

PICTON MAHONEY ABSOLUTE ALPHA FUND

At Picton Mahoney Asset Management, we recognize the increasing importance of Know Your Product (KYP) requirements. To help you with this, we have prepared this KYP document for each of our offering memorandum funds, mutual funds and liquid alternatives. These documents are

carefully crafted to include information you might need to satisfy KYP requirements for the portfolios you have entrusted us with. You can expect to find these documents maintained on a quarterly basis.

THIS DOCUMENT INCLUDES

- ✓ FIRM OVERVIEW
- ✓ UNDERSTAND OUR PROCESS
- ✓ KNOW YOUR PRODUCT (KYP)
- ✓ WHAT MAKES US DIFFERENT?
- ✓ USEFUL RESOURCES TO COMPLETE THE KYP JOURNEY

FIRM OVERVIEW

OUR MISSION	To help investors achieve their financial goals with greater certainty.
FIRM BACKGROUND	<p>In 2004, Picton Mahoney Asset Management (“PMAM”) was founded with the goal of providing thought-leading investment management services to institutional, retail, and high-net-worth investors in Canada.</p> <p>PMAM has about \$11.3 billion in assets under management in sub-advisory, hedge fund and mutual fund assets as at September 30, 2024, and has been 100% employee-owned since inception.</p>
THE INVESTMENT TEAM	<p>The Picton Mahoney Absolute Alpha Fund is managed by Neil Simons and Dashmeet Singh, CFA.</p> <p>Neil Simons, Head of Multi-Strategy, is a Portfolio Manager specializing in multi-asset and alternative risk premia strategies. He joined Picton Mahoney Asset Management in 2017 after spending more than a decade at Northwater Capital Management Inc., most recently as Managing Director. At Northwater, Mr. Simons led the liquid alternative strategies group and managed custom portfolios for institutional investors. Mr. Simons began his career in the industry at Royal Bank of Canada, where he was responsible for enterprise-wide market risk analysis and reporting across the bank’s global trading activities. He holds a Ph.D. in Electrical Engineering from the University of Manitoba and a Master’s degree in Mathematical Finance from the University of Toronto.</p> <p>Dashmeet Singh Mayal is a Portfolio Manager and Director of Quantitative Research and Risk at Picton Mahoney Asset Management and has been in the industry since 2008. Prior to joining us, he was a Risk Analyst at HSBC Canada. Other experience includes three years at Infosys Technologies Limited as a software engineer. Dashmeet has an MBA from the University of British Columbia, a Bachelor of Mechanical Engineering (with High Distinction) from the Government College of Engineering in Pune, India and is a CFA charterholder.</p>

THE PROCESS

OUR PHILOSOPHY AND WHY IT WORKS

PMAM's investment philosophy is firmly rooted in the belief that fundamental change is the core driver of share price performance. We also believe that systematic and repeatable processes alongside strong risk management capabilities are the key to successful investing and consistent outperformance. PMAM was born out of these principles, which remain intact and unchanged to this day.

The rationale behind our thinking:

- Disclosure in many markets is efficient and instantaneous with securities quickly reflecting all known information. Therefore, change at the margin is the key driver of price.
- Our research has found that positive and negative fundamental changes tend to occur in bundles.
- Many investors are reluctant to change their long-standing opinion on a security even though fundamental information is changing before their eyes.
- Small changes today have the potential to compound significantly over time.

We believe that proper portfolio construction is a key differentiator in the Canadian investment industry. Our goal is to construct diversified portfolios that maximize our investor's exposure to the fundamental change characteristics we value - while at the same time maintaining our pre-determined risk targets.

OUR PROCESS

The strategy is expected to combine the firm's best ideas by deploying the investment expertise of the firm's investment teams including the equity, fixed income, arbitrage, and quantitative teams. The low correlation among these components to equity and bond markets will aim to enhance risk-adjusted returns by investing in the following Picton Mahoney strategies: Market Neutral Equity, Special Situations (Event-driven Credit) and Merger Arbitrage. The investment strategy of the Fund is global in nature and will have exposure to international markets, including emerging markets. Strategies can be implemented within and across various financial markets including global equity markets, emerging markets, global government and corporate fixed income markets, foreign exchange markets, commodity markets and volatility markets.

The strategy will consist of individual security risk premia strategies implemented primarily through long and short positions across global equity markets and may include global fixed income and other asset classes. The Manager will seek to obtain exposure to skill-based, alpha processes either directly or indirectly through investment in other funds, including funds for which the Manager is the manager and/or portfolio manager.

Markets as well as some strategies possess the propensity for sharp declines in performance, known as tail risk. The Manager will attempt to mitigate some of these risks through tail-risk hedging strategies. These may be run both internally and externally and may involve allocation to external funds or portfolio managers (i.e., sub-advisers).

The portfolio will be considered in both the strategic and tactical aspects of the portfolio management process. The returns of the Fund should be generally independent of the movements in common stock market or bond market indices. Each component of the portfolio is intended to provide access to a unique return stream, such as risk premia and skill-based investment processes. The Manager will also use a risk-budgeting process to weigh different components of the portfolios.

PORTFOLIO CONSTRUCTION

The expertise, experience, and rigorous process of over 30 investment management professionals are applied to generate alpha, uncorrelated to previous portfolio components. We rely on this team's expertise to leverage uncorrelated alpha generated from a variety of strategies - enhancing returns and diversifying the overall portfolio's exposures/risks.

The strategies include:

- Market Neutral Equity
- Credit (Special Situations)
- Merger Arbitrage

RISK MANAGEMENT

The Picton Mahoney Absolute Alpha Fund is managed using a systematic process – the same infrastructure and methods as used with all of PMAM's multi-strategy portfolios. Individual component strategies and factors expected to be utilized within the Picton Mahoney Fortified Alpha Alternative Fund are managed by the Equity, Fixed Income, Risk Arbitrage and Quantitative teams. Each element and sub-portfolio and the

	<p>overall portfolio will be measured using a variety of risk measures. The following existing risk management processes apply to Market Neutral, Arbitrage Plus and Special Situations strategies:</p> <ul style="list-style-type: none"> • Historical Realized and Point-in-Time Measures of Risk • Correlation of all portfolio elements • Volatility and skewness • Beta to market variables and factor risk premia, where applicable
BUY/ SELL DISCIPLINE	<p>Position weights are largely determined via our economic model. A combination of dollar and risk weights are used to determine position sizes. In the instance of discretionary trades outside of the portfolio model are monitored daily and reviewed by the Portfolio Management group at least weekly.</p>
INVESTMENT RESEARCH	<p>The vast majority (~80%-90%) of investment research/ideas are generated in-house. Our Quantitative and Fundamental Teams operate independently, providing recommendations based on their thorough assessments of specific trends and fundamental change characteristics.</p> <p>Our proprietary in-house modelling platform is constructed using data supplied by several providers. Our investment team also leverage information from various sources regarding change stories and earnings models to determine the assumptions that are embedded in their growth forecasts.</p> <p>For Fixed Income, we use several proprietary quantitative factors, including Rate and Credit Beta and Liquidity Score, as well as conventional quantitative considerations, including yield to worst and duration. Corporate bonds necessitate a value investment style, given the asymmetric return potential of the asset. We combine quantitative and fundamental analytics to simplify our opportunity set, generate ideas, and assess risk and opportunity.</p> <p>For initiation of a position, we analyze financial statements and bond covenants with a review of sell-side research and industry analysis. For longer-term positions we maintain regular dialogue with the management team to stay up to date with industry and company developments.</p> <p>Our stress-testing models are updated daily with an aim to assess portfolio implications from various macro developments, such as increasing government bond yields (Rate Risk), and/or widening credit spreads (Credit Risk), market liquidity changes and risk on/off.</p>

KYP

OBJECTIVE	The investment objective of the Fund is to provide consistent long-term capital appreciation to unitholders with an attractive risk-adjusted rate of return.	
STRATEGY	The strategy seeks to generate consistent, positive returns with moderate volatility and low correlation to equity markets. The strategy combines the investment skill of our equity, fixed income, arbitrage and quantitative teams. We aim to make use of the low correlation among these components to improve the strategy's risk-adjusted returns.	
INCEPTION DATE	January 29, 2021	
FUND STRUCTURE	Open-ended Trust	
FUND CODES	Class A: PIC 1350; Class F: PIC 1351	
BASE CURRENCY	Canadian Dollar	
PRODUCT AUM	\$80.1 Million	
STRATEGY AUM	\$633.3 Million	
CIFSC CLASSIFICATION	Alternative Multi-Strategy	
MINIMUM INVESTMENTS	Initial: \$25,000 Subsequent: \$5,000	
DISTRIBUTIONS	All distributions paid will be automatically reinvested in additional units.	
RISK RATING	Medium	
FEES	Management Fee	Class A: 2.00%; Class F: 1.00%
	Performance Fee	17.5% (of performance above an annualized hurdle rate of 2%) with a perpetual high watermark. Performance fee crystallization is quarterly.
	MER¹	As at December 31, 2023, Class A: 2.74%; Class F: 1.70%
¹ This does not include fees paid to advisor.		
NAV CALCULATION FREQUENCY	Weekly	
LOCKUPS & REDEMPTIONS	The fund does not have a hard lockup. However, in order to protect the interest of the majority of investors in the fund and to discourage short-term trading in the fund, investors may be subject to a short-term trading deduction of 5% of NAV if units are redeemed within 120 days of purchase. The fund does not require a notice period for redemptions.	

SERVICE PROVIDERS

For the Picton Mahoney Absolute Alphas Fund:

- Auditor: PricewaterhouseCoopers LLP
- Administrator: RBC Investor & Treasury Services Trust
- Valuation Agent: RBC Investor & Treasury Services Trust
- Prime Broker: Scotia Capital Inc., RBC Dominion Securities Inc. and Goldman Sachs & Co.
- Registrar: RBC Investor & Treasury Services Trust
- Legal Counsel: McMillan LLP

WHAT MAKES US DIFFERENT?

THE FUND

- Access diverse alternative investment strategies that combine the firm's best ideas by deploying the investment expertise of the equity, fixed income, arbitrage, and quantitative teams in one fund.
- Aims for a low correlation to traditional stocks and bonds in a portfolio that can enhance risk-adjusted returns.
- Fundamental, Quantitative, and Strategy investing skills from the Equity, Fixed Income and Merger Arbitrage teams.
- A unique view of Factor Risk Premia.
- Dedicated allocation to tail risk strategies - the new normal of markets contains tail risk.
- PMAM's portfolio management team has over 15 years of experience developing and managing innovative investment strategies for our clients. PMAM's investment solutions manage risk exposures to help investors maximize their overall returns for the level of risk they are comfortable accepting. Our differentiated investment process combines discipline with stringent risk controls to enhance risk-adjusted returns through all market cycles. Our process has been especially important during more uncertain market environments.
- Our investment results reflect the unique blending of Fundamental and Quantitative research.

USEFUL LINKS²

KYP Contents

[FUND PROFILE](#)

- Trailing Performance
- Exposure data
- Geographic breakdown
- Sector Breakdown
- Risk/Reward Analysis

[MEET THE PORTFOLIO MANAGERS](#)

- Find out more about our thought-leaders

[OUR ABSOLUTE ALPHA STRATEGY OUTLOOK](#)

- Learn about our house-views and economic outlook

² Product-specific links are provided for Class-F of the Fund.

Disclosure

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The offering of units of the Picton Mahoney Authentic Hedge® funds are made pursuant to an Offering Memorandum only to those investors in jurisdictions of Canada who meet certain eligibility or minimum purchase requirements. Prospective investors should consult with their investment advisor to determine suitability of investment. Please see the fund’s Confidential Offering Memorandum for more information, including investment objectives and strategies, risk factors and investor eligibility.

All currency noted in this document is in Canadian Dollar. Past performance is no guarantee of future performance.

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