

FORTIFIED ARBITRAGE ALTERNATIVE FUND



**THINK AHEAD.
STAY AHEAD.**

PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2024)

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements for Picton Mahoney Fortified Arbitrage Alternative Fund (the "Fund"). If you have not received a copy of the annual financial statements with the management report of fund performance, you may obtain a copy of the annual financial statements, at no cost, by calling 416-955-4108 or toll-free at 1-866-369-4108, by writing to us at Picton Mahoney Asset Management, 33 Yonge Street, Suite 320, Toronto ON M5E 1G4, or by visiting our website at www.pictonmahoney.com or SEDAR+ at www.sedarplus.ca.

Securityholders may also contact us using one of these methods to request a copy of the Fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

INVESTMENT OBJECTIVE AND STRATEGIES

The investment objective of the Picton Mahoney Fortified Arbitrage Alternative Fund is to generate consistent, positive returns, with low volatility and low correlation to equity markets by investing in securities in Canada, the United States and in other foreign jurisdictions. Picton Mahoney Asset Management is the manager (the "Manager") and portfolio advisor (the "Portfolio Advisor") and trustee (the "Trustee") of the Fund.

The Fund falls within the definition of an "alternative mutual fund" set out in NI 81-102 as it is permitted to use strategies generally prohibited by other types of mutual funds, such as the ability to invest more than 10% of its NAV in securities of a single issuer, either directly or through the use of specified derivatives, the ability to borrow cash, up to 30% of its NAV, to use for investment purposes, the ability to sell securities short (the combined level of cash borrowing and short selling is limited to 100% of its NAV in aggregate), and the ability to use leverage through the use of cash borrowing, short selling and specified derivatives. The maximum aggregate exposure to these sources of leverage, as calculated in accordance with section 2.9.1 of NI 81-102, shall not exceed 300% of the fund's NAV.

To achieve its investment objectives, the Manager intends for the Fund to primarily employ arbitrage strategies, which are specialized investment techniques designed to profit from the successful completion of mergers, take-overs, tender offers, leveraged buyouts, spin-offs, liquidations, and other corporate reorganizations.

The most common arbitrage activity the Manager intends to use is merger arbitrage, which involves purchasing the shares of an announced acquisition target company at a discount to the expected merger consideration. When a transaction is announced, the value of the cash and/or securities to be received is typically higher than the market price of the target company. The discount that the target security trades at is called the merger arbitrage "spread." If the Manager believes that it is probable that the proposed transaction, or a higher value transaction, will be consummated in a time frame that makes the spread an attractive rate of return, the Fund may purchase shares of the target company. Alternatively, the Fund may engage in short selling of the target company's shares if the Manager determines that there is a likelihood that the transaction will fail to be consummated or if the spread is considered inadequate for the risks.

The Manager intends to use investment strategies designed to minimize market exposure which are permitted within an alternative mutual fund but may be limited or prohibited within other types of mutual funds:

- i) The Manager may engage in selling securities short when the terms of a

proposed acquisition call for the exchange of common shares of the acquirer and/or other securities. If the transaction is consummated, the Fund will then exchange the securities of the target company which it has accumulated for the securities issued by the acquiring company and may cover its short position, if any, with the securities so received; ii) The Manager may use listed put or call options to hedge positions.

In seeking to achieve its investment objective, the Manager may also employ a variety of additional investment strategies which are permitted within an alternative mutual fund but may be limited or prohibited within other types of mutual funds to take advantage of potentially profitable opportunities in the capital markets, including investing in special purpose acquisition companies ("SPACs"), Master Limited Partnerships, equity options, convertible securities, preferred shares, and corporate or sovereign debt securities.

The Fund may invest up to 100% of its assets in units of other mutual funds or exchange-traded funds managed by us or by third-party management firms. The Manager, in its sole discretion, selects the underlying funds and determines the allocation of assets among the underlying funds within the optimal asset mix of the Fund. The Manager may invest the majority of assets of the Fund in cash or cash equivalents, depending on the investment opportunities available. The Fund may invest in derivative instruments to (i) reduce transaction costs, (ii) increase liquidity and efficiency of trading, (iii) gain exposure to equity markets in a more efficient manner, (iv) reduce risk, (v) generate yield, (vi) hedge currency exposure, and (vii) provide leverage. In addition to derivatives, exchange traded funds may also be used to hedge currency exposure. The Fund will only use derivatives as permitted by securities regulators. The Fund may directly invest up to 100% of its net assets in foreign securities.

The Fund's investment strategies involve active and frequent trading of portfolio securities. In any year, the higher a fund's portfolio turnover rate, the greater the trading costs payable by the fund in the year and the larger the capital gains distribution may be. There is not necessarily a relationship between a high portfolio turnover rate and the performance of a fund.

The Fund is authorized to enter into securities lending, repurchase and reverse purchase transactions in accordance with NI 81-102. In a securities lending transaction, the Fund lends its portfolio securities through an authorized agent to another party (often called a "counterparty") in exchange for a fee and a form of acceptable collateral. In a repurchase transaction, the Fund sells its portfolio securities for cash through an authorized agent while at the same time assuming an obligation to repurchase the same securities for cash (usually at a lower price) at a later date. In a reverse repurchase transaction, the Fund buys portfolio securities for cash while at the same time agreeing to resell the same securities for cash (usually at a higher price) at a later date. The following are some examples of the risks associated with securities lending, repurchase and reverse repurchase agreements: i) When entering in securities lending, repurchase and reverse repurchase transactions, the Fund is subject to the credit risk that the counterparty may default under the agreement and the Fund would be forced to make a claim in order to recover its investment. ii) When recovering its investment on default, the Fund could incur a loss if the value of the portfolio securities loaned (in a securities lending transaction) or sold (in a repurchase transaction) has increased in value relative to the value of the collateral held by the Fund. iii) Similarly, the Fund could incur a loss if the value of the portfolio securities it has purchased (in a reverse repurchase transaction) decreases below the amount of cash paid by the Fund to the counterparty.

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The Manager intends to adhere to the following restrictions in implementing the investment strategies of the Fund: i) The Fund will not purchase private securities. Some mergers include a spin-out equity, contingent value right, or other form of consideration that is unlisted at the time of the announcement but is intended to become listed shortly following the consummation of the merger. The Fund may transact in these types of securities when an active, unlisted "grey" market exists. ii) No investment in a single issuer will exceed 15% of the net asset value of the Fund. This limit does not apply to holdings of cash or cash equivalents, which may exceed this limit where the Manager considers it desirable due to market conditions or otherwise. iii) Unhedged foreign currency investments will be limited to no more than 10% of the NAV of the Fund. iv) Borrowing will be limited to no more than 30% of the NAV and transacted only through a qualified investment fund custodian per section 6.2 of National Instrument 81-102. Borrowing will be used for the purposes of cash management, enhancing returns, and bridging between new deal opportunities and consummated deals where the proceeds are yet to settle. v) Short selling securities will be limited to 50% of the NAV and no more than 10% of a single issuer. vi) The aggregate notional amount of the Fund's exposure under its specified derivatives positions (other than derivatives used for hedging purposes) will be limited to no more than 50% of the NAV.

RISK

There is no assurance that the Fund will be able to achieve its total return, capital preservation and distribution investment objectives. There is no assurance that the portfolio will earn any return and no assurances can be given as to the amount of distributions in future years and that the net asset value (the "NAV") of the Fund will appreciate or be preserved.

While risks are numerous, we believe the following are the most pertinent ones to be mindful of today:

1. **Equity Investment Risk** – Equity investments, such as stocks, carry several risks. A number of factors may cause the price of a stock to fall. These include specific developments relating to the company, stock market conditions where the company's securities trade and general economic, financial and political conditions in the countries where the company operates. Since a Fund's unit price is based on the value of its investments, an overall decline in the value of the stocks it holds will reduce the value of the Fund and, therefore, the value of your investment. However if the price of the stocks in the portfolio increases, your investment will be worth more. Equity funds generally tend to be more volatile than fixed income funds, and the value of their units can vary widely.
2. **SPAC Risk** – The Fund may invest a portion of its assets in the stock, warrants, and other securities of special purpose acquisition companies ("SPACs") or similar special purpose entities that raise funds for the sole purpose of seeking potential acquisition opportunities. All assets (net of operating expenses) of the SPAC are invested in government securities, money market fund securities and/or cash until an acquisition is completed. Once the SPAC identifies a transaction, common holders have the right to vote on the transaction and also to decide whether to roll their equity in the transaction or redeem shares for their pro rata share of the escrow account holdings. Should the SPAC be unable to complete an acquisition that meets its defined requirements within a pre-established period of time, the invested funds are returned to the entity's shareholders. SPACs may have specific risks, including increased volatility, associated with the regions or industries for which they pursue an acquisition. Since a SPAC is a new entity created for the purpose of acquiring another company or

entity, it may have limited or no business operating history; this makes the pricing and liquidity of the security dependent on management's ability to source and complete a profitable acquisition. Furthermore, these securities may trade in the over-the-counter market which may have associated issues with price sourcing and illiquidity.

3. **Arbitrage Risk** – Arbitrage investing involves the risk that an expected corporate transaction will not be consummated as expected and the Fund will experience a loss.
4. **Leverage Risk** - The Fund has received exemptive relief from Canadian securities regulatory authorities from certain investment restrictions set out in NI 81-102 that would restrict the ability of the Fund to leverage their assets through borrowing, short sales and/or derivatives. Investment decisions may be made for the assets of the Fund that exceed the net asset value of the Fund. As a result, if these investment decisions are incorrect, the resulting losses will be more than if investments were made solely in an unleveraged long portfolio as is the case in most conventional equity mutual funds. In addition, leveraged investment strategies can also be expected to increase a Fund's turnover, transaction and market impact costs, interest and other costs and expenses.

Pursuant to the terms of the exemptive relief, the Fund's aggregate gross exposure, calculated as the sum of the following, must not exceed three times the Fund's net asset value: (i) the aggregate market value of the Fund's long positions; (ii) the aggregate market value of physical short sales on equities, fixed income securities or other portfolio assets; and (iii) the aggregate notional value of the Fund's specified derivatives positions excluding any specified derivatives used for hedging purposes. If the Fund's aggregate gross exposure exceeds three times the Fund's net asset value, the Fund must, as quickly as is commercially reasonable, take all necessary steps to reduce the aggregate gross exposure to three times the Fund's net asset value or less.

The Fund has also obtained exemptive relief such that the Fund is permitted to engage in short selling transactions and cash borrowing up to a combined maximum of 100% of its net asset value, which is in excess of the short sale and cash borrowing limits provided for both conventional mutual funds and alternative mutual funds in NI 81-102.

For further details relating to risks of investing in the Fund, please refer to the *Specific Investment Risks*, *Investment Risk Classification Methodology*, and *Who Should Invest in the Funds*' sections of the Simplified Prospectus.

LEVERAGE

Leverage occurs when the Fund borrows money or securities, or uses derivatives, to generate investment exposure that would otherwise not be possible.

The Fund's aggregate exposure to its sources of leverage is calculated as the sum of the following: (i) the market value of short holdings; (ii) the amount of cash borrowed for investment purposes; and (iii) the notional value of the Fund's derivatives positions, excluding any derivatives used for hedging purposes. The Fund's exposure to leverage must not exceed 300% of the Fund's NAV.

During the year January 1 to December 31, 2024, the Fund's aggregate exposure reached a low of 10.58% and a high of 26.81% of the Fund's NAV. As at December 31, 2024, the Fund's aggregate exposure was 15.95% of

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the Fund's NAV. The primary source of leverage was short positions in cash overdraft, equity securities and margin borrowings, which is governed by a prime brokerage agreement between the Fund and CIBC. During the period January 1, 2024 to December 31, 2024, the Fund borrowed a minimum of \$nil and a maximum of \$7,199,995 under the margin borrowing facility.

RESULTS OF OPERATIONS AND RECENT DEVELOPMENTS

For the year January 1, 2024 to December 31, 2024, the net asset value of the Fund decreased by approximately \$167.1 million from \$308.5 million to \$141.4 million. During the same period, performance on the Fund's portfolio increased its assets by \$5.5 million. The Fund also received \$29.9 million in proceeds, had reinvestment of distributions of \$2.5 million, net redemptions of \$202.2 million and paid distributions totaling \$2.8 million. For the year ended December 31, 2024, the Fund Class A units returned 2.65%, the Fund Class F units returned 3.45%, and the Fund Class I units returned 5.30%.

It was another steady year for the arbitrage strategy, which had its first calendar year since launching without a down month – the positive monthly return streak is now 19 months. As we reported in the third quarter, our arbitrage alpha has come from avoiding excessive risk in an environment where risky arbitrage situations have largely not paid off. Arbitrage turmoil in the fourth quarter was widespread following the turbulence of Capri-Tapestry and Albertson's-Krogers court losses, and the Biden administration cited national security concerns for blocking the U.S. Steel-Nippon Steel deal. In Canada, STEP Energy Services Ltd. shareholders rejected a bid from majority holder ARC Financial Corp. Additionally, in Asia, China TCM's parent surprisingly failed to secure regulatory approval.

Fortunately, we had positive contributions during the final quarter from the successful completion of several notable deals: Stericycle-Waste Management closed on a much faster timeline than originally expected; Axonics-Boston Scientific closed without challenge after a prolonged review; Stelco-Cliffs was a brief and straightforward counterpoint to the drama of U.S. Steel. One of our largest exposures, Canadian Western Bank-National Bank, received regulatory approvals almost a full year quicker than they originally guided, contributing a very attractive return to the portfolio performance, although not without some short-term drama related to a delayed earnings release that was poorly communicated.

Several significant deals were announced with attractive risk-adjusted arbitrage spreads. Retail Opportunity Investments Corp. is being acquired by Blackstone Inc. in a very straightforward real estate deal. Verizon announced a transaction to reacquire some assets previously spun off to Frontier Communications. Summit Materials Inc. is being purchased by Quikrete Holdings Inc. to vertically integrate its cement supply chain.

The much-anticipated U.S. election had many twists, turns, and surreal moments before concluding with Biden being replaced by a return of Trump to the White House. In a move welcomed by merger arbitrageurs, Trump has quickly named replacements for the controversial heads of both the Department of Justice and the Federal Trade Commission – Gail Slater and Andrew Ferguson, respectively. Both antitrust agencies are expected to abandon the novel merger enforcement attempts of the past four years and stick to traditional theories of harm – bringing a much-needed sense of normalcy for merging parties and raising confidence in expected outcomes. The M&A industry is generally optimistic, and this will also likely lead to an increase in deal activity.

RELATED PARTY TRANSACTIONS

Picton Mahoney Asset Management is the manager (the "Manager") and portfolio advisor (the "Portfolio Advisor") and trustee (the "Trustee") of the Fund. The Manager is an investment manager focused on equity and fixed income securities investments with approximately \$12.0 billion of assets under management as of December 31, 2024.

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

Management Fees

As a result of providing investment and management services, the Manager receives a management fee calculated and accrued daily based on the NAV of the class of units of the Fund, plus applicable taxes, payable on the last day of each calendar quarter. For the year ended December 31, 2024, the Fund incurred management fees of \$1,659,495 (December 31, 2023 - \$2,033,235). Management fees in respect of Class I units are direct fees negotiated with the investor, paid directly by the investor, and would not exceed the management fee payable on Class A units of the Fund. The Manager uses these management fees to pay for sales and trailing commissions to registered dealers on the distribution of the Fund's shares, investment advice, as well as general administrative expenses relating to Picton Mahoney's role as Manager. The following is a breakdown:

	As a Percentage of Management Fees		
	Annual Rates	Dealer Compensation	General Administration and Investment Advice
Class A units	2.00%	49.68%	50.32%
Class F units	1.00%	-	100.00%

Out of the management fees that the Manager received from the Fund, the Manager paid trailer commissions of \$133,482 for the year ended December 31, 2024.

Performance Fees

The Manager receives a performance fee in respect of each class of units of the Fund. The performance fee for each class shall be calculated and become a liability of the Fund on each valuation day (the "Valuation Day") and shall be payable at the end of each calendar quarter. The performance fee is equal to the daily NAV of the class of units of a Fund during the calendar quarter multiplied by 15% of the amount by which the total return of the class of units exceeds the previous high water mark for each applicable class of units. Any day a performance fee is paid for the Fund, a high water mark is set, which is equal to the NAV of such Fund on such date, after deducting all fees and expenses. No further performance fee will be paid until the NAV, adjusted for any distributions since the high water mark was last set, exceeds this high water mark value. This high water mark is perpetual and cannot be reset. Deficiencies to the high water mark accrue for each day the Fund does not exceed the high water mark and performance fees will not be accrued until the class of units of the Fund has exceeded the high water mark. For the year ended December 31, 2024, the Fund incurred performance fees of \$870,386 (December 31, 2023- \$466,877).

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Independent Review Committee

The Fund receives standing instructions (the "SI") from the independent review committee (the "IRC"). The SI constitutes a written approval or recommendation from the IRC that permits the Manager to proceed with specific action(s) set out in the SI on an ongoing basis. The SI is designed to ensure that the Manager's actions are carried out in accordance with the law, the instrument and the Manager's policies and procedures in order to achieve a fair and reasonable result for the Fund. The SI outlines actions related to i) Fees and Expenses; ii) Trade Allocations; iii) Broker Selections; iv) Code of Ethics and Conduct; v) Portfolio Pricing Issues, amongst other things. The Manager must provide the IRC with a written report summarizing each instance where the Manager has relied on the SI. For the year ended to December 31, 2024, the IRC did not provide any recommendations to the Manager.

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FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past period as applicable.

Class A Units - Net Assets per Unit					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Net Assets, beginning of year	11.49	11.66	11.63	11.69	10.11
Increase (decrease) from operations:					
Total revenue	0.37	0.29	0.03	-	0.03
Total expense	(0.34)	(0.31)	(0.30)	(0.40)	(0.71)
Realized gains (losses)	0.36	0.80	(0.12)	1.07	2.57
Unrealized gains (losses)	(0.08)	(0.46)	0.40	(0.61)	0.17
Total increase (decrease) from operations⁽¹⁾	0.31	0.32	0.01	0.06	2.06
Distributions:					
From income	-	-	-	-	-
From dividends	(0.21)	-	-	-	-
From capital gains	(0.04)	(0.45)	-	(0.41)	-
Return of capital	-	-	-	-	-
Total annual distributions⁽¹⁾⁽²⁾	(0.25)	(0.45)	-	(0.41)	-
Net Assets, end of year	11.54	11.49	11.66	11.63	11.69

Class A Units - Ratios/Supplemental Data					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Total Net Asset Value (\$000's) ⁽³⁾	12,065	14,934	18,087	20,438	8,503
Number of units outstanding (000's) ⁽³⁾	1,045	1,300	1,552	1,757	727
Management expense ratio ⁽⁴⁾	2.79%	2.54%	2.51%	3.14%	7.12%
Management expense ratio before waivers or absorptions	2.79%	2.54%	2.51%	3.14%	7.12%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.11%	0.17%	0.17%	0.19%	0.32%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	0.49%	0.43%	0.26%	0.44%	0.55%
Portfolio turnover rate ⁽⁶⁾	259.02%	329.68%	178.98%	229.17%	423.29%
Net Asset Value per unit	11.54	11.49	11.66	11.63	11.69

Class F Units - Net Assets per Unit					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Net Assets, beginning of year	12.09	12.14	11.98	11.90	10.18
Increase (decrease) from operations:					
Total revenue	0.39	0.30	0.03	-	0.04
Total expense	(0.26)	(0.23)	(0.17)	(0.26)	(0.57)
Realized gains (losses)	0.37	0.88	(0.11)	1.08	2.45
Unrealized gains (losses)	(0.08)	(0.54)	0.39	(0.65)	0.10
Total increase (decrease) from operations⁽¹⁾	0.42	0.41	0.14	0.17	2.02
Distributions:					
From income	-	-	-	-	-
From dividends	(0.21)	-	-	-	-
From capital gains	(0.04)	(0.41)	-	(0.40)	-
Return of capital	-	-	-	-	-
Total annual distributions⁽¹⁾⁽²⁾	(0.25)	(0.41)	-	(0.40)	-
Net Assets, end of year	12.25	12.09	12.14	11.98	11.90

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Class F Units - Ratios/Supplemental Data					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Total Net Asset Value (\$000's) ⁽³⁾	115,425	131,179	183,937	205,436	72,948
Number of units outstanding (000's) ⁽³⁾	9,420	10,852	15,148	17,141	6,130
Management expense ratio ⁽⁴⁾	2.03%	1.72%	1.41%	1.96%	5.71%
Management expense ratio before waivers or absorptions	2.03%	1.72%	1.41%	1.96%	5.71%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.11%	0.17%	0.17%	0.19%	0.32%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	0.49%	0.43%	0.26%	0.44%	0.55%
Portfolio turnover rate ⁽⁶⁾	259.02%	329.68%	178.98%	229.17%	423.29%
Net Asset Value per unit	12.25	12.09	12.14	11.98	11.90

Class I Units - Net Assets per Unit					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Net Assets, beginning of year	13.46	13.28	12.96	12.55	10.30
Increase (decrease) from operations:					
Total revenue	0.48	0.28	0.04	0.04	0.04
Total expense	(0.04)	(0.05)	(0.05)	(0.16)	(0.05)
Realized gains (losses)	0.24	0.76	(0.16)	1.28	1.59
Unrealized gains (losses)	0.11	(0.27)	0.51	(0.90)	0.27
Total increase (decrease) from operations⁽¹⁾	0.79	0.72	0.34	0.26	1.85
Distributions:					
From income	-	-	-	-	-
From dividends	(0.21)	-	-	-	-
From capital gains	(0.04)	(2.01)	-	(3.64)	-
Return of capital	-	-	-	-	-
Total annual distributions⁽¹⁾⁽²⁾	(0.25)	(2.01)	-	(3.64)	-
Net Assets, end of year	13.93	13.46	13.28	12.96	12.55

Class I Units - Ratios/Supplemental Data					
	Dec 31, 2024(\$)	Dec 31, 2023(\$)	Dec 31, 2022(\$)	Dec 31, 2021(\$)	Dec 31, 2020(\$)
Total Net Asset Value (\$000's) ⁽³⁾	13,866	162,371	139,779	80,636	2,711
Number of units outstanding (000's) ⁽³⁾	996	12,061	10,527	6,220	216
Management expense ratio ⁽⁴⁾	0.22%	0.23%	0.31%	0.21%	0.01%
Management expense ratio before waivers or absorptions	0.22%	0.23%	0.31%	0.21%	0.01%
Trading expense ratio, excluding short dividend and interest expense ⁽⁵⁾	0.11%	0.17%	0.17%	0.19%	0.32%
Trading expense ratio, including short dividend and interest expense ⁽⁵⁾	0.49%	0.43%	0.26%	0.44%	0.55%
Portfolio turnover rate ⁽⁶⁾	259.02%	329.68%	178.98%	229.17%	423.29%
Net Asset Value per unit	13.93	13.46	13.28	12.96	12.55

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EXPLANATORY NOTES

- (1) Net Assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.
- (2) Distributions were paid in cash, reinvested in additional units of the Fund, or both.
- (3) This information is provided as at the periods shown.
- (4) The management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. In the period the class is established, the MER is annualized.
- (5) The trading expense ratio ("TER") represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. In the period the class is established, the TER is annualized. The TER is calculated at the fund level and applies to all classes of the Fund. The Fund's TER is shown both with and without the short dividend expense from equities and interest expense from fixed income securities.
- (6) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund. Portfolio turnover rate is calculated based on the lesser of the cost of purchases or proceeds of sales divided by the average market value of the portfolio, excluding short-term investments.

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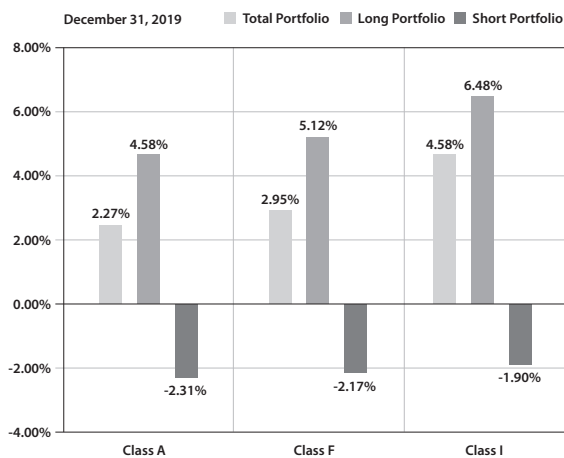
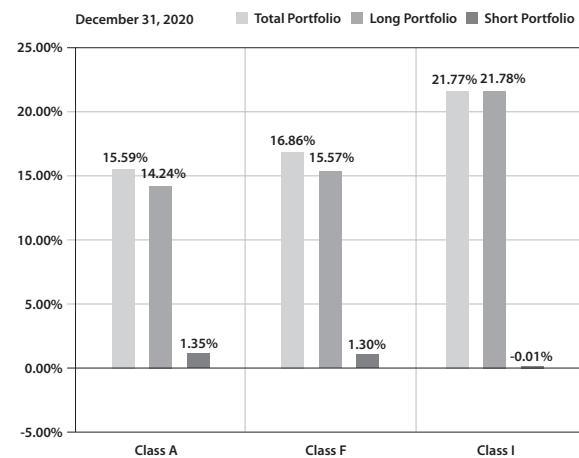
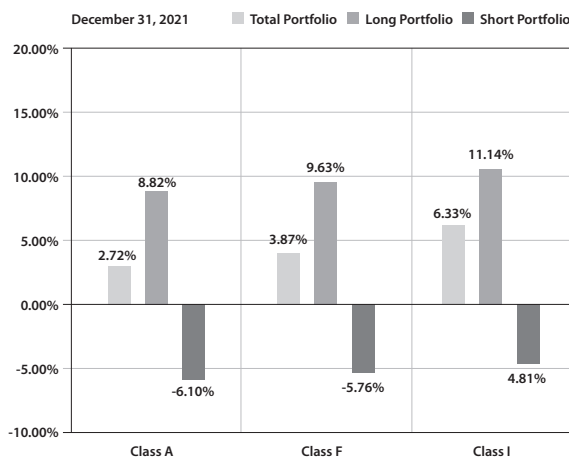
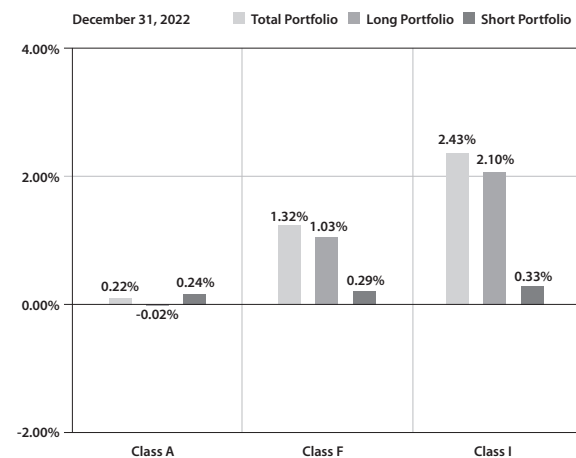
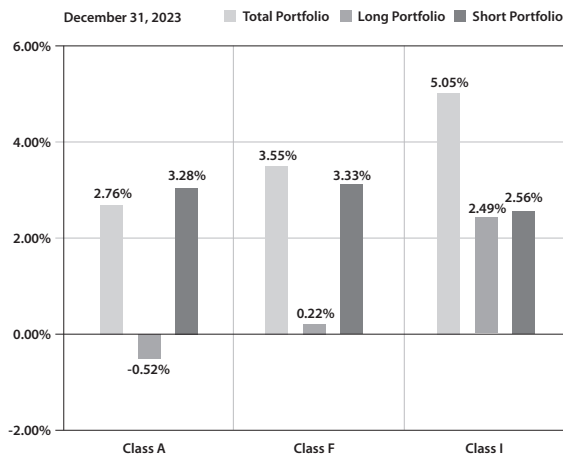
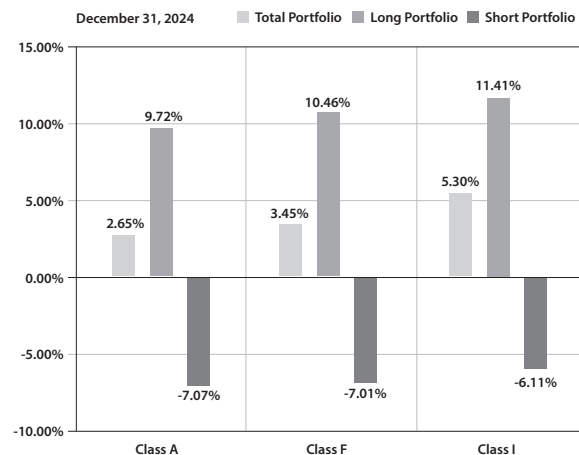
MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2024)

PAST PERFORMANCE

This section describes the Fund's performance over the past period since inception. The information shown assumes that any distributions made by the Fund were reinvested in additional units of the Fund. All rates of returns are calculated based on the NAV of the particular series of the Fund. Past returns of the Fund do not necessarily indicate how it will perform in the future.

Year-by-Year>Returns

The following chart indicates the annual performance of each series of the Fund each year from inception on January 17, 2019 to December 31, 2024. The chart shows, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period.



PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2024)

ANNUAL COMPOUND RETURNS

The following table presents the compound returns of the units of the Fund for the period indicated to December 31, 2024.

Further discussion of the Fund's performance can be found within the Results of Operations section.

Annual Compound Returns	1 Year	3 Year	5 Year	Since Inception
Total portfolio - Class A units	2.65%	1.87%	4.64%	4.25%
Long portfolio - Class A units	9.72%	4.18%	14.76%	16.36%
Short portfolio - Class A units	-7.07%	-2.31%	-10.12%	-12.11%
Total portfolio - Class F units	3.45%	2.77%	5.66%	5.21%
Long portfolio - Class F units	10.46%	4.60%	15.03%	16.41%
Short portfolio - Class F units	-7.01%	-1.83%	-9.37%	-11.20%
Total portfolio - Class I units	5.30%	4.25%	7.96%	7.38%
Long portfolio - Class I units	11.41%	3.79%	8.12%	9.60%
Short portfolio - Class I units	-6.11%	0.46%	-0.16%	-2.22%
HFRI ED Merger Arbitrage Index (Hedged to CAD)	5.91%	4.60%	5.90%	6.06%

SUMMARY OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2024

Portfolio by Category	Percentage of Net Asset Value (%)	Portfolio by Category	Percentage of Net Asset Value (%)
LONG POSITIONS		SHORT POSITIONS	
Canadian Equities	5.6%	Canadian Equities	-2.7%
Financials	3.5%	Financials	-2.4%
Materials	1.8%	Materials	-0.3%
Industrial	0.3%		
Global Equities	49.9%	Global Equities	-5.3%
International	26.7%	United States Equities	-3.7%
United States	23.2%	International Index Equivalents	-1.6%
Canadian Debt	16.4%	Derivatives	-3.2%
Short-Term Notes	16.4%	Total Short Positions	-11.2%
Global Debt	37.0%	Cash	1.6%
Short-Term Notes	36.2%	Other Assets (net)	0.4%
United States Bonds	0.8%	Total	100.0%
Derivatives	0.3%		
Total Long Positions	109.2%		

PICTON MAHONEY FORTIFIED ARBITRAGE ALTERNATIVE FUND

MANAGEMENT REPORT OF FUND PERFORMANCE (FOR THE YEAR ENDED DECEMBER 31, 2024)

Top 25 Holdings	
	Percentage of Net Asset Value (%)
LONG POSITIONS	
United States Treasury Bill 4.888%, 2025-02-06	36.3%
Canadian Treasury Bill 3.110%, 2025-06-18	16.4%
Kellanova	3.8%
Smartsheet Inc.	3.5%
Summit Materials Inc.	1.9%
HashiCorp Inc.	1.9%
Retail Opportunity Investments Corp.	1.8%
Hess Corp.	1.7%
Cash	1.6%
Frontier Communications Parent Inc.	1.6%
Ares Acquisition Corp. II	1.6%
Canadian Western Bank	1.5%
Enstar Group Ltd.	1.5%
Filo Corp.	1.5%
GP-Act III Acquisition Corp.	1.4%
HCM II Acquisition Corp.	1.4%
Centurion Acquisition Corp.	1.4%
M3-Brigade Acquisition V Corp.	1.3%
Endeavor Group Holdings Inc.	1.3%
Mercer Park Opportunities Corp.	1.3%
Launch One Acquisition Corp.	1.2%
ChampionX Corp.	1.2%
SHORT POSITIONS	
National Bank of Canada	-2.4%
Chevron Corp.	-1.8%
Schlumberger N.V.	-1.2%
Total Net Asset Value (\$000)	141,357

The Summary of Investment Portfolio may change due to the ongoing portfolio transactions. A quarterly update is available on our website at www.pictonmahoney.com.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, its future performance, strategies and events. Forward-looking statements include words such as “anticipates”, “believe”, “could”, “expect”, “estimate”, “may” or negative versions thereof and similar expressions. By their nature, forward-looking statements make assumptions on future events that are subject to inherent risks and uncertainties. There is significant risk that predictions on the Fund, future events and economic conditions will not prove to be accurate. Forward-looking statements are not guarantees of future performance and actual results may differ materially from management projected expectations due to factors such as general market and economic conditions, interest rates and foreign currency fluctuations, changes to regulatory requirements and guidelines, changes in technology, effects of competition in the various business areas and unforeseen natural disasters and catastrophes. As a result of these factors, readers of this document are cautioned not to place undue reliance on these statements and before making any investment decisions should clearly consider these factors, among other factors. All opinions contained in the forward-looking statements are subject to change without notice and are provided in good faith, unless required by applicable law.

**THINK AHEAD.
STAY AHEAD.**

A decorative horizontal bar consisting of several segments of varying shades of gray and black.

PICTON MAHONEY ASSET MANAGEMENT CORPORATE INFORMATION

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Fund Administration & Transfer Agent

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