	146,507				<u>5,358,039</u>	<u>6,140,936</u>
	6,200	Spin Master Corp.	231,571	217,310			<b>Communication Services (0.9%)</b>		
	5,420	Uni-Select Inc.	227,339	255,011	2,698		MDF Commerce Inc.	7,653	9,416
			<u>3,677,528</u>	<u>3,783,544</u>	13,026		Quebecor Inc.	400,996	425,299
		<b>Consumer Staples (1.3%)</b>			11,336		Rogers Communications Inc.	732,038	685,148
	15,338	Alimentation Couche-Tard Inc.	978,377	1,041,910	16,153		TELUS Corp.	451,772	416,424
	5,287	George Weston Ltd.	872,266	828,050				<u>1,592,459</u>	<u>1,536,287</u>
	4,282	North West Co Inc.	163,016	134,455			<b>Utilities (2.8%)</b>		
	23,284	Primo Water Corp.	446,594	386,514	66,443		AltaGas Ltd.	1,609,239	1,581,343
			<u>2,460,253</u>	<u>2,390,929</u>	4,817		Atco Ltd.	209,209	189,982
		<b>Health Care (0.1%)</b>			11,389		Boralex Inc.	433,547	410,801
	64,793	Kneat.com Inc.	183,262	191,787	24,585		Capital Power Corp.	1,079,513	1,035,029
		<b>Financials (10.4%)</b>			18,877		Hydro One Ltd.	716,749	714,494
	14,810	Bank of Montreal	1,833,793	1,771,868	7,300		Innergex Renewable Energy Inc.	101,738	90,082
	14,929	Brookfield Corp.	632,185	665,833	79,864		TransAlta Corp.	1,011,284	990,314
	19,866	Dominion Lending Centres Inc.	54,902	41,719				<u>5,161,279</u>	<u>5,012,045</u>
	12,249	Element Financial Corp., Preferred Series C	302,385	303,775			<b>Real Estate (3.1%)</b>		
	139,360	Element Fleet Management Corp.	2,582,301	2,812,285	13,734		Boardwalk Real Estate Investment Trust	784,644	854,117
	31,525	Element Fleet Management Corp., Preferred Series E	769,251	777,091	2,200		Brookfield Office Properties Inc., Preferred Series CC	36,374	36,828
	1,466	Fairfax Financial Holdings Ltd.	1,352,464	1,454,697	5,250		Brookfield Office Properties Inc., Preferred Series EE	71,723	67,410
	8,000	iA Financial Corp. Inc.	681,358	722,000	13,401		BSR Real Estate Investment Trust	253,967	228,575
	9,065	Power Corp. of Canada	324,366	323,258	27,159		Choice Properties Real Estate Investment Trust	390,472	368,548
	13,750	Royal Bank of Canada	1,794,435	1,739,650	1,655		Colliers International Group Inc.	227,706	215,150
	36,377	Sun Life Financial Inc.	2,358,185	2,512,196	14,793		Crombie Real Estate Investment Trust	234,499	202,368
	40,480	TMX Group Ltd.	1,161,473	1,206,709	31,259		Dream Industrial Real Estate Investment Trust	425,749	441,064
	32,618	Toronto-Dominion Bank	2,761,226	2,678,264	9,097		DREAM Unlimited Corp.	231,013	187,671
	40,148	Trisura Group Ltd.	1,494,840	1,508,360	5,516		FirstService Corp.	1,057,953	1,125,374
			<u>18,103,164</u>	<u>18,517,705</u>	13,797		Flagship Communities REIT	312,635	296,672
					8,615		Granite Real Estate Investment Trust	697,707	675,244
					29,424		InterRent Real Estate Investment Trust	402,178	377,216
					23,693		Minto Apartment Real Estate Investment Trust	359,212	355,869







# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2023 (unaudited)

CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
<b>SHORT POSITIONS (-68.2%)</b>									
<b>Canadian Equities (-30.4%)</b>									
<b>Energy (-3.3%)</b>									
	(59,228)	Africa Oil Corp.	(163,752)	(167,023)	(6,825)		Savaria Corp.	(105,241)	(115,343)
	(68,000)	Baytex Energy Corp.	(373,183)	(293,760)	(1,764)		SNC-Lavalin Group Inc.	(49,765)	(61,299)
	(43,960)	Birchcliff Energy Ltd.	(357,166)	(344,646)				(664,952)	(686,145)
	(29,950)	Cenovus Energy Inc.	(679,630)	(673,875)	<b>Consumer Discretionary (-0.4%)</b>				
	(34,123)	Enerflex Ltd.	(280,604)	(307,789)	(5,266)		Canada Goose Holdings Inc.	(130,208)	(124,172)
	(56,670)	Headwater Exploration Inc.	(353,857)	(359,855)	(3,712)		Canadian Tire Corp. Ltd.	(607,191)	(672,317)
	(4,547)	International Petroleum Corp.	(54,352)	(49,335)				(737,399)	(796,489)
	(52,836)	Kelt Exploration Ltd.	(261,569)	(295,353)	<b>Consumer Staples (-1.3%)</b>				
	(17,469)	Keyera Corp.	(532,938)	(533,678)	(6,127)		Empire Co., Ltd.	(216,318)	(230,559)
	(16,225)	Paramount Resources Ltd.	(489,671)	(467,280)	(6,462)		Jamieson Wellness Inc.	(208,790)	(193,925)
	(8,800)	Parex Resources Inc.	(209,361)	(233,728)	(1,662)		Loblaw Cos Ltd.	(203,855)	(201,567)
	(14,250)	Peyto Exploration & Development Corp.	(170,860)	(156,180)	(16,284)		Maple Leaf Foods Inc.	(410,232)	(421,430)
	(11,410)	PrairieSky Royalty Ltd.	(249,276)	(264,256)	(7,865)		Metro Inc.	(577,923)	(588,459)
	(46,436)	Secure Energy Services Inc.	(282,378)	(294,404)	(7,578)		Neighbourly Pharmacy Inc.	(162,166)	(121,248)
	(131,886)	Tamarack Valley Energy Ltd.	(469,245)	(423,354)	(3,064)		Premium Brands Holdings Corp.	(286,466)	(320,280)
	(5,077)	TC Energy Corp.	(283,865)	(271,823)	(2,212)		Saputo Inc.	(67,907)	(65,652)
	(30,042)	Topaz Energy Corp.	(581,498)	(619,766)	(11,314)		SunOpta Inc.	(116,225)	(100,242)
	(5,900)	Vermilion Energy Inc.	(111,013)	(97,468)				(2,249,882)	(2,243,362)
	(12,190)	Whitecap Resources Inc.	(127,733)	(113,001)	<b>Health Care (0.0%)</b>				
			(6,031,951)	(5,966,574)	(3,350)		Aurora Cannabis Inc.	(9,525)	(2,345)
					(2,417)		Chartwell Retirement Residences	(22,765)	(22,889)
								(32,290)	(25,234)
<b>Materials (-1.5%)</b>					<b>Financials (-3.4%)</b>				
	(8,445)	Altius Minerals Corp.	(175,192)	(184,946)	(8,687)		Bank of Nova Scotia	(593,592)	(575,774)
	(43,820)	Artemis Gold Inc.	(211,856)	(208,583)	(10,732)		Canadian Imperial Bank of Commerce	(620,139)	(607,002)
	(19,772)	Equinox Gold Corp.	(119,402)	(120,016)	(11,897)		Canadian Western Bank	(285,246)	(294,094)
	(3,600)	ERO Copper Corp.	(84,480)	(96,480)	(371)		CI Financial Corp.	(4,947)	(5,580)
	(19,970)	First Majestic Silver Corp.	(198,020)	(149,575)	(4,800)		Definity Financial Corp.	(171,753)	(168,720)
	(33,060)	Foran Mining Corp.	(105,458)	(116,371)	(35,950)		ECN Capital Corp.	(111,863)	(95,987)
	(6,900)	I-80 Gold Corp.	(25,705)	(20,562)	(208)		Goeasy Ltd.	(21,477)	(23,001)
	(17,942)	Interfor Corp.	(420,894)	(448,191)	(17,570)		Great-West Lifeco Inc.	(664,490)	(675,918)
	(41,850)	Lundin Mining Corp.	(410,790)	(434,403)	(4,320)		IGM Financial Inc.	(167,410)	(174,226)
	(5,117)	Methanex Corp.	(290,309)	(280,105)	(20,290)		Laurentian Bank of Canada	(645,267)	(670,787)
	(21,380)	New Found Gold Corp.	(126,918)	(140,894)	(32,939)		Manulife Financial Corp.	(845,743)	(824,793)
	(19,260)	New Pacific Metals Corp.	(67,296)	(55,276)	(16,532)		National Bank of Canada	(1,620,317)	(1,631,707)
	(5,080)	Sandstorm Gold Ltd.	(41,208)	(34,493)	(9,250)		Propel Holdings Inc.	(69,019)	(68,450)
	(12,386)	Transcontinental Inc.	(182,336)	(181,579)	(6,764)		Sprott Inc.	(320,414)	(290,108)
	(17,860)	Wesdome Gold Mines Ltd.	(135,361)	(123,234)				(6,141,677)	(6,106,147)
			(2,595,225)	(2,594,708)	<b>Information Technology (-0.3%)</b>				
<b>Industrial (-0.4%)</b>					(16,527)		BlackBerry Ltd.	(115,681)	(121,308)
(17,610)		Aecon Group Inc.	(206,249)	(217,836)	(21,115)		Converge Technology Solutions Corp.	(78,085)	(67,568)
(8,100)		Ballard Power Systems Inc.	(59,633)	(46,980)	(3,290)		Copperleaf Technologies Inc.	(21,195)	(18,753)
(798)		CAE Inc.	(23,230)	(23,661)	(7,290)		Enghouse Systems Ltd.	(270,565)	(234,665)
(238)		Cargojet Inc.	(23,765)	(22,900)	(1,060)		Lightspeed Commerce Inc.	(19,076)	(23,755)
(30,350)		Chorus Aviation Inc.	(91,633)	(91,961)	(1,201)		Softchoice Corp.	(20,570)	(21,726)
(562)		GDI Integrated Facility Services Inc.	(25,831)	(23,447)				(525,172)	(487,775)
(454)		GFL Environmental Inc.	(22,941)	(23,354)					
(293)		RB Global Inc.	(21,891)	(23,294)					
(163)		RB Global Inc., NYSE	(12,135)	(12,941)					
(552)		Richelieu Hardware Ltd.	(22,638)	(23,129)					

# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2023 (unaudited)

CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
<b>Communication Services (-0.5%)</b>					<b>Corporate Bonds (-2.1%)</b>				
	(6,890)	BCE Inc.	(424,274)	(416,156)	CAD	(450,000)	Allied Properties Real Estate Investment Trust 3.394%, 2029-08-15	(390,472)	(384,194)
	(8,967)	Cineplex Inc.	(76,990)	(79,537)					
	(3,120)	Cogeco Communications Inc.	(213,874)	(220,553)	USD	(450,000)	Bombardier Inc. 7.500%, 2029-02-01	(603,743)	(589,254)
	(2,859)	Cogeco Inc.	(153,929)	(159,732)	USD	(425,000)	Canadian Pacific Railway Co. 2.450%, 2031-12-02	(496,281)	(492,700)
			<u>(869,067)</u>	<u>(875,978)</u>	USD	(425,000)	Canadian Pacific Railway Co. 3.000%, 2041-12-02	(462,176)	(459,699)
<b>Utilities (-1.0%)</b>					CAD	(450,000)	First Capital Real Estate Investment Trust 3.753%, 2027-07-12	(409,935)	(409,339)
	(35,896)	Algonquin Power & Utilities Corp.	(406,765)	(393,061)					
	(4,160)	Brookfield Infrastructure Corp.	(247,132)	(251,306)	CAD	(375,000)	RioCan Real Estate Investment Trust 4.628%, 2029-05-01	(355,542)	(352,290)
	(4,600)	Brookfield Renewable Corp.	(205,489)	(192,234)	CAD	(750,000)	Sun Life Financial Inc. 3.050%, 2028-09-19	(741,444)	(746,301)
	(4,380)	Fortis Inc.	(251,074)	(250,054)	CAD	(375,000)	Toronto-Dominion Bank 3.589%, 2028-09-14	<u>(368,721)</u>	<u>(373,610)</u>
	(9,904)	Northland Power Inc.	(284,005)	(273,648)				<u>(3,828,314)</u>	<u>(3,807,387)</u>
	(12,000)	Superior Plus Corp.	(116,521)	(113,880)	<b>Total Canadian Debt - Short</b>				
	(34,175)	TransAlta Renewables Inc.	(420,531)	(388,912)				<b>(4,014,994)</b>	<b>(3,999,283)</b>
			<u>(1,931,517)</u>	<u>(1,863,095)</u>	<b>Global Equities (-23.8%)</b>				
<b>Real Estate (-1.2%)</b>					<b>United States Equities (-11.0%)</b>				
	(7,894)	Allied Properties Real Estate Investment Trust	(198,081)	(171,458)	(1,680)	3M Co.	(254,218)	(222,505)	
	(515)	Altus Group Ltd.	(21,941)	(22,624)	(120)	Acadia Healthcare Co Inc.	(11,248)	(12,646)	
	(15,514)	Artis Real Estate Investment Trust	(124,038)	(112,166)	(84)	Advanced Drainage Systems Inc.	(10,540)	(12,647)	
	(5,693)	Canadian Apartment Properties REIT	(263,318)	(289,546)	(1,537)	AGCO Corp.	(261,062)	(267,285)	
	(10,697)	CT Real Estate Investment Trust	(167,887)	(161,418)	(273)	Agilon health Inc.	(7,943)	(6,264)	
	(26,308)	Dream Office Real Estate Investment Trust	(412,187)	(340,426)	(461)	AGNC Investment Corp.	(6,192)	(6,179)	
	(19,262)	First Capital Real Estate Investment Trust	(289,860)	(281,610)	(920)	Airbnb Inc.	(138,394)	(156,020)	
	(22,885)	NorthWest Healthcare Properties Real Estate Investment Trust	(205,625)	(143,718)	(780)	Akero Therapeutics Inc.	(41,658)	(48,190)	
	(15,051)	SmartCentres Real Estate Investment Trust	(393,379)	(365,589)	(44)	Albemarle Corp.	(11,550)	(12,989)	
	(23,109)	StorageVault Canada Inc.	(143,363)	(135,188)	(283)	Alcoa Corp.	(13,945)	(12,706)	
	(10,421)	Tricon Residential Inc.	(116,102)	(121,717)	(87)	Allstate Corp.	(12,342)	(12,553)	
			<u>(2,335,781)</u>	<u>(2,145,460)</u>	(48)	Alnylam Pharmaceuticals Inc.	(12,714)	(12,064)	
<b>Index Equivalents (-17.1%)</b>					(710)	AMC Entertainment Holdings Inc.	(6,611)	(4,134)	
	(189,916)	Horizon S&P/TSX 60 Index ETF	(9,497,262)	(9,571,766)	(2,100)	American Express Co.	(440,487)	(484,068)	
	(206,410)	iShares Core S&P/TSX Capped Composite Index ETF	(6,643,115)	(6,607,184)	(384)	Amgen Inc.	(126,794)	(112,814)	
	(463,699)	iShares S&P/TSX 60 Index ETF	(14,267,089)	(14,249,470)	(460)	Annaly Capital Management Inc.	(12,377)	(12,180)	
			<u>(30,407,466)</u>	<u>(30,428,420)</u>	(1,100)	Apple Inc.	(230,021)	(282,336)	
<b>Total Canadian Equities - Short</b>					(1,600)	Aramark	(84,837)	(91,145)	
			<b>(54,522,379)</b>	<b>(54,219,387)</b>	(58)	Aspen Technology Inc.	(14,260)	(12,864)	
<b>Canadian Debt (-2.2%)</b>					(77)	Assurant Inc.	(13,569)	(12,810)	
<b>Government Bonds (-0.1%)</b>					(3,200)	Atlantic Union Bankshares Corp.	(119,935)	(109,882)	
CAD	(260,000)	Canadian Government Bond 1.750%, 2053-12-01	(186,680)	(191,896)	(6,162)	Avangrid Inc.	(336,701)	(307,236)	
					(488)	Avantor Inc.	(13,923)	(13,264)	
					(168)	Ball Corp.	(12,163)	(12,940)	
					(6,500)	Bank OZK	(304,603)	(345,419)	
					(420)	Bed Bath & Beyond Inc.	(6,550)	(153)	
					(1,960)	Bloom Energy Corp.	(52,952)	(42,405)	
					(8,243)	Blue Owl Capital Inc.	(119,434)	(127,072)	

# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2023 (unaudited)

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 (\$)
	(2,288)	Bristol-Myers Squibb Co.	(215,746)	(193,614)		(6,240)	HP Inc.	(252,579)	(253,573)
	(9,110)	BRP Group Inc.	(288,065)	(298,716)		(1,520)	Hyllion Holdings Corp.	(6,310)	(3,359)
	(11,990)	Cadence Bank	(326,152)	(311,602)		(500)	Illinois Tool Works Inc.	(156,159)	(165,511)
	(198)	Caesars Entertainment Inc.	(12,983)	(13,354)		(52)	Illumina Inc.	(14,401)	(12,901)
	(56)	CarMax Inc.	(5,543)	(6,202)		(960)	Inovio Pharmaceuticals Inc.	(3,339)	(567)
	(970)	Carvana Co.	(32,191)	(33,269)		(3,405)	Intel Corp.	(137,360)	(150,669)
	(1,295)	Caterpillar Inc.	(388,235)	(421,631)		(700)	International Business Machines Corp.	(124,624)	(123,944)
	(700)	Cboe Global Markets Inc.	(127,864)	(127,834)		(1,240)	Jack Henry & Associates Inc.	(265,483)	(274,558)
	(2,080)	CBRE Group Inc.	(215,764)	(222,142)		(500)	JB Hunt Transport Services Inc.	(116,239)	(119,773)
	(74)	Ceridian HCM Holding Inc.	(6,541)	(6,558)		(3,700)	Juniper Networks Inc.	(149,386)	(153,391)
	(3,949)	Ceridian HCM Holding Inc., TSE	(305,031)	(350,869)		(22)	Karuna Therapeutics Inc.	(6,562)	(6,313)
	(1,350)	CH Robinson Worldwide Inc.	(178,939)	(168,545)		(6,100)	Kennametal Inc.	(218,504)	(229,158)
	(171)	Charles Schwab Corp.	(12,080)	(12,825)		(300)	Kinsale Capital Group Inc.	(131,447)	(148,547)
	(500)	Charter Communications Inc.	(248,367)	(243,060)		(240)	KLA Corp.	(131,633)	(154,032)
	(228)	Ciena Corp.	(13,905)	(12,819)		(664)	Levi Strauss & Co.	(12,790)	(12,679)
	(2,275)	Cincinnati Financial Corp.	(336,321)	(292,970)		(120)	Liberty Broadband Corp.	(12,685)	(12,721)
	(2,453)	Cloudflare Inc.	(197,851)	(212,185)		(107)	Live Nation Entertainment Inc.	(11,745)	(12,900)
	(1,735)	Coinbase Global Inc.	(137,960)	(164,266)		(1,482)	Lucid Group Inc.	(15,055)	(13,512)
	(3,049)	Confluent Inc.	(124,391)	(142,460)		(78)	M&T Bank Corp.	(12,695)	(12,774)
	(105)	Constellation Energy Corp.	(11,533)	(12,720)		(11,090)	Macerich Co.	(170,517)	(165,384)
	(277)	Coupang Inc.	(6,042)	(6,378)		(227)	Match Group Inc.	(10,966)	(12,571)
	(66)	CrowdStrike Holdings Inc.	(11,947)	(12,827)		(87)	MKS Instruments Inc.	(10,895)	(12,445)
	(3,100)	CubeSmart	(187,448)	(183,197)		(1,125)	Morgan Stanley	(128,124)	(127,130)
	(240)	Cummins Inc.	(74,099)	(77,857)		(50)	Morningstar Inc.	(13,526)	(12,972)
	(157)	Darling Ingredients Inc.	(13,024)	(13,252)		(1,380)	MSC Industrial Direct Co Inc.	(170,008)	(173,988)
	(1,100)	Digital Realty Trust Inc.	(150,717)	(165,745)		(1,000)	Mueller Industries Inc.	(113,072)	(115,493)
	(798)	DocuSign Inc.	(61,519)	(53,948)		(1,300)	NetApp Inc.	(123,081)	(131,424)
	(124)	DoorDash Inc.	(11,625)	(12,539)		(421)	Nevro Corp.	(23,893)	(14,161)
	(384)	Editas Medicine Inc.	(6,576)	(4,182)		(8,470)	Newmont Corp.	(554,299)	(478,127)
	(1,610)	Edwards Lifesciences Corp.	(172,931)	(200,962)		(602)	NOV Inc.	(14,039)	(12,777)
	(3,530)	Endeavor Group Holdings Inc.	(107,562)	(111,731)		(260)	NRG Energy Inc.	(11,844)	(12,864)
	(4,155)	Enerpac Tool Group Corp.	(139,201)	(148,448)		(1,250)	Nucor Corp.	(244,917)	(271,231)
	(349)	Enphase Energy Inc.	(91,533)	(77,344)		(95)	Okta Inc.	(10,345)	(8,718)
	(283)	Envista Holdings Corp.	(12,668)	(12,672)		(1,400)	ONEOK Inc.	(109,134)	(114,339)
	(49)	Estee Lauder Cos Inc.	(12,613)	(12,733)		(2,560)	Ormat Technologies Inc.	(295,591)	(272,558)
	(1,400)	Etsy Inc.	(194,909)	(156,743)		(1,460)	Packaging Corp. of America	(262,446)	(255,324)
	(5,800)	Extreme Networks Inc.	(186,223)	(199,929)		(7,000)	Palantir Technologies Inc.	(89,953)	(141,997)
	(165)	FactSet Research Systems Inc.	(86,007)	(87,476)		(6,700)	Pebblebrook Hotel Trust	(124,354)	(123,588)
	(93)	Floor & Decor Holdings Inc.	(11,852)	(12,793)		(16)	Peloton Interactive Inc.	(232)	(163)
	(329)	Fluor Corp.	(12,613)	(12,886)		(3,258)	Pfizer Inc.	(181,142)	(158,132)
	(6,000)	FuboTV Inc.	(15,011)	(16,514)		(5,248)	Plug Power Inc.	(88,746)	(72,152)
	(1,520)	FuelCell Energy Inc.	(8,080)	(4,344)		(1,060)	PNC Financial Services Group Inc.	(176,920)	(176,662)
	(788)	GATX Corp.	(116,447)	(134,239)		(2,000)	Polaris Inc.	(294,849)	(320,039)
	(64)	Generac Holdings Inc.	(9,989)	(12,629)		(2,450)	Procure Technologies Inc.	(190,560)	(210,953)
	(2,440)	General Mills Inc.	(274,551)	(247,642)		(3,940)	Prospect Capital Corp.	(32,766)	(32,324)
	(1,874)	Gilead Sciences Inc.	(199,152)	(191,115)		(1,035)	Qualys Inc.	(164,903)	(176,905)
	(300)	Gitlab Inc.	(18,510)	(20,289)		(2,050)	Realty Income Corp.	(175,099)	(162,189)
	(278)	Halozyme Therapeutics Inc.	(11,921)	(13,269)		(10,330)	Regions Financial Corp.	(230,376)	(243,583)
	(150)	Hasbro Inc.	(12,059)	(12,856)		(463)	Repligen Corp.	(102,345)	(86,667)
	(2,015)	HashiCorp Inc.	(84,630)	(69,805)		(650)	Rivian Automotive Inc.	(14,024)	(14,329)
	(5,780)	Hawaiian Holdings Inc.	(82,556)	(82,373)		(238)	ROBLOX Corp.	(12,364)	(12,692)
	(54)	HEICO Corp.	(12,245)	(12,643)		(206)	Roku Inc.	(17,086)	(17,435)
	(1,080)	Henry Schein Inc.	(117,278)	(115,900)					
	(4,885)	HNI Corp.	(197,294)	(182,156)					
	(241)	Hormel Foods Corp.	(12,923)	(12,826)					





# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2023 (unaudited)

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	(575,000)	Energizer Holdings Inc. 4.375%, 2029-03-31	(651,423)	(654,279)	<b>International Bonds (-1.1%)</b>				
USD	(525,000)	Hilton Grand Vacations Borrower Escrow LLC 5.000%, 2029-06-01	(624,968)	(617,156)	EUR	(600,000)	Banco Santander SA 5.250%, 2049-12-31	(834,082)	(832,095)
USD	(450,000)	M&T Bank Corp. 5.053%, 2034-01-27	(571,113)	(543,987)	USD	(400,000)	Credit Agricole SA 7.875%, 2049-12-31	(520,644)	(524,858)
USD	(500,000)	Matador Resources Co. 6.875%, 2028-04-15	(665,979)	(652,631)	USD	(400,000)	HSBC Holdings PLC 8.000%, 2049-12-31	(513,153)	(526,785)
USD	(300,000)	Medline Borrower LP 5.250%, 2029-10-01	(340,844)	(344,851)				(1,867,879)	(1,883,738)
USD	(450,000)	MGM Resorts International 4.750%, 2028-10-15	(568,233)	(541,224)			<b>Total Global Debt - Short</b>	<b>(20,695,393)</b>	<b>(20,338,786)</b>
USD	(40,000)	Novelis Corp. 4.750%, 2030-01-30	(47,028)	(47,091)	<b>Options (-0.4%)</b>				
USD	(550,000)	Olin Corp. 5.625%, 2029-08-01	(680,690)	(702,238)			<b>Total Written Options - Refer to Appendix A</b>	<b>(984,998)</b>	<b>(686,303)</b>
USD	(500,000)	Organon & Co. 5.125%, 2031-04-30	(591,230)	(546,732)			<b>Transaction Costs</b>	<b>(60,672)</b>	<b>-</b>
USD	(450,000)	Performance Food Group Inc. 4.250%, 2029-08-01	(552,681)	(530,834)			<b>Total Short Positions</b>	<b>(121,392,563)</b>	<b>(121,572,468)</b>
USD	(500,000)	Permian Resources Operating LLC 5.875%, 2029-07-01	(639,241)	(623,920)	<b>Futures Contracts (0.0%)</b>				
USD	(525,000)	Post Holdings Inc. 4.500%, 2031-09-15	(600,448)	(593,864)			<b>Total Futures Contracts - Refer to Appendix B</b>		<b>(24,786)</b>
USD	(450,000)	Prime Security Services Borrower LLC 6.250%, 2028-01-15	(571,198)	(558,778)	<b>TOTAL INVESTMENT PORTFOLIO (72.3%)</b>				
USD	(450,000)	Rocket Mortgage LLC 3.875%, 2031-03-01	(487,335)	(483,368)				<b>125,851,673</b>	<b>129,039,637</b>
USD	(450,000)	Scientific Games International Inc. 7.250%, 2029-11-15	(612,322)	(596,739)	<b>Other Assets Net of Liabilities (27.7%)</b>				
USD	(300,000)	Six Flags Entertainment Corp. 7.250%, 2031-05-15	(402,419)	(387,010)					<b>49,318,558</b>
USD	(500,000)	SM Energy Co. 6.500%, 2028-07-15	(643,074)	(635,811)	<b>TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)</b>				
USD	(450,000)	Starwood Property Trust Inc. 4.375%, 2027-01-15	(528,518)	(513,396)					<b>178,358,195</b>
USD	(450,000)	Taylor Morrison Communities Inc. 5.125%, 2030-08-01	(572,503)	(550,434)	<i>*CCY denotes local currency of debt security</i>				
USD	(500,000)	TransDigm Inc. 4.625%, 2029-01-15	(597,187)	(589,324)	<i>**The Picton Mahoney Fortified Alpha Alternative Fund holds 9.13% of the net assets of Picton Mahoney Fortified Arbitrage Plus Alternative Fund. Picton Mahoney Asset Management acts as the trustee and manager for all of the funds listed above.</i>				
USD	(40,000)	Tri Pointe Homes Inc. 5.700%, 2028-06-15	(48,904)	(51,178)					
USD	(775,000)	Uber Technologies Inc. 4.500%, 2029-08-15	(959,712)	(945,880)					
USD	(450,000)	Wolverine World Wide Inc. 4.000%, 2029-08-15	(499,214)	(474,741)					
USD	(450,000)	Wynn Resorts Finance LLC 7.125%, 2031-02-15	(596,273)	(592,377)					
			(18,827,514)	(18,455,048)					

# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## APPENDIX A

### OPTIONS (0.1%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
Activision Blizzard Inc.	Call Option	9	\$90	August, 2023	2,187	2,429
Activision Blizzard Inc.	Call Option	4	\$95	August, 2023	289	217
Aritzia Inc.	Call Option	61	\$38	July, 2023	11,560	8,388
Aritzia Inc.	Call Option	18	\$42	July, 2023	1,548	963
AT&T Inc.	Call Option	192	\$16	July, 2023	7,919	4,192
Centerra Gold Inc.	Call Option	162	\$9	August, 2023	5,144	1,944
Centerra Gold Inc.	Call Option	57	\$11	August, 2023	656	228
Chicago Board Options Exchange	Call Option	156	\$22	August, 2023	29,609	17,340
Chicago Board Options Exchange	Call Option	148	\$24	September, 2023	38,668	24,578
Chicago Board Options Exchange	Call Option	30	\$27	August, 2023	3,678	2,164
First Quantum Minerals Ltd.	Call Option	125	\$34	September, 2023	15,125	15,938
First Quantum Minerals Ltd.	Call Option	90	\$36	July, 2023	6,390	1,035
First Quantum Minerals Ltd.	Call Option	63	\$40	September, 2023	1,622	1,449
Impinj Inc.	Call Option	10	\$110	September, 2023	7,789	4,896
iShares 20+ Year Treasury	Call Option	128	\$104	July, 2023	9,150	13,127
iShares S&P/TSX Capped Financials Index ETF	Call Option	312	\$45	August, 2023	12,090	26,520
iShares S&P-TSX 60 Index ETF	Call Option	885	\$31	July, 2023	10,178	49,560
National Bank Of Canada	Call Option	204	\$100	July, 2023	12,648	8,976
Progressive Corp.	Call Option	20	\$135	August, 2023	11,203	7,873
S&P 500 E-Mini	Call Option	69	\$4,650	September, 2023	73,007	123,261
SPDR S&P Homebuilders ETF	Call Option	96	\$90	September, 2023	1,161	3,902
SPDR S&P Regional Banking	Call Option	125	\$42	July, 2023	17,838	18,112
Toronto-Dominion Bank	Call Option	116	\$80	July, 2023	5,191	25,752
Trisura Group Ltd.	Call Option	84	\$36	August, 2023	19,572	31,080
Trisura Group Ltd.	Call Option	29	\$42	August, 2023	2,494	3,045
US Bond Futures	Call Option	29	\$135	July, 2023	16,375	1,199
US Bond Futures	Call Option	38	\$145	August, 2023	24,626	1,571
					<u>347,717</u>	<u>399,739</u>
Bank OZK	Put Option	91	\$37	July, 2023	9,676	7,526
Canadian Imperial Bank	Put Option	155	\$55	September, 2023	14,183	15,113
Carvana Co.	Put Option	75	\$13	July, 2023	1,244	595
Carvana Co.	Put Option	124	\$19	July, 2023	10,971	9,517
Caterpillar Inc.	Put Option	15	\$190	August, 2023	1,073	605
Caterpillar Inc.	Put Option	37	\$220	August, 2023	16,669	9,449
Invesco QQQ Trust	Put Option	31	\$326	July, 2023	3,840	1,661
Invesco QQQ Trust	Put Option	104	\$350	July, 2023	50,712	23,326
Invesco QQQ Trust	Put Option	155	\$357	July, 2023	13,249	1,846
iPATH S&P 500 VIX Short-Term	Put Option	80	\$24	July, 2023	1,219	1,588
iShares iBoxx High Yield Corp. Bond	Put Option	569	\$72	July, 2023	72,677	2,635
iShares iBoxx High Yield Corp. Bond	Put Option	382	\$73	July, 2023	14,730	3,033
National Bank Of Canada	Put Option	62	\$90	September, 2023	3,968	3,410
National Bank Of Canada	Put Option	155	\$96	September, 2023	23,095	19,298
ProShares UltraShort Bloomberg	Put Option	55	\$20	August, 2023	7,112	1,274
S&P 500 E-Mini	Put Option	69	\$4,000	September, 2023	138,562	79,895
S&P 500 Index 3Wk	Put Option	4	\$3,750	October, 2023	14,333	9,633
S&P 500 Index 3Wk	Put Option	7	\$3,800	September, 2023	49,087	10,282
S&P 500 Index 3Wk	Put Option	15	\$3,980	September, 2023	156,491	35,033
S&P 500 Index 3Wk	Put Option	7	\$4,020	August, 2023	15,352	8,892
S&P 500 Index 3Wk	Put Option	11	\$4,100	July, 2023	8,202	2,474
S&P 500 Index 3Wk	Put Option	12	\$4,125	October, 2023	100,249	67,406
S&P 500 Index 3Wk	Put Option	19	\$4,200	August, 2023	77,350	47,769
S&P 500 Index 3Wk	Put Option	31	\$4,230	July, 2023	47,665	11,793
S&P E-Mini 1st Week	Put Option	23	\$4,325	July, 2023	6,723	1,370
SPDR S&P Homebuilders ETF	Put Option	191	\$65	September, 2023	14,073	7,259
SPDR S&P Homebuilders ETF	Put Option	230	\$70	July, 2023	9,322	3,500
Tesla Inc.	Put Option	56	\$220	July, 2023	27,827	17,006
US Bancorp	Put Option	31	\$25	July, 2023	988	157
US Bancorp	Put Option	102	\$30	July, 2023	13,773	5,061
US Bond Futures	Put Option	38	\$112	August, 2023	2,381	2,357
US Bond Futures	Put Option	28	\$120	July, 2023	1,754	1,158
					<u>928,550</u>	<u>411,921</u>
<b>Total Purchased Options</b>					<b>1,276,267</b>	<b>811,660</b>

# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## APPENDIX A

### OPTIONS (0.1%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
Activision Blizzard Inc.	Written Call Option	(14)	\$90	July, 2023	(2,142)	(2,612)
Aritzia Inc.	Written Call Option	(85)	\$40	July, 2023	(10,115)	(3,825)
AT&T Inc.	Written Call Option	(163)	\$17	July, 2023	(1,664)	(539)
Centerra Gold Inc.	Written Call Option	(113)	\$10	August, 2023	(1,526)	(565)
Centerra Gold Inc.	Written Call Option	(113)	\$10	August, 2023	(2,091)	(904)
Chicago Board Options Exchange	Written Call Option	(140)	\$25	August, 2023	(20,523)	(11,671)
Chicago Board Options Exchange	Written Call Option	(67)	\$27	September, 2023	(13,918)	(8,821)
Chicago Board Options Exchange	Written Call Option	(66)	\$29	September, 2023	(23,979)	(7,554)
First Quantum Minerals Ltd.	Written Call Option	(94)	\$36	September, 2023	(6,862)	(7,144)
First Quantum Minerals Ltd.	Written Call Option	(94)	\$38	September, 2023	(3,690)	(4,042)
First Quantum Minerals Ltd.	Written Call Option	(74)	\$38	July, 2023	(1,795)	(370)
Impinj Inc.	Written Call Option	(9)	\$125	September, 2023	(3,650)	(1,876)
iShares 20+ Year Treasury	Written Call Option	(51)	\$105	July, 2023	(2,179)	(3,104)
iShares S&P/TSX Capped Financials Index ETF	Written Call Option	(187)	\$46	August, 2023	(1,777)	(7,387)
iShares S&P-TSX 60 Index ETF	Written Call Option	(317)	\$31	July, 2023	(1,427)	(7,133)
Progressive Corp.	Written Call Option	(16)	\$145	August, 2023	(3,249)	(900)
S&P 500 E-Mini	Written Call Option	(69)	\$4,600	September, 2023	(114,907)	(188,315)
S&P 500 Index 3Wk	Written Call Option	(2)	\$4,575	September, 2023	(5,002)	(12,994)
S&P 500 Index 3Wk	Written Call Option	(3)	\$4,675	October, 2023	(11,935)	(16,752)
SPDR S&P Homebuilders ETF	Written Call Option	(96)	\$80	September, 2023	(11,737)	(52,401)
SPDR S&P Regional Banking	Written Call Option	(110)	\$44	July, 2023	(6,703)	(7,351)
Tesla Inc.	Written Call Option	(3)	\$305	July, 2023	(2,581)	(1,528)
Toronto-Dominion Bank	Written Call Option	(51)	\$81	July, 2023	(944)	(6,554)
Toronto-Dominion Bank	Written Call Option	(38)	\$84	July, 2023	(361)	(323)
Trisura Group Ltd.	Written Call Option	(69)	\$38	August, 2023	(10,971)	(17,595)
Trisura Group Ltd.	Written Call Option	(50)	\$40	August, 2023	(4,950)	(8,250)
US Bond Futures	Written Call Option	(29)	\$145	July, 2023	(3,061)	(38)
US Bond Futures	Written Call Option	(38)	\$155	August, 2023	(6,389)	(786)
					(280,128)	(381,334)
AT&T Inc.	Written Put Option	(82)	\$14	July, 2023	(1,045)	(271)
Bank OZK	Written Put Option	(20)	\$30	July, 2023	(3,213)	(265)
Bank OZK	Written Put Option	(67)	\$35	July, 2023	(3,573)	(3,103)
Canadian Imperial Bank	Written Put Option	(140)	\$52	September, 2023	(6,195)	(6,790)
Carvana Co.	Written Put Option	(99)	\$15	July, 2023	(2,364)	(1,965)
Carvana Co.	Written Put Option	(99)	\$17	July, 2023	(5,089)	(3,930)
Caterpillar Inc.	Written Put Option	(28)	\$200	August, 2023	(3,896)	(2,056)
Caterpillar Inc.	Written Put Option	(28)	\$210	August, 2023	(6,975)	(3,946)
Centerra Gold Inc.	Written Put Option	(16)	\$7	July, 2023	(264)	(37)
First Quantum Minerals Ltd.	Written Put Option	(21)	\$24	July, 2023	(1,029)	(75)
Invesco QQQ Trust	Written Put Option	(99)	\$332	July, 2023	(16,958)	(7,271)
Invesco QQQ Trust	Written Put Option	(56)	\$338	July, 2023	(9,275)	(5,706)
Invesco QQQ Trust	Written Put Option	(68)	\$350	July, 2023	(1,759)	(495)
Invesco QQQ Trust	Written Put Option	(99)	\$355	July, 2023	(5,811)	(983)
iShares iBoxx High Yield Corp. Bond	Written Put Option	(379)	\$66	July, 2023	(13,518)	(1,255)
iShares iBoxx High Yield Corp. Bond	Written Put Option	(380)	\$68	July, 2023	(14,094)	(1,760)
iShares iBoxx High Yield Corp. Bond	Written Put Option	(192)	\$69	July, 2023	(2,103)	(709)
iShares S&P-TSX 60 Index ETF	Written Put Option	(93)	\$29	July, 2023	(884)	(194)
National Bank Of Canada	Written Put Option	(41)	\$90	July, 2023	(2,132)	(328)
National Bank Of Canada	Written Put Option	(116)	\$92	September, 2023	(8,932)	(7,888)
National Bank Of Canada	Written Put Option	(116)	\$94	September, 2023	(11,832)	(10,324)
S&P 500 E-Mini	Written Put Option	(69)	\$3,800	September, 2023	(79,432)	(46,793)
S&P 500 Index 3Wk	Written Put Option	(12)	\$3,860	September, 2023	(95,937)	(20,405)
S&P 500 Index 3Wk	Written Put Option	(9)	\$3,875	October, 2023	(42,192)	(28,344)
S&P 500 Index 3Wk	Written Put Option	(12)	\$3,920	September, 2023	(109,427)	(23,819)
S&P 500 Index 3Wk	Written Put Option	(9)	\$4,000	October, 2023	(55,975)	(37,574)
S&P 500 Index 3Wk	Written Put Option	(14)	\$4,080	August, 2023	(37,304)	(22,045)
S&P 500 Index 3Wk	Written Put Option	(14)	\$4,140	August, 2023	(45,722)	(27,603)
S&P 500 Index 3Wk	Written Put Option	(22)	\$4,150	July, 2023	(20,861)	(5,750)
S&P 500 Index 3Wk	Written Put Option	(22)	\$4,190	July, 2023	(26,105)	(6,623)
SPDR S&P Homebuilders ETF	Written Put Option	(191)	\$50	September, 2023	(6,002)	(2,039)
SPDR S&P Homebuilders ETF	Written Put Option	(230)	\$65	July, 2023	(3,486)	(1,477)

# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## APPENDIX A

### OPTIONS (0.1%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
SPDR S&P Regional Banking	Written Put Option	(31)	\$36	July, 2023	(265)	(73)
Tesla Inc.	Written Put Option	(2)	\$150	July, 2023	(885)	(33)
Tesla Inc.	Written Put Option	(6)	\$170	July, 2023	(4,628)	(171)
Tesla Inc.	Written Put Option	(3)	\$180	July, 2023	(627)	(127)
Tesla Inc.	Written Put Option	(27)	\$195	July, 2023	(7,603)	(2,233)
Tesla Inc.	Written Put Option	(3)	\$205	July, 2023	(818)	(415)
Toronto-Dominion Bank	Written Put Option	(19)	\$72	July, 2023	(746)	(67)
Trisura Group Ltd.	Written Put Option	(11)	\$33	July, 2023	(704)	(253)
US Bancorp	Written Put Option	(143)	\$28	July, 2023	(9,368)	(2,365)
US Bond Futures	Written Put Option	(38)	\$119	August, 2023	(21,653)	(13,357)
US Bond Futures	Written Put Option	(28)	\$122	July, 2023	(14,189)	(4,052)
					<u>(704,870)</u>	<u>(304,969)</u>
<b>Total Written Options</b>					<b>(984,998)</b>	<b>(686,303)</b>

## APPENDIX B

### FUTURES CONTRACTS (0.0%)

Issuer	Number of Contracts	Fair Value (C\$)	Contracted Value (C\$)	Unrealized Gain/Loss
CBOE VIX Index Futures, July 2023	9	178,770	203,556	(24,786)
				<u>(24,786)</u>
<b>Unrealized gain (loss) on Futures Contracts</b>				<b>(24,786)</b>

# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## FUND SPECIFIC NOTES

As at June 30, 2023 (unaudited)

### 1. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table illustrates the classifications of the Fund's financial instruments within the fair value hierarchy as at June 30, 2023 and December 31, 2022.

ASSETS (LIABILITIES) AT FAIR VALUE AS AT JUNE 30, 2023				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	109,415,496	99,657	88,932	109,604,085
Mutual funds - Long	67,778,612	-	-	67,778,612
Bonds - Long	-	69,899,533	2,543,001	72,442,534
Options - Long	811,660	-	-	811,660
Equities - Short	(45,688,155)	(153)	-	(45,688,308)
Exchange Traded Funds - Short	(50,859,788)	-	-	(50,859,788)
Bonds - Short	-	(24,338,069)	-	(24,338,069)
Options - Short	(686,303)	-	-	(686,303)
Futures - Short	(24,786)	-	-	(24,786)
<b>Total</b>	<b>80,746,736</b>	<b>45,660,968</b>	<b>2,631,933</b>	<b>129,039,637</b>

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2022				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	27,254,843	64,787	74,523	27,394,153
Mutual funds - Long	15,774,709	-	-	15,774,709
Bonds - Long	-	30,271,372	271,100	30,542,472
Options - Long	148,755	-	-	148,755
Equities - Short	(12,663,749)	-	-	(12,663,749)
Exchange Traded Funds - Short	(10,350,105)	-	-	(10,350,105)
Bonds - Short	-	(5,972,089)	-	(5,972,089)
Options - Short	(77,212)	-	-	(77,212)
Futures - Short	(5,482)	-	-	(5,482)
<b>Total</b>	<b>20,081,759</b>	<b>24,364,070</b>	<b>345,623</b>	<b>44,791,452</b>

### 2. TRANSFERS BETWEEN LEVELS 1 AND 2

The following table presents the transfers between Levels 1 and 2 for securities held at June 30, 2023.

June 30, 2023	Transfer from Level 1 to 2 \$	Transfer from Level 2 to 1 \$
Equities - Long	114	-
	114	-
Equities - Short	(153)	-
	(153)	-

There were no transfers between Levels 1 and 2 for securities held at December 31, 2022.

As of June 30, 2023, the equity securities transferred out of Level 1 relate to positions which were thinly traded on and around the period end, but were actively traded on December 31, 2022.

# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 3. 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, 2022.

June 30, 2023	Equities - Long \$	Debt Instruments - Long \$	Total \$
<b>Balance at Beginning of period</b>	74,523	271,100	345,623
Investment purchases during the period	-	2,327,428	2,327,428
Proceeds from sales during the period	-	-	-
Transfers in during the period	-	-	-
Transfers out during the period	-	-	-
Net realized gain (loss) on sale of investments	-	-	-
Change in unrealized appreciation (depreciation) in value of investments	14,409	(55,527)	(41,118)
<b>Balance at End of period</b>	<b>88,932</b>	<b>2,543,001</b>	<b>2,631,933</b>
<b>Total change in unrealized appreciation (depreciation) for assets held as at June 30, 2023</b>			<b>(41,118)</b>

December 31, 2022	Equities - Long \$	Debt Instruments - Long \$	Total \$
<b>Balance at Beginning of Year</b>	-	-	-
Investment purchases during the year	74,486	275,691	350,177
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	37	(4,591)	(4,554)
<b>Balance at End of year</b>	<b>74,523</b>	<b>271,100</b>	<b>345,623</b>
<b>Total change in unrealized appreciation (depreciation) for assets held as at December 31, 2022</b>			<b>(4,554)</b>

For the period ended June 30, 2023 and year ended December 31, 2022, certain securities held long were classified as Level 3. The Fund's long Level 3 securities consist of subscription receipts and 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 \$131,597 as at June 30, 2023 (December 31, 2022 - \$17,281). Transfers between levels on the fair value hierarchy table are deemed to have occurred at the beginning of the reporting period.

June 30, 2023							
Security Name	Fair Value	Valuation Technique	Unobservable Inputs	Reasonable Shift (+)	Reasonable Shift (-)	Change in Valuation (+)	Change in Valuation (-)
Bruce Trail Funding Corporation 16.340%, 2028-08-31	756,831	Private valuation	Broker quote	5%	5%	\$37,842	\$(37,842)
Clarity Trust 10.923%, 2025-04-15	100,000	Private valuation	Broker quote	5%	5%	\$5,000	\$(5,000)
Eagle SPV LP	88,932	Discounted cash flow, Enterprise value	Discount rate, peer multiples	5%	5%	\$4,447	\$(4,447)
Fusion Trust 10.923%, 2025-04-15	100,000	Private valuation	Broker quote	5%	5%	\$5,000	\$(5,000)
Manitoulin USD Ltd. 13.290%, 2027-11-10	263,987	Private valuation	Broker quote	5%	5%	\$13,199	\$(13,199)
St Lawrence Srt Usd Corp. 0.000%, 2033-05-25	1,322,183	Private valuation	Broker quote	5%	5%	\$66,109	\$(66,109)

  

December 31, 2022							
Security Name	Fair Value	Valuation Technique	Unobservable Inputs	Reasonable Shift (+)	Reasonable Shift (-)	Change in Valuation (+)	Change in Valuation (-)
Eagle SPV LP	74,523	Discounted cash flow, Enterprise value	Discount rate, peer multiples	5%	5%	\$3,726	\$(3,726)
Manitoulin USD Ltd. 13.290%, 2027-11-10	271,100	Private valuation	Broker quote	5%	5%	\$13,555	\$(13,555)

# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 4. OTHER PRICE RISK

Using Beta as a measure of the relationship of the Fund's performance versus its index, if the S&P/TSX Composite Total Return Index were to increase or decrease by 10%, net assets would have increased or decreased by approximately \$775,328 (December 31, 2022 - \$348,414). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

### 5. CURRENCY RISK

Foreign currencies to which the Fund had exposure as at June 30, 2023 and December 31, 2022 were as follows:

FINANCIAL INSTRUMENTS				
June 30, 2023 Currency	Monetary \$	Non-Monetary \$	Total \$	Percentage of Net Assets %
United States Dollar	14,617,969	(8,282,925)	6,335,044	3.6%
European Euro	(248,305)	274,720	26,415	0.0%
British Pound	193,527	(199,824)	(6,297)	0.0%
Australian Dollar	(94,471)	91,039	(3,432)	0.0%
<b>Net Exposure</b>	<b>14,468,720</b>	<b>(8,116,990)</b>	<b>6,351,730</b>	<b>3.6%</b>

FINANCIAL INSTRUMENTS				
December 31, 2022 Currency	Monetary \$	Non-Monetary \$	Total \$	Percentage of Net Assets %
United States Dollar	7,707,871	(2,415,412)	5,292,459	8.6%
European Euro	5,881	-	5,881	0.0%
British Pound	39,939	(48,868)	(8,929)	0.0%
Australian Dollar	(12,990)	12,531	(459)	0.0%
<b>Net Exposure</b>	<b>7,740,701</b>	<b>(2,451,749)</b>	<b>5,288,952</b>	<b>8.6%</b>

If the Canadian dollar had strengthened or weakened by 5% in relation to all other currencies held in the investment portfolio, net assets would have decreased or increased by approximately \$317,587 (December 31, 2022 - \$264,448). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.



# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 6. 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 \$1,209,605 (December 31, 2022 - \$766,363). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

As at June 30, 2023 and December 31, 2022, the Fund's exposure to debt instruments by maturity were as follows:

Debt Instruments by Maturity Date	June 30, 2023 (\$)		
	Long Positions	Short Positions	Total
Less than 1 year	720,475	-	720,475
1-3 years	10,911,876	-	10,911,876
3-5 years	17,173,992	(3,086,788)	14,087,204
Greater than 5 years	43,636,191	(21,251,281)	22,384,910
<b>Total</b>	<b>72,442,534</b>	<b>(24,338,069)</b>	<b>48,104,465</b>

Debt Instruments by Maturity Date	December 31, 2022 (\$)		
	Long Positions	Short Positions	Total
1-3 years	2,596,129	-	2,596,129
3-5 years	8,221,642	(1,905,224)	6,316,418
Greater than 5 years	19,724,701	(4,066,865)	15,657,836
<b>Total</b>	<b>30,542,472</b>	<b>(5,972,089)</b>	<b>24,570,383</b>

### 7. 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+.

Bond Ratings	June 30, 2023			Bond Ratings	December 31, 2022		
	Net	Long	Short		Net	Long	Short
A-	-0.2%	0.0%	-0.2%	A-	-0.3%	0.3%	-0.6%
BBB+	0.5%	1.3%	-0.8%	BBB+	1.4%	2.0%	-0.6%
BBB	2.1%	2.3%	-0.2%	BBB	4.8%	5.0%	-0.2%
BBB-	4.8%	6.3%	-1.5%	BBB-	8.0%	8.8%	-0.8%
BB+	3.6%	4.5%	-0.9%	BB+	5.8%	7.3%	-1.5%
BB	8.0%	9.2%	-1.2%	BB	5.3%	6.2%	-0.9%
BB-	-0.3%	2.7%	-3.0%	BB-	2.7%	3.9%	-1.2%
B+	5.1%	6.9%	-1.8%	B+	2.6%	3.6%	-1.0%
B	0.2%	2.8%	-2.6%	B	5.1%	6.8%	-1.7%
B-	0.3%	1.2%	-0.9%	B-	1.1%	2.0%	-0.9%
CCC+	0.0%	0.0%	0.0%	CCC+	0.4%	0.8%	-0.4%
NR	3.1%	3.1%	0.0%	NR	3.1%	3.1%	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 ALPHA ALTERNATIVE FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 8. UNDERLYING FUND EXPOSURE TO OTHER PRICE RISK, CURRENCY RISK, INTEREST RATE RISK, CREDIT RISK

The Fund may also be exposed to indirect other price risk, currency risk, interest rate risk, and credit risk through its investment in the underlying funds.

The table below summarizes the impact on the Fund's net assets, of reasonable possible changes in the returns of each of the strategies to which the Fund is exposed through the 1 underlying fund in which it invests at period-end. The impact on net assets is calculated by applying a 5% possible movement determined for each strategy as a percentage of the net assets of the Fund. The analysis is based on the assumption that the returns on each strategy have increased or decreased as disclosed with all other variables held constant. The underlying risk disclosures represent the market risks to which the various strategies are exposed; C,F,I,P representing Credit, Foreign Currency, Interest Rate, and Other Price Risks, respectively.

June 30, 2023			Impact on net assets based on 5% increase or decrease
Strategy	Underlying risk exposures	Number of Funds	\$
Canadian Equity	P	1	256,614
US Equity	P	1	2,547,984
Canadian Fixed Income	C,I	1	389,524
US Fixed Income	C,F,I	1	187,426
<b>Total</b>			<b>3,381,548</b>

December 31, 2022			Impact on net assets based on 5% increase or decrease
Strategy	Underlying risk exposures	Number of Funds	\$
Canadian Equity	P	1	87,498
US Equity	P	1	679,154
International Equity	P	1	3,880
Canadian Fixed Income	C,I	1	186
US Fixed Income	C,F,I	1	18,017
<b>Total</b>			<b>788,735</b>

### 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 June 30, 2023 and December 31, 2022.

Jurisdiction	% of Net Assets	
	June 30, 2023	December 31, 2022
<b>LONG POSITIONS</b>	<b>140.5%</b>	<b>120.4%</b>
<b>Canadian Equities</b>	<b>80.6%</b>	<b>59.3%</b>
Investment Funds	38.0%	25.7%
Financials	10.4%	6.6%
Energy	6.5%	3.9%
Industrial	6.3%	5.3%
Materials	5.7%	4.0%
Information Technology	3.4%	2.8%
Real Estate	3.1%	3.3%
Utilities	2.8%	2.1%
Consumer Discretionary	2.1%	2.3%
Consumer Staples	1.3%	2.1%
Communication Services	0.9%	1.1%
Health Care	0.1%	0.1%
<b>Global Equities</b>	<b>18.8%</b>	<b>11.1%</b>
United States	16.4%	9.5%
International	2.4%	1.6%

# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## FUND SPECIFIC NOTES (CONTINUED)

Jurisdiction	% of Net Assets	
	June 30, 2023	December 31, 2022
<b>Canadian Debt</b>	<b>26.5%</b>	<b>29.9%</b>
Corporate Bonds	25.8%	29.9%
Asset-Backed Securities	0.7%	0.0%
<b>Global Debt</b>	<b>14.1%</b>	<b>19.9%</b>
United States Bonds	12.3%	14.0%
International Bonds	1.8%	5.9%
<b>Derivatives</b>	<b>0.5%</b>	<b>0.2%</b>
<b>SHORT POSITIONS</b>	<b>-68.2%</b>	<b>-47.4%</b>
<b>Canadian Equities</b>	<b>-30.4%</b>	<b>-23.0%</b>
Index Equivalents	-17.1%	-10.5%
Financials	-3.4%	-3.7%
Energy	-3.3%	-1.2%
Materials	-1.5%	-1.2%
Consumer Staples	-1.3%	-0.8%
Real Estate	-1.2%	-2.3%
Utilities	-1.0%	-0.6%
Communication Services	-0.5%	-0.6%
Industrial	-0.4%	-1.1%
Consumer Discretionary	-0.4%	-0.8%
Information Technology	-0.3%	-0.2%
<b>Global Equities</b>	<b>-23.8%</b>	<b>-14.5%</b>
International Index Equivalents	-11.5%	-6.4%
United States Equities	-11.0%	-7.4%
International Equities	-1.3%	-0.7%
<b>Canadian Debt</b>	<b>-2.2%</b>	<b>-2.1%</b>
Corporate Bonds	-2.1%	-2.1%
Government Bonds	-0.1%	0.0%
<b>Global Debt</b>	<b>-11.4%</b>	<b>-7.7%</b>
United States Bonds	-10.3%	-7.7%
International Bonds	-1.1%	0.0%
<b>Derivatives</b>	<b>-0.4%</b>	<b>-0.1%</b>

# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE 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.

June 30, 2023 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	120,886,165	-	-	120,886,165
Distributions payable	18	-	-	18
Redemptions payable	223,062	-	-	223,062
Accrued liabilities and other payables	-	961,275	-	961,275
Payable for investments purchased	5,209,035	-	-	5,209,035
Derivative liabilities	711,089	-	-	711,089

  

December 31, 2022 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	28,985,943	-	-	28,985,943
Distributions payable	290,415	-	-	290,415
Redemptions payable	1,037	-	-	1,037
Accrued liabilities and other payables	-	199,823	-	199,823
Payable for investments purchased	102,236	-	-	102,236
Derivative liabilities	82,694	-	-	82,694

### 11. FUND UNIT TRANSACTIONS

For the six months ended June 30, 2023 and the period from May 4, 2022 (commencement of operations) to June 30, 2022 (unaudited)

	2023					2022				
	Class A	Class F	Class FT	Class I	Class ETF	Class A	Class F	Class FT	Class I	Class ETF
Units issued and outstanding, beginning of period	108,689	3,119,932	2,063	2,027	2,820,000	-	-	-	-	-
Units issued	298,219	10,715,474	10,093	-	1,330,000	24,648	333,634	3,750	2,303,750	710,000
Units reinvested	2,999	50,838	52	21	-	-	-	32	-	-
Units redeemed	(44,643)	(526,157)	-	-	(460,000)	-	(3,008)	-	(655,732)	-
<b>Units issued and outstanding, end of period</b>	<b>365,264</b>	<b>13,360,087</b>	<b>12,208</b>	<b>2,048</b>	<b>3,690,000</b>	<b>24,648</b>	<b>330,626</b>	<b>3,782</b>	<b>1,648,018</b>	<b>710,000</b>
<b>Weighted average number of units held during the period</b>	<b>277,401</b>	<b>8,893,543</b>	<b>6,546</b>	<b>2,033</b>	<b>3,100,221</b>	<b>15,770</b>	<b>199,255</b>	<b>3,758</b>	<b>2,068,118</b>	<b>326,780</b>

### 12. COMMISSIONS

For the six months ended June 30, 2023 and the period from May 4, 2022 (commencement of operations) to June 30, 2022 (unaudited) (in \$000)

	2023	2022
Brokerage commissions	420	35
Soft Dollar commissions	82	5

### 13. TAX LOSS CARRY FORWARDS

As at December 31 (in \$000)

	2022
Net capital losses carry forward	143
Non-capital losses carry forward	-

# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 14. STRUCTURED ENTITIES

The table below illustrates the Fund's investment in the underlying funds as at June 30, 2023 and December 31, 2022.

Underlying Funds	Fair Value of Fund's Investment (in \$000s)	Underlying Fund's Net Assets (in \$000s)	% of Net Assets of the Underlying Fund
<b>As at June 30, 2023</b>			
Picton Mahoney Fortified Arbitrage Plus Alternative Fund*	67,631	740,854	9.1%
Sprott Physical Uranium Trust	148	4,153,850	0.0%

Underlying Funds	Fair Value of Fund's Investment (in \$000s)	Underlying Fund's Net Assets (in \$000s)	% of Net Assets of the Underlying Fund
<b>As at December 31, 2022</b>			
Picton Mahoney Fortified Arbitrage Plus Alternative Fund*	15,775	639,428	2.5%

\*Fund managed by Picton Mahoney Asset Management.

### 15. LEVERAGE

During the six month period ended June 30, 2023, the Fund's aggregate exposure reached a low of 76.45% (year ended December 31, 2022 - 27.13%) and a high of 138.71% (year ended December 31, 2022 - 177.95%) of the Fund's NAV. As at June 30, 2023, the Fund's aggregate exposure was 108.18% (December 31, 2022 - 84.20%) of the Fund's NAV. The primary source of leverage was short positions in equity and fixed income securities.

# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2023 (unaudited)

### 1. GENERAL INFORMATION

Picton Mahoney Fortified Alpha Alternative Fund (the "Fund") is an open-ended mutual fund trust established under the laws of the Province of Ontario pursuant to a trust agreement dated September 19, 2018, as amended and restated as of June 26, 2019, July 7, 2020, August 17, 2020 and July 8, 2021, and further amended and restated April 20, 2022 (the "Trust Declaration"). The Fund commenced operations on May 4, 2022. Picton Mahoney Asset Management acts as manager (the "Manager"), portfolio advisor (the "Portfolio Advisor"), and trustee (the "Trustee") for the Fund pursuant to the Trust Declaration. The Manager is responsible for the day-to-day business of the Fund, including the management of the Fund's investment portfolio. The address of the Fund's registered office is 33 Yonge Street, Suite 830, Toronto, Ontario, M5E 1G4. The financial statements are presented in Canadian dollars (CAD). These financial statements were authorized for issue by the Manager on August 29, 2023.

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 I, and Class ETF 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 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. Class ETF units are listed and issued and sold on a continuous basis and will be available to investors that purchase such units on the TSX through a registered broker or dealer in the province or territory where the investor resides.

As at June 30, 2023, the Fund currently has 5 Classes of Units: Class A, Class F, Class FT, Class I and Class ETF. As at June 30, 2023, the Manager hold 823 units of Class A, 843 units of Class F, 2,048 units of Class I, and 2,115 units of Class FT.

The investment objective of the Fund is to provide consistent long-term capital appreciation to 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, distressed debt, floating rate loans, senior loans and unsecured loans), special purpose acquisition companies, master limited partnerships, 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.

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.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Fund.

#### (a) Basis of Preparation

These unaudited interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"), as published by the International Accounting Standards Board. The accounting policies and methods of computation followed in these unaudited interim financial statements are consistent with the most recent annual financial statements for the year ended December 31, 2022. These unaudited interim 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

# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2023 (unaudited)

Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

### (d) Valuation of Investments and Derivatives

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

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

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

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

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

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

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

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

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

short-term nature, the fair value of other financial assets and financial liabilities carried at amortized cost approximates their carrying amount.

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

### (e) Cash

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

### (f) Investment Transactions and Income Recognition

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

Distributions received from investment trusts and underlying funds are recorded as dividend income, interest for distribution purposes, net realized gains (loss) on non-derivative investment or a return of capital, based on the best information available to the Manager. Due to the nature of those investments, actual allocations could vary from this information. Distributions from income trusts and underlying funds that are treated as a return of capital for income tax purposes reduce the average cost of the income trusts and underlying funds.

### (g) Valuation of Fund Units

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

# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2023 (unaudited)

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

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

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

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

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

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

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

### (h) Foreign Currency Translation

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

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

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

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

### (j) Transaction Costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies

by regulatory agencies and securities exchange, and transfer taxes and duties. Such costs are expensed and included in "Transaction costs" in the Statement of Comprehensive Income.

### (k) Securities Lending Transactions

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

The Fund has entered into a securities lending program with their custodian, RBC Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund will receive collateral of at least 102% of the value of the securities on loan. Collateral will generally be comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or a permitted supranational agency as defined in National Instrument 81-102. Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which the Fund's custodian, RBC Investor Services Trust, is entitled to receive.

### (l) Leverage

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

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

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

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

### (m) Structured Entities

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

Picton Mahoney has determined that all of the underlying funds in which the Fund invests are unconsolidated structured entities. In making this determination, Picton Mahoney evaluated the fact that decision making



# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2023 (unaudited)

about the underlying funds' activities is not governed by voting or similar rights held by the Fund and other investors in any underlying funds. The Fund may invest in underlying funds whose investment objectives range from achieving short- to long-term income and capital growth potential. Underlying funds may use leverage in a manner consistent with their respective investment objectives. Underlying funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportionate stake in the respective fund's net assets. The Fund's interests in underlying funds as at June 30, 2023 and December 31, 2022, held in the form of redeemable units, are included at their fair value in the Statement of Financial Position, which represent the Fund's maximum exposure in these underlying funds. The Fund does not provide and has not committed to provide any additional significant financial or other support to the underlying funds. The change in fair value of each of the underlying funds during the periods is included in 'Change in unrealized appreciation (depreciation) of investments, options, and foreign exchange forward contracts' in the Statement of Comprehensive Income.

### (n) 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.

### 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 holds 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 June 30, 2023 and December 31, 2022, the Fund held or had exposure to long and short equity positions in publicly traded companies whose securities are actively traded on a recognized public exchange. Equities are susceptible to price risk arising from uncertainties about future prices of those instruments (other than those arising from interest rate risk or currency risk).

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

#### Currency risk:

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

#### Interest rate risk:

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

#### Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received

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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 June 30, 2023 and December 31, 2022, all receivables for investments sold, dividends receivable, due from manager, due from manager, deposits with brokers for securities sold short, and cash are held with counterparties with a good credit quality and are due to be settled within one week. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

### Liquidity Risk:

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

### Concentration risk:

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

### Leverage Risk:

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

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

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

## 5. CAPITAL MANAGEMENT

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

## 6. REDEEMABLE UNIT TRANSACTIONS

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

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

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

Generally, all orders to purchase ETF units directly from a Fund must be placed by a Designated Broker or an "ETF Dealer", which is a registered dealer (that may or may not be a Designated Broker) that has entered into an agreement with us authorizing the dealer to subscribe for, purchase and redeem ETF units from one or more Funds on a continuous basis from time to time. For each Prescribed Number of Units issued, an ETF Dealer must deliver payment consisting of, either: (i) a group of securities or assets representing the constituents of the Fund (a "Basket of Securities") for each Prescribed Number of Units for which the subscription order has been accepted and cash, in an amount sufficient so that the value of the securities and cash received is equal to the aggregate net asset value of the Prescribed Number of Units next determined following the receipt of the subscription order; or

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(ii) cash only, securities other than Baskets of Securities or a combination of securities other than Baskets of Securities and cash, in an amount sufficient so that the value of the securities and cash received is equal to the aggregate net asset value of the Prescribed Number of Units next determined following the receipt of the subscription order. When you redeem ETF units of a Fund, you receive the proceeds of your sale in cash at a redemption price per unit equal to 95% of the closing trading price on the effective date of the cash redemption request, subject to a maximum redemption price of the applicable net asset value per unit. As unitholders will generally be able to sell ETF units at the market price on the TSX or another exchange or marketplace through a registered broker or dealer subject only to customary brokerage commissions.

### 7. DISTRIBUTIONS

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

All annual distributions paid on Class A, Class F, Class I and Class ETF units will be automatically reinvested in additional units. All annual distributions paid on Class FT units will be automatically 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 will elect under section 39(4) of the Tax Act so that all gains or losses realized on the disposition of securities that are "Canadian securities" (as defined in the Tax Act), including Canadian securities acquired in connection with short sales, will be deemed to be capital gains or losses to the Fund. Generally, gains and losses realized by the Fund from derivative securities and in respect of short sales of securities (other than Canadian securities) will be treated as income and losses of the Fund, except where a derivative is used to hedge securities held on capital account provided there is sufficient linkage and subject to detailed rules in the Tax Act.

Whether gains or losses realized by the Fund in respect of a particular security (other than a Canadian security) is on income or capital account will depend largely on factual considerations. Losses incurred by the Fund in a taxation year cannot be allocated to unitholders, but may be deducted by the Fund in future years in accordance with the Tax Act.

### 9. OPERATING EXPENSES

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

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

### 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 1.95% and on Class F units, Class FT units, and Class ETF units is 0.95%. The management fee for Class I units of the Fund is negotiated by the investor and paid directly by the investor, and would not exceed the management fee payable on Class A units of the Fund.

#### Management Fee Distributions

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

#### (b) Performance Fees

The Manager receives a performance fee in respect of each of the Class A units, Class F units, Class FT units, and Class ETF units of the Fund. The performance fee for each class shall be calculated and become a liability of the Fund on each 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

# PICTON MAHONEY FORTIFIED ALPHA ALTERNATIVE FUND NOTES TO THE FINANCIAL STATEMENTS

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return equal to 2%, for each of the Class A units, Class F units, Class FT units, or Class ETF units, plus applicable taxes. The performance fee in respect of each of the Class A units, Class F units, Class FT units, and Class ETF 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 (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. The Manager may make such adjustments to the Unit Price, the High Water Mark and/or the Hurdle Amount per unit as are determined by the Manager to be necessary to account for the payment of any distributions on units, any unit splits or consolidations or any other event or matter that would, in the opinion of the Manager, impact upon the computation of the performance fee. Any such determination of the Manager shall, absent manifest error, be binding on all unitholders. 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 period January 1, 2023 to June 30, 2023, the Fund incurred performance fees of \$323,505. At the Manager's discretion, these fees were waived for the period.

## (c) Fund-on-Fund Fees and Expenses

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

## 11. COMPARATIVE FIGURES

For the period May 4, 2022 to June 30, 2022, the Fund reported HST expenses in "Harmonized sales tax" on the Statement of Comprehensive Income. For the period January 1, 2023 to June 30, 2023, the Fund reported HST expenses in "Management fees", "Performance fees", "Administrative fees", "Securityholder reporting fees", "Legal fees", "Independent Review Committee fees", "Audit fees", and "Custody fees" on the Statement of Comprehensive Income and revised the comparative amounts to conform to the current year presentation.







**THINK AHEAD.  
STAY AHEAD.**



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## **PICTON MAHONEY ASSET MANAGEMENT CORPORATE INFORMATION**

### **Corporate Address**

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

#### **Picton Mahoney Funds**

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