

# FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND



**THINK AHEAD.  
STAY AHEAD.**



## TABLE OF CONTENTS

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2	Management's Responsibility Statement
3	Independent Auditor's Report
5	Picton Mahoney Fortified Inflation Opportunities Alternative Fund Financial Statements
18	Notes to the Financial Statements

## MANAGEMENT'S RESPONSIBILITY STATEMENT

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The accompanying financial statements have been prepared by Picton Mahoney Asset Management, the Manager of the Picton Mahoney Fortified Inflation Opportunities Alternative 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 those requirements of International Financial Reporting Standards as issued by the International Accounting Standards Board 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.

The financial statements have been audited by PricewaterhouseCoopers LLP. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on these financial statements. Their report is set out on the following pages.

### **Picton Mahoney Asset Management**

Toronto, Ontario

March 24, 2025

## INDEPENDENT AUDITOR'S REPORT

To the Unitholders and Trustee of  
Picton Mahoney Fortified Inflation Opportunities Alternative Fund (the Fund)

### Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2024 and 2023 and its financial performance and its cash flows for the year ended December 31, 2024 and for the period from April 26, 2023 (commencement of operations) to December 31, 2023 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

### What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at December 31, 2024 and 2023;
- the statements of comprehensive income for the year ended December 31, 2024 and for the period from April 26, 2023 (commencement of operations) to December 31, 2023;
- the statements of changes in net assets attributable to holders of redeemable units for the year ended December 31, 2024 and for the period from April 26, 2023 (commencement of operations) to December 31, 2023;
- the statements of cash flows for the year ended December 31, 2024 and for the period from April 26, 2023 (commencement of operations) to December 31, 2023; and
- the notes to the financial statements comprising material accounting policy information and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

### Other information

Management is responsible for the other information. The other information comprises the 2024 Annual Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

## INDEPENDENT AUDITOR'S REPORT

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**/s/PricewaterhouseCoopers LLP**

**Chartered Professional Accountants, Licensed Public Accountants**

Toronto, Ontario

March 24, 2025

# PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## STATEMENT OF FINANCIAL POSITION

As at

	December 31, 2024 \$	December 31, 2023 \$
<b>Assets</b>		
<b>Current assets</b>		
Long positions at fair value*	19,067,750	14,726,790
Cash	5,540,675	2,536,620
Options purchased*	3,595	2,690
Unrealized gain on foreign exchange forward contracts at fair value	9,668	19,927
Unrealized gain on futures contracts	349,590	196,443
Due from Manager	22,640	27,220
Subscriptions receivable	6,243	-
Dividends receivable	700	-
Interest and other receivable	71,586	74,386
	<u>25,072,447</u>	<u>17,584,076</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Short positions at fair value**	4,957,927	681,354
Options written**	1,438	488
Unrealized loss on foreign exchange forward contracts at fair value	37,969	8,365
Unrealized loss on futures contracts	328,159	276,201
Management fee payable	529	85
Performance fee payable	8,378	-
Accrued liabilities	73,853	7,830
Interest and other payable	31,351	3,971
	<u>5,439,604</u>	<u>978,294</u>
<b>Net Assets Attributable to Holders of Redeemable Units</b>	<u>19,632,843</u>	<u>16,605,782</u>
<b>Net Assets Attributable to Holders of Redeemable Units per Class</b>		
Class A	59,499	37,469
Class F	629,690	58,978
Class I	17,322,675	16,471,059
Class O	1,620,979	38,276
<b>Number of Redeemable Units Outstanding</b>		
Class A	6,165	3,829
Class F	64,279	5,982
Class I	1,730,956	1,658,684
Class O	161,996	3,826
<b>Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Class A	9.65	9.79
Class F	9.80	9.86
Class I	10.01	9.93
Class O	10.01	10.00
	<u>18,889,848</u>	<u>14,747,299</u>
	<u>(4,820,991)</u>	<u>(713,146)</u>

\* Long positions, at cost

\*\* Short positions, at cost

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 year ended December 31, 2024 and period from April 26, 2023 (commencement of operations) to December 31, 2023

	2024 \$	2023 \$
<b>Income</b>		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	847,339	475,448
Dividends	4,475	-
Net realized gain (loss) on investments and options	(5,584)	(21,307)
Net realized gain (loss) on foreign exchange forward contracts and futures contracts	1,006,728	(105,184)
Change in unrealized appreciation (depreciation) on investments, options, foreign exchange forward contracts and futures contracts	90,978	(54,710)
Interest and borrowing expense	(84,506)	(22,877)
Dividend expense	(2,942)	-
Net gains (losses) on investments and derivatives	<u>1,856,488</u>	<u>271,370</u>
Other income		
Foreign currency gain (loss) on cash and other assets and liabilities	60,365	(3,512)
Total Income	<u>1,916,853</u>	<u>267,858</u>
<b>Expenses</b>		
Administrative fees	47,279	37,679
Transaction costs	32,033	17,370
Legal fees	21,407	2,161
Performance fees	9,406	59
Independent review committee fees	6,653	4,321
Management fees	5,668	857
Securityholder reporting fees	4,158	2,701
Audit fees	2,536	2,726
Withholding taxes	391	-
Total expense before manager absorption	<u>129,531</u>	<u>67,874</u>
Less expenses absorbed by manager	<u>(65,620)</u>	<u>(34,469)</u>
Total expense after manager absorption	<u>63,911</u>	<u>33,405</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<u>1,852,942</u>	<u>234,453</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class</b>		
Class A	3,557	(41)
Class F	32,902	159
Class I	1,771,616	233,559
Class O	44,867	776
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Class A	0.69	(0.01)
Class F	0.82	0.04
Class I	1.14	0.16
Class O	0.80	0.21

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

# PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## STATEMENT OF CHANGES IN NET ASSETS

### ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the year ended December 31, 2024 and period from April 26, 2023 (commencement of operations) to December 31, 2023

	2024 \$	2023 \$		2024 \$	2023 \$
<b>Net Assets Attributable to Holders of Redeemable Units at Beginning of Period</b>			<b>Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>		
Class A	37,469	-		3,027,061	16,605,782
Class F	58,978	-			
Class I	16,471,059	-	<b>Net Assets Attributable to Holders of Redeemable Units at End of Period</b>		
Class O	38,276	-	Class A	59,499	37,469
	<u>16,605,782</u>	<u>-</u>	Class F	629,690	58,978
			Class I	17,322,675	16,471,059
			Class O	1,620,979	38,276
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>			<b>Net Assets Attributable to Holders of Redeemable Units at End of Period</b>	<u>19,632,843</u>	<u>16,605,782</u>
Class A	3,557	(41)			
Class F	32,902	159			
Class I	1,771,616	233,559			
Class O	44,867	776			
	<u>1,852,942</u>	<u>234,453</u>			
<b>Redeemable Unit Transactions</b>					
Proceeds from redeemable units issued					
Class A	19,000	37,510			
Class F	641,510	58,918			
Class I	1,250,000	16,237,500			
Class O	1,607,271	76,289			
	<u>3,517,781</u>	<u>16,410,217</u>			
Reinvestments of distributions to holders of redeemable units					
Class A	4,826	765			
Class F	53,200	1,195			
Class I	1,541,650	331,321			
Class O	125,574	764			
	<u>1,725,250</u>	<u>334,045</u>			
Redemption of redeemable units					
Class A	-	-			
Class F	(102,623)	(99)			
Class I	(2,170,000)	-			
Class O	(69,435)	(38,789)			
	<u>(2,342,058)</u>	<u>(38,888)</u>			
<b>Net Increase (Decrease) from Redeemable Unit Transactions</b>	<u>2,900,973</u>	<u>16,705,374</u>			
<b>Distributions to Holders of Redeemable Units</b>					
From net investment income					
Class A	(5,353)	(765)			
Class F	(54,277)	(1,195)			
Class I	(1,541,650)	(331,321)			
Class O	(125,574)	(764)			
	<u>(1,726,854)</u>	<u>(334,045)</u>			

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



# PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## STATEMENT OF CASH FLOWS

For the year ended December 31, 2024 and period from April 26, 2023 (commencement of operations) to December 31, 2023

	2024 \$	2023 \$
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	1,852,942	234,453
Adjustments for:		
Unrealized foreign exchange (gain) loss on cash	(38,620)	3,301
Net realized (gain) loss on investments and options	5,584	21,307
Change in unrealized (appreciation) depreciation on investments, options, foreign exchange forward contracts and futures contracts	(90,978)	54,710
(Increase) decrease in due from manager	4,580	(27,220)
(Increase) decrease in interest and other receivables	2,800	(74,386)
(Increase) decrease in dividends receivable	(700)	-
Increase (decrease) in interest and other payable	27,380	3,971
Increase (decrease) in other payable and accrued liabilities	74,845	7,915
Purchase of long positions and repurchase of investments sold short	(61,226,412)	(28,853,571)
Proceeds from sale of long positions and on investments sold short	61,186,138	14,798,112
<b>Net cash generated (used) by operating activities</b>	<b>1,797,559</b>	<b>(13,831,408)</b>
<b>Cash Flows from Financing Activities</b>		
Distributions to holders of redeemable units, net of reinvested distributions	(1,604)	-
Proceeds from redeemable units issued	3,510,288	16,371,428
Amount paid on redemption of redeemable units	(2,340,808)	(99)
<b>Net cash generated (used) by financing activities</b>	<b>1,167,876</b>	<b>16,371,329</b>
Unrealized foreign exchange gain (loss) on cash	38,620	(3,301)
Net increase (decrease) in cash	2,965,435	2,539,921
Cash, beginning of period	2,536,620	-
<b>Cash, end of period</b>	<b>5,540,675</b>	<b>2,536,620</b>
<b>Cash</b>	<b>5,540,675</b>	<b>2,536,620</b>
<b>Cash overdraft</b>	<b>-</b>	<b>-</b>
<b>Net Cash (Overdraft)</b>	<b>5,540,675</b>	<b>2,536,620</b>
<b>Items Classified as Operating Activities:</b>		
Interest received, net of withholding tax	850,139	401,062
Dividends received, net of withholding tax	3,384	-
Interest and borrowing expense paid	(57,126)	(18,906)
Dividends paid	(2,942)	-

Net of non-cash transfers and switches of \$1,250 (2023 - \$38,789)

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

# PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2024

No. of shares/ units/					No. of shares/ units/				
Average cost		Fair value		Average cost		Fair value			
CCY*	Face value	Security Description	(\$)	(\$)	CCY*	Face value	Security Description	(\$)	(\$)
LONG POSITIONS (97.1%)									
Canadian Debt (71.9%)									
Short-Term Notes (71.9%)									
CAD	4,750,000	Canadian Treasury Bill			15	AZZ Inc.		1,670	1,767
		3.582%, 2025-01-15	4,711,620	4,711,620	34	Baker Hughes Co.		1,669	2,006
CAD	4,750,000	Canadian Treasury Bill			32	BankUnited Inc.		1,633	1,757
		3.489%, 2025-02-27	4,705,920	4,705,920	20	Banner Corp.		1,645	1,921
CAD	4,750,000	Canadian Treasury Bill			27	Benchmark Electronics Inc.		1,619	1,763
		3.131%, 2025-03-27	4,710,005	4,710,005	12	Best Buy Co Inc.		1,627	1,481
			14,127,545	14,127,545	19	Black Hills Corp.		1,557	1,599
Total Canadian Debt - Long			14,127,545	14,127,545	18	H&R Block Inc.		1,549	1,368
Global Equities (3.0%)									
United States Equities (2.7%)									
	19	1st Source Corp.	1,571	1,595	9	Boise Cascade Co.		1,730	1,539
	9	3M Co.	1,632	1,671	35	BorgWarner Inc.		1,611	1,600
	6	AbbVie Inc.	1,569	1,533	34	Box Inc.		1,510	1,545
	8	Abercrombie & Fitch Co.	1,525	1,720	24	Bread Financial Holdings Inc.		1,731	2,108
	23	ABM Industries Inc.	1,606	1,693	16	Brinker International Inc.		1,664	3,044
	24	ACI Worldwide Inc.	1,601	1,792	23	Bristol-Myers Squibb Co.		1,534	1,871
	4	Acuity Brands Inc.	1,462	1,681	61	Broadstone Net Lease Inc.		1,557	1,391
	104	AdaptHealth Corp.	1,634	1,424	11	Cabot Corp.		1,631	1,445
	9	Addus HomeCare Corp.	1,641	1,623	2	CACI International Inc.		1,321	1,162
	98	Adeia Inc.	1,661	1,970	16	Cal-Maine Foods Inc.		1,562	2,368
	64	ADMA Biologics Inc.	1,665	1,579	9	Camden Property Trust		1,544	1,502
	16	Adtalem Global Education Inc.	1,618	2,091	10	Cardinal Health Inc.		1,510	1,701
	8	Agilent Technologies Inc.	1,540	1,546	38	CareDx Inc.		1,541	1,170
	12	Akamai Technologies Inc.	1,611	1,651	37	CareTrust REIT Inc.		1,537	1,439
	57	Alexander & Baldwin Inc.	1,537	1,454	40	Cargurus Inc.		1,669	2,102
	13	Allison Transmission Holdings Inc.	1,589	2,020	3	Carlisle Cos Inc.		1,766	1,591
	6	Alpha Metallurgical Resources Inc.	1,683	1,727	55	Catalyst Pharmaceuticals Inc.		1,577	1,651
	21	Altria Group Inc.	1,435	1,579	3	Cavco Industries Inc.		1,766	1,925
	8	Amentum Holdings Inc.	269	242	10	CBRE Group Inc.		1,647	1,888
	11	American Electric Power Co Inc.	1,528	1,459	5	Cencora Inc.		1,542	1,616
	43	American Assets Trust Inc.	1,578	1,624	15	Centene Corp.		1,552	1,307
	58	American Eagle Outfitters Inc.	1,584	1,391	14	CF Industries Holdings Inc.		1,586	1,718
	13	American Woodmark Corp.	1,663	1,487	11	CH Robinson Worldwide Inc.		1,535	1,635
	19	Ameris Bancorp	1,664	1,710	31	Cheesecake Factory Inc.		1,625	2,115
	133	Amneal Pharmaceuticals Inc.	1,590	1,515	8	Chord Energy Corp.		1,496	1,345
	24	Amphastar Pharmaceuticals Inc.	1,610	1,282	3	Cigna Group		1,449	1,191
	24	Andersons Inc.	1,618	1,399	8	Cirrus Logic Inc.		1,361	1,146
	20	ANI Pharmaceuticals Inc.	1,662	1,590	23	Cisco Systems Inc.		1,603	1,958
	18	Apogee Enterprises Inc.	1,673	1,849	38	Clear Secure Inc.		1,692	1,456
	11	AppLovin Corp.	1,856	5,125	23	CNA Financial Corp.		1,566	1,600
	13	Argan Inc.	1,630	2,562	15	Cognizant Technology Solutions Corp.		1,536	1,659
	52	AT&T Inc.	1,515	1,703	31	Collegium Pharmaceutical Inc.		1,623	1,277
	48	Avanos Medical Inc.	1,595	1,099	48	Columbia Banking System Inc.		1,704	1,865
	30	Avista Corp.	1,564	1,580	3	Comfort Systems USA Inc.		1,492	1,830
	23	Avnet Inc.	1,625	1,731	18	Commerce Bancshares Inc.		1,549	1,613
					23	Commercial Metals Co.		1,668	1,641
					20	Community Financial System Inc.		1,619	1,774
					8	CommVault Systems Inc.		1,651	1,736
					35	Conagra Brands Inc.		1,540	1,397
					17	Concentrix Corp.		1,491	1,058
					12	CONSOL Energy Inc.		1,574	1,841
					38	COPT Defense Properties		1,568	1,691
					32	Corcept Therapeutics Inc.		1,863	2,319

# **PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND**

## **SCHEDULE OF INVESTMENT PORTFOLIO**

As at December 31, 2024

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 (\$)
	7	CRA International Inc.	1,590	1,885		15	Granite Construction Inc.	1,615	1,892
	108	Crescent Energy Co.	1,687	2,269		3	Group 1 Automotive Inc.	1,583	1,819
	9	Crocs Inc.	1,730	1,418		19	Halozyme Therapeutics Inc.	1,553	1,306
	24	CSG Systems International Inc.	1,566	1,764		23	Hancock Whitney Corp.	1,621	1,810
	4	Cummins Inc.	1,654	2,005		30	Harmony Biosciences Holdings Inc.	1,588	1,485
	133	DiamondRock Hospitality Co.	1,613	1,727		3	HCA Healthcare Inc.	1,635	1,295
	95	DNOW Inc.	1,665	1,778		119	Helix Energy Solutions Group Inc.	1,676	1,595
	20	DocuSign Inc.	1,581	2,587		35	Highwoods Properties Inc.	1,584	1,539
	16	Dolby Laboratories Inc.	1,563	1,797		22	HNI Corp.	1,588	1,594
	10	Dorman Products Inc.	1,583	1,863		14	Hologic Inc.	1,563	1,452
	10	Duke Energy Corp.	1,558	1,550		42	Home BancShares Inc.	1,590	1,709
	14	East West Bancorp Inc.	1,572	1,928		34	HP Inc.	1,619	1,596
	11	Eastman Chemical Co.	1,602	1,445		4	Huntington Ingalls Industries Inc.	1,471	1,087
	13	Edison International	1,499	1,493		11	Huron Consulting Group Inc.	1,616	1,966
	2	Elevance Health Inc.	1,460	1,061		9	Illumina Inc.	1,651	1,730
	3	EMCOR Group Inc.	1,700	1,958		18	Incyte Corp.	1,608	1,788
	24	Employers Holdings Inc.	1,559	1,768		8	Ingredion Inc.	1,474	1,583
	32	Enact Holdings Inc.	1,606	1,490		9	Innovative Industrial Properties Inc.	1,664	863
	15	Enova International Inc.	1,734	2,068		57	Innoviva Inc.	1,521	1,422
	7	Ensign Group Inc.	1,441	1,338		8	InterDigital Inc.	1,475	2,229
	18	Entergy Corp.	1,556	1,963		62	Interface Inc.	1,588	2,171
	10	EOG Resources Inc.	1,707	1,763		37	Interpublic Group of Cos Inc.	1,567	1,491
	13	ePlus Inc.	1,744	1,381		5	International Business Machines Corp.	1,441	1,581
	55	Equity Commonwealth	1,521	140		5	IQVIA Holdings Inc.	1,664	1,413
	35	Essential Properties Realty Trust Inc.	1,593	1,575		14	Jackson Financial Inc.	1,721	1,753
	19	Evergy Inc.	1,575	1,682		8	Jacobs Solutions Inc.	1,345	1,537
	11	Everus Construction Group Inc.	724	1,040		7	Johnson & Johnson	1,565	1,456
	43	Exelixis Inc.	1,559	2,059		4	Jones Lang LaSalle Inc.	1,436	1,456
	31	ExlService Holdings Inc.	1,524	1,979		14	KB Home	1,689	1,323
	9	Expedia Group Inc.	1,758	2,412		10	Kirby Corp.	1,719	1,522
	10	Exxon Mobil Corp.	1,577	1,547		16	Korn Ferry	1,626	1,552
	5	F5 Inc.	1,475	1,808		32	Kraft Heinz Co.	1,524	1,413
	5	Fabrinet	1,587	1,581		20	Kroger Co.	1,501	1,759
	4	FedEx Corp.	1,648	1,618		29	Kulicke & Soffa Industries Inc.	1,672	1,946
	44	First Busey Corp.	1,615	1,492		5	L3Harris Technologies Inc.	1,560	1,512
	46	First Financial Bancorp	1,615	1,778		28	La-Z-Boy Inc.	1,650	1,755
	6	Fiserv Inc.	1,444	1,773		74	Laureate Education Inc.	1,681	1,947
	24	Flowserve Corp.	1,548	1,985		7	Leidos Holdings Inc.	1,470	1,450
	25	Fluor Corp.	1,584	1,773		13	LeMaitre Vascular Inc.	1,577	1,723
	15	Fortinet Inc.	1,536	2,038		59	Liberty Energy Inc.	1,676	1,688
	29	Fox Corp.	1,602	2,026		11	Ligand Pharmaceuticals Inc.	1,577	1,695
	17	G-III Apparel Group Ltd.	740	798		2	Lockheed Martin Corp.	1,533	1,398
	4	General Dynamics Corp.	1,653	1,516		30	LTC Properties Inc.	1,487	1,491
	24	General Motors Co.	1,606	1,839		7	M/I Homes Inc.	1,617	1,338
	29	German American Bancorp Inc.	1,578	1,678		48	Magnolia Oil & Gas Corp.	1,675	1,614
	35	Getty Realty Corp.	1,513	1,517		9	Matson Inc.	1,665	1,745
	17	Gibraltar Industries Inc.	1,687	1,440		61	Mattel Inc.	1,619	1,555
	14	Gilead Sciences Inc.	1,596	1,860		13	Maximus Inc.	1,566	1,396
	35	Global Industrial Co.	1,590	1,248		44	MDU Resources Group Inc.	851	1,140
	2	Graham Holdings Co.	2,168	2,508		19	Mercury General Corp.	1,540	1,817
	8	Grand Canyon Education Inc.	1,542	1,885		46	MGIC Investment Corp.	1,597	1,569

# **PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND**

## **SCHEDULE OF INVESTMENT PORTFOLIO**

As at December 31, 2024

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 (\$)
	7	Mohawk Industries Inc.	1,498	1,199		8	PulteGroup Inc.	1,556	1,253
	21	Molson Coors Beverage Co.	1,575	1,731		15	QCR Holdings Inc.	1,565	1,740
	15	Monarch Casino & Resort Inc.	1,565	1,702		42	Quanex Building Products Corp.	1,612	1,464
	16	Mueller Industries Inc.	1,564	1,826		7	Quest Diagnostics Inc.	1,485	1,519
	57	Mueller Water Products Inc.	1,610	1,845		59	QuinStreet Inc.	1,612	1,958
	33	Murphy Oil Corp.	1,607	1,436		33	Radian Group Inc.	1,585	1,505
	43	Myriad Genetics Inc.	1,640	848		1	Regeneron Pharmaceuticals Inc.	1,580	1,024
	19	National Fuel Gas Co.	1,561	1,658		51	Regions Financial Corp.	1,609	1,725
	13	National Health Investors Inc.	1,488	1,296		61	Resideo Technologies Inc.	1,606	2,022
	10	NetApp Inc.	1,638	1,669		40	RingCentral Inc.	1,661	2,014
	58	NetScout Systems Inc.	1,652	1,807		196	RPC Inc.	1,730	1,674
	9	Neurocrine Biosciences Inc.	1,491	1,767		9	RTX Corp.	1,444	1,498
	21	New York Times Co.	1,570	1,572		23	Rush Enterprises Inc.	1,632	1,812
	76	Newmark Group Inc.	1,568	1,400		8	Ryder System Inc.	1,595	1,805
	28	NMI Holdings Inc.	1,580	1,480		27	S&T Bancorp Inc.	1,608	1,484
	33	Northern Oil & Gas Inc.	1,660	1,764		61	Sabra Health Care REIT Inc.	1,523	1,519
	86	Northwest Bancshares Inc.	1,602	1,631		17	Sanmina Corp.	1,598	1,850
	29	Northwest Natural Holding Co.	1,579	1,650		25	ScanSource Inc.	1,648	1,706
	49	Oceaneering International Inc.	1,695	1,838		107	Select Water Solutions Inc.	1,635	2,037
	26	OFG Bancorp	1,601	1,582		17	Skechers USA Inc.	1,597	1,644
	33	Old Republic International Corp.	1,587	1,718		15	SkyWest Inc.	1,653	2,160
	11	Omnicom Group Inc.	1,556	1,361		29	SM Energy Co.	1,638	1,617
	55	Organon & Co.	1,479	1,180		4	Snap-on Inc.	1,544	1,953
	12	Oshkosh Corp.	1,672	1,641		91	SolarWinds Corp.	1,587	1,865
	15	Otter Tail Corp.	1,621	1,593		21	Sonoco Products Co.	1,572	1,475
	13	Oxford Industries Inc.	1,546	1,473		17	Spire Inc.	1,530	1,658
	12	PACCAR Inc.	1,601	1,795		11	Sprouts Farmers Market Inc.	1,567	2,010
	5	Packaging Corp. of America	1,451	1,619		15	SS&C Technologies Holdings Inc.	1,548	1,635
	12	Palomar Holdings Inc.	1,567	1,822		84	Steelcase Inc.	1,493	1,428
	16	PayPal Holdings Inc.	1,664	1,964		22	StepStone Group Inc.	1,681	1,831
	16	PC Connection Inc.	1,629	1,594		14	StoneX Group Inc.	1,584	1,973
	106	Peabody Energy Corp.	3,261	3,192		14	Stride Inc.	1,578	2,093
	17	Pegasystems Inc.	1,546	2,279		36	Supernus Pharmaceuticals Inc.	1,559	1,872
	52	Perdoceo Education Corp.	1,557	1,980		15	Sylvamo Corp.	1,655	1,705
	9	Philip Morris International Inc.	1,465	1,558		14	State Street Corp.	1,685	1,976
	49	Photonics Inc.	1,601	1,660		8	Target Corp.	1,698	1,555
	116	Piedmont Office Realty Trust Inc.	1,582	1,527		17	Taylor Morrison Home Corp.	1,639	1,497
	27	Pilgrim's Pride Corp.	1,551	1,763		10	TD SYNEX Corp.	1,598	1,687
	169	Pitney Bowes Inc.	1,644	1,760		7	Tenet Healthcare Corp.	1,557	1,271
	9	Plexus Corp.	1,586	2,025		12	Tennant Co.	1,520	1,407
	24	Portland General Electric Co.	1,558	1,506		7	Texas Roadhouse Inc.	1,600	1,816
	7	Powell Industries Inc.	1,764	2,231		13	Textron Inc.	1,562	1,430
	57	Premier Inc.	1,596	1,738		8	Toll Brothers Inc.	1,653	1,449
	15	Prestige Consumer Healthcare Inc.	1,495	1,685		26	Tri Pointe Homes Inc.	1,605	1,356
	13	PriceSmart Inc.	1,593	1,723		48	Tutor Perini Corp.	1,665	1,671
	21	Primoris Services Corp.	1,683	2,307		19	Twilio Inc.	1,608	2,953
	60	Privia Health Group Inc.	1,584	1,687		18	Tyson Foods Inc.	1,505	1,487
	20	Progress Software Corp.	1,569	1,874		10	UFP Industries Inc.	1,781	1,620
	48	Progyny Inc.	1,132	1,191		4	UFP Technologies Inc.	1,882	1,407
	25	Protagonist Therapeutics Inc.	1,573	1,388		48	UGI Corp.	1,592	1,949
						56	UMH Properties Inc.	1,498	1,521

## PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2024

Equities					Debt				
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 (\$)
	31	United Bankshares Inc.	1,603	1,674		103	SFL Corp. Ltd.	1,568	1,514
	214	Uniti Group Inc.	1,543	1,693		81	SiriusPoint Ltd.	1,570	1,909
	5	Universal Health Services Inc.	1,600	1,290		321	Super Group SGHC Ltd.	1,574	2,876
	32	Urban Outfitters Inc.	1,628	2,526		47	TechnipFMC plc	1,660	1,956
	3	United Therapeutics Corp.	1,411	1,522		17	Tecnoglass Inc.	1,591	1,939
	37	Veracyte Inc.	1,756	2,107		20	Teekay Tankers Ltd.	1,532	1,145
	25	Vericel Corp.	1,670	1,974				50,278	51,199
	45	Verint Systems Inc.	1,602	1,777			<b>Total Global Equities - Long</b>	<b>545,224</b>	<b>576,371</b>
	96	Viatis Inc.	1,562	1,719					
	34	VICI Properties Inc.	1,514	1,428					
	51	Victoria's Secret & Co.	1,791	3,038			<b>Global Debt (22.2%)</b>		
	22	Victory Capital Holdings Inc.	1,639	2,071			<b>United States Bonds (22.2%)</b>		
	36	Virtu Financial Inc.	1,565	1,847	USD	1,000,000	United States Treasury Inflation Indexed Bond 1.315%, 2028-04-15	1,378,372	1,474,958
	32	WaFd Inc.	1,588	1,484					
	21	Warrior Met Coal Inc.	1,538	1,638	USD	1,000,000	United States Treasury Inflation Indexed Bond 1.625%, 2029-10-15	1,394,963	1,418,980
	8	Westlake Corp.	1,587	1,319					
	120	WisdomTree Inc.	1,639	1,812	USD	1,000,000	United States Treasury Inflation Indexed Bond 2.125%, 2029-04-15	1,421,713	1,469,896
	4	Workday Inc.	1,366	1,484				4,195,048	4,363,834
	40	World Kinect Corp.	1,671	1,583			<b>Total Global Debt - Long</b>	<b>4,195,048</b>	<b>4,363,834</b>
	25	Worthington Enterprises Inc.	1,561	1,442					
	18	Xcel Energy Inc.	1,565	1,748					
	33	Yelp Inc.	1,533	1,837					
	17	Zoom Communications Inc.	1,551	1,995					
			494,946	525,172			<b>Options (0.0%)</b>		
							<b>Total Purchased Options - Refer to Appendix A</b>	<b>22,100</b>	<b>3,595</b>
							<b>Transaction Costs</b>	<b>(69)</b>	<b>-</b>
							<b>Total Long Positions</b>	<b>18,889,848</b>	<b>19,071,345</b>
							<b>SHORT POSITIONS (-25.3%)</b>		
							<b>Global Equities (-2.4%)</b>		
							<b>International Index Equivalents (-2.4%)</b>		
						(1,467)	iShares Russell 2000 ETF	(442,793)	(466,193)
							<b>Total Global Equities - Short</b>	<b>(442,793)</b>	<b>(466,193)</b>
							<b>Global Debt (-22.9%)</b>		
							<b>United States Bonds (-22.9%)</b>		
					USD	(1,050,000)	United States Treasury Note/Bond 3.500%, 2028-04-30	(1,401,090)	(1,472,379)
					USD	(1,046,000)	United States Treasury Note/Bond 4.625%, 2029-04-30	(1,489,781)	(1,519,164)
					USD	(1,055,000)	United States Treasury Note/Bond 4.125%, 2029-10-31	(1,478,767)	(1,500,191)
								(4,369,638)	(4,491,734)
							<b>Total Global Debt - Short</b>	<b>(4,369,638)</b>	<b>(4,491,734)</b>
							<b>Options (0.0%)</b>		
							<b>Total Written Options - Refer to Appendix A</b>	<b>(8,538)</b>	<b>(1,438)</b>
							<b>Transaction Costs</b>	<b>(22)</b>	<b>-</b>
							<b>Total Short Positions</b>	<b>(4,820,991)</b>	<b>(4,959,365)</b>

# PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2024

CCY*	No. of shares/ units/ Face value	Security Description	Average cost (\$)	Fair value (\$)
<b>Futures Contracts (0.1%)</b>				
		Total Futures Contracts - Refer to Appendix B		21,431
<b>Foreign Currency Forward Contracts (-0.1%)</b>				
		Total Currency Hedge - Refer to Appendix C		(28,301)
		<b>TOTAL INVESTMENT PORTFOLIO (71.8%)</b>	<b>14,068,857</b>	<b>14,105,110</b>
		Other Assets Net of Liabilities (28.2%)		5,527,733
		<b>TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)</b>		<b>19,632,843</b>

\*CCY denotes local currency of debt security

## APPENDIX A

### OPTIONS (0.0%)

Issuer	Option Type	Number of Options	Strike \$	Expiry	Average Cost \$	Fair Value \$
Silver Futures	Call Option	4	\$37	February, 2025	14,460	2,387
					14,460	2,387
Crude Oil Futures	Put Option	4	\$67	January, 2025	7,640	1,208
					7,640	1,208
Total Purchased Options					22,100	3,595
Silver Futures	Written Call Option	(4)	\$41	February, 2025	(6,732)	(1,093)
					(6,732)	(1,093)
Crude Oil Futures	Written Put Option	(4)	\$61	January, 2025	(1,806)	(345)
					(1,806)	(345)
Total Written Options					(8,538)	(1,438)

# PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## APPENDIX B

### FUTURES CONTRACTS (0.1%)

Issuer	Number of Contracts	Fair Value \$	Contracted Value \$	Unrealized Gain/Loss \$
Cocoa Futures, July 2025	3	449,624	333,899	115,725
Coffee C Futures, March 2025	3	517,348	455,218	62,130
JPY Currency Futures, March 2025	(6)	(691,415)	(719,136)	27,721
Corn Futures, March 2025	16	527,532	502,831	24,701
Long Gilt Future, March 2025	(4)	(665,796)	(687,194)	21,398
Live Cattle Futures, June 2025	5	545,437	527,531	17,906
Euro Currency Futures, March 2025	(4)	(747,037)	(760,369)	13,332
GBP Currency Futures, March 2025	(6)	(674,318)	(686,291)	11,973
ECX Emissions Futures, December 2025	2	217,431	206,321	11,110
US 10 Year T-Note Futures, March 2025	(4)	(625,617)	(636,224)	10,607
US 5 Year T-Note Futures, March 2025	(5)	(764,437)	(770,673)	6,236
Gasoline Futures, February 2025	1	122,567	117,439	5,128
Natural Gas Futures, March 2025	1	44,153	39,673	4,480
Lean Hog Futures, June 2025	8	456,427	452,040	4,387
IPE Gas Oil Futures, March 2025	2	197,896	194,013	3,883
Light Crude Futures, February 2025	2	204,944	201,631	3,313
Natural Gas Futures, January 2025	1	52,250	48,957	3,293
NY Harbor ULSD Futures, February 2025	1	138,592	136,325	2,267
				349,590
Brent Crude Futures, January 2025	2	214,695	214,876	(181)
MTL Canadian 10-Year Futures, March 2025	(3)	(367,830)	(366,510)	(1,320)
Aluminium Futures, March 2025	2	183,728	186,150	(2,422)
UKA Emissions Futures, December 2025	1	64,807	67,491	(2,684)
Platinum Futures, April 2025	1	65,474	68,782	(3,308)
Palladium Futures, March 2025	1	130,847	134,327	(3,480)
Canola Futures, March 2025	15	184,770	188,790	(4,020)
Nikel Futures, March 2025	2	264,111	273,243	(9,132)
Cotton No.2 Futures, March 2025	3	147,559	157,396	(9,837)
Lead Futures, March 2025	3	210,136	223,363	(13,227)
KCBT Wheat Futures, July 2025	6	248,521	263,779	(15,258)
HG Copper Future, March 2025	1	144,773	160,144	(15,371)
Soybean oil Futures, March 2025	5	174,137	192,578	(18,441)
Soybean Futures, March 2025	7	508,655	528,286	(19,631)
Sugar #11 Futures, June 2025	6	169,132	190,298	(21,166)
Wheat Futures, March 2025	6	237,950	264,952	(27,002)
Zinc Futures, March 2025	7	750,107	785,598	(35,491)
Gold 100-oz Futures, June 2025	13	5,033,312	5,159,500	(126,188)
				(328,159)
Unrealized gain (loss) on Futures Contracts				21,431

## APPENDIX C

### FOREIGN EXCHANGE FORWARD CONTRACTS (-0.1%)

Purchased Currency	Sold Currency	Forward Rate	Maturity Date	Fair Value (\$)	Counterparty	Credit Rating
USD \$241,000	CAD \$336,330	0.71656	2025-02-13	9,668	Canadian Imperial Bank of Commerce	A-1
Unrealized gain on foreign exchange forward contracts at fair value				9,668		
CAD \$28,740	GBP \$16,000	1.79623	2025-02-06	(30)	Canadian Imperial Bank of Commerce	A-1
CAD \$1,160,834	USD \$835,000	1.39022	2025-02-13	(37,939)	Canadian Imperial Bank of Commerce	A-1
Unrealized loss on foreign exchange forward contracts at fair value				(37,969)		
Net unrealized gain (loss) on foreign exchange forward contracts at fair value				(28,301)		

# PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## FUND SPECIFIC NOTES

As at December 31, 2024 and December 31, 2023

### 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 December 31, 2024 and 2023.

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2024				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities - Long	576,371	-	-	576,371
Short-term notes - Long	-	14,127,545	-	14,127,545
Bonds - Long	-	4,363,834	-	4,363,834
Options - Long	3,595	-	-	3,595
Forward contracts - Long	-	9,668	-	9,668
Futures - Long	349,590	-	-	349,590
Exchange Traded Funds - Short	(466,193)	-	-	(466,193)
Bonds - Short	-	(4,491,734)	-	(4,491,734)
Options - Short	(1,438)	-	-	(1,438)
Forward contracts - Short	-	(37,969)	-	(37,969)
Futures - Short	(328,159)	-	-	(328,159)
<b>Total</b>	<b>133,766</b>	<b>13,971,344</b>	<b>-</b>	<b>14,105,110</b>

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2023				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Short-term notes - Long	-	14,067,885	-	14,067,885
Bonds - Long	-	658,905	-	658,905
Options - Long	2,690	-	-	2,690
Forward contracts - Long	-	19,927	-	19,927
Futures - Long	196,443	-	-	196,443
Bonds - Short	-	(681,354)	-	(681,354)
Options - Short	(488)	-	-	(488)
Forward contracts - Short	-	(8,365)	-	(8,365)
Futures - Short	(276,201)	-	-	(276,201)
<b>Total</b>	<b>(77,556)</b>	<b>14,056,998</b>	<b>-</b>	<b>13,979,442</b>

### 2. 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			
	Gross Assets / (Liabilities) \$	Financial Instruments \$	Collateral received/paid \$	Net \$
<b>December 31, 2024</b>				
Derivative assets - Foreign exchange forward contracts	9,668	(9,668)	-	-
Derivative liabilities - Foreign exchange forward contracts	(37,969)	9,668	-	(28,301)
<b>December 31, 2023</b>				
Derivative assets - Foreign exchange forward contracts	19,927	(8,365)	-	11,562
Derivative liabilities - Foreign exchange forward contracts	(8,365)	8,365	-	-



# PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 3. OTHER PRICE RISK

Using Beta as a measure of the relationship of the Fund's performance versus its index, if the S&P GSCI Canadian Dollar Hedged Index (TR) were to increase or decrease by 10%, net assets would have increased or decreased by approximately \$517,096 (December 31, 2023 - \$403,092). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

### 4. 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 December 31, 2024 and 2023 were as follows:

FINANCIAL INSTRUMENTS					
December 31, 2024 Currency	Monetary \$	Non-Monetary \$	Forward Currency Contracts \$	Total \$	Percentage of Net Assets %
United States Dollar	958,889	110,178	(854,291)	214,776	1.1%
European Euro	23,641	-	-	23,641	0.1%
British Pound	32,610	-	(28,819)	3,791	0.0%
<b>Net Exposure</b>	<b>1,015,140</b>	<b>110,178</b>	<b>(883,110)</b>	<b>242,208</b>	<b>1.2%</b>

FINANCIAL INSTRUMENTS					
December 31, 2023 Currency	Monetary \$	Non-Monetary \$	Forward Currency Contracts \$	Total \$	Percentage of Net Assets %
United States Dollar	237,443	-	(200,427)	37,016	0.2%
European Euro	17,926	-	-	17,926	0.1%
British Pound	5,621	-	(26,895)	(21,274)	-0.1%
<b>Net Exposure</b>	<b>260,990</b>	<b>-</b>	<b>(227,322)</b>	<b>33,668</b>	<b>0.2%</b>

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 \$12,110 (December 31, 2023 - \$1,683). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

### 5. 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 \$62,551 (December 31, 2023 - \$13,112). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2024 and 2023, the Fund's exposure to debt instruments by maturity were as follows:

Debt Instruments by Maturity Date		December 31, 2024 (\$)		
	Long Positions	Short Positions	Total	
Less than 1 year	14,127,545	-	14,127,545	
3-5 years	4,363,834	(4,491,734)	(127,900)	
<b>Total</b>	<b>18,491,379</b>	<b>(4,491,734)</b>	<b>13,999,645</b>	

Debt Instruments by Maturity Date		December 31, 2023 (\$)		
	Long Positions	Short Positions	Total	
Less than 1 year	14,067,885	-	14,067,885	
3-5 years	658,905	(681,354)	(22,449)	
<b>Total</b>	<b>14,726,790</b>	<b>(681,354)</b>	<b>14,045,436</b>	

# PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 6. 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+.

December 31, 2024				December 31, 2023			
Bond Ratings	Net	Long	Short	Bond Ratings	Net	Long	Short
AAA	71.2%	94.1%	-22.9%	AAA	84.6%	88.7%	-4.1%

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.

### 7. 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 December 31, 2024 and 2023.

Jurisdiction	% of Net Assets	
	December 31, 2024	December 31, 2023
<b>LONG POSITIONS</b>	<b>98.9%</b>	<b>90.0%</b>
<b>Global Equities</b>	<b>3.0%</b>	<b>0.0%</b>
United States	2.7%	0.0%
International	0.3%	0.0%
<b>Canadian Debt</b>	<b>71.9%</b>	<b>84.7%</b>
Short term debt	71.9%	84.7%
<b>Global Debt</b>	<b>22.2%</b>	<b>4.0%</b>
United States Bonds	22.2%	4.0%
<b>Derivatives</b>	<b>1.8%</b>	<b>1.3%</b>
<b>SHORT POSITIONS</b>	<b>-27.1%</b>	<b>-5.8%</b>
<b>Global Equities</b>	<b>-2.4%</b>	<b>0.0%</b>
International Index Equivalents	-2.4%	0.0%
<b>Global Debt</b>	<b>-22.9%</b>	<b>-4.1%</b>
United States Bonds	-22.9%	-4.1%
<b>Derivatives</b>	<b>-1.8%</b>	<b>-1.7%</b>

# PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## FUND SPECIFIC NOTES (CONTINUED)

### 8. 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.

December 31, 2024 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	4,957,927	-	-	4,957,927
Accrued liabilities and other payables	-	114,111	-	114,111
Derivative liabilities	367,566	-	-	367,566

December 31, 2023 Financial Liabilities	On Demand \$	< 3 months \$	> 3 months \$	Total \$
Short positions	681,354	-	-	681,354
Accrued liabilities and other payables	-	11,886	-	11,886
Derivative liabilities	285,054	-	-	285,054

### 9. FUND UNIT TRANSACTIONS

For the year ended December 31, 2024 and period from April 26, 2023 (commencement of operations) to December 31, 2023

	2024				2023			
	Class A	Class F	Class I	Class O	Class A	Class F	Class I	Class O
Units issued and outstanding, beginning of year	3,829	5,982	1,658,684	3,826	-	-	-	-
Units issued	1,834	62,490	117,949	152,089	3,751	5,871	1,625,319	7,500
Units reinvested	502	5,453	154,949	12,600	78	121	33,365	76
Units redeemed	-	(9,646)	(200,626)	(6,519)	-	(10)	-	(3,750)
<b>Units issued and outstanding, end of year</b>	<b>6,165</b>	<b>64,279</b>	<b>1,730,956</b>	<b>161,996</b>	<b>3,829</b>	<b>5,982</b>	<b>1,658,684</b>	<b>3,826</b>
<b>Weighted average number of units held during the year</b>	<b>5,171</b>	<b>39,999</b>	<b>1,559,096</b>	<b>55,919</b>	<b>3,751</b>	<b>4,412</b>	<b>1,480,329</b>	<b>3,750</b>

### 10. COMMISSIONS

For the year ended December 31, 2024 and period from April 26, 2023 (commencement of operations) to December 31, 2023 (in \$000)

	2024	2023
Brokerage commissions	32	17
Soft Dollar commissions	-	-

### 11. TAX LOSS CARRY FORWARDS

As at December 31 (in \$000)

	2024	2023
Net capital losses carry forward	13	13
Non-capital losses carry forward	-	-

### 12. LEVERAGE

During the year ended December 31, 2024, the Fund's aggregate exposure reached a low of 77.89% (year ended December 31, 2023 - 2.79%) and a high of 134.50% (year ended December 31, 2023 - 118.37%) of the Fund's NAV. As at December 31, 2024, the Fund's aggregate exposure was 109.98% (December 31, 2023 - 76.44%) of the Fund's NAV. The primary source of leverage was short positions in equity and fixed income securities.

# PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

### 1. GENERAL INFORMATION

Picton Mahoney Fortified Inflation Opportunities Alternative Fund (the "Fund") is an open-ended mutual fund trust established under the laws of the Province of Ontario pursuant to a trust agreement dated September 19, 2018, as amended and restated as of June 26, 2019, July 7, 2020, August 17, 2020, July 8, 2021, April 20, 2022, October 28, 2022 and further amended and restated April 26, 2023 (the "Trust Declaration"). The Fund commenced operations on April 26, 2023. 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 320, Toronto, Ontario, M5E 1G4. The financial statements are presented in Canadian dollars (CAD). These financial statements were authorized for issue by the Manager on March 24, 2025.

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 O units.

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. Class O units are available to only investors who have a discretionary managed account with the Manager and make the required minimum initial investment and minimum subsequent investment as determined by the Manager from time to time.

As at December 31, 2024, the Fund currently has 4 Classes of Units: Class A, Class F, Class I, and Class O. As at December 31, 2024, the Manager holds 4,206 units of Class A, 4204 units of Class F, 4,203 units of Class I, and 3,497 units of Class O of the Fund (December 31, 2023 - 3,829 units of Class A, 3,827 units of Class F, 3,827 units of Class I, and 3,826 units of Class O).

The investment objective of the Picton Mahoney Fortified Inflation Opportunities Alternative Fund is to provide exposure to an actively managed, diversified portfolio of inflation related assets that seeks to generate positive returns during periods of rising inflation. The Fund invests globally in asset classes (predominately in commodities and fixed income) that collectively seek to benefit from rising inflation, and applies risk management tools to actively adjust exposures in the Fund. The Fund also invests in long and short positions in equity securities, fixed income securities (including high yield securities, distressed debt, floating rate loans, senior loans and unsecured loans), derivatives such as options, futures, forward contracts, swaps, commodity derivatives, volatility-linked derivatives, currencies, securities of investment funds, cash and cash equivalents. The Fund may engage in borrowing for investment purposes.

The Fund is considered an "alternative fund" meaning it has received exemptions from National Instrument 81-102 - Investment Funds ("NI 81-102") to permit it to use strategies generally prohibited by conventional mutual funds, such as the ability to borrow, up to 50% of the Fund's net asset value, cash to use for investment purposes; sell, up to 50% of the Fund's net asset value, securities short (the combined level of cash borrowing and short selling is limited to 50% in aggregate); and leverage up to 300% of the Fund's net asset value.

### 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The following is a summary of the material accounting policies and estimation techniques adopted by the Funds and applied in the preparation of these financial statements.

#### (a) Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The 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

# PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

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, and warrants 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 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. Interest and borrowing expense and dividend expense on short sales are included within net gains (losses) on investments and derivatives.

Distributions received from investment trusts and underlying funds are recorded as dividend income, interest for distribution purposes, net realized gains (loss) on non-derivative investment or a return of capital, based on the best information available to the Manager. Due to the nature of those investments, actual allocations could vary from this information. Distributions from income trusts and underlying funds that are treated as a return of capital for income tax purposes reduce the average cost of the income trusts and underlying funds.

### (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.

# PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

The Fund's units are divided into the Class A, Class F, Class I, and Class O 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.

Each class pays its proportionate share of fund costs in addition to its management fee and performance fee. The difference in fund costs, management fees and performance 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.

### (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) 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.

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.

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.

### (m) 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.

Picton Mahoney has determined that all of the underlying funds in which the Fund invests are unconsolidated structured entities. In making this determination, Picton Mahoney evaluated the fact that decision making about the underlying funds' activities is not governed by voting or similar rights held by the Fund and other investors in any underlying funds.



# PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

The Fund may invest in underlying funds whose investment objectives range from achieving short- to long-term income and capital growth potential. Underlying funds may use leverage in a manner consistent with their respective investment objectives. Underlying funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportionate stake in the respective fund's net assets. The Fund's interests in underlying funds as at December 31, 2024 and December 31, 2023, held in the form of redeemable units, are included at their fair value in the Statement of Financial Position, which represent the Fund's maximum exposure in these underlying funds. The Fund does not provide and has not committed to provide any additional significant financial or other support to the underlying funds. The change in fair value of each of the underlying funds during the periods is included in 'Change in unrealized appreciation (depreciation) of investments, options, and foreign exchange forward contracts' in the Statement of Comprehensive Income.

### (n) 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.

### (o) Future accounting changes

In April 2024, the International Accounting Standards Board issued IFRS 18, "Presentation and Disclosure in the Financial Statements" which aims to improve the quality of financial reporting by introducing new requirements which include new required categories and subtotals in the Statement of comprehensive income and enhanced guidance on grouping of information. IFRS 18 replaces IAS 1, "Presentation of Financial Statements". This standard is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted. The Manager is currently assessing the impact of these new requirements.

## 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 may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using 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 may consider 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 December 31, 2024 and December 31, 2023, 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.

### 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

# PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

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.

### **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 December 31, 2024 and December 31, 2023, all receivables for investments sold, dividends receivable, due from manager, due from manager, 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.

### **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. 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.

### **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.

### **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.

### **Geopolitical Risk:**

Unforeseeable events such as military action, terrorism, tariffs, trade, restrictions, natural disasters and pandemics may adversely impact global commercial activity and contribute to potential market volatility and liquidity concerns in various economic markets. These events may create significant disruption in supply chains, economic activity, global trading markets and issuers in which the Fund invests, thereby impacting the performance of the Fund.

## **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



# PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024 and December 31, 2023

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.

### 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, Class I and Class O units will be automatically reinvested in additional units.

### 8. TAXATION

The Fund is currently a Unit 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, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. The Fund intends to deduct, 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 as described under "Distributions", it will generally not be liable in such year for any tax on its net income or profit under Part I of the 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.

### 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.

#### *Auditor's Fees*

For the year ended December 31, 2024, fees paid or payable to PricewaterhouseCoopers LLP ("PwC") and other PwC Network firms for audit services to public interest entity funds managed by the Manager were \$355,133. Fees for other services were \$319,757.

### 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 1.95% and on Class F units is 0.95%. The management fee for Class I units and Class O 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.

#### Management Fee Distributions

The Manager may, in its discretion, agree to charge a reduced management fee as compared to the fee that the Manager otherwise would be entitled to receive from the Fund with respect to investments in the Fund by unitholders who hold a minimum amount of units during any period and/or meet other criteria as determined by the Manager from time to time. In such cases, an amount equal to the difference between the management fee otherwise chargeable and the reduced fee payable by the Fund will be distributed regularly by the Fund to those unitholders as "Management Fee Distributions". The Manager reserves the right, in its discretion, to discontinue or change Management Fee Distributions at any time.

#### (b) Performance Fees

The Manager receives a performance fee in respect of each of the Class A units, Class F units, and Class O units of the Fund. The performance fee for each class shall be calculated and become a liability of the Fund on each Valuation Day and shall be payable at the end of each calendar quarter.

The performance fee for the Fund is equal to 20% of the amount by which the performance of the applicable class exceeds the performance of the Consumer Price Index, for each of the Class A units, Class F units, or Class O units, plus applicable taxes. The performance fee in respect of each of the Class A units, Class F units, and Class O units of the Fund shall be equal to the daily net asset value of the class of units of the Fund during the calendar quarter multiplied by 20% of the amount by which the total return of the class of units exceeds the total percentage increase or decrease in the Consumer Price Index since the end of the period for which the last performance fee was paid for the Class A units, Class F units, or Class O units, as the case may be, plus applicable taxes. If at any time the total return of the class of units of the Fund is less than its Consumer Price Index, then no performance fee will be payable until the total return of the class of units of the Fund relative to the Consumer Price Index has exceeded the amount of the deficiency calculated on a percentage basis. Investors in Class I units may negotiate a different performance fee than the one described herein or no performance fee at all. Any performance fee for Class I units will be paid directly to the Manager. The Manager reserves the right, in its discretion, to discontinue, decrease or waive the performance fee at any time. For the year ended December 31, 2024, the Fund incurred performance fees of \$9,406 (December 31, 2023 - \$59). The Manager has waived the performance fees for the Fund until April 30, 2024. The Manager reserves the option of extending or discontinuing this waiver after this date.

#### (c) Fund-on-Fund Fees and Expenses

When the Fund invests in an underlying fund, the underlying fund may pay a management and performance fee and other expenses in addition to the fees and expenses payable by the Fund. The fees and expenses of

# PICTON MAHONEY FORTIFIED INFLATION OPPORTUNITIES ALTERNATIVE FUND

## NOTES TO THE FINANCIAL STATEMENTS

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As at December 31, 2024 and December 31, 2023

the underlying fund will have an impact on the management expense ratio of the Fund. However, the Fund will not pay a management or performance fee that, to a reasonable person, would duplicate a fee payable by the underlying fund(s) for the same service. In addition, the 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, 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.

### **11. SUBSEQUENT EVENT**

Subsequent to year end, changes in U.S. policy and administration led to announced changes in trade arrangements amount the U.S., Canada, and Mexico. The potential for changes in existing trade agreements, the imposition of new tariffs, and retaliatory tariffs, or greater restrictions on trade in general, may lead to greater economic and market uncertainty. Should material market changes materialize, these may have an impact on the fund performance and underlying investments.



**THINK AHEAD.  
STAY AHEAD.**

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## **PICTON MAHONEY ASSET MANAGEMENT CORPORATE INFORMATION**

### **Corporate Address**

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### **Fund Administration & Transfer Agent**

#### **Picton Mahoney Funds**

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Canada M5V 3L3

### **Auditor**

#### **PricewaterhouseCoopers LLP**

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