

# PICTON MAHONEY SUITE OF MERGER ARBITRAGE FUNDS



Picton Mahoney  
Fortified Arbitrage Alternative Fund<sup>1</sup>  
CLASS A PIC 3800 | CLASS F PIC 3801

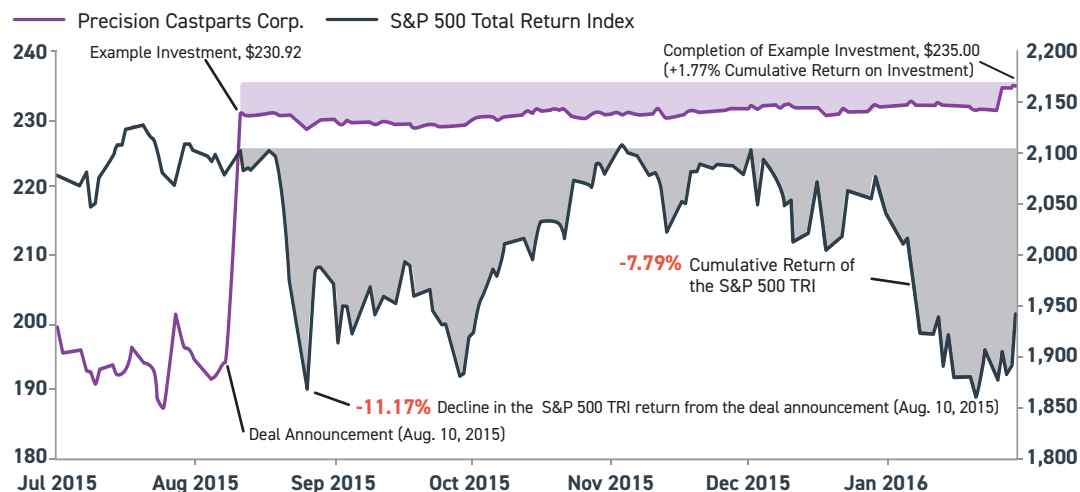
Picton Mahoney  
Fortified Arbitrage Plus Alternative Fund<sup>2</sup>  
CLASS A PIC 3900 | CLASS F PIC 3901

## WHAT THE FUND OFFERS

The goal is to generate consistent, positive returns with low volatility and low correlation to both equity and bond markets. Merger arbitrage aims to generate returns captured from the discount between the market price and “deal” price for target companies in announced, legally-binding merger situations.

## HOW IT WORKS - EXAMPLE OF MERGER ARBITRAGE

The illustration below is the all-cash acquisition of Precision Castparts Corp. by Berkshire Hathaway Inc. with a comparison to the U.S. stock market over the same time period. A profit can be generated from the closing of the spread between the market price and deal price, which occurred independently of the market's return.



Source: Bloomberg L.P., PMAM Research. Date range 07/01/2015 - 01/29/2016. For illustrative purposes only, past performance may not be repeated.

## MERGER ARBITRAGE MAY BE SUITABLE FOR INVESTORS WHO:



Seek consistent positive returns with lower volatility to equity markets



Desire diversification using a strategy with low correlation to other investments



Want to reduce interest rate risk – returns tend to rise with an increase in interest rates



Wish to improve their tax efficiency – returns are primarily capital gains

## WHAT TOOLS WE USE

There are two components and return drivers used in our merger arbitrage strategy. Besides using common shares in public companies, the funds also invest in SPACs (Special Purpose Acquisition Companies). Put simplistically, SPACs are the “A” in M&A. They are used when public companies acquire private ones.

## SPECIAL PURPOSE ACQUISITION COMPANIES (SPACS)

A SPAC is a company with no commercial operations formed specifically to raise capital through an initial public offering of its securities for the purpose of acquiring an existing company. SPACs are used in our Merger Arbitrage funds.

- SPACs are an advantageous way to gain access to newly-formed business combinations and the potential return therein
- There are some risks implicit within their structures (for example liquidity, litigation, corporate action and tax risks)
- There are also a number of benefits to SPACS (such as interest on the trust proceeds, warrant value and redemption rights attached to the SPAC units) that make it an attractive investment option

## OUR SUITE EXPLAINED

We have two merger arbitrage funds offered under a simplified prospectus. Both funds use the same strategy, however, the “Plus” version offers investors additional exposure through the use of leverage. The Picton Mahoney Fortified Arbitrage **Plus** Alternative Fund aims to provide roughly twice the return, less the cost of leverage and twice the volatility.

## WHERE DOES MERGER ARBITRAGE FIT IN YOUR PORTFOLIO?

**Merger arbitrage is a valuable complement to a traditional stock and bond portfolio.**



Adding a strategy that has low correlation to both stocks and bonds can improve the overall risk-adjusted return of the total portfolio. Since merger arbitrage strategies are both tax-efficient and benefit from rising interest rates, they can complement fixed income investments.

## OUR MERGER ARBITRAGE FUNDS

	FUND CODES	RISK CLASSIFICATION				
Picton Mahoney Fortified Arbitrage Alternative Fund <sup>1</sup>	CLASS A <b>PIC 3800</b>	<b>Low</b>	Low to Medium	Medium	Medium to High	High
	CLASS F <b>PIC 3801</b>					
Picton Mahoney Fortified Arbitrage Plus Alternative Fund <sup>2</sup>	CLASS A <b>PIC 3900</b>	Low	Low to Medium	Medium	Medium to High	High
	CLASS F <b>PIC 3901</b>					

## PORTFOLIO MANAGEMENT TEAM



**CRAIG CHILTON, CFA**  
Portfolio Manager,  
Merger Arbitrage



**TOM SAVAGE, CFA**  
Portfolio Manager,  
Merger Arbitrage



**Picton Mahoney Asset Management**  
33 Yonge Street, Suite 830.  
Toronto, ON. M5E 1G4

**Sales**  
service@pictonmahoney.com  
1-833-955-1344

**Institutional inquiries**  
tklymenko@pictonmahoney.com

**pictonmahoney.com**

<sup>1</sup> Name change for the Picton Mahoney Fortified Arbitrage Fund (formerly, Vertex Liquid Alternative Fund) effective on January 10, 2020. <sup>2</sup> Name change for the Picton Mahoney Fortified Arbitrage Plus Fund (formerly, Vertex Liquid Alternative Fund Plus) effective on January 10, 2020. This material is intended for use by Investment Advisors. There is no guarantee that a hedging strategy will be effective or achieve its intended effect. The use of derivatives or short selling carries several risks which may restrict a strategy in realizing its profits, limiting its losses, or, which cause a strategy to realize a loss. There may additional costs and expenses associated with the use of derivatives and short selling in a hedging strategy. Commissions, trailing commissions, management fees, performance fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Alternative funds can only be purchased through a registered dealer and are available only in those jurisdictions where they may be lawfully offered for sale. This document is not intended to provide legal, accounting, tax or investment advice.