

FORTIFIED CORE BOND 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 Core Bond 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

PICTON MAHONEY FORTIFIED CORE BOND 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*	18,941,522	16,832,224
Cash	1,140,128	315,043
Options purchased*	84,165	20,158
Unrealized gain on foreign exchange forward contracts at fair value	52,468	1,217
Due from Manager	2,560	21,600
Interest and other receivable	172,966	179,394
	<u>20,393,809</u>	<u>17,369,636</u>
Liabilities		
Current liabilities		
Options written**	121,109	6,595
Unrealized loss on foreign exchange forward contracts at fair value	-	65,116
Cash overdraft	768,866	263,922
Management fee payable	5,306	595
Accrued liabilities	36,112	25,681
Payable for investments purchased	246,651	-
Distributions payable	-	11
	<u>1,178,044</u>	<u>361,920</u>
Net Assets Attributable to Holders of Redeemable Units	<u>19,215,765</u>	<u>17,007,716</u>
Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	12,286	51,177
Class F	1,421,592	51,231
Class I	16,558,959	15,792,113
Class ETF	1,222,928	1,113,195
Number of Redeemable Units Outstanding		
Class A	1,218	5,087
Class F	140,153	5,086
Class I	1,624,165	1,565,981
Class ETF	120,000	110,000
Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	10.09	10.06
Class F	10.14	10.07
Class I	10.20	10.08
Class ETF***	10.19	10.12
* Long positions, at cost	<u>19,128,627</u>	<u>16,682,590</u>
**Short positions, at cost	<u>(119,154)</u>	<u>(17,563)</u>
*** Closing Market Price (TSX)	<u>10.21</u>	<u>10.12</u>

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

Approved on behalf of the Manager

David Picton

Arthur Galloway




President

CFO

STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended June 30 (unaudited)

	2023 \$
Income	
Net gains (losses) on investments and derivatives	
Interest for distribution purposes	407,881
Dividends	4,576
Net realized gain (loss) on investments and options	315,766
Net realized gain (loss) on foreign exchange forward contracts	74,080
Change in unrealized appreciation (depreciation) on investments, options and foreign exchange forward contracts	(170,957)
Interest and borrowing expense	(6,364)
Net gains (losses) on investments and derivatives	<u>624,982</u>
Other income	
Securities lending income	146
Foreign currency gain (loss) on cash and other assets and liabilities	(15,591)
Total Income	<u>609,537</u>
Expenses	
Transaction costs	43,416
Administrative fees	26,115
Management fees	8,370
Legal fees	3,702
Independent review committee expense	3,541
Securityholder reporting fees	2,905
Audit fees	1,568
Total expense before manager absorption	<u>89,617</u>
Less expenses absorbed by manager	(21,750)
Total expense after manager absorption	<u>67,867</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>541,670</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class	
Class A	1,400
Class F	(2,279)
Class I	512,638
Class ETF	<u>29,911</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit	
Class A	0.29
Class F	(0.03)
Class I	0.32
Class ETF	<u>0.26</u>

PICTON MAHONEY FORTIFIED CORE BOND FUND

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

For the six month period ended June 30 (unaudited)

	2023 \$
Net Assets Attributable to Holders of Redeemable Units at Beginning of Period	
Class A	51,177
Class F	51,231
Class I	15,792,113
Class ETF	1,113,195
	<u>17,007,716</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	
Class A	1,400
Class F	(2,279)
Class I	512,638
Class ETF	29,911
	<u>541,670</u>
Redeemable Unit Transactions	
Proceeds from redeemable units issued	
Class A	12,250
Class F	1,479,716
Class I	300,000
Class ETF	104,195
	<u>1,896,161</u>
Reinvestments of distributions to holders of redeemable units	
Class A	952
Class F	12,708
Class I	339,892
Class ETF	-
	<u>353,552</u>
Redemption of redeemable units	
Class A	(52,541)
Class F	(99,828)
Class I	(45,792)
Class ETF	-
	<u>(198,161)</u>
Net Increase (Decrease) from Redeemable Unit Transactions	<u>2,051,552</u>
Distributions to Holders of Redeemable Units	
From net investment income	
Class A	(952)
Class F	(19,956)
Class I	(339,892)
Class ETF	(24,373)
	<u>(385,173)</u>
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>2,208,049</u>
Net Assets Attributable to Holders of Redeemable Units at End of Period	
Class A	12,286
Class F	1,421,592
Class I	16,558,959
Class ETF	1,222,928
	<u>19,215,765</u>

STATEMENT OF CASH FLOWS

For the six month period ended June 30 (unaudited)

	2023 \$
Cash Flows from Operating Activities	
Increase (decrease) in net assets attributable to holders of redeemable units	541,670
Adjustments for:	
Unrealized foreign exchange (gain) loss on cash	8,453
Net realized (gain) loss on investments and options	(315,766)
Change in unrealized (appreciation) depreciation on investments, options and foreign exchange forward contracts	170,957
(Increase) decrease in due from manager	19,040
(Increase) decrease in interest and other receivables	6,428
Increase (decrease) in other payable and accrued liabilities	15,142
Purchase of long positions and repurchases of investments sold short	(9,965,945)
Proceeds from sales of long positions and on investments sold short	8,182,247
Net cash generated (used) by operating activities	<u>(1,337,774)</u>
Cash Flows from Financing Activities	
Distributions to holders of redeemable units, net of reinvested distributions	(31,632)
Proceeds from redeemable units issued	1,896,161
Amount paid on redemption of redeemable units	(198,161)
Net cash generated (used) by financing activities	<u>1,666,368</u>
Unrealized foreign exchange gain (loss) on cash	(8,453)
Net increase (decrease) in cash	328,594
Cash, beginning of period	51,121
Cash, end of period	<u>371,262</u>
Cash	1,140,128
Cash overdraft	(768,866)
Net Cash (Overdraft)	<u>371,262</u>
Items Classified as Operating Activities:	
Interest received, net of withholding tax	414,309
Dividends received, net of withholding tax	4,576
Interest and borrowing expense paid	(6,364)

PICTON MAHONEY FORTIFIED CORE BOND 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 (99.0%)					Corporate Bonds (38.7%)				
Canadian Equities (1.3%)					CAD	150,000	407 International Inc. 6.470%, 2029-07-27	169,035	163,565
Energy (0.8%)					CAD	100,000	Algonquin Power & Utilities Corp. 5.250%, 2082-01-18	80,118	79,246
	1,604	Enbridge Inc., Preferred Series 1	49,783	45,630	USD	100,000	Alimentation Couche-Tard Inc. 3.550%, 2027-07-26	122,517	122,837
	1,000	Enbridge Inc., Preferred Series 5	28,577	26,584	CAD	200,000	AltaGas Ltd. 7.350%, 2082-08-17	193,130	192,482
	3,500	Enbridge Inc., Preferred Series L	96,272	89,107	CAD	150,000	ARC Resources Ltd. 2.354%, 2026-03-10	135,525	138,148
			<u>174,632</u>	<u>161,321</u>	CAD	150,000	Artis Real Estate Investment Trust 3.824%, 2023-09-18	146,603	148,915
Financials (0.3%)					CAD	150,000	Bank of Montreal 6.534%, 2032-10-27	153,407	154,350
	1,232	Element Financial Corp., Preferred Series C	30,412	30,554	CAD	200,000	Bank of Montreal 7.057%, 2049-12-31	200,000	194,565
	1,325	Element Fleet Management Corp., Preferred Series E	32,303	32,661	CAD	200,000	Bank of Montreal 5.625%, 2082-05-26	189,000	185,167
			<u>62,715</u>	<u>63,215</u>	CAD	200,000	Bank of Montreal 7.325%, 2082-11-26	197,109	196,469
Real Estate (0.2%)					CAD	150,000	Bank of Nova Scotia 5.500%, 2026-05-08	149,996	150,509
	1,050	Brookfield Office Properties Inc., Preferred Series CC	17,284	17,577	CAD	200,000	Bank of Nova Scotia 7.023%, 2082-07-27	197,652	193,989
	1,050	Brookfield Office Properties Inc., Preferred Series EE	14,514	13,482	USD	400,000	Bank of Nova Scotia 8.625%, 2082-10-27	554,411	549,821
			<u>31,798</u>	<u>31,059</u>	CAD	150,000	Bell Telephone Co of Canada or Bell Canada 2.200%, 2028-05-29	128,360	132,135
		Total Canadian Equities - Long	269,145	255,595	CAD	16,000	Brookfield Property Finance ULC 3.926%, 2025-08-24	14,649	14,635
Canadian Debt (62.5%)					CAD	25,000	Brookfield Property Finance ULC 4.000%, 2026-09-30	21,841	21,512
Government Bonds (23.8%)					CAD	50,000	Brookfield Property Finance ULC 3.930%, 2027-01-15	43,563	42,478
CAD	450,000	Canadian Government Bond 2.250%, 2024-03-01	439,637	442,200	CAD	125,000	Brookfield Property Finance ULC 7.125%, 2028-02-13	125,153	115,796
CAD	450,000	Canadian Government Bond 2.250%, 2025-06-01	432,774	431,920	CAD	150,000	Canadian Pacific Railway Co. 2.540%, 2028-02-28	132,675	135,822
CAD	400,000	Canadian Government Bond 3.000%, 2025-10-01	392,960	387,874	CAD	150,000	Canadian Western Bank 5.146%, 2027-09-02	147,387	147,098
CAD	500,000	Canadian Government Bond 1.000%, 2026-09-01	456,130	456,317	CAD	200,000	Doman Building Materials Group Ltd. 5.250%, 2026-05-15	177,250	181,292
CAD	300,000	Canadian Government Bond 1.250%, 2027-03-01	272,103	273,440	CAD	150,000	Enbridge Inc. 5.700%, 2027-11-09	149,942	152,841
CAD	300,000	Canadian Government Bond 2.250%, 2029-06-01	280,377	281,686	CAD	100,000	Enbridge Inc. 5.000%, 2082-01-19	83,014	83,526
CAD	300,000	Canadian Government Bond 2.500%, 2032-12-01	279,416	281,111	CAD	150,000	General Motors Financial of Canada Ltd. 1.750%, 2026-04-15	130,559	134,526
CAD	400,000	Canadian Government Bond 5.000%, 2037-06-01	477,595	477,752	CAD	100,000	Gibson Energy Inc. 5.800%, 2026-07-12	99,959	100,040
CAD	600,000	Canadian Government Bond 2.000%, 2051-12-01	459,685	475,049	CAD	191,000	Gibson Energy Inc. 5.250%, 2080-12-22	161,666	158,281
CAD	300,000	Province of Alberta Canada 2.950%, 2052-06-01	253,050	242,961	CAD	100,000	Gibson Energy Inc. 8.700%, 2083-07-12	100,260	100,772
CAD	300,000	Province of British Columbia Canada 4.250%, 2053-12-18	322,950	313,863	CAD	200,000	iA Financial Corp. Inc. 6.611%, 2082-06-30	194,500	193,266
CAD	250,000	Province of Ontario Canada 3.750%, 2053-12-02	227,875	239,724					
CAD	250,000	Province of Quebec Canada 4.400%, 2055-12-01	272,225	269,851					
			<u>4,566,777</u>	<u>4,573,748</u>					

PICTON MAHONEY FORTIFIED CORE BOND 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 (\$)
CAD	200,000	Intact Financial Corp. 7.338%, 2083-06-30	200,000	198,500	USD	100,000	HCA Inc. 5.875%, 2026-02-15	135,657	132,414
CAD	150,000	Inter Pipeline Ltd. 5.760%, 2028-02-17	149,988	150,700	USD	100,000	JPMorgan Chase & Co. 4.851%, 2028-07-25	130,384	130,597
CAD	150,000	Keyera Corp. 6.875%, 2079-06-13	141,000	140,817	USD	100,000	Keurig Dr Pepper Inc. 3.430%, 2027-06-15	124,974	124,815
CAD	125,000	Keyera Corp. 5.950%, 2081-03-10	107,460	107,937	USD	100,000	Morgan Stanley 6.138%, 2026-10-16	137,208	133,700
CAD	200,000	National Bank of Canada 7.500%, 2082-11-16	194,972	196,119	USD	167,000	NCR Corp. 5.750%, 2027-09-01	219,133	221,222
CAD	50,000	Northland Power Inc. 9.250%, 2083-06-30	49,507	50,217	USD	123,000	NCR Corp. 6.125%, 2029-09-01	164,501	163,048
USD	150,000	Northrivers Midstream Finance LP 5.625%, 2026-02-15	192,087	185,286	USD	103,000	PDC Energy Inc. 5.750%, 2026-05-15	137,563	135,871
CAD	225,000	Parkland Corp. 3.875%, 2026-06-16	202,102	208,870	USD	100,000	Radian Group Inc. 6.625%, 2025-03-15	135,765	132,313
CAD	125,000	Pembina Pipeline Corp. 5.720%, 2026-06-22	124,973	124,921	USD	100,000	Revvity Inc. 1.900%, 2028-09-15	110,189	112,087
CAD	200,000	Rogers Communications Inc. 5.000%, 2081-12-17	181,123	181,923	USD	128,000	Syneos Health Inc. 3.625%, 2029-01-15	167,403	165,782
CAD	200,000	Royal Bank of Canada 4.500%, 2080-11-24	182,490	185,650	USD	100,000	T-Mobile USA Inc. 4.750%, 2028-02-01	129,969	128,863
USD	100,000	Royal Bank of Canada 3.862%, 2085-06-29	110,821	121,738	USD	500,000	United States Treasury Bond 2.125%, 2025-05-15	638,730	628,359
CAD	75,000	Secure Energy Services Inc. 7.250%, 2026-12-30	72,375	74,063	USD	500,000	United States Treasury Bond 1.875%, 2026-07-31	618,371	612,529
CAD	35,000	SNC-Lavalin Group Inc. 7.000%, 2026-06-12	35,048	35,613	USD	200,000	United States Treasury Bond 1.750%, 2029-01-31	236,099	233,919
CAD	150,000	Sysco Canada Inc. 3.650%, 2025-04-25	143,775	145,083	USD	200,000	United States Treasury Bond 2.750%, 2032-08-15	244,273	242,520
USD	200,000	Tervita Corp. 11.000%, 2025-12-01	294,169	281,832	USD	200,000	United States Treasury Bond 2.750%, 2042-08-15	212,307	217,911
CAD	150,000	Toronto-Dominion Bank 4.859%, 2031-03-04	145,965	146,606	USD	450,000	United States Treasury Bond 2.875%, 2052-05-15	486,441	492,870
CAD	300,000	Toronto-Dominion Bank 7.232%, 2049-12-31	304,500	294,676	USD	400,000	United States Treasury Bond 3.000%, 2052-08-15	441,433	449,437
USD	200,000	Toronto-Dominion Bank 8.125%, 2082-10-31	275,209	269,513	USD	100,000	Verizon Communications Inc. 4.329%, 2028-09-21	128,528	127,625
CAD	150,000	VW Credit Canada Inc. 5.800%, 2025-11-17	149,934	150,519	USD	100,000	VICI Properties LP 5.750%, 2027-02-01	130,208	129,639
			<u>7,456,779</u>	<u>7,434,666</u>	USD	100,000	Vistra Operations Co LLC 4.300%, 2029-07-15	120,049	117,366
		Total Canadian Debt - Long	12,023,556	12,008,414				<u>5,734,108</u>	<u>5,706,670</u>
		Global Debt (34.8%)					International Bonds (5.1%)		
		United States Bonds (29.7%)			USD	150,000	AerCap Ireland Capital DAC 6.500%, 2025-07-15	199,434	199,569
USD	150,000	American Airlines Inc. 11.750%, 2025-07-15	222,131	217,815	CAD	200,000	Heathrow Funding Ltd. 3.400%, 2028-03-08	179,758	184,933
USD	100,000	Becton Dickinson & Co. 3.700%, 2027-06-06	126,759	125,854	CAD	200,000	Lloyds Banking Group PLC 3.500%, 2025-02-03	189,020	191,482
USD	125,000	Brookfield Property REIT Inc. 4.500%, 2027-04-01	141,691	139,494	USD	60,000	Standard Chartered PLC 3.188%, 2049-12-31	74,235	79,062
USD	100,000	Centene Corp. 4.250%, 2027-12-15	126,114	124,199	USD	60,000	Standard Chartered PLC 5.949%, 2049-12-31	74,463	79,345
USD	100,000	Delta Air Lines Inc. 4.750%, 2028-10-20	128,379	128,473	USD	200,000	Viterra Finance BV 2.000%, 2026-04-21	232,363	236,452
USD	100,000	Freeport Minerals Corp. 7.125%, 2027-11-01	139,849	137,948				<u>949,273</u>	<u>970,843</u>
							Total Global Debt - Long	6,683,381	6,677,513

PICTON MAHONEY FORTIFIED CORE BOND FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2023 (unaudited)

CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
	Options (0.4%)			
		Total Purchased Options		
		- Refer to Appendix A	<u>153,666</u>	<u>84,165</u>
		Transaction Costs	<u>(1,121)</u>	<u>-</u>
		Total Long Positions	<u>19,128,627</u>	<u>19,025,687</u>
	SHORT POSITIONS (-0.6%)			
	Options (-0.6%)			
		Total Written Options -		
		- Refer to Appendix A	<u>(119,154)</u>	<u>(121,109)</u>
		Transaction Costs	<u>-</u>	<u>-</u>
		Total Short Positions	<u>(119,154)</u>	<u>(121,109)</u>
	Foreign Currency Forward Contracts (0.3%)			
		Total Currency Hedge -		
		- Refer to Appendix B	<u>52,468</u>	
		TOTAL INVESTMENT PORTFOLIO (98.7%)	<u>19,009,473</u>	<u>18,957,046</u>
		Other Assets Net of Liabilities (1.3%)	<u>258,719</u>	
		TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)	<u>19,215,765</u>	

*CCY denotes local currency of debt security

PICTON MAHONEY FORTIFIED CORE BOND FUND

APPENDIX A

OPTIONS (-0.2%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
S&P 500 E-Mini	Call Option	24	\$4,650	September, 2023	25,394	42,873
SPDR S&P Homebuilders ETF	Call Option	40	\$90	September, 2023	484	1,626
US Bond Futures	Call Option	12	\$135	July, 2023	6,776	496
US Bond Futures	Call Option	32	\$145	August, 2023	20,737	1,323
					<u>53,391</u>	<u>46,318</u>
iShares iBoxx High Yield Corp. Bond	Put Option	243	\$72	July, 2023	31,038	1,125
iShares iBoxx High Yield Corp. Bond	Put Option	159	\$73	July, 2023	6,131	1,262
S&P 500 E-Mini	Put Option	24	\$4,000	September, 2023	48,196	27,788
S&P E-Mini 1st Week	Put Option	8	\$4,325	July, 2023	2,338	476
SPDR S&P Homebuilders ETF	Put Option	79	\$65	September, 2023	5,821	3,002
SPDR S&P Homebuilders ETF	Put Option	80	\$70	July, 2023	3,242	1,217
US Bond Futures	Put Option	32	\$112	August, 2023	2,005	1,985
US Bond Futures	Put Option	24	\$120	July, 2023	1,504	992
					<u>100,275</u>	<u>37,847</u>
Total Purchased Options					153,666	84,165
S&P 500 E-Mini	Written Call Option	(24)	\$4,600	September, 2023	(39,968)	(65,501)
SPDR S&P Homebuilders ETF	Written Call Option	(40)	\$80	September, 2023	(4,890)	(21,834)
US Bond Futures	Written Call Option	(12)	\$145	July, 2023	(1,267)	(16)
US Bond Futures	Written Call Option	(32)	\$155	August, 2023	(5,380)	(662)
					<u>(51,505)</u>	<u>(88,013)</u>
iShares iBoxx High Yield Corp. Bond	Written Put Option	(160)	\$68	July, 2023	(5,934)	(741)
S&P 500 E-Mini	Written Put Option	(24)	\$3,800	September, 2023	(27,629)	(16,276)
SPDR S&P Homebuilders ETF	Written Put Option	(79)	\$50	September, 2023	(2,477)	(843)
SPDR S&P Homebuilders ETF	Written Put Option	(80)	\$65	July, 2023	(1,213)	(514)
US Bond Futures	Written Put Option	(32)	\$119	August, 2023	(18,234)	(11,248)
US Bond Futures	Written Put Option	(24)	\$122	July, 2023	(12,162)	(3,474)
					<u>(67,649)</u>	<u>(33,096)</u>
Total Written Options					(119,154)	(121,109)

APPENDIX B

FOREIGN EXCHANGE FORWARD CONTRACTS (0.3%)

Purchased Currency	Sold Currency	Forward Rate	Maturity Date	Fair Value (\$)	Counterparty	Credit Rating
CAD \$8,679,921	USD \$6,524,000	1.33046	2023-08-10	52,468	Canadian Imperial Bank of Commerce	A-1
Unrealized gain on foreign exchange forward contracts at fair value				<u>52,468</u>		

PICTON MAHONEY FORTIFIED CORE BOND 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	255,595	-	-	255,595
Bonds - Long	-	18,685,927	-	18,685,927
Options - Long	84,165	-	-	84,165
Forward contracts - Long	-	52,468	-	52,468
Options - Short	(121,109)	-	-	(121,109)
Total	218,651	18,738,395	-	18,957,046

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2022				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Bonds - Long	-	16,832,224	-	16,832,224
Options - Long	20,158	-	-	20,158
Forward contracts - Long	-	1,217	-	1,217
Options - Short	(6,595)	-	-	(6,595)
Forward contracts - Short	-	(65,116)	-	(65,116)
Total	13,563	16,768,325	-	16,781,888

2. 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 \$4,044,109 (Collateral - \$4,124,996) 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:

	June 30, 2023 (\$)
Gross securities lending income	225
Securities lending charges	(79)
Net securities lending income	146
Withholding taxes on securities lending income	-
Net securities lending income received by the Fund	146
Security lending charges percentage of gross securities lending income	35%

PICTON MAHONEY FORTIFIED CORE BOND FUND

FUND SPECIFIC NOTES (CONTINUED)

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			Net \$
	Gross Assets / (Liabilities) \$	Financial Instruments \$	Collateral received/paid \$	
June 30, 2023				
Derivative assets - Foreign exchange forward contracts	52,468	-	-	52,468
Derivative liabilities - Foreign exchange forward contracts	-	-	-	-
December 31, 2022				
Derivative assets - Foreign exchange forward contracts	1,217	(1,217)	-	-
Derivative liabilities - Foreign exchange forward contracts	(65,116)	1,217	-	(63,899)

4. OTHER PRICE RISK

Using Beta as a measure of the relationship of the Fund's performance versus its index, if the ICE BofA Canada Broad Market Index were to increase or decrease by 10%, net assets would have increased or decreased by approximately \$1,215,137 (December 31, 2022 - \$882,985). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

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	8,559,747	161,324	(8,632,883)	88,188	0.5%
European Euro	9	-	-	9	0.0%
Net Exposure	8,559,756	161,324	(8,632,883)	88,197	0.5%

FINANCIAL INSTRUMENTS					
December 31, 2022 Currency	Monetary \$	Non-Monetary \$	Forward Currency Contracts \$	Total \$	Percentage of Net Assets %
United States Dollar	8,008,042	-	(7,992,850)	15,192	0.1%
Net Exposure	8,008,042	-	(7,992,850)	15,192	0.1%

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 \$4,410 (December 31, 2022 - \$760). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

PICTON MAHONEY FORTIFIED CORE BOND FUND

FUND SPECIFIC NOTES (CONTINUED)

6. INTEREST RATE RISK

If the yield curve had shifted in parallel by 1%, with all other variables held constant, net assets will increase or decrease by \$1,045,803 (December 31, 2022 - \$879,028). 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	591,115	-	591,115
1-3 years	4,445,303	-	4,445,303
3-5 years	3,988,275	-	3,988,275
Greater than 5 years	9,661,234	-	9,661,234
Total	18,685,927	-	18,685,927

Debt Instruments by Maturity Date	December 31, 2022 (\$)		
	Long Positions	Short Positions	Total
Less than 1 year	146,952	-	146,952
1-3 years	3,248,771	-	3,248,771
3-5 years	5,513,687	-	5,513,687
Greater than 5 years	7,922,814	-	7,922,814
Total	16,832,224	-	16,832,224

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				December 31, 2022			
Bond Ratings	Net	Long	Short	Bond Ratings	Net	Long	Short
AAA	33.3%	33.3%	0.0%	AAA	33.8%	33.8%	0.0%
AA	1.6%	1.6%	0.0%	AA	0.0%	0.0%	0.0%
AA-	1.4%	1.4%	0.0%	AA-	0.0%	0.0%	0.0%
A+	2.5%	2.5%	0.0%	A+	1.4%	1.4%	0.0%
A	0.9%	0.9%	0.0%	A	1.7%	1.7%	0.0%
A-	3.7%	3.7%	0.0%	A-	5.8%	5.8%	0.0%
BBB+	8.8%	8.8%	0.0%	BBB+	9.1%	9.1%	0.0%
BBB	11.0%	11.0%	0.0%	BBB	10.2%	10.2%	0.0%
BBB-	15.1%	15.1%	0.0%	BBB-	13.1%	13.1%	0.0%
BB+	5.0%	5.0%	0.0%	BB+	9.4%	9.4%	0.0%
BB	7.3%	7.3%	0.0%	BB	6.8%	6.8%	0.0%
BB-	2.3%	2.3%	0.0%	BB-	1.4%	1.4%	0.0%
B+	1.5%	1.5%	0.0%	B+	1.5%	1.5%	0.0%
B	2.0%	2.0%	0.0%	B	3.6%	3.6%	0.0%
B-	0.9%	0.9%	0.0%	B-	1.2%	1.2%	0.0%

The above credit ratings are obtained and disclosed from the rating services in the following hierarchical order: 1) Standard & Poor's; 2) Moody's; 3) Dominion Bond Rating Service, using first available.

PICTON MAHONEY FORTIFIED CORE BOND FUND

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	99.3%	99.1%
Canadian Equities	1.3%	0.0%
Energy	0.8%	0.0%
Financials	0.3%	0.0%
Real Estate	0.2%	0.0%
Canadian Debt	62.5%	57.4%
Corporate Bonds	38.7%	37.8%
Government Bonds	23.8%	19.6%
Global Debt	34.8%	41.6%
United States Bonds	29.7%	36.7%
International Bonds	5.1%	4.9%
Derivatives	0.7%	0.1%
SHORT POSITIONS	-0.6%	-0.4%
Derivatives	-0.6%	-0.4%

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	On Demand	< 3 months	> 3 months	Total
Financial Liabilities	\$	\$	\$	\$
Accrued liabilities and other payables	-	41,418	-	41,418
Payable for investments purchased	246,651	-	-	246,651
Derivative liabilities	121,109	-	-	121,109
Cash overdraft	768,866	-	-	768,866

December 31, 2022	On Demand	< 3 months	> 3 months	Total
Financial Liabilities	\$	\$	\$	\$
Distributions payable	11	-	-	11
Accrued liabilities and other payables	-	26,276	-	26,276
Derivative liabilities	71,711	-	-	71,711
Cash overdraft	263,922	-	-	263,922

PICTON MAHONEY FORTIFIED CORE BOND FUND

FUND SPECIFIC NOTES (CONTINUED)

10. FUND UNIT TRANSACTIONS

For the six month period ended June 30 (unaudited)

	2023			
	Class A	Class F	Class I	Class ETF
Units issued and outstanding, beginning of period	5,087	5,086	1,565,981	110,000
Units issued	1,194	143,560	29,398	10,000
Units reinvested	94	1,247	33,243	-
Units redeemed	(5,157)	(9,740)	(4,457)	-
Units issued and outstanding, end of period	1,218	140,153	1,624,165	120,000
Weighted average number of units held during the period	4,878	85,443	1,582,553	113,204

11. COMMISSIONS

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

	2023
Brokerage commissions	43
Soft Dollar commissions	-

12. TAX LOSS CARRY FORWARDS

As at December 31 (in \$000)

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

PICTON MAHONEY FORTIFIED CORE BOND FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2023 (unaudited)

1. GENERAL INFORMATION

Picton Mahoney Fortified Core Bond Fund (the "Fund") is an open-ended mutual trust established under the laws of the Province of Ontario pursuant to a trust agreement dated September 19, 2018, as amended (the "Trust Declaration"). The Fund commenced operations on October 28, 2022. Picton Mahoney Asset Management acts as manager (the "Manager"), portfolio advisor (the "Portfolio Advisor"), and trustee (the "Trustee") for the Fund pursuant to the Trust Declaration. The Manager is responsible for the day-to-day business of the Fund, including the management of the Fund's investment portfolio. The address of the Fund's registered office is 33 Yonge Street, Suite 830, Toronto, Ontario, M5E 1G4. The financial statements are presented in Canadian dollars (CAD). These financial statements were authorized for issue by the Manager on August 29, 2023.

On October 28, 2022, 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.

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.

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. 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, Class I and Class ETF. As at June 30, 2023, the Manager holds 1 unit of Class A, and 705 units of Class I of the Fund.

The investment objective of the Fund is to preserve capital while maximizing total return to unitholders predominantly through income, supplemented with capital appreciation. The Fund invests primarily in a well-diversified portfolio of North American fixed-income securities and engages in hedging strategies or volatility management and risk mitigation.

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, warrants, and exchanged traded funds 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

PICTON MAHONEY FORTIFIED CORE BOND FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2023 (unaudited)

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.

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.

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.

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Each class pays its proportionate share of fund costs in addition to its management fee. The difference in fund costs, and management 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) 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. The Manager has determined that all of the underlying funds in which the Funds invest are unconsolidated structured entities. In making this determination, the Manager evaluated the fact that decision making about the underlying funds' activities is not governed by voting or similar rights held by the Funds and other investors in any underlying funds.

The Fund invests in mortgage-related and other asset-backed securities. These securities include mortgage pass-through securities, collateralized mortgage obligations, commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. The Manager has determined that such securities are also unconsolidated structured entities. The debt and equity securities issued by these securities may include tranches with varying levels of subordination. These securities may provide a monthly payment which consists of both interest and principal payments.

Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans.

The carrying value of mortgage related and other asset-backed securities are disclosed in the Schedule of Investment Portfolio. The fair value of such securities as at June 30, 2023 and December 31, 2022 represents the maximum exposure in losses at that date. The change in fair value of mortgage related and other asset backed securities are included in the Statement of Comprehensive Income and Change in unrealized appreciation (depreciation) on investments, options, and foreign exchange forward contracts.

(m) 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

PICTON MAHONEY FORTIFIED CORE BOND FUND

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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 amounts receivable for investments sold, subscriptions receivable, dividends receivable, interest and other receivable, 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 with the exception of bonds sold short. At the Manager's discretion, bonds sold short can be repurchased to settle the liability immediately. 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.

PICTON MAHONEY FORTIFIED CORE BOND FUND

NOTES TO THE FINANCIAL STATEMENTS

As at June 30, 2023 (unaudited)

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.

5. CAPITAL MANAGEMENT

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

6. REDEEMABLE UNIT TRANSACTIONS

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

Investors may be admitted to the Fund or may acquire additional Units on a daily basis. Units of the Fund are offered at the Class Net Asset Value per Unit calculated as of the applicable Valuation Date. The minimum initial investment in the Fund is \$2,000 for all Classes and the Manager has the discretion to accept a lesser initial subscription, provided, in each case, that the issuance of Units in respect of such subscription shall otherwise be exempt from the prospectus requirements of applicable securities legislation. Subsequent investments are subject to an additional minimum investment of CAD \$500 subject to applicable securities legislation.

The capital of the Fund is represented by issued redeemable Units with no par value. The Units are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's Net Asset Value per Unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of Units other than as described above. The relevant movements are shown on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units and in the Fund Specific Notes of each Fund.

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

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

8. TAXATION

The Fund qualifies as a "mutual fund trust" and will be subject to tax in each taxation year under Part I of the Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. The Fund deducts, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains, it will generally not be liable in such year for any tax on its net income or profit under Part I of the Tax Act. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statement of Financial Position as a deferred tax asset.

Non-capital losses have expiry periods of up to 20 years and can be offset against future taxable income. Net capital losses can be carried forward indefinitely and offset against future taxable capital gains. For tax loss carry forward information, please refer to Note 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 has elected 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, are 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.

PICTON MAHONEY FORTIFIED CORE BOND FUND

NOTES TO THE FINANCIAL STATEMENTS

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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 1.30% and on Class F units and Class ETF units is 0.65%. 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.

(b) Fund of Fund Expenses

When a Top Fund invests in an underlying fund, the underlying fund may pay a management fee and other expenses in addition to the fees and expenses payable by the Top Fund. The fees and expenses of the underlying fund will have an impact on the management expense ratio of a Top Fund that invests in such underlying fund as the Top Fund is required, in determining its management expense ratio, to take into account the expenses incurred by the Top Fund that are attributable to its investment in the underlying fund. However, the Top Fund will not pay a management fee that, to a reasonable person, would duplicate a fee payable by the underlying fund(s) for the same service. In addition, the Top 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, its affiliate or associate, 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.

**THINK AHEAD.
STAY AHEAD.**



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