UNAUDITED SEMI-ANNUAL FINANCIAL STATEMENTS **JUNE 2023**

PICTON MAHONEY Asset Management

FORTIFIED SPECIAL SITUATIONS ALTERNATIVE FUND

THINK AHEAD.
STAY AHEAD.

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MANAGEMENT'S RESPONSIBILITY STATEMENT

The accompanying financial statements have been prepared by Picton Mahoney Asset Management, the Manager of the Picton Mahoney Fortified Special Situations 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

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.

STATEMENTS OF FINANCIAL POSITION

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

	June 30, 2023 $	December 31, 2022 $
Assets		
Current assets		
Long positions at fair value*	**191,750,512**	90,933,010
Cash	**14,777,499**	19,886,838
Options purchased*	**588,063**	131,811
Unrealized gain on foreign exchange forward contracts at fair value	**244,808**	10,830
Due from Manager	**1,200**	23,850
Subscriptions receivable	**375,803**	977,709
Receivable for investments sold	**2,149,333**	-
Interest and other receivable	**2,701,255**	1,281,822
	212,588,473	113,245,870
Liabilities		
Current liabilities		
Short positions at fair value**	**61,981,593**	26,081,396
Options written**	**816,200**	31,227
Unrealized loss on foreign exchange forward contracts at fair value	**-**	176,691
Cash overdraft	**1,003,214**	8,181,422
Management fee payable	**326,054**	38,518
Redemptions payable	**150,713**	4,840
Accrued liabilities	**76,765**	66,552
Payable for investments purchased	**9,248,159**	-
Interest payable	**1,030,683**	362,288
Distributions payable	**123**	-
	74,633,504	34,942,934
Net Assets Attributable to Holders of Redeemable Units	**137,954,969**	78,302,936
Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	**3,349,185**	2,828,056
Class F	**78,579,242**	32,183,163
Class I	**13,575,550**	9,567,651
Class ETF	**42,450,992**	33,724,066
Number of Redeemable Units Outstanding		
Class A	**383,306**	325,751
Class F	**8,785,936**	3,642,371
Class I	**1,487,747**	1,066,958
Class ETF	**4,750,000**	3,820,000
Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	**8.74**	8.68
Class F	**8.94**	8.84
Class I	**9.12**	8.97
Class ETF***	**8.94**	8.83
* Long positions, at cost	**195,889,939**	93,488,618
** Short positions, at cost	**(63,656,244)**	(26,019,378)
*** Closing Market Price (TSX)	**8.94**	8.86

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

Approved on behalf of the Manager

David Picton — President

Arthur Galloway — CFO

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the six month periods ended June 30 (unaudited)

	2023 $	2022 $
Income		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	**5,578,419**	1,790,515
Dividends	**133,459**	35,199
Net realized gain (loss) on investments and options	**265,783**	774,979
Net realized gain (loss) on foreign exchange forward contracts	**342,116**	(1,113,504)
Change in unrealized appreciation (depreciation) on investments, options and foreign exchange forward contracts	**223,603**	(2,242,221)
Interest and borrowing expense	**(1,940,406)**	(529,023)
Net gains (losses) on investments and derivatives	**4,602,974**	(1,284,055)
Other income		
Foreign currency gain (loss) on cash and other assets and liabilities	**48,326**	(182,286)
Total Income	**4,651,300**	(1,466,341)
Expenses		
Management fees	**577,238**	224,735
Transaction costs	**302,612**	213,460
Administrative fees	**53,982**	30,680
Securityholder reporting fees	**28,532**	3,068
Withholding taxes	**21,817**	25,766
Legal fees	**17,583**	17,197
Audit fees	**10,577**	5,419
Independent review committee expense	**3,467**	4,091
Total expense before manager absorption	**1,015,808**	524,416
Less expenses absorbed by manager	**(13,650)**	(16,075)
Total expense after manager absorption	**1,002,158**	508,341
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	**3,649,142**	(1,974,682)
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	**84,656**	(112,140)
Class F	**1,849,665**	(726,886)
Class I	**432,899**	(214,775)
Class ETF	**1,281,922**	(920,881)
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	**0.23**	(0.39)
Class F	**0.26**	(0.45)
Class I	**0.35**	(0.20)
Class ETF	**0.28**	(0.40)

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

For the six month periods ended June 30 (unaudited)

	2023 $	2022 $
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period		
Class A	**2,828,056**	2,914,655
Class F	**32,183,163**	6,084,111
Class I	**9,567,651**	25,475,958
Class ETF	**33,724,066**	15,182,001
	78,302,936	49,656,725
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Class A	**84,656**	(112,140)
Class F	**1,849,665**	(726,886)
Class I	**432,899**	(214,775)
Class ETF	**1,281,922**	(920,881)
	3,649,142	(1,974,682)
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Class A	**689,864**	1,234,585
Class F	**58,103,365**	17,484,970
Class I	**4,275,000**	9,000,000
Class ETF	**10,847,731**	13,117,990
	73,915,960	40,837,545
Reinvestments of distributions to holders of redeemable units		
Class A	**27,143**	19,081
Class F	**1,088,450**	309,207
Class I	**251,429**	305,638
Class ETF	**-**	-
	1,367,022	633,926
Redemption of redeemable units		
Class A	**(209,925)**	(1,203,988)
Class F	**(13,244,173)**	(3,198,480)
Class I	**(700,000)**	(25,479,390)
Class ETF	**(2,487,029)**	(2,542,968)
	(16,641,127)	(32,424,826)
Net Increase (Decrease) from Redeemable Unit Transactions	**58,641,855**	9,046,645
Distributions to Holders of Redeemable Units		
From net investment income		
Class A	**(70,609)**	(92,997)
Class F	**(1,401,228)**	(548,244)
Class I	**(251,429)**	(305,638)
Class ETF	**(915,698)**	(789,578)
	(2,638,964)	(1,736,457)
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	**59,652,033**	5,335,506
Net Assets Attributable to Holders of Redeemable Units at End of Period		
Class A	**3,349,185**	2,759,196
Class F	**78,579,242**	19,404,678
Class I	**13,575,550**	8,781,793
Class ETF	**42,450,992**	24,046,564
Net Assets Attributable to Holders of Redeemable Units at End of Period	**137,954,969**	54,992,231

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

STATEMENTS OF CASH FLOWS

For the six month periods ended June 30 (unaudited)

	2023 $	2022 $
Cash Flows from Operating Activities		
Increase (decrease) in net assets attributable to holders of redeemable units	**3,649,142**	(1,974,682)
Adjustments for:		
Unrealized foreign exchange (gain) loss on cash	**189,668**	68,515
Net realized (gain) loss on investments and options	**(265,783)**	(774,979)
Change in unrealized (appreciation) depreciation on investments, options and foreign exchange forward contracts	**(223,603)**	2,242,221
(Increase) decrease in due from manager	**22,650**	9,875
(Increase) decrease in interest and other receivables	**(1,419,433)**	(249,215)
Increase (decrease) in interest payable	**668,395**	108,427
Increase (decrease) in other payable and accrued liabilities	**297,749**	119,760
Purchase of long positions and repurchases of investments sold short	**(208,693,765)**	(82,994,030)
Proceeds from sales of long positions and on investments sold short	**151,282,724**	70,127,420
Net cash generated (used) by operating activities	**(54,492,256)**	(13,316,688)
Cash Flows from Financing Activities		
Distributions to holders of redeemable units, net of reinvested distributions	**(1,271,819)**	(1,102,531)
Proceeds from redeemable units issued	**74,329,846**	48,850,471
Amount paid on redemption of redeemable units	**(16,307,234)**	(29,467,112)
Net cash generated (used) by financing activities	**56,750,793**	18,280,828
Unrealized foreign exchange gain (loss) on cash	**(189,668)**	(68,515)
Net increase (decrease) in cash	**2,258,537**	4,964,140
Cash, beginning of period	**11,705,416**	3,215,281
Cash, end of period	**13,774,285**	8,110,906
Cash	**14,777,499**	8,110,906
Cash overdraft	**(1,003,214)**	-
Net Cash (Overdraft)	**13,774,285**	8,110,906
Items Classified as Operating Activities:		
Interest received, net of withholding tax	**4,158,986**	1,541,300
Dividends received, net of withholding tax	**111,642**	9,433
Interest and borrowing expense paid	**(1,272,011)**	(420,596)

Net of non-cash transfers and switches of $188,020 (2022 - $1,034,796)

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2023 (unaudited)

CCY*	No. of shares/ units/ Face value	Security Description	Average cost ($)	Fair value ($)
	LONG POSITIONS (139.4%)			
	Canadian Equities (5.1%)			
	Energy (2.7%)			
	34,366	Enbridge Inc., Preferred Series 1	1,042,500	977,702
	10,500	Enbridge Inc., Preferred Series 5	296,715	279,131
	95,000	Enbridge Inc., Preferred Series L	2,607,618	2,418,621
			3,946,833	3,675,454
	Financials (2.2%)			
	36,788	Element Financial Corp., Preferred Series C	908,136	912,342
	88,000	Element Fleet Management Corp., Preferred Series E	2,147,366	2,169,200
			3,055,502	3,081,542
	Real Estate (0.2%)			
	6,450	Brookfield Office Properties Inc., Preferred Series CC	106,968	107,973
	15,000	Brookfield Office Properties Inc., Preferred Series EE	205,177	192,600
			312,145	300,573
		Total Canadian Equities - Long	**7,314,480**	**7,057,569**
	Canadian Debt (87.5%)			
	Asset-Backed Securities (2.4%)			
USD	2,500,000	St Lawrence Srt Usd Corp. 0.000%, 2033-05-25	3,372,135	3,305,457
	Corporate Bonds (85.1%)			
CAD	1,200,000	Algonquin Power & Utilities Corp. 5.250%, 2082-01-18	961,310	950,949
CAD	3,350,000	AltaGas Ltd. 7.350%, 2082-08-17	3,290,804	3,224,074
CAD	5,200,000	AutoCanada Inc. 5.750%, 2029-02-07	4,848,012	4,376,667
CAD	2,700,000	Bank of Montreal 7.057%, 2049-12-31	2,682,066	2,626,630
CAD	4,190,000	Bank of Montreal 7.373%, 2049-12-31	4,208,800	4,120,685
CAD	3,950,000	Bank of Nova Scotia 7.023%, 2082-07-27	3,917,524	3,831,278
USD	2,525,000	Bank of Nova Scotia 8.625%, 2082-10-27	3,566,125	3,470,745
CAD	225,000	Brookfield Property Finance ULC 4.300%, 2024-03-01	219,094	220,073
CAD	318,000	Brookfield Property Finance ULC 3.926%, 2025-08-24	291,168	290,878
CAD	498,000	Brookfield Property Finance ULC 4.000%, 2026-09-30	435,120	428,513
CAD	650,000	Brookfield Property Finance ULC 3.930%, 2027-01-15	567,275	552,210
CAD	2,950,000	Brookfield Property Finance ULC 7.125%, 2028-02-13	2,830,030	2,732,781
USD	1,500,000	Brookfield Residential Properties Inc. 6.250%, 2027-09-15	1,837,863	1,825,606

CCY*	No. of shares/ units/ Face value	Security Description	Average cost ($)	Fair value ($)
USD	1,750,000	Bruce Trail Funding Corporation 16.340%, 2028-08-31	2,369,572	2,303,399
CAD	2,750,000	Capital Power Corp. 7.950%, 2082-09-09	2,735,197	2,694,080
CAD	46,600	Chemtrade Logistics Income Fund 4.750%, 2024-05-31	45,174	46,542
CAD	3,025,000	Chemtrade Logistics Income Fund 6.250%, 2027-08-31	3,069,485	3,025,000
CAD	250,000	Clarity Trust 10.923%, 2025-04-15	250,000	250,000
CAD	2,175,000	Corus Entertainment Inc. 5.000%, 2028-05-11	1,682,659	1,566,000
CAD	1,472,000	Corus Entertainment Inc. 6.000%, 2030-02-28	1,284,999	1,039,600
USD	900,000	Curaleaf Holdings Inc. 8.000%, 2026-12-15	1,031,569	934,870
CAD	3,350,000	Doman Building Materials Group Ltd. 5.250%, 2026-05-15	2,978,817	3,036,634
CAD	1,675,000	Enbridge Inc. 5.000%, 2082-01-19	1,390,491	1,399,064
USD	1,150,000	Enbridge Inc. 7.375%, 2083-01-15	1,532,287	1,495,872
USD	2,850,000	First Quantum Minerals Ltd. 8.625%, 2031-06-01	3,845,856	3,869,780
CAD	250,000	Fusion Trust 10.923%, 2025-04-15	250,000	250,000
CAD	900,000	Gibson Energy Inc. 6.200%, 2053-07-12	899,028	928,068
CAD	3,176,000	Gibson Energy Inc. 5.250%, 2080-12-22	2,689,921	2,631,936
CAD	3,300,000	Gibson Energy Inc. 8.700%, 2083-07-12	3,308,525	3,325,473
CAD	4,193,000	iA Financial Corp. Inc. 6.611%, 2082-06-30	4,126,876	4,051,822
CAD	2,000,000	Intact Financial Corp. 7.338%, 2083-06-30	2,008,188	1,985,005
CAD	2,900,000	Inter Pipeline Ltd. 6.875%, 2079-03-26	2,769,443	2,722,652
CAD	1,500,000	Inter Pipeline Ltd. 6.625%, 2079-11-19	1,402,095	1,367,978
CAD	2,300,000	Keyera Corp. 6.875%, 2079-06-13	2,180,028	2,159,187
CAD	1,825,000	Keyera Corp. 5.950%, 2081-03-10	1,568,930	1,575,875
USD	800,000	Manitoulin USD Ltd. 13.290%, 2027-11-10	1,102,764	1,055,947
CAD	3,200,000	Mattamy Group Corp. 4.625%, 2028-03-01	2,772,992	2,853,633
CAD	5,700,000	National Bank of Canada 7.500%, 2082-11-16	5,710,173	5,589,390
CAD	750,000	Northland Power Inc. 9.250%, 2083-06-30	742,605	753,252
USD	3,600,000	Northriver Midstream Finance LP 5.625%, 2026-02-15	4,486,202	4,446,870
CAD	3,350,000	Rogers Communications Inc. 5.000%, 2081-12-17	3,031,284	3,047,213
CAD	3,200,000	Royal Bank of Canada 4.500%, 2080-11-24	2,960,000	2,970,402

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2023 (unaudited)

CCY*	No. of shares/ units/ Face value	Security Description	Average cost ($)	Fair value ($)
USD	1,310,000	Royal Bank of Canada 3.862%, 2085-06-29	1,447,534	1,594,771
CAD	5,550,000	Secure Energy Services Inc. 7.250%, 2026-12-30	5,475,387	5,480,625
CAD	140,000	Secure Energy Services Inc. 7.250%, 2026-12-30	137,900	138,338
CAD	2,890,000	Tamarack Valley Energy Ltd. 7.250%, 2027-05-10	2,779,120	2,704,859
USD	3,850,000	Tervita Corp. 11.000%, 2025-12-01	5,592,320	5,425,260
CAD	4,100,000	Toronto-Dominion Bank 7.232%, 2049-12-31	4,119,099	4,027,237
CAD	525,000	Toronto-Dominion Bank 7.283%, 2082-10-31	525,000	515,649
USD	2,150,000	Toronto-Dominion Bank 8.125%, 2082-10-31	2,953,055	2,897,260
USD	1,225,000	Trulieve Cannabis Corp. 9.750%, 2024-06-18	1,586,069	1,539,922
USD	1,012,000	Trulieve Cannabis Corp. 8.000%, 2026-10-06	1,146,750	992,275
			119,642,585	117,342,829
		Total Canadian Debt - Long	**123,014,720**	**120,648,286**
	Global Debt (46.4%)			
	United States Bonds (40.6%)			
USD	715,000	AerCap Global Aviation Trust 6.500%, 2045-06-15	916,144	916,120
USD	4,300,000	American Airlines Inc. 11.750%, 2025-07-15	6,348,509	6,244,041
USD	2,150,000	Bath & Body Works Inc. 9.375%, 2025-07-01	3,061,014	3,023,178
USD	3,725,000	Brookfield Property REIT Inc. 4.500%, 2027-04-01	4,373,343	4,156,919
USD	450,000	Carriage Services Inc. 4.250%, 2029-05-15	505,300	515,816
USD	1,600,000	Catalent Pharma Solutions Inc. 5.000%, 2027-07-15	1,949,365	1,946,064
USD	1,125,000	Cleveland-Cliffs Inc. 7.000%, 2027-03-15	1,399,415	1,452,435
USD	2,225,000	Cushman & Wakefield US Borrower LLC 6.750%, 2028-05-15	2,901,329	2,667,162
USD	600,000	Freeport Minerals Corp. 7.125%, 2027-11-01	884,580	827,688
USD	2,200,000	Freeport Minerals Corp. 9.500%, 2031-06-01	3,752,272	3,460,200
USD	3,821,000	Horizon Therapeutics USA Inc. 5.500%, 2027-08-01	5,217,731	5,083,672
USD	275,000	ILFC E-Capital Trust I 7.064%, 2065-12-21	247,135	245,479
USD	3,294,000	NCR Corp. 5.750%, 2027-09-01	4,330,483	4,363,513
USD	2,473,000	NCR Corp. 6.125%, 2029-09-01	3,316,055	3,278,201
USD	2,406,000	PDC Energy Inc. 5.750%, 2026-05-15	3,231,622	3,173,838
USD	1,675,000	Prime Healthcare Services Inc. 7.250%, 2025-11-01	2,097,337	2,103,203
USD	3,165,000	Stagwell Global LLC 5.625%, 2029-08-15	3,778,725	3,588,695
USD	2,947,000	Syneos Health Inc. 3.625%, 2029-01-15	3,847,880	3,816,882
USD	900,000	United States Treasury Bond 3.875%, 2043-05-15	1,170,000	1,160,214
USD	3,300,000	Vistra Corp. 8.000%, 2049-12-31	4,291,830	4,063,517
			57,620,069	56,086,837
	International Bonds (5.8%)			
USD	990,000	Barclays Bank PLC 5.235%, 2049-12-31	1,126,619	1,302,804
USD	150,000	Barclays Bank PLC 5.359%, 2049-12-31	169,089	198,020
USD	30,000	Barclays Bank PLC 5.460%, 2049-12-31	33,318	39,494
USD	560,000	HSBC Bank PLC 1.750%, 2049-12-31	609,072	741,015
USD	2,100,000	Standard Chartered PLC 3.188%, 2049-12-31	2,444,186	2,767,175
USD	2,200,000	Standard Chartered PLC 5.949%, 2049-12-31	2,568,785	2,909,312
			6,951,069	7,957,820
		Total Global Debt - Long	**64,571,138**	**64,044,657**
	Options (0.4%)			
		Total Purchased Options - Refer to Appendix A	**1,016,606**	**588,063**
		Transaction Costs	**(27,005)**	**-**
		Total Long Positions	**195,889,939**	**192,338,575**
	SHORT POSITIONS (-45.5%)			
	Canadian Debt (-7.6%)			
	Government Bonds (-0.4%)			
CAD	(781,000)	Canadian Government Bond 1.750%, 2053-12-01	(560,758)	(576,426)
	Corporate Bonds (-7.2%)			
CAD	(1,100,000)	Allied Properties Real Estate Investment Trust 3.394%, 2029-08-15	(954,562)	(939,141)
USD	(1,200,000)	Bombardier Inc. 7.500%, 2029-02-01	(1,609,208)	(1,571,345)
USD	(1,075,000)	Canadian Pacific Railway Co. 2.450%, 2031-12-02	(1,257,186)	(1,246,241)
USD	(1,075,000)	Canadian Pacific Railway Co. 3.000%, 2041-12-02	(1,170,314)	(1,162,767)
CAD	(1,150,000)	First Capital Real Estate Investment Trust 3.753%, 2027-07-12	(1,043,868)	(1,046,089)
CAD	(1,000,000)	RioCan Real Estate Investment Trust 4.628%, 2029-05-01	(947,508)	(939,440)
CAD	(1,750,000)	Sun Life Financial Inc. 3.050%, 2028-09-19	(1,730,035)	(1,741,370)
CAD	(1,350,000)	Toronto-Dominion Bank 3.589%, 2028-09-14	(1,326,976)	(1,344,995)
			(10,039,657)	(9,991,388)
		Total Canadian Debt - Short	**(10,600,415)**	**(10,567,814)**

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2023 (unaudited)

CCY*	No. of shares/ units/ Face value	Security Description	Average cost ($)	Fair value ($)
		Global Debt (-37.3%)		
		United States Bonds (-33.3%)		
USD	(1,100,000)	ACCO Brands Corp. 4.250%, 2029-03-15	(1,232,003)	(1,224,250)
USD	(1,600,000)	Ally Financial Inc. 7.100%, 2027-11-15	(2,225,693)	(2,136,807)
USD	(1,150,000)	Bath & Body Works Inc. 6.625%, 2030-10-01	(1,488,698)	(1,471,145)
USD	(550,000)	Caesars Entertainment Inc. 4.625%, 2029-10-15	(650,493)	(636,117)
USD	(1,150,000)	Central Garden & Pet Co. 4.125%, 2030-10-15	(1,315,322)	(1,279,228)
USD	(1,290,000)	Civitas Resources Inc. 8.750%, 2031-07-01	(1,711,270)	(1,733,030)
USD	(1,450,000)	Clarivate Science Holdings Corp. 4.875%, 2029-07-01	(1,688,799)	(1,704,056)
USD	(1,550,000)	CommScope Inc. 4.750%, 2029-09-01	(1,720,137)	(1,619,145)
USD	(1,100,000)	DaVita Inc. 4.625%, 2030-06-01	(1,287,600)	(1,250,937)
USD	(1,000,000)	Embecta Corp. 5.000%, 2030-02-15	(1,118,601)	(1,099,964)
USD	(1,400,000)	Energizer Holdings Inc. 4.375%, 2029-03-31	(1,594,080)	(1,593,027)
USD	(1,000,000)	Hilton Grand Vacations Borrower Escrow LLC 5.000%, 2029-06-01	(1,202,088)	(1,175,536)
USD	(1,100,000)	M&T Bank Corp. 5.053%, 2034-01-27	(1,395,439)	(1,329,745)
USD	(1,300,000)	Matador Resources Co. 6.875%, 2028-04-15	(1,734,350)	(1,696,840)
USD	(900,000)	Medline Borrower LP 5.250%, 2029-10-01	(1,030,373)	(1,034,554)
USD	(1,200,000)	MGM Resorts International 4.750%, 2028-10-15	(1,515,288)	(1,443,264)
USD	(175,000)	Novelis Corp. 4.750%, 2030-01-30	(220,383)	(206,021)
USD	(1,425,000)	Olin Corp. 5.625%, 2029-08-01	(1,749,719)	(1,819,434)
USD	(1,500,000)	Organon & Co. 5.125%, 2031-04-30	(1,771,483)	(1,640,196)
USD	(1,200,000)	Performance Food Group Inc. 4.250%, 2029-08-01	(1,473,817)	(1,415,557)
USD	(1,150,000)	Permian Resources Operating LLC 5.875%, 2029-07-01	(1,474,690)	(1,435,015)
USD	(1,100,000)	Post Holdings Inc. 4.500%, 2031-09-15	(1,261,022)	(1,244,287)
USD	(1,100,000)	Prime Security Services Borrower LLC 6.250%, 2028-01-15	(1,396,263)	(1,365,902)
USD	(1,200,000)	Rocket Mortgage LLC 3.875%, 2031-03-01	(1,299,560)	(1,288,981)
USD	(1,150,000)	Scientific Games International Inc. 7.250%, 2029-11-15	(1,564,823)	(1,524,999)
USD	(850,000)	Six Flags Entertainment Corp. 7.250%, 2031-05-15	(1,140,188)	(1,096,527)
USD	(1,150,000)	SM Energy Co. 6.500%, 2028-07-15	(1,481,848)	(1,462,365)
USD	(1,150,000)	Starwood Property Trust Inc. 4.375%, 2027-01-15	(1,354,430)	(1,312,011)
USD	(1,200,000)	Taylor Morrison Communities Inc. 5.125%, 2030-08-01	(1,527,667)	(1,467,825)
USD	(1,000,000)	TransDigm Inc. 4.625%, 2029-01-15	(1,199,910)	(1,178,648)
USD	(175,000)	Tri Pointe Homes Inc. 5.700%, 2028-06-15	(212,604)	(223,902)
USD	(1,800,000)	Uber Technologies Inc. 4.500%, 2029-08-15	(2,232,032)	(2,196,883)
USD	(1,100,000)	Wolverine World Wide Inc. 4.000%, 2029-08-15	(1,217,743)	(1,160,479)
USD	(1,100,000)	Wynn Resorts Finance LLC 7.125%, 2031-02-15	(1,460,061)	(1,448,034)
			(46,948,477)	(45,914,711)
		International Bonds (-4.0%)		
EUR	(1,200,000)	Banco Santander SA 5.250%, 2049-12-31	(1,580,673)	(1,664,190)
USD	(1,000,000)	Credit Agricole SA 7.875%, 2049-12-31	(1,292,415)	(1,312,145)
USD	(1,100,000)	HSBC Holdings PLC 8.000%, 2049-12-31	(1,424,099)	(1,448,659)
EUR	(800,000)	Stichting AK Rabobank Certificaten 6.500%, 2049-12-31	(1,019,087)	(1,074,074)
			(5,316,274)	(5,499,068)
		Total Global Debt - Short	**(52,264,751)**	**(51,413,779)**
		Options (-0.6%)		
		Total Written Options - Refer to Appendix A	**(765,692)**	**(816,200)**
		Transaction Costs	**(25,386)**	**-**
		Total Short Positions	**(63,656,244)**	**(62,797,793)**
		Foreign Currency Forward Contracts (0.2%)		
		Total Currency Hedge - Refer to Appendix B		**244,808**
		TOTAL INVESTMENT PORTFOLIO (94.1%)	**132,233,695**	**129,785,590**
		Other Assets Net of Liabililties (5.9%)		8,169,379
		TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)		**137,954,969**

**CCY denotes local currency of debt security*

APPENDIX A

OPTIONS (-0.2%)

Issuer	Option Type	Number of Options	Strike $	Expiry	Average Cost $	Fair Value $
S&P 500 E-Mini	Call Option	172	$4,650	September, 2023	181,989	307,258
SPDR S&P Homebuilders ETF	Call Option	285	$90	September, 2023	3,450	11,584
US Bond Futures	Call Option	85	$135	July, 2023	47,996	3,515
US Bond Futures	Call Option	112	$145	August, 2023	72,581	4,631
USD Call CAD Put OTC	Call/Put Option	1,350,000	$1	October, 2023	17,327	1,050
					323,343	328,038
iShares iBoxx High Yield Corp. Bond	Put Option	1,641	$72	July, 2023	209,601	7,600
iShares iBoxx High Yield Corp. Bond	Put Option	1,136	$73	July, 2023	43,805	9,019
S&P 500 E-Mini	Put Option	172	$4,000	September, 2023	345,401	199,149
S&P E-Mini 1st Week	Put Option	58	$4,325	July, 2023	16,954	3,454
SPDR S&P Homebuilders ETF	Put Option	570	$65	September, 2023	41,997	21,662
SPDR S&P Homebuilders ETF	Put Option	573	$70	July, 2023	23,224	8,720
US Bond Futures	Put Option	112	$112	August, 2023	7,018	6,947
US Bond Futures	Put Option	84	$120	July, 2023	5,263	3,474
					693,263	260,025
Total Purchased Options					**1,016,606**	**588,063**
S&P 500 E-Mini	Written Call Option	(172)	$4,600	September, 2023	(286,435)	(469,423)
SPDR S&P Homebuilders ETF	Written Call Option	(285)	$80	September, 2023	(34,845)	(155,565)
US Bond Futures	Written Call Option	(85)	$145	July, 2023	(8,973)	(112)
US Bond Futures	Written Call Option	(112)	$155	August, 2023	(18,830)	(2,316)
					(349,083)	(627,416)
iShares iBoxx High Yield Corp. Bond	Written Put Option	(1,094)	$66	July, 2023	(39,021)	(3,623)
iShares iBoxx High Yield Corp. Bond	Written Put Option	(1,078)	$68	July, 2023	(39,983)	(4,993)
iShares iBoxx High Yield Corp. Bond	Written Put Option	(605)	$69	July, 2023	(6,627)	(2,235)
S&P 500 E-Mini	Written Put Option	(172)	$3,800	September, 2023	(198,005)	(116,644)
SPDR S&P Homebuilders ETF	Written Put Option	(570)	$50	September, 2023	(17,901)	(6,086)
SPDR S&P Homebuilders ETF	Written Put Option	(573)	$65	July, 2023	(8,685)	(3,679)
US Bond Futures	Written Put Option	(112)	$119	August, 2023	(63,821)	(39,367)
US Bond Futures	Written Put Option	(84)	$122	July, 2023	(42,566)	(12,157)
					(416,609)	(188,784)
Total Written Options					**(765,692)**	**(816,200)**

APPENDIX B

FOREIGN EXCHANGE FORWARD CONTRACTS (0.2%)

Purchased Currency	Sold Currency	Forward Rate	Maturity Date	Fair Value ($)	Counterparty	Credit Rating
CAD $36,167,225	USD $27,184,000	1.33046	2023-08-10	218,623	Canadian Imperial Bank of Commerce	A-1
CAD $13,247,000	USD $10,000,000	1.32470	2023-08-10	23,144	Canadian Imperial Bank of Commerce	A-1
CAD $97,011	EUR $65,000	1.49248	2023-08-03	3,041	Canadian Imperial Bank of Commerce	A-1
Unrealized gain on foreign exchange forward contracts at fair value				**244,808**		
Net unrealized gain (loss) on foreign exchange forward contracts at fair value				**244,808**		

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	6,145,227	912,342	-	7,057,569
Bonds - Long	-	177,528,140	7,164,803	184,692,943
Options - Long	588,063	-	-	588,063
Forward contracts - Long	-	244,808	-	244,808
Bonds - Short	-	(61,981,593)	-	(61,981,593)
Options - Short	(816,200)	-	-	(816,200)
Total	**5,917,090**	**116,703,697**	**7,164,803**	**129,785,590**

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2022	Level 1 $	Level 2 $	Level 3 $	Total $
Equities - Long	587,241	-	-	587,241
Bonds - Long	-	89,261,369	1,084,400	90,345,769
Options - Long	131,811	-	-	131,811
Forward contracts - Long	-	10,830	-	10,830
Bonds - Short	-	(26,081,396)	-	(26,081,396)
Options - Short	(31,227)	-	-	(31,227)
Forward contracts - Short	-	(176,691)	-	(176,691)
Total	**687,825**	**63,014,112**	**1,084,400**	**64,786,337**

2. RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

The following table reconciles the Fund's Level 3 fair value measurements for the period ended June 30, 2023 and December 31, 2022.

June 30, 2023	Debt Instruments - Long $	Debt Instruments - Short $	Total $
Balance at Beginning of Period	1,084,400	-	1,084,400
Investment purchases during the period	6,241,707	-	6,241,707
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	(161,304)	-	(161,304)
Balance at End of Period	**7,164,803**	**-**	**7,164,803**
Total change in unrealized appreciation (depreciation) for assets held as at June 30, 2023			**(161,304)**

FUND SPECIFIC NOTES (CONTINUED)

December 31, 2022	Debt Instruments - Long $	Debt Instruments - Short $	Total $
Balance at Beginning of Year	-	-	-
Investment purchases during the year	1,102,764	-	1,102,764
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	(18,364)	-	(18,364)
Balance at End of Year	**1,084,400**	**-**	**1,084,400**
Total change in unrealized appreciation (depreciation) for assets held as at December 31, 2021			**(18,364)**

As at June 30, 2023 and December 31, 2022, certain securities held long were classified as Level 3. The Fund's long Level 3 securities consist of debt instruments which were measured at the transaction price as determined at the time of purchase. If there was a 5% increase or decrease in the price of level 3 securities, with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased, respectively, by approximately $358,240 as at June 30, 2023 (December 31, 2022 - $54,220). Transfers between levels on the fair value hierarchy table are deemed to have occurred at the beginning of the reporting period.

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	250,000	Private valuation	Broker quote	5%	5%	$12,500	$(12,500)
Clarity Trust 10.923%, 2025-04-15	250,000	Private valuation	Broker quote	5%	5%	$12,500	$(12,500)
Fusion Trust 10.923%, 2025-04-15	2,303,399	Private valuation	Broker quote	5%	5%	$115,170	$(115,170)
Manitoulin USD Ltd. 13.290%, 2027-11-10	1,055,947	Private valuation	Broker quote	5%	5%	$52,797	$(52,797)
St Lawrence Srt Usd Corp. 0.000%, 2033-05-25	3,305,457	Private valuation	Broker quote	5%	5%	$165,273	$(165,273)

December 31, 2022							
Security Name	**Fair Value**	**Valuation Technique**	**Unobservable Inputs**	**Reasonable Shift (+)**	**Reasonable Shift (-)**	**Change in Valuation (+)**	**Change in Valuation (-)**
Manitoulin USD Ltd. 13.290%, 2027-11-10	1,084,400	Private valuation	Broker quote	5%	5%	$54,220	$(54,220)

3. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The following table shows the net impact of the Fund's statement of financial position if all set-off rights were exercised.

Financial Assets and Liabilities		Amounts Eligible for Offset		
	Gross Assets / (Liabilities) $	Financial Instruments $	Collateral received/paid $	Net $
June 30, 2023				
Derivative assets - Foreign exchange forward contracts	244,808	-	-	244,808
Derivative liabilities - Foreign exchange forward contracts	-	-	-	-
December 31, 2022				
Derivative assets - Foreign exchange forward contracts	10,830	(10,830)	-	-
Derivative liabilities - Foreign exchange forward contracts	(176,691)	10,830	-	(165,861)

FUND SPECIFIC NOTES (CONTINUED)

4. OTHER PRICE RISK

Using Beta as a measure of the relationship of the Fund's performance against the ICE BofAML Global High Yield Index (Hedged to CAD) (the Index), if the Index were to increase or decrease by 10%, net assets would have increased or decreased by approximately $349,179 (December 31, 2022 - $888,862). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

The COVID-19 (coronavirus disease) pandemic has caused volatility in global financial markets as well as significant disruptions to global business activity. The continued impact of unanticipated market disruptions, including COVID-19 is uncertain and may exacerbate pre-existing political, social or economic risk, and may disproportionately affect certain issuers, industries or types of securities. Such unanticipated market and economic disruptions, including COVID-19, may be short-term or may last for an extended period of time, and could have effects that cannot necessarily be presently foreseen.

5. CURRENCY RISK

The currency risk reflects the net impact after taking into consideration the forward contracts. Foreign currencies to which the Fund had exposure as at June 30, 2023 and December 31, 2022 were as follows:

FINANCIAL INSTRUMENTS					
June 30, 2023 Currency	**Monetary $**	**Non-Monetary $**	**Forward Currency Contracts $**	**Total $**	**Percentage of Net Assets %**
United States Dollar	47,647,123	3,675,452	(49,203,728)	2,118,847	1.5%
European Euro	46,465	-	(93,838)	(47,373)	0.0%
Net Exposure	**47,693,588**	**3,675,452**	**(49,297,566)**	**2,071,474**	**1.5%**

FINANCIAL INSTRUMENTS					
December 31, 2022 Currency	**Monetary $**	**Non-Monetary $**	**Forward Currency Contracts $**	**Total $**	**Percentage of Net Assets %**
United States Dollar	27,287,108	587,242	(27,615,236)	259,114	0.3%
European Euro	125,419	-	(93,995)	31,424	0.0%
Net Exposure	**27,412,527**	**587,242**	**(27,709,231)**	**290,538**	**0.3%**

If the Canadian dollar had strengthened or weakened by 5% in relation to all other currencies held in the investment portfolio, net assets would have decreased or increased by approximately $103,574 (December 31, 2022 - $14,527). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

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 $3,125,149 (December 31, 2022 - $1,980,704). 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	1,806,537	-	1,806,537
1-3 years	28,243,902	-	28,243,902
3-5 years	44,788,110	(7,781,551)	37,006,559
Greater than 5 years	109,854,394	(54,200,042)	55,654,352
Total	**184,692,943**	**(61,981,593)**	**122,711,350**

Debt Instruments by Maturity Date	December 31, 2022 ($)		
	Long Positions	Short Positions	Total
1-3 years	7,841,235	-	7,841,235
3-5 years	25,115,218	(6,320,548)	18,794,670
Greater than 5 years	57,389,316	(19,760,848)	37,628,468
Total	**90,345,769**	**(26,081,396)**	**64,264,373**

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+.

June 30, 2023			
Bond Ratings	Net	Long	Short
AAA	0.4%	0.8%	-0.4%
A	-1.3%	0.0%	-1.3%
A-	-1.0%	0.0%	-1.0%
BBB+	1.4%	4.1%	-2.7%
BBB	7.4%	8.1%	-0.7%
BBB-	14.6%	19.6%	-5.0%
BB+	12.8%	15.3%	-2.5%
BB	26.0%	30.1%	-4.1%
BB-	-0.5%	9.3%	-9.8%
B+	17.4%	23.0%	-5.6%
B	0.7%	8.9%	-8.2%
B-	0.9%	3.7%	-2.8%
CCC+	0.0%	0.0%	0.0%
CCC	0.0%	0.0%	0.0%
NR	10.2%	11.0%	-0.8%

December 31, 2022			
Bond Ratings	Net	Long	Short
AAA	0.0%	0.0%	0.0%
A	0.0%	0.0%	0.0%
A-	-0.7%	1.0%	-1.7%
BBB+	1.3%	3.5%	-2.2%
BBB	10.6%	11.9%	-1.3%
BBB-	15.4%	19.4%	-4.0%
BB+	12.3%	17.3%	-5.0%
BB	10.9%	13.8%	-2.9%
BB-	5.5%	9.5%	-4.0%
B+	5.9%	8.3%	-2.4%
B	9.4%	14.4%	-5.0%
B-	2.4%	4.8%	-2.4%
CCC+	1.2%	2.3%	-1.1%
CCC	0.5%	0.5%	0.0%
NR	7.4%	8.7%	-1.3%

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.

FUND SPECIFIC NOTES (CONTINUED)

8. 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	
LONG POSITIONS		**139.6%**		**116.3%**
Canadian Equities		**5.1%**		**0.7%**
Energy	2.7%		0.7%	
Financials	2.2%		0.0%	
Real Estate	0.2%		0.0%	
Canadian Debt		**87.5%**		**69.2%**
Corporate Bonds	85.1%		69.2%	
Asset-Backed Securities	2.4%		0.0%	
Global Debt		**46.4%**		**46.2%**
United States Bonds	40.6%		32.4%	
International Bonds	5.8%		13.8%	
Derivatives		**0.6%**		**0.2%**
SHORT POSITIONS		**-45.5%**		**-33.5%**
Canadian Debt		**-7.6%**		**-5.9%**
Corporate Bonds	-7.2%		-5.9%	
Government Bonds	-0.4%		0.0%	
Global Debt		**-37.3%**		**-27.4%**
United States Bonds	-33.3%		-21.6%	
International Bonds	-4.0%		-5.8%	
Derivatives		**-0.6%**		**-0.2%**

9. 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	61,981,593	-	-	61,981,593
Distributions payable	123	-	-	123
Redemptions payable	150,713	-	-	150,713
Accrued liabilities and other payables	-	1,433,502	-	1,433,502
Payable for investments purchased	9,248,159	-	-	9,248,159
Derivative liabilities	816,200	-	-	816,200
Cash overdraft	1,003,214	-	-	1,003,214

December 31, 2022 Financial Liabilities	On Demand $	< 3 months $	> 3 months $	Total $
Short positions	26,081,396	-	-	26,081,396
Redemptions payable	4,840	-	-	4,840
Accrued liabilities and other payables	-	467,358	-	467,358
Derivative liabilities	207,918	-	-	207,918
Cash overdraft	8,181,422	-	-	8,181,422

FUND SPECIFIC NOTES (CONTINUED)

10. FUND UNIT TRANSACTIONS

For the six month period ended June 30 (unaudited)

	2023				2022			
	Class A	**Class F**	**Class I**	**Class ETF**	**Class A**	**Class F**	**Class I**	**Class ETF**
Units issued and outstanding, beginning of period	325,751	3,642,371	1,066,958	3,820,000	302,866	628,818	2,620,618	1,570,000
Units issued	78,450	6,497,167	469,847	1,210,000	130,174	1,826,743	946,480	1,380,000
Units reinvested	3,109	122,143	27,711	-	2,067	33,111	32,230	-
Units redeemed	(24,004)	(1,475,745)	(76,769)	(280,000)	(125,533)	(336,399)	(2,634,712)	(280,000)
Units issued and outstanding, end of period	**383,306**	**8,785,936**	**1,487,747**	**4,750,000**	**309,574**	**2,152,273**	**964,616**	**2,670,000**
Weighted average number of units held during the period	**363,759**	**6,983,073**	**1,246,791**	**4,576,022**	**286,486**	**1,600,003**	**1,069,315**	**2,326,519**

11. COMMISSIONS

For the six month period ended June 30 (in $000) (unaudited)

	2023	2022
Brokerage commissions	303	213
Soft Dollar commissions	30	11

12. TAX LOSS CARRY FORWARDS

As at December 31 (in $000)

	2022
Net capital losses carry forward	1,577
Non-capital losses carry forward	-

13. LEVERAGE

During the six month period ended June 30, 2023, the Fund's aggregate exposure reached a low of 59.67% (year ended December 31, 2022 - 56.85%) and a high of 187.70% (year ended December 31, 2022 - 238.99%) of the Fund's NAV.As at June 30, 2023, the Fund's aggregate exposure was 60.65% (December 31, 2022 - 61.76%) of the Fund's NAV. The primary source of leverage was short positions in equity and fixed income securities.

As at June 30, 2023 (unaudited)

1. GENERAL INFORMATION

Picton Mahoney Fortified Special Situations 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 and August 17, 2020, and further amended and restated July 8, 2021 (the "Trust Declaration"). The Fund commenced operations on July 8, 2021. 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.

On July 8, 2021, 5,001 Class A units, 5,000 Class F units, and 5,000 Class I units of the Fund were issued to the Manager of the Fund, for cash consideration of CAD $10.00 per unit. These units are not redeemable until an additional $500,000 has been invested by other investors in the aggregate in the Fund.

The Fund may issue an unlimited number of classes or series and may issue an unlimited number of units of each class or series. The Fund has created Class A, Class F, Class I, 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 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 4 Classes of Units: Class A, Class F, and Class I and Class ETF. As at June 30, 2023, the Manager holds 225 units of Class A, 225 units of Class F, and 803 units of Class I.

The investment objective of the Picton Mahoney Fortified Special Situations Alternative Fund is to maximize total return to unitholders through income and capital appreciation by investing primarily in by investing primarily in event-driven situations in global fixed income while mitigating capital loss through shorting and other hedging strategies.. The Fund invests its assets primarily in North America but can invest up to 100% of its assets globally in long and short positions in high yield bonds, investment grade corporate bonds, government bonds, emerging market bonds, loans, convertible bonds, convertible debentures, preferred shares, options, futures, forward contracts, swaps, swaptions, short-term debt instruments, distressed debt, collateral loan obligations, mortgage-backed securities, asset-backed securities, cash and cash equivalents, equities, ETFs and other mutual funds. 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

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

(g) Valuation of Fund Units

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

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

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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 about the underlying funds' activities is not governed by voting or similar rights held by the Fund and other investors in any underlying funds.

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

Interest rate risk:
Interest rate risk arises when a fund invests in interest-bearing financial instruments and from the possibility that changes in the prevailing levels of market interest rates will affect future cash flows or fair values of such financial instruments. There is minimal fair value sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates. Market prices may also be affected by changes in market interest rates. Also, changes in the market interest rate may affect the borrowing expenses of the short positions held by the Fund. Refer to Note 6 within the fund specific notes for the fund exposure.

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

as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing the Fund's rights to its assets in the case of an insolvency of any such party.

The Fund is exposed to credit risk. For other financial assets at amortized cost, the Manager considers both historical analysis and forward looking information in determining any expected credit loss. At 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.

The Fund primarily invests in fixed income securities and is therefore exposed to the credit risk of the underlying fixed income portfolio. Refer to Note 7 within the fund specific notes for the fund exposure.

Liquidity Risk:
Liquidity risk is the risk that a Fund will not be able to generate sufficient cash availability to execute its payment obligations. The Fund primarily invests in liquid securities that are readily realizable in an active market which is essential if the Fund is required to fund daily redemptions in the course of operations. The Fund from time to time may invest in restricted securities through private placements. However, this type of investment does not constitute a significant percentage of the Fund's Net Asset Value. The Fund may also maintain a cash reserve to accommodate normal-type redemptions. All liabilities of the Fund mature in one year or less. 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

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

7. DISTRIBUTIONS

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

All annual distributions paid on Class A, Class F, Class I and Class ETF units will be automatically reinvested in additional units.

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 12 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 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, 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.

As at June 30, 2023 (unaudited)

The performance fee is equal to 20% of the amount by which the performance of the applicable class exceeds an annual hurdle rate of return equal to 2%, for each of the Class A units, Class F units, or Class ETF units, plus applicable taxes. The performance fee in respect of each of the Class A units, Class F 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 no performance fees.

(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 January 1, 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", and "Audit fees" on the Statement of Comprehensive Income and revised the comparative amounts to conform to the current year presentation.

THINK AHEAD.
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PICTON MAHONEY ASSET MANAGEMENT CORPORATE INFORMATION

Corporate Address

Picton Mahoney Asset Management
33 Yonge Street, Suite. 830
Toronto, Ontario
Canada M5E 1G4

Telephone: 416.955.4108
Toll free: 1.866.369.4108
Fax: 416.955.4100
Email: service@pictonmahoney.com
www.pictonmahoney.com

Fund Administration & Transfer Agent

Picton Mahoney Funds
C/O RBC Investor Services Trust,
Shareholder Services
155 Wellington Street West, 3rd Floor
Toronto, ON
Canada M5V 3L3

Auditor

PricewaterhouseCoopers LLP
18 York Street, Suite 2600
Toronto, Ontario
Canada M5J 0B2