

PICTON MAHONEY MARKET NEUTRAL EQUITY 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

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| 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 Market Neutral Equity Fund is managed by David Picton, Jeff Bradacs, CFA, Michael Kimmel, CFA and Michael Kuan, CFA.</p> <p>David Picton, President and Chief Executive Officer of Picton Mahoney Asset Management, is a founding partner of the firm and lead Portfolio Manager responsible for the Canadian equity market neutral, long short, and long only strategies. Mr. Picton has been a prominent presence in the Canadian investment industry for several decades, including launching Synergy Asset Management in 1997 and working as its lead Canadian momentum portfolio manager and spending eight years as Head of Quantitative Research at RBC Dominion Securities Inc. where he was one of the top ranked analysts in his sector. Mr. Picton holds an Honours Bachelor of Commerce degree from the University of British Columbia. He also received a Leslie Wong Fellowship from the University of British Columbia’s prestigious Portfolio Management Foundation.</p> <p>Jeffrey Bradacs, Co-Head Equity Strategies, Head of Portfolio Management & Trading, is a Portfolio Manager at Picton Mahoney Asset Management specializing in Canadian equities. Prior to joining Picton Mahoney Asset Management, Mr. Bradacs was a Vice President and Senior Portfolio Manager at BMO Global Asset Management where he was the lead Portfolio Manager for Canadian large cap equity portfolios. Prior to that, he spent over a decade at Manulife Asset Management, joining as an Analyst and progressing to Managing Director, Portfolio Manager, with responsibility for Canadian equity portfolios managed with a blend of fundamental and quantitative analysis. Mr. Bradacs earned an Honours</p> |

Business Administration degree from the Richard Ivey School of Business (University of Western Ontario) and is a CFA charterholder.

Michael Kimmel is a founding partner of Picton Mahoney Asset Management and a Portfolio Manager responsible for U.S. investments in the market neutral and long short strategies, as well as select long only American equity strategies. Mr. Kimmel began his work in the industry in 1998, as both an analyst and associate at N M Rothschild & Sons, a boutique investment bank specializing in mergers and acquisitions. Thereafter, Mr. Kimmel served as an investment analyst at UBS Global Asset Management and Synergy Asset Management. Mr. Kimmel has a Bachelor of Commerce degree from McGill University and is a CFA charterholder.

Michael Kuan is a founding partner of Picton Mahoney Asset Management and a Portfolio Manager responsible for international investments in the market neutral and long short strategies, as well as select emerging markets and long-only Europe, Australasia and Far East strategies. Mr. Kuan began his career at Scotia Capital Inc. in 1997, where he was a Manager of Market Risk. He then joined Synergy Asset Management in 2002 as an Investment Analyst. Michael has an MBA from the University of Toronto and is a CFA charterholder.

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

We employ a unique combination of quantitative models and fundamental research - united in purpose, but distinct and independent in operation, both disciplines consider similar opportunities and risk factors. When these separate engines agree with one another on an investment candidate, it provides a powerful fundamental change signal, which bolsters manager conviction during the security selection process.

Quantitative Input

Our proprietary quantitative platform is built upon a multi-level backtesting framework that measures and ranks companies on a series of manufactured "Super Factors," which have shown to be effective at differentiating between strong and weak performing stocks. These Super Factors include Momentum, Quality, and Value, among others. At the base level, we utilize "descriptors" which we view as the main building blocks of the process.

As an example, "Earnings Revisions" and "Revenue Revisions" are the descriptors that roll into the "Core Factor" group of "Analyst Revisions." Similarly, "Price Momentum" and "Residual Momentum" are combined into the "Technical/Price" Core Factor group. These two Core Factors are then combined into "Momentum" Super Factor group, as shown below. The same process is applied to the Quality and Value super factor groups. Using our internally generated weights for each of these factors, alpha scores are generated for each stock in the respective universe - with the model being recalibrated monthly.

| Super Factor | Core Factor | Descriptors |
|--------------|-------------------|--------------------|
| Momentum | Technical/Price | Price Momentum |
| | | Revenue Revisions |
| | Analyst Revisions | Earnings Revisions |
| | | Residual Momentum |

The alpha scores along with risk models from MSCI Barra are fed into the optimizer to generate model quantitative portfolios. To create these model portfolios, constraints are put in place in the optimizer to make sure exposures are within the range as defined by the mandate. Model recommendations are provided to Portfolio Manager(s) and recorded in PM Perform (a proprietary software platform) where performance is tracked daily.

Fundamental Input

Our team of fundamental sector analysts search for change candidates using fundamental research strategies – proprietary research, panoramic financial analysis, meeting/assessing company management, weekly team meetings and global sector-specific conferences. The objective of this process is to not only identify companies changing for the better/worse but to also assess the sustainability of this change and to identify positive/negative change candidates before they are picked up by traditional quantitative strategies. The resultant output is a list of thesis statements for the top 20, high-conviction names for each analyst’s sector. These names are provided to portfolio managers and tracked in PM Perform.

Analysts are expected to identify:

- The key characteristics of the company and the competitive landscape
- Positive/Negative changes occurring or about to occur
- Key catalysts that will drive the stock and factors the market may be missing
- The risks – What could go wrong?
- Valuable inputs provided by our team of credit analysts
- Valuation metrics and target price

PORTFOLIO
CONSTRUCTION

When constructing portfolios, the Portfolio Managers, along with their respective Portfolio Analysts begin assessing those securities which rank as attractive long and short candidates by both our Quantitative and Fundamental processes. Rankings are turned into alphas and fed into our proprietary optimization and control software, which tracks correlations of securities and factors across time. Optimization and risk control software are used as a tool to assist Portfolio Managers with the efficient weighting of securities to maximize the potential return of the portfolio without taking on excessive risk, while accounting for:

- Security Concentration
- Industry Concentration
- Sector Concentration
- Flows, Positioning and Liquidity
- Tracking Error

The Portfolio Manager assesses all information and makes the final decision on the selection and weighting of names in the portfolio.

RISK
MANAGEMENT

The fund is continuously monitored by our Risk and Quantitative Research Teams along with our Portfolio Managers and Compliance Team. This three-tier approach ensures daily adherence to respective investment policy guidelines as well as active risk monitoring.

1. Portfolio Managers:

- Review daily portfolio returns, quantitative/fundamental recommendations and positioning through PM Perform, our proprietary portfolio management tool.

2. Risk Committee:

- Receive reports produced by Risk and Quantitative Teams: Factor/risk exposures, attribution, surplus/deficit of active risk
- Establish and oversee risk mandate: Set thresholds for active risk factors and conduct ongoing liquidity assessment and stress testing against custom metrics
- Communicate findings to Portfolio Managers
- Provide recommendations to Senior Management Committee when necessary

3. Compliance Team:

- Monitor portfolios against Investment Policy Guidelines: Pre- and post-trade warnings, hard rules and monitoring to help prevent breaches
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**BUY/
SELL DISCIPLINE**

We put a strong focus on names where both independent fundamental and quantitative inputs agree with each other when it comes to buy/sell decisions. Risk management and proprietary portfolio optimization systems act as a tool for position weightings. We always take a position with an investment thesis behind it. When the underlying company exhibits negative relative and/or absolute change and our thesis is no longer valid, we replace the security with a name that has more attractive characteristics. Portfolio managers have the ultimate say on adds/trims and weighting.

**INVESTMENT
RESEARCH**

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.

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.

KYP

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| OBJECTIVE | The investment objective of the Picton Mahoney Market Neutral Equity Fund is to provide consistent long-term capital appreciation and to provide unitholders with an attractive risk-adjusted rate of return with less volatility than traditional equity markets and low correlation to major equity markets. |
| STRATEGY | <p>To achieve the investment objective, the Fund invests in an actively managed long portfolio composed primarily of securities of companies identified as attractive investment candidates by PMAM's investment process. We will buy quality companies in the midst of positive fundamental change with reasonable valuations and short sell securities identified as unattractive investments by the Portfolio Manager's investment process and/or to hedge the market exposure of the Fund's long positions. Sophisticated risk control tools are used to construct the portfolio to minimize risks within it.</p> <p>The Fund will be structured so that it generally possesses +/-20% net equity market exposure. That is, on average, over an economic cycle, the Manager expects the Fund will possess a market beta of approximately 0.</p> <p>On average, over time, the Portfolio Advisor expects that, for every \$100 invested, the Fund's portfolio shall be constructed as follows:</p> <p style="text-align: center;">\$100 Cash → \$100 stock bought long (\$100) stock sold short</p> <p>resulting in a gross market exposure of 200%. The Portfolio Manager may alter the gross market exposure of the Fund depending on the Portfolio Advisor's expectations of the overall equity markets. On a position-by-position basis, margin requirements of the applicable exchange will be adhered to by the Fund.</p> |
| INCEPTION DATE | Class A: December 30, 2005; Class F: September 29, 2006 |
| FUND STRUCTURE | Open-ended Trust |
| FUND CODES | Class A: PIC 100; Class F: PIC 101 |
| BASE CURRENCY | Canadian Dollar |
| BENCHMARK | Return Benchmark: Cash – FTSE Canada 30 Day T-Bill Index Risk benchmark: S&P/TSX Composite Index (TR) |
| PRODUCT AUM | \$221.6 Million |
| STRATEGY AUM | \$1,622.4 Million |
| CIFSC CLASSIFICATION | Alternative Market Neutral |
| MINIMUM INVESTMENTS | Initial: \$25,000 Subsequent: \$5,000 |
| DISTRIBUTIONS | All distributions paid will be automatically reinvested in additional units. |
| RISK RATING | Low |

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| 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: 2.61%; Class F: 1.73% |

¹ This does not include fees paid to advisor.

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| NAV CALCULATION FREQUENCY | Weekly |
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| 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. |
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| SERVICE PROVIDERS | <p>For the Picton Mahoney Market Neutral Equity Fund:</p> <ul style="list-style-type: none"> • 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 |
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WHAT MAKES US DIFFERENT?

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| THE FUND | <ul style="list-style-type: none"> • The fund aims for an average equity beta of zero - "neutralizing" market exposure over time. • The fund aims to provide long-term capital appreciation with an attractive risk-adjusted return in any market condition (upward and downward trending markets). • The fund helps lower portfolio risk in market selloffs and throughout a cycle, market-neutral funds have the potential to outperform cash. • The ability to short enables the portfolio manager to profit from companies that are overpriced and more importantly, seeks to mitigate broad market 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. |
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| USEFUL LINKS ² | KYP Contents |
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| FUND PROFILE | <ul style="list-style-type: none">• Trailing Performance• Exposure data• Geographic breakdown• Sector Breakdown• Risk/Reward Analysis |
| MEET THE PORTFOLIO MANAGERS | <ul style="list-style-type: none">• Find out more about our thought-leaders |
| OUR EQUITIES OUTLOOK | <ul style="list-style-type: none">• 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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