

FORTIFIED ARBITRAGE 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 Arbitrage 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.

PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

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* | 123,976,015 | 246,013,753 |
| Cash | 5,431,375 | 6,912,119 |
| Cash, pledged as collateral | 66,308,918 | 105,252,981 |
| Options purchased* | 163,662 | 253,263 |
| Unrealized gain on foreign exchange forward contracts at fair value | 800,943 | 39,254 |
| Subscriptions receivable | 178,804 | 7,708 |
| Receivable for investments sold | 234,820 | 811,137 |
| Dividends receivable | 6,019 | 80,355 |
| Interest and other receivable | 430,073 | 32,225 |
| | <u>197,530,629</u> | <u>359,402,795</u> |
| Liabilities | | |
| Current liabilities | | |
| Short positions at fair value** | 11,632,414 | 12,882,613 |
| Options written** | 141,152 | 156,001 |
| Unrealized loss on foreign exchange forward contracts at fair value | - | 2,289,843 |
| Margin borrowings | - | 878,112 |
| Management fee payable | 170,669 | 135,489 |
| Redemptions payable | 6,503,376 | 390,512 |
| Accrued liabilities | 85,730 | 142,278 |
| Payable for investments purchased | 1,165,583 | 715,646 |
| Interest payable | 12,191 | 9,262 |
| Dividends payable | 12,266 | - |
| | <u>19,723,381</u> | <u>17,599,756</u> |
| Net Assets Attributable to Holders of Redeemable Units | <u>177,807,248</u> | <u>341,803,039</u> |
| Net Assets Attributable to Holders of Redeemable Units per Class | | |
| Class A | 16,169,795 | 18,087,105 |
| Class F | 149,615,972 | 183,937,418 |
| Class I | 12,021,481 | 139,778,516 |
| Number of Redeemable Units Outstanding | | |
| Class A | 1,384,887 | 1,551,777 |
| Class F | 12,231,861 | 15,147,788 |
| Class I | 893,870 | 10,526,861 |
| Net Assets Attributable to Holders of Redeemable Units per Unit | | |
| Class A | 11.68 | 11.66 |
| Class F | 12.23 | 12.14 |
| Class I | 13.45 | 13.28 |
| | <u>124,254,535</u> | <u>232,342,634</u> |
| | <u>(11,896,453)</u> | <u>(12,202,394)</u> |

* Long positions, at cost

** Short positions, at cost

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

Approved on behalf of the Manager

David Picton

Arthur Galloway




President

CFO

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the six month periods ended June 30 (unaudited)

| | 2023 \$ | 2022 \$ |
|---|------------------|--------------------|
| Income | | |
| Net gains (losses) on investments and derivatives | | |
| Interest for distribution purposes | 2,500,463 | 25,801 |
| Dividends | 240,634 | 335,067 |
| Net realized gain (loss) on investments and options | 12,434,951 | 4,525,406 |
| Net realized gain (loss) on foreign exchange forward contracts | (578,735) | (9,978,391) |
| Change in unrealized appreciation (depreciation) on investments, options and foreign exchange forward contracts | (10,027,427) | 6,679,314 |
| Interest and borrowing expense | (142,749) | (230,930) |
| Dividend expense | (128,191) | (102,474) |
| | <u>4,298,946</u> | <u>1,253,793</u> |
| Net gains (losses) on investments and derivatives | | |
| Other income | | |
| Securities lending income | 47 | - |
| Foreign currency gain (loss) on cash and other assets and liabilities | (520,332) | (2,387,566) |
| | <u>3,778,661</u> | <u>(1,133,773)</u> |
| Expenses | | |
| Management fees | 1,104,169 | 1,399,203 |
| Transaction costs | 244,411 | 259,211 |
| Securityholder reporting fees | 107,463 | 101,869 |
| Administrative fees | 75,942 | 115,912 |
| Legal fees | 21,698 | 28,353 |
| Audit fees | 14,622 | 28,171 |
| Withholding taxes | 13,874 | 37,676 |
| Independent Review Committee fees | 3,389 | 4,193 |
| | <u>1,585,568</u> | <u>1,974,588</u> |
| Total expense before manager absorption | 1,585,568 | 1,974,588 |
| Less expenses absorbed by manager | - | - |
| Total expense after manager absorption | <u>1,585,568</u> | <u>1,974,588</u> |
| Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units | <u>2,193,093</u> | <u>(3,108,361)</u> |
| Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class | | |
| Class A | 29,481 | (306,874) |
| Class F | 1,220,875 | (1,990,471) |
| Class I | 942,737 | (811,016) |
| Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit | | |
| Class A | 0.02 | (0.18) |
| Class F | 0.09 | (0.11) |
| Class I | 0.27 | (0.11) |

PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

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 | 18,087,105 | 20,437,662 |
| Class F | 183,937,418 | 205,436,412 |
| Class I | 139,778,516 | 80,636,132 |
| | <u>341,803,039</u> | <u>306,510,206</u> |
| Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units | | |
| Class A | 29,481 | (306,874) |
| Class F | 1,220,875 | (1,990,471) |
| Class I | 942,737 | (811,016) |
| | <u>2,193,093</u> | <u>(3,108,361)</u> |
| Redeemable Unit Transactions | | |
| Proceeds from redeemable units issued | | |
| Class A | 1,299,607 | 4,662,873 |
| Class F | 19,104,068 | 71,281,952 |
| Class I | - | 60,077,000 |
| | <u>20,403,675</u> | <u>136,021,825</u> |
| Redemption of redeemable units | | |
| Class A | (3,246,398) | (6,661,654) |
| Class F | (54,646,389) | (76,267,505) |
| Class I | (128,699,772) | (2,673,959) |
| | <u>(186,592,559)</u> | <u>(85,603,118)</u> |
| Net Increase (Decrease) from Redeemable Unit Transactions | <u>(166,188,884)</u> | <u>50,418,707</u> |
| Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units | <u>(163,995,791)</u> | <u>47,310,346</u> |
| Net Assets Attributable to Holders of Redeemable Units at End of Period | | |
| Class A | 16,169,795 | 18,132,007 |
| Class F | 149,615,972 | 198,460,388 |
| Class I | 12,021,481 | 137,228,157 |
| | <u>177,807,248</u> | <u>353,820,552</u> |

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 | 2,193,093 | (3,108,361) |
| Adjustments for: | | |
| Unrealized foreign exchange (gain) loss on cash | 178,176 | 1,222,335 |
| Net realized (gain) loss on investments and options | (12,434,951) | (4,525,406) |
| Change in unrealized (appreciation) depreciation on investments, options and foreign exchange forward contracts | 10,027,427 | (6,679,314) |
| (Increase) decrease in interest and other receivables | (397,848) | - |
| (Increase) decrease in dividends receivable | 74,336 | 47,170 |
| Increase (decrease) in interest payable | 2,929 | - |
| Increase (decrease) in dividends payable | 12,266 | (9,727) |
| Increase (decrease) in other payable and accrued liabilities | (21,368) | (22,972) |
| Purchase of long positions and repurchases of investments sold short | (257,390,513) | (349,969,602) |
| Proceeds from sales of long positions and on investments sold short | 378,635,050 | 290,408,768 |
| Net cash generated (used) by operating activities | <u>120,878,597</u> | <u>(72,637,109)</u> |
| Cash Flows from Financing Activities | | |
| Distributions to holders of redeemable units, net of reinvested distributions | - | (303) |
| Proceeds from redeemable units issued | 19,985,296 | 135,764,253 |
| Amount paid on redemption of redeemable units | (180,232,412) | (84,581,461) |
| Increase (decrease) in margin borrowings | (878,112) | (90,519,034) |
| Net cash generated (used) by financing activities | <u>(161,125,228)</u> | <u>(39,336,545)</u> |
| Unrealized foreign exchange gain (loss) on cash | (178,176) | (1,222,335) |
| Net increase (decrease) in cash | (40,246,631) | (111,973,654) |
| Cash, beginning of period | 112,165,100 | 128,924,306 |
| Cash, end of period | <u>71,740,293</u> | <u>15,728,317</u> |
| Cash | 5,431,375 | 15,728,317 |
| Cash, pledged as collateral | 66,308,918 | - |
| Cash overdraft | - | - |
| Net Cash (Overdraft) | <u>71,740,293</u> | <u>15,728,317</u> |
| Items Classified as Operating Activities: | | |
| Interest received, net of withholding tax | 2,102,615 | 25,801 |
| Dividends received, net of withholding tax | 301,096 | 344,561 |
| Interest and borrowing expense paid | (139,820) | (230,930) |
| Dividends paid | (115,925) | (112,201) |

Net of non-cash transfers and switches of \$247,283 (2022 - \$528,756)

PICTON MAHONEY FORTIFIED ARBITRAGE 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 (\$) |
|---------------------------------------|----------------------------------|--|-------------------|-------------------|---------|---|----------------------|-------------------|-----------------|
| LONG POSITIONS (69.8%) | | | | | | | | | |
| Canadian Equities (5.1%) | | | | | | | | | |
| Energy (0.3%) | | | | | | | | | |
| | 22,518 | Gibson Energy Inc. | 464,222 | 474,229 | 13,480 | Apeiron Capital Investment Corp., Warrants | | 366 | 508 |
| Consumer Discretionary (2.4%) | | | | | | | | | |
| | 89,300 | Uni-Select Inc. | 4,153,848 | 4,201,565 | 31,300 | Arconic Corp. | 1,219,306 | | 1,225,128 |
| Health Care (0.0%) | | | | | | | | | |
| | 46,410 | CRAFT 1861 Global Holdings Inc., Warrants, 2027-12-31 | 20,149 | 7,658 | 10,780 | Arrowroot Acquisition Corp., Warrants, 2026-01-29 | 2,943 | | 3,198 |
| Financials (2.3%) | | | | | | | | | |
| | 41,656 | FG Acquisition Corp. | 519,728 | 563,336 | 22,900 | Athena Technology Acquisition Corp. II | 313,890 | | 316,355 |
| | 20,823 | FG Acquisition Corp., Warrants, 2030-04-05 | - | 34,442 | 13,500 | Atlantic Coastal Acquisition Corp. II, Warrants | 417 | | 536 |
| | 79,872 | Home Capital Group Inc. | 3,408,560 | 3,443,288 | 7,170 | Atlantic Coastal Acquisition Corp., Warrants, 2027-12-31 | 2,801 | | 214 |
| | 15,000 | Osisko Green Acquisition Ltd. | - | 2 | 10,780 | Beard Energy Transition Acquisition Corp., Warrants, 2027-12-31 | 555 | | 1,070 |
| | 69,740 | Osisko Green Acquisition Ltd., Warrants, 2026-07-19 | 24,179 | 5,579 | 32,380 | Black Mountain Acquisition Corp., Warrants, 2027-10-15 | 6,220 | | 2,999 |
| | 3,600 | VM Hotel Acquisition Corp. | 38 | 40 | 53,500 | CF Acquisition Corp. VII | 731,235 | | 753,950 |
| | 1,200 | VM Hotel Acquisition Corp., Class B Units | 15,192 | 13 | 5,390 | CF Acquisition Corp. VII, Warrants, 2026-03-15 | 357 | | 1,050 |
| | 9,120 | VM Hotel Acquisition Corp., Warrants, 2026-12-31 | 2,370 | 121 | 5,390 | CF Acquisition Corp. VIII, Warrants, 2027-12-31 | 2,753 | | 405 |
| | | | 3,970,067 | 4,046,821 | 11,200 | Chinook Therapeutics Inc. | 562,987 | | 569,396 |
| Information Technology (0.1%) | | | | | | | | | |
| | 12,979 | Absolute Software Corp. | 196,191 | 196,818 | 9,600 | Churchill Capital Corp. VI | 121,730 | | 130,842 |
| Total Canadian Equities - Long | | | | | | | | | |
| | | | 8,804,477 | 8,927,091 | 107,900 | Churchill Capital Corp. VII | 1,471,756 | | 1,464,900 |
| Canadian Debt (10.7%) | | | | | | | | | |
| Short-Term Notes (10.7%) | | | | | | | | | |
| CAD | 19,500,000 | Canadian Treasury Bill 4.480%, 2023-10-26 | 19,114,005 | 19,114,005 | 25,200 | Conyers Park III Acquisition Corp. | 321,922 | | 340,793 |
| Total Canadian Debt - Long | | | | | | | | | |
| | | | 19,114,005 | 19,114,005 | 32,100 | DICE Therapeutics Inc. | 1,973,881 | | 1,973,437 |
| Global Equities (50.7%) | | | | | | | | | |
| United States Equities (26.8%) | | | | | | | | | |
| | 33,210 | Accretion Acquisition Corp., Rights | 866 | 5,489 | 5,390 | Direct Selling Acquisition Corp., Warrants, 2023-11-23 | 1,021 | | 71 |
| | 17,940 | Accretion Acquisition Corp., Warrants | 492 | 1,187 | 10,420 | ExcelFin Acquisition Corp., Warrants, 2023-07-05 | 309 | | 1,111 |
| | 10,780 | Achari Ventures Holdings Corp. I, Warrants, 2026-08-05 | 376 | 541 | 45,100 | Focus Financial Partners Inc. | 3,167,028 | | 3,133,702 |
| | 15,930 | Activision Blizzard Inc. | 1,694,400 | 1,776,980 | 1,960 | FTAC Emerald Acquisition Corp. | 24,179 | | 26,869 |
| | 6,280 | Adit EdTech Acquisition Corp., Warrants, 2027-12-31 | 1,399 | 665 | 23,800 | FTAC Zeus Acquisition Corp. | 302,540 | | 328,316 |
| | 22,660 | Aerojet Rocketdyne Holdings Inc. | 1,641,114 | 1,645,258 | 13,500 | FTAC Zeus Acquisition Corp., Warrants, 2027-12-31 | 918 | | 316 |
| | 55,700 | Alpha Healthcare Acquisition Corp. III | 768,417 | 762,105 | 2,890 | Golden Arrow Merger Corp., Warrants, 2026-07-31 | 580 | | 153 |
| | 14,300 | AltC Acquisition Corp. | 179,818 | 197,360 | 53,200 | Gores Holdings IX Inc. | 706,564 | | 721,564 |
| | 16,160 | AltEnergy Acquisition Corp., Warrants | 721 | 748 | 8,110 | Industrial Tech Acquisitions II Inc., Warrants, 2028-12-31 | 309 | | 644 |
| | | | | | 16,160 | Insight Acquisition Corp., Warrants | 3,459 | | 704 |
| | | | | | 31,106 | IVERIC bio Inc. | 1,597,930 | | 1,619,264 |
| | | | | | 13,500 | LF Capital Acquisition Corp. II, Warrants, 2026-01-07 | 590 | | 983 |
| | | | | | 30,646 | Life Storage Inc. | 5,612,913 | | 5,391,801 |
| | | | | | 19,100 | Live Oak Crestview Climate Acquisition Corp. | 241,504 | | 259,058 |
| | | | | | 10,360 | M3-Brigade Acquisition III Corp. | 129,801 | | 143,257 |
| | | | | | 4,070 | Mercato Partners Acquisition Corp., Warrants, 2026-12-28 | 150 | | 329 |
| | | | | | 88,800 | National Instruments Corp. | 6,886,489 | | 6,744,720 |
| | | | | | 8,470 | Newbury Street Acquisition Corp., Warrants, 2027-12-31 | 1,987 | | 2,123 |
| | | | | | 11,238 | Northern Genesis Sponsor III LLC | 1 | | 1 |

PICTON MAHONEY FORTIFIED ARBITRAGE 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 (\$) |
|------|--|--|----------------------------|----------------------------|
| | Global Equities (-6.0%) | | | |
| | United States Equities (-6.0%) | | | |
| | (361) | Broadcom Inc. | (246,352) | (414,363) |
| | (22,057) | Chevron Corp. | (4,612,552) | (4,592,533) |
| | (5,400) | CIRCOR International Inc. | (368,592) | (403,364) |
| | (27,359) | Extra Space Storage Inc. | (5,683,340) | (5,388,751) |
| | | | <u>(10,910,836)</u> | <u>(10,799,011)</u> |
| | | Total Global Equities - Short | <u>(10,910,836)</u> | <u>(10,799,011)</u> |
| | Options (-0.1%) | | | |
| | | Total Written Options - Refer to Appendix A | <u>(150,953)</u> | <u>(141,152)</u> |
| | | Transaction Costs | <u>(2,595)</u> | |
| | | Total Short Positions | <u>(11,896,453)</u> | <u>(11,773,566)</u> |
| | Foreign Currency Forward Contracts (0.5%) | | | |
| | | Total Currency Hedge - Refer to Appendix B | | <u>800,943</u> |
| | | TOTAL INVESTMENT PORTFOLIO (63.7%) | <u>112,358,082</u> | <u>113,167,054</u> |
| | | Other Assets Net of Liabilities (36.3%) | | <u>64,640,194</u> |
| | | TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%) | | <u>177,807,248</u> |

*CCY denotes local currency of debt security

PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

APPENDIX A

OPTIONS (0.0%)

| Issuer | Option Type | Number of Options | Strike \$ | Expiry | Average Cost \$ | Fair Value \$ |
|--------------------------------|---------------------|-------------------|-----------|-----------------|------------------|------------------|
| Activision Blizzard Inc. | Call Option | 90 | \$83 | July, 2023 | 38,873 | 57,758 |
| Seagen Inc. | Call Option | 68 | \$210 | July, 2023 | 28,199 | 5,849 |
| | | | | | <u>67,072</u> | <u>63,607</u> |
| Activision Blizzard Inc. | Put Option | 179 | \$75 | January, 2024 | 162,051 | 57,913 |
| Bellus Health Inc. | Put Option | 787 | \$13 | July, 2023 | 11,021 | 4,872 |
| Brookfield Infrastructure Co. | Put Option | 47 | \$40 | October, 2023 | 14,162 | 8,085 |
| Dice Therapeutics Inc. | Put Option | 114 | \$35 | August, 2023 | 2,316 | 2,640 |
| Dice Therapeutics Inc. | Put Option | 90 | \$40 | August, 2023 | 2,873 | 3,871 |
| Horizon Therapeutics | Put Option | 191 | \$80 | August, 2023 | 33,944 | 6,950 |
| Iveric Bio Inc. | Put Option | 282 | \$29 | September, 2023 | 28,327 | 4,664 |
| Iveric Bio Inc. | Put Option | 78 | \$30 | September, 2023 | 14,733 | 1,806 |
| Iveric Bio Inc. | Put Option | 94 | \$33 | September, 2023 | 13,487 | 3,732 |
| Iveric Bio Inc. | Put Option | 191 | \$33 | July, 2023 | 2,652 | 4,423 |
| Prometheus Biosciences Inc. | Put Option | 95 | \$130 | July, 2023 | 7,845 | - |
| Prometheus Biosciences Inc. | Put Option | 44 | \$135 | July, 2023 | 6,547 | - |
| Prometheus Biosciences Inc. | Put Option | 45 | \$185 | July, 2023 | 5,077 | 239 |
| Prometheus Biosciences Inc. | Put Option | 48 | \$190 | July, 2023 | 1,903 | 324 |
| Triton International Ltd. | Put Option | 27 | \$75 | November, 2023 | 843 | 536 |
| | | | | | <u>307,781</u> | <u>100,055</u> |
| Total Purchased Options | | | | | 374,853 | 163,662 |
| Activision Blizzard Inc. | Written Call Option | (180) | \$88 | July, 2023 | (35,555) | (57,164) |
| Aerojet Rocketdyne | Written Call Option | (51) | \$58 | August, 2023 | (2,375) | (1,856) |
| Bellus Health Inc. | Written Call Option | (328) | \$15 | July, 2023 | (2,007) | (3,289) |
| Brookfield Infrastructure Co. | Written Call Option | (47) | \$50 | October, 2023 | (10,242) | (7,774) |
| Dice Therapeutics Inc. | Written Call Option | (49) | \$50 | August, 2023 | (591) | (2,886) |
| Iveric Bio Inc. | Written Call Option | (207) | \$40 | September, 2023 | (11,866) | (2,054) |
| National Instruments Corp. | Written Call Option | (117) | \$58 | September, 2023 | (13,228) | (14,708) |
| Prometheus Biosciences Inc. | Written Call Option | (141) | \$200 | July, 2023 | (5,706) | (24,611) |
| Seagen Inc. | Written Call Option | (9) | \$200 | September, 2023 | (11,280) | (5,716) |
| Seagen Inc. | Written Call Option | (46) | \$220 | September, 2023 | (9,996) | (5,935) |
| | | | | | <u>(102,846)</u> | <u>(125,993)</u> |
| Activision Blizzard Inc. | Written Put Option | (179) | \$60 | January, 2024 | (48,107) | (15,159) |
| | | | | | <u>(48,107)</u> | <u>(15,159)</u> |
| Total Written Options | | | | | (150,953) | (141,152) |

APPENDIX B

FOREIGN EXCHANGE FORWARD CONTRACTS (0.5%)

| Purchased Currency | Sold Currency | Forward Rate | Maturity Date | Fair Value (\$) | Counterparty | Credit Rating |
|---|------------------|--------------|---------------|-----------------------|------------------------------------|---------------|
| CAD \$128,640,847 | USD \$96,689,000 | 1.33046 | 2023-08-10 | 777,605 | Canadian Imperial Bank of Commerce | A-1 |
| CAD \$3,329,400 | USD \$2,500,000 | 1.33176 | 2023-08-10 | 23,338 | Canadian Imperial Bank of Commerce | A-1 |
| Unrealized gain on foreign exchange forward contracts at fair value | | | | <u>800,943</u> | | |
| Net unrealized gain (loss) on foreign exchange forward contracts at fair value | | | | <u>800,943</u> | | |

PICTON MAHONEY FORTIFIED ARBITRAGE 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 | 96,117,353 | 2,985,581 | - | 99,102,934 |
| Short-term notes - Long | - | 19,114,005 | - | 19,114,005 |
| Bonds - Long | - | 5,759,076 | - | 5,759,076 |
| Options - Long | 163,662 | - | - | 163,662 |
| Forward contracts - Long | - | 800,943 | - | 800,943 |
| Equities - Short | (11,632,414) | - | - | (11,632,414) |
| Options - Short | (141,152) | - | - | (141,152) |
| Total | 84,507,449 | 28,659,605 | - | 113,167,054 |

| ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2022 | | | | |
|--|--------------------|-------------------|---------------|--------------------|
| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
| Equities - Long | 225,504,329 | 13,511,902 | - | 239,016,231 |
| Bonds - Long | - | 6,997,522 | - | 6,997,522 |
| Options - Long | 253,263 | - | - | 253,263 |
| Forward contracts - Long | - | 39,254 | - | 39,254 |
| Equities - Short | (11,307,615) | - | - | (11,307,615) |
| Bonds - Short | - | (1,574,998) | - | (1,574,998) |
| Options - Short | (156,001) | - | - | (156,001) |
| Forward contracts - Short | - | (2,289,843) | - | (2,289,843) |
| Margin borrowings | (878,112) | - | - | (878,112) |
| Total | 213,415,864 | 16,683,837 | - | 230,099,701 |

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 and December 31, 2022.

| | Transfer from Level 1 to 2 \$ | Transfer from Level 2 to 1 \$ |
|--------------------------|----------------------------------|----------------------------------|
| June 30, 2023 | | |
| Equities - Long | 3,915 | 2,174 |
| | <u>3,915</u> | <u>2,174</u> |
| December 31, 2022 | | |
| Equities - Long | 5,179,308 | 2,386,754 |
| | <u>5,179,308</u> | <u>2,386,754</u> |

As of June 30, 2023 and December 31, 2022, 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 and 2021.

The equity securities transferred into Level 1 relate to positions for which significant trading activity existed on June 30, 2023 and December 31, 2022 but which were thinly traded around December 31, 2022 and 2021.

PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

3. SECURITIES LENDING TRANSACTIONS

The Fund has entered into a securities lending program with its custodian, RBC Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund will receive collateral of at least 102% of the value of the securities on loan. Collateral consists primarily of fixed income securities. As at June 30, 2023, there was \$344,444 (Collateral - \$351,334) of securities on loan (December 31, 2022 - \$nil (Collateral - \$nil) of securities on loan).

Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which the Fund's custodian is entitled to receive. For the period ended June 30, 2023 securities lending income were as follows:

| | 2023 (\$) |
|--|-----------|
| Gross securities lending income | 72 |
| Securities lending charges | (25) |
| Net securities lending income | 47 |
| Withholding taxes on securities lending income | - |
| Net securities lending income received by the Fund | 47 |
| Security lending charges percentage of gross securities lending income | 35% |

There were no securities lending income for the period ended June 30, 2022.

4. OTHER PRICE RISK

Using Beta as a measure of the relationship of the Fund's performance versus its index, if the HFRI ED Merger Arbitrage Index (Hedged to Canadian dollar) were to increase or decrease by 5%, net assets would have increased or decreased by approximately \$8,166,250 (December 31, 2021 - \$16,488,180). 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. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The following table shows the net impact of the Fund's Statements 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 | 800,943 | - | - | 800,943 |
| Derivative liabilities - Foreign exchange forward contracts | - | - | - | - |
| December 31, 2022 | | | | |
| Derivative assets - Foreign exchange forward contracts | 39,254 | (39,254) | - | - |
| Derivative liabilities - Foreign exchange forward contracts | (2,289,843) | 39,254 | - | (2,250,589) |

PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

6. CURRENCY RISK

The currency risk reflects the net impact after taking into consideration the forward contracts. Foreign currencies to which the Fund had exposure as at 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 | 51,720,066 | 79,807,256 | (131,251,844) | 275,478 | 0.2% |
| European Euro | 221,085 | - | - | 221,085 | 0.1% |
| British Pound | 79 | - | - | 79 | 0.0% |
| Net Exposure | 51,941,230 | 79,807,256 | (131,251,844) | 496,642 | 0.3% |

| FINANCIAL INSTRUMENTS | | | | | |
|-------------------------------|-------------------|--------------------|-------------------------------------|----------------|----------------------------------|
| December 31, 2022 Currency | Monetary \$ | Non-Monetary \$ | Forward Currency Contracts \$ | Total \$ | Percentage of Net Assets % |
| United States Dollar | 61,361,555 | 200,920,111 | (261,558,193) | 723,473 | 0.2% |
| British Pound | (873,548) | 870,393 | (14,669) | (17,824) | 0.0% |
| Net Exposure | 60,488,007 | 201,790,504 | (261,572,862) | 705,649 | 0.2% |

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 \$24,832 (December 31, 2022 - \$35,282). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

7. INTEREST RATE RISK

The Fund uses various forms of leverage that increase the Fund's interest costs. There is no guarantee that existing borrowing arrangements or other arrangements for obtaining leverage can be refinanced at rates as favourable to the Fund as those available in the past. Should interest rates increase or decrease by 100 basis points (December 31, 2022 - 100 basis points) the Fund's borrowing costs would increase or decrease approximately by \$nil (December 31, 2022 - \$24,531).

If the yield curve had shifted in parallel by 1%, with all other variables held constant, net assets will increase or decrease by \$240,999 (December 31, 2022 - \$69,975). 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 | 19,114,005 | - | 19,114,005 |
| 1-3 years | 3,791,704 | - | 3,791,704 |
| Greater than 5 years | 1,967,372 | - | 1,967,372 |
| Total | 24,873,081 | - | 24,873,081 |

| Debt Instruments by Maturity Date | December 31, 2022 (\$) | | |
|-----------------------------------|------------------------|--------------------|------------------|
| | Long Positions | Short Positions | Total |
| Less than 1 year | - | (878,112) | (878,112) |
| 1-3 years | 4,061,396 | - | 4,061,396 |
| 3-5 years | 1,305,808 | - | 1,305,808 |
| Greater than 5 years | 1,630,318 | (1,574,998) | 55,320 |
| Total | 6,997,522 | (2,453,110) | 4,544,412 |

PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

FUND SPECIFIC NOTES (CONTINUED)

8. CREDIT RISK

The following table shows debt as a percentage of net assets attributable to holders of redeemable units held under each credit rating. All counterparties to derivative contracts had a credit rating of A- or higher. All cash is held with a financial institution with a minimum of credit rating A+.

| June 30, 2023 | | | | December 31, 2022 | | | |
|---------------|------|------|-------|-------------------|------|------|-------|
| Bond Ratings | Net | Long | Short | Bond Ratings | Net | Long | Short |
| BBB+ | 0.0% | 0.0% | 0.0% | BBB+ | 0.0% | 0.5% | -0.5% |
| BB- | 1.1% | 1.1% | 0.0% | BB- | 0.3% | 0.3% | 0.0% |
| NR | 1.6% | 1.6% | 0.0% | NR | 1.3% | 1.3% | 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.

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 |
| LONG POSITIONS | 70.3% | 72.1% |
| Canadian Equities | 5.1% | 10.1% |
| Consumer Discretionary | 2.4% | 0.0% |
| Financials | 2.3% | 1.8% |
| Energy | 0.3% | 0.0% |
| Information Technology | 0.1% | 0.0% |
| Materials | 0.0% | 2.2% |
| Consumer Staples | 0.0% | 0.1% |
| Communication Services | 0.0% | 2.2% |
| Real Estate | 0.0% | 3.8% |
| Global Equities | 50.7% | 59.8% |
| United States | 26.8% | 20.2% |
| International | 23.9% | 39.6% |
| Canadian Debt | 10.7% | 0.5% |
| Short-Term Notes | 10.7% | 0.0% |
| Corporate Bonds | 0.0% | 0.5% |
| Global Debt | 3.2% | 1.6% |
| United States Bonds | 3.2% | 1.6% |
| Derivatives | 0.6% | 0.1% |
| SHORT POSITIONS | -6.6% | -4.5% |
| Canadian Equities | -0.5% | -1.9% |
| Energy | -0.3% | 0.0% |
| Utilities | -0.2% | 0.0% |
| Materials | 0.0% | -1.8% |
| Information Technology | 0.0% | -0.1% |
| Global Equities | -6.0% | -1.4% |
| United States Equities | -6.0% | -1.4% |
| Canadian Debt | 0.0% | -0.5% |
| Corporate Bonds | 0.0% | -0.5% |
| Derivatives | -0.1% | -0.7% |

PICTON MAHONEY FORTIFIED ARBITRAGE 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 | 11,632,414 | - | - | 11,632,414 |
| Redemptions payable | 6,503,376 | - | - | 6,503,376 |
| Accrued liabilities and other payables | - | 280,856 | - | 280,856 |
| Payable for investments purchased | 1,165,583 | - | - | 1,165,583 |
| Derivative liabilities | 141,152 | - | - | 141,152 |

| December 31, 2022 Financial Liabilities | On Demand \$ | < 3 months \$ | > 3 months \$ | Total \$ |
|--|-----------------|------------------|------------------|-------------|
| Short positions | 12,882,613 | - | - | 12,882,613 |
| Redemptions payable | 390,512 | - | - | 390,512 |
| Accrued liabilities and other payables | - | 287,029 | - | 287,029 |
| Payable for investments purchased | 715,646 | - | - | 715,646 |
| Derivative liabilities | 2,445,844 | - | - | 2,445,844 |
| Margin borrowings | 878,112 | - | - | 878,112 |

11. FUND UNIT TRANSACTIONS

For the six month periods ended June 30 (unaudited)

| | 2023 | | | 2022 | | |
|--|------------------|-------------------|------------------|------------------|-------------------|-------------------|
| | Class A | Class F | Class I | Class A | Class F | Class I |
| Units issued and outstanding, beginning of period | 1,551,777 | 15,147,788 | 10,526,861 | 1,757,256 | 17,141,481 | 6,220,460 |
| Units issued | 111,286 | 1,566,777 | - | 402,595 | 5,964,524 | 4,620,021 |
| Units reinvested | - | - | - | - | - | - |
| Units redeemed | (278,176) | (4,482,704) | (9,632,991) | (576,620) | (6,380,607) | (206,154) |
| Units issued and outstanding, end of period | 1,384,887 | 12,231,861 | 893,870 | 1,583,231 | 16,725,398 | 10,634,327 |
| Weighted average number of units held during the period | 1,406,565 | 13,824,158 | 3,537,238 | 1,733,915 | 18,212,784 | 7,652,025 |

12. COMMISSIONS

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

| | 2023 | 2022 |
|-------------------------|------|------|
| Brokerage commissions | 244 | 259 |
| Soft Dollar commissions | 29 | 3 |

13. TAX LOSS CARRY FORWARDS

As at December 31 (in \$000)

| | 2022 |
|----------------------------------|-------|
| Net capital losses carry forward | 1,515 |
| Non-capital losses carry forward | 2042 |

14. LEVERAGE

During the six month period ended June 30, 2023, the Fund's aggregate exposure reached a low of 8.61% (year ended December 31, 2022 - 6.46%) and a high of 44.53% (year ended December 31, 2022 - 54.28%) of the Fund's NAV. As at June 30, 2023, the Fund's aggregate exposure was 20.10% (December 31, 2022 - 8.83%) of the Fund's NAV. The primary source of leverage was short positions in equity securities and margin borrowings, which is governed by a prime brokerage agreement between the Fund and CIBC.

PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2023 (unaudited)

1. GENERAL INFORMATION

Picton Mahoney Fortified Arbitrage Alternative Fund (formerly Vertex Liquid Alternative Fund) (the "Fund") was formed on January 3, 2019 under the laws of British Columbia. The Fund commenced operations on January 17, 2019. Picton Mahoney Asset Management acts as manager (the "Manager"), portfolio advisor (the "Portfolio Advisor") and trustee (the "Trustee") for the Fund. 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 October 21, 2019, the Manager and Vertex One Asset Management Inc. ("Vertex"), the previous manager for the Fund, entered into a purchase agreement (the "Purchase Agreement") pursuant to which the Manager acquired the investment fund management contracts for the Fund as of January 13, 2020 (the "Transaction").

Unitholders of the Fund approved the change of manager from Vertex to the Manager at a special meeting of the Fund's unitholders on November 28, 2019.

Further details of the Transaction were provided in a management information circular that was sent to unitholders in connection with the meetings as required by securities regulations, which is also available under the Fund's profile at www.sedar.com. On closing of the Transaction, the Manager became the investment fund manager and Portfolio Advisor of 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, and Class I (formerly Class O) units.

Class A units are available to all investors. Class F units have lower fees than Class A units and are generally available only to investors who have fee-based accounts with dealers who have been approved by us to sell Class F units. Class I units are available to the Picton Mahoney Fortified Arbitrage Plus Alternative Fund, other investment funds managed by the Manager, institutional investors and to other investors on a case-by-case basis, all at the discretion of the Manager. There are no fees associated with this class in order to prevent fee duplication. As at June 30, 2023, the Fund currently has 3 classes of units: Class A, Class F, and Class I.

The investment objective of the Fund is to generate consistent, positive returns, with low volatility and low correlation to equity markets by investing in securities in Canada, the United States and in other foreign jurisdictions.

The Fund falls within the definition of an "alternative mutual fund" set out in NI 81-102 as it is permitted to use strategies generally prohibited by other types of mutual funds, such as the ability to invest more than 10% of its NAV in securities of a single issuer, either directly or through the use of specified derivatives, the ability to borrow cash, up to 50% of its NAV, to use for investment purposes, the ability to sell securities short (the combined level of cash borrowing and short selling is limited to 50% of its NAV in aggregate), and the ability to use leverage through the use of cash borrowing, short selling and specified derivatives. The maximum aggregate exposure to these sources of leverage, as calculated in accordance with section 2.9.1 of NI 81-102, shall not exceed 300% of the fund's NAV.

The Fund currently has an agreement whereby the Picton Mahoney Fortified Arbitrage Plus Alternative Fund has entered into derivative agreements with Canadian Imperial Bank of Commerce ("CIBC") in order to obtain economic exposure to the Fund's Class I units (formerly Class O units), similar to what would be achieved by an investment directly in the Class I units of the Fund.

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

PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2023 (unaudited)

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) Collateral

Cash collateral provided by the Fund is identified in the Statements of Financial Position as "Cash, pledged as collateral", if any. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its Statements of Financial Position separately from other assets and identifies the asset as "Investments, pledged as collateral". Where the party to whom the collateral is provided does not have the right to sell or re-pledge, the collateral provided is disclosed in the notes to the financial statements.

(g) Investment Transactions and Income Recognition

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

(h) Valuation of Fund Units

The Fund's net asset value is calculated at the close of regular trading, normally 4:00pm (Eastern Time), on a day the Toronto Stock Exchange

PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2023 (unaudited)

("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, and Class I units. Each class is divided into units of equal value. When you invest in the Fund, you are purchasing units of a specific class of the Fund. A separate net asset value per unit is calculated for each class of units (the "Unit Price"). The Unit Price is the price used for all purchases, switches, reclassifications and redemptions of units of that class (including purchases made on the reinvestment of distributions). The price at which units are issued or redeemed is based on the next applicable Unit Price determined after the receipt of the purchase or redemption order.

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

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

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

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

(i) Foreign Currency Translation

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

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

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

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

(k) Transaction Costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees

and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchange, and transfer taxes and duties. Such costs are expensed and included in "Transaction costs" in the Statement of Comprehensive Income.

(l) 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) Margin Borrowings

Borrowings are recognized at fair value net of transaction costs incurred. They are subsequently valued at amortized cost; any difference is recognized in the Statements of Comprehensive Income over the period of the borrowing using the effective interest method.

The Fund has a margin borrowing facility for investment purposes up to 50% of its most recently calculated net asset value attributable to holders of redeemable units. The margin borrowing facility has no maturity and bears interest at Canadian overnight rates plus agreed spread with CIBC. The margin borrowing facility can be settled by the Fund at its discretion without any penalty. The securities held with CIBC form collateral for the margin borrowings. As at June 30, 2023, the total value of securities held as collateral was \$140,462,643 (December 31, 2022 - \$301,600,399). The margin borrowings from CIBC are due on demand. The carrying value of the margin borrowing approximates its fair value and is shown as "Margin borrowings" in the Statements of Financial Position. For the period January 1, 2023 to June 30, 2023, the Fund borrowed a minimum of \$nil (year ended December 31, 2022 - \$878,112) and a maximum of \$24,147,574 (year ended December 31, 2022 - \$119,882,793) under this margin borrowing facility.

(n) Structured Entities

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

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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.

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.

(o) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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

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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.

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.

7. DISTRIBUTIONS

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

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

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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 2.00% and on Class F units is 1.00%. 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 is entitled to a performance fee in relation to each Class A Units and Class F Units that is equal to 15% of the amount by which the total return of the class of Units exceeds the previous high water mark for each applicable class of Units. Any day a performance fee is paid for the Fund, a high water mark is set, which is equal to the NAV of such Fund on such date, after deducting all fees and expenses. No further performance fee will be paid until the NAV, adjusted for any distributions since the high water mark was last set, exceeds this high water mark value. This high water mark is perpetual and cannot be reset. Deficiencies to the high water mark accrue for each day the Fund does not exceed the high water mark and performance fees will not be accrued until the class of Units of the Fund has exceeded the high water mark. There is no performance fee associated with Class I Units of the Fund.

Performance fees for the Fund will be calculated and accrued (and become payable) daily, and such accrued fees will be paid by the Fund quarterly such that, to the extent possible, the Unit price each day will reflect any performance fees payable at the end of such day. The Manager reserves the right to change the period for which any performance fee may be paid by a Fund to the Manager.

Performance fees are subject to applicable taxes. No change in the Manager’s performance fee payment policy will be made without at least 60 days notice to the unitholders. The Manager has reserved the right to change the period for which any performance fee may be paid by the Fund to the Manager.

For the year ended 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

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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", "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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