

PICTON MAHONEY ASSET MANAGEMENT
AUDITED ANNUAL FINANCIAL STATEMENTS

PICTON MAHONEY MARKET NEUTRAL EQUITY FUND

PICTON MAHONEY LONG SHORT EQUITY FUND

PICTON MAHONEY GLOBAL MARKET NEUTRAL EQUITY FUND

PICTON MAHONEY GLOBAL LONG SHORT EQUITY FUND

PICTON MAHONEY DIVERSIFIED STRATEGIES FUND

PICTON MAHONEY INCOME OPPORTUNITIES FUND

PICTON MAHONEY LONG SHORT GLOBAL RESOURCE FUND

PICTON MAHONEY LONG SHORT EMERGING MARKETS FUND

PICTON MAHONEY PREMIUM FUND

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of

Picton Mahoney Market Neutral Equity Fund

Picton Mahoney Long Short Equity Fund

Picton Mahoney Global Market Neutral Equity Fund

Picton Mahoney Global Long Short Equity Fund

Picton Mahoney Diversified Strategies Fund

Picton Mahoney Income Opportunities Fund

Picton Mahoney Long Short Global Resource Fund

Picton Mahoney Long Short Emerging Markets Fund

Picton Mahoney Premium Fund

(collectively the Funds)

We have audited the accompanying financial statements of each of the Funds, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013 and the statements of comprehensive income/(loss), changes in net assets attributable to holders of redeemable units and cash flows for years ended December 31, 2014 and December 31, 2013, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of each of the Funds in accordance with International Financial Reporting 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements of each of the Funds based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements of each of the Funds present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2014, December 31, 2013 and January 1, 2013 and the financial performance and cash flows of each of the Funds for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 30, 2015

A MESSAGE FROM THE PRESIDENT

Dear Fellow Investor,

In the mid-to-late 90s, economies around the world started moving in unison. This global synchronization was driven primarily by the globalization of supply chains, accumulation of leverage and an investment boom in emerging economies. 2014 was the year we saw this global correlation trend reverse somewhat, with the US starting to experience improved growth prospects at the same time that China's growth slowed and Europe appeared on the precipice of falling back into recession. This year we also saw monetary policies beginning to diverge around the world, with the US Fed ending its QE program, Japan doing even more QE, China beginning to ease policies, and the ECB looking to start its own QE program. As we closed out the year, there were many signs that this global de-synchronization would be a continuing trend for 2015.

On the surface, it appears that equity markets around the world had a strong year: the S&P/TSX Composite Total Return Index was up 10.5%, the MSCI World TRI (CAD) was up 15.5%, and the S&P 500 Total Return Index (CAD) was also up 24.2%. But these performance figures mask a lot of underlying damage that occurred in the final few months of 2014. At one point during the third quarter, the TSX was up 17.5% year-to-date—the best performing major market in the world at that time. However, in the fourth quarter, Canada's benchmark threatened to turn negative on the year—twice—only to be driven higher in the final two weeks of December.

The significant volatility that returned to the markets in the fall was a wake-up call for many investors who had been lulled into a false sense of security by its seeming absence (it had been over four years since we'd seen a correction greater than 10% in equity markets). There were multiple triggers for volatility's reappearance: deflationary figures out of Europe; the ending of QE in the US; economic instability in Japan; and, most significantly, the breath-taking collapse in oil prices triggered by OPEC's decision to not cut supply. Oil's impact was so great we began to see "contagion" in income asset classes, particularly high yield bonds (where energy comprises

20% of the market). In the last quarter of the year, high yield experienced its largest intra-quarter swings since 2011, against a backdrop of credit spreads that had been stealthily widening since the summer.

The best defence against volatility's return in all asset classes is, we've always said, proper portfolio construction that includes authentic hedge. The volatility we experienced in the fall through the end of the year was a great test of our authentic hedge approach. We are pleased to report that our strategies did what we said they would do: generate returns during market volatility and offer downside protection.

We continue to grow at Picton Mahoney Asset Management. This year we celebrated our tenth anniversary, surpassed \$9 billion in assets under management, and continued reinvesting in our business by adding significant talent across our investment, quantitative analysis and support teams. This was also the year that founding partner Michael Mahoney took on the role of Chief Risk Officer—yet another way we are strengthening our risk management efforts. What remains constant is our unwavering commitment to generating solid risk-adjusted investment returns for our investors while decreasing their exposure to wild market swings. We are humbled by the trust you have placed in us with your wealth and are here to help you protect and grow it.

Thank you for your ongoing support and partnership.

Sincerely,



David Picton
President
Picton Mahoney Asset Management

NOTICE TO UNITHOLDERS

To the Unitholders of Picton Mahoney Funds:

Picton Mahoney Asset Management would like to inform you that, on behalf of each current and future Picton Mahoney fund, we have applied for and received an exemptive relief from the securities regulators to invest a portion of each fund's assets in the securities of other funds managed by Picton Mahoney (the "Fund-on-Fund Structure"). Each fund (the "Top Fund") may invest into another fund (the "Underlying Fund") if an investment made by a Top Fund in an Underlying Fund will be aligned with the investment objectives, investment strategy, risk profile and other principal terms of the Top Fund. We believe that the Fund-on-Fund Structure provides an efficient and cost-effective manner of pursuing portfolio diversification on behalf of the funds rather than through the direct purchase of securities. You may receive, upon request and free of charge, a copy of the offering memorandum and the audited annual financial statements and semi-annual financial statements of any Underlying Fund in which the Top Fund invests.

As a result of this additional investment strategy being available to each Picton Mahoney fund, the Trust Declaration for each fund has been amended effective March 9, 2015, in accordance with the provisions in the Trust Declaration. Should you have any questions, feel free to contact our Client Service team at 416-955-4108.

Sincerely,



Arthur Galloway
Chief Financial Officer
Picton Mahoney Asset Management

PICTON MAHONEY INCOME OPPORTUNITIES FUND

STATEMENTS OF FINANCIAL POSITION

As at

	December 31, 2014 \$	December 31, 2013 \$	January 1, 2013 \$
Assets			
Current assets			
Long positions at fair value*	1,347,559,325	986,916,872	660,985,389
Cash	125,530,541	27,306,914	11,452,429
Subscriptions receivable	874,473	1,980,141	567,000
Receivable for investments sold	35,854,898	11,772,898	4,323,253
Interest and other receivable	18,232,999	12,617,067	9,303,654
Dividends receivable	252,230	140,204	99,659
	<u>1,528,304,466</u>	<u>1,040,734,096</u>	<u>686,731,384</u>
Liabilities			
Current liabilities			
Short positions at fair value**	447,583,367	371,915,925	284,724,870
Unrealized loss on forward currency contracts at fair value	14,996,856	9,220,155	372,287
Credit default swap agreements at fair value	7,650,914	4,623,481	76,228
Cash overdraft	149,521,218	79,512,516	10,797,931
Accrued liabilities	146,391	112,152	65,680
Management fee payable	905,322	572,919	396,198
Performance fee payable	-	412,070	29,997
Redemptions payable	3,077,953	436,754	575,422
Payable for investments purchased	44,507,793	5,989,045	627,353
Interest payable	5,390,451	3,491,658	2,950,293
Dividends payable	106,416	161,366	162,030
Distributions payable	-	101	89
	<u>673,886,681</u>	<u>476,448,142</u>	<u>300,778,378</u>
Net Assets Attributable to Holders of Redeemable Units	<u>854,417,785</u>	<u>564,285,954</u>	<u>385,953,006</u>
Net Assets Attributable to Holders of Redeemable Units per Class			
Class A	284,439,311	217,829,124	166,371,908
Class F	560,060,034	342,139,021	216,497,648
Class I	9,918,440	4,317,809	3,083,450
Number of Units Outstanding			
Class A	29,449,230	21,342,498	16,530,944
Class F	54,942,342	32,086,700	20,792,785
Class I	858,604	365,932	274,056
Net Assets Attributable to Holders of Redeemable Units per Unit			
Class A	9.66	10.21	10.06
Class F	10.19	10.66	10.41
Class I	11.55	11.80	11.25
*Long positions, at cost	1,344,110,439	952,328,780	649,183,051
***Proceeds on investments sold short	<u>(438,844,955)</u>	<u>(368,770,171)</u>	<u>(280,306,738)</u>

Approved on behalf of the Manager

David Picton

Arthur Galloway



President



CFO

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

STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)

For the years ended December 31

	2014 \$	2013 \$
Income		
Net gains on investments and derivatives		
Interest for distribution purposes	89,506,371	64,846,339
Dividends	2,908,919	1,180,058
Net realized gain (loss) on investments and options	22,582,440	13,185,290
Net realized gain (loss) on foreign exchange forward contracts and credit default swaps	(25,834,059)	(5,646,896)
Change in unrealized appreciation (depreciation) on investments, options, foreign exchange forward contracts, and credit default swaps	(38,505,837)	10,663,011
Net gains on investments and derivatives	<u>50,657,834</u>	<u>84,227,802</u>
Other income		
Foreign currency gain (loss) on cash and other assets	(846,882)	(5,768,128)
	<u>49,810,952</u>	<u>78,459,674</u>
Expenses		
Management fee (Note 10)	9,978,160	6,754,282
Performance fee (Note 10)	5,880,437	4,170,169
Administrative fees	29,238	41,237
Audit fees	81,335	33,335
Legal fees	12,767	12,767
Securityholder reporting fees	276,487	234,683
Interest and borrowing expense	31,045,857	21,785,289
Dividend expense	2,769,191	2,244,556
Harmonized sales tax	1,411,238	1,088,111
Withholding taxes	93,804	72,754
Transaction costs	3,868,699	1,648,190
Total Expense before Manager Absorption	55,447,213	38,085,373
Less: Expenses Absorbed by Manager	-	-
Total Expense after Manager Absorption	<u>55,447,213</u>	<u>38,085,373</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>(5,636,261)</u>	<u>40,374,301</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	(1,884,043)	15,292,654
Class F	(3,782,767)	24,652,287
Class I	30,549	429,360
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	(0.07)	0.79
Class F	(0.09)	0.93
Class I	0.06	1.21

PICTON MAHONEY INCOME OPPORTUNITIES FUND

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the years ended December 31

	2014 \$	2013 \$
Net Assets Attributable to Holders of Redeemable Units at Beginning of Year		
Class A	217,829,124	166,371,908
Class F	342,139,021	216,497,648
Class I	4,317,809	3,083,450
	<u>564,285,954</u>	<u>385,953,006</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units		
Class A	(1,884,043)	15,292,654
Class F	(3,782,767)	24,652,287
Class I	30,549	429,360
	<u>(5,636,261)</u>	<u>40,374,301</u>
Redeemable Unit Transactions		
Proceeds from redeemable units issued		
Class A	108,600,794	74,028,678
Class F	276,809,445	149,336,188
Class I	6,258,084	2,146,000
	<u>391,668,323</u>	<u>225,510,866</u>
Reinvestments of distributions to holders of redeemable units		
Class A	11,569,679	8,979,923
Class F	18,150,126	11,646,485
Class I	403,956	252,068
	<u>30,123,761</u>	<u>20,878,476</u>
Redemption of redeemable units		
Class A	(35,549,479)	(33,990,197)
Class F	(44,797,093)	(41,383,736)
Class I	(688,000)	(1,341,000)
	<u>(81,034,572)</u>	<u>(76,714,933)</u>
Net Increase (Decrease) from Redeemable Unit Transactions	<u>340,757,512</u>	<u>169,674,409</u>
Distributions to Holders of Redeemable Units		
Net investment income		
Class A	(16,126,764)	(12,853,842)
Class F	(28,458,698)	(18,609,851)
Class I	(403,958)	(252,069)
	<u>(44,989,420)</u>	<u>(31,715,762)</u>
Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>290,131,831</u>	<u>178,332,948</u>
Net Assets Attributable to Holders of Redeemable Units at End of Year		
Class A	284,439,311	217,829,124
Class F	560,060,034	342,139,021
Class I	9,918,440	4,317,809
	<u>854,417,785</u>	<u>564,285,954</u>

STATEMENTS OF CASH FLOWS

For the years ended December 31

	2014 \$	2013 \$
Cash Flows from Operating Activities		
Increase (decrease) in net assets attributable to holders of redeemable units	(5,636,261)	40,374,301
Adjustments for:		
Net realized (gain) loss on investments and options	(22,582,440)	(13,185,290)
Net realized (gain) loss on foreign exchange forward contracts and credit default swaps	25,834,059	5,646,896
Change in unrealized (appreciation) depreciation on investments, options, foreign exchange forward contracts, and credit default swaps	38,505,837	(10,663,011)
(Increase) decrease in interest and other receivable	(5,615,932)	(3,313,413)
(Increase) decrease in dividends receivable	(112,026)	(40,545)
Increase (decrease) in interest payable	1,898,793	541,365
Increase (decrease) in dividends payable	(54,950)	(664)
Increase (decrease) in other payable and accrued liabilities	(45,428)	605,266
Purchase of long positions	(3,171,151,652)	(2,148,414,542)
Proceeds from sales of long positions	2,699,212,344	1,792,102,131
Proceeds from (to) settlement of foreign exchange forward contracts	(25,834,059)	(5,646,896)
Repurchase of investments sold short	(1,514,674,248)	(1,161,096,952)
Proceeds on investments sold short	1,708,956,030	1,313,824,404
Net Cash Generated (Used) by Operating Activities	<u>(271,299,933)</u>	<u>(189,266,950)</u>
Cash Flows from Financing Activities		
Distributions to holders of redeemable units, net of reinvested distributions	(14,865,760)	(10,837,274)
Proceeds from redeemable units issued	392,773,991	224,097,725
Amount paid on redemption of redeemable units	(78,393,373)	(76,853,601)
Net Cash Generated (Used) by Financing Activities	<u>299,514,858</u>	<u>136,406,850</u>
Net increase (decrease) in cash	28,214,925	(52,860,100)
Cash (overdraft), beginning of year	(52,205,602)	654,498
Cash (overdraft), End of Year	<u>(23,990,677)</u>	<u>(52,205,602)</u>
Items classified as operating activities:		
Interest received, net of withholding tax	83,845,942	61,486,570
Dividends received, net of withholding tax	2,935,194	1,113,115
Interest and borrowing expense paid	(29,147,064)	(21,243,924)
Dividends paid	(2,824,140)	(2,245,220)

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

PICTON MAHONEY INCOME OPPORTUNITIES FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014

CCY*	No. of shares/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/ Face value	Security Description	Average cost (\$)	Fair value (\$)
LONG POSITIONS (157.7%)									
Canadian Equities (6.8%)									
Consumer Discretionary (0.3%)									
	2,200	Canadian Tire Corporation Limited, Class A	172,785	270,028		11,000	Power Financial Corporation	384,504	397,980
	4,700	Cogeco Cable Inc.	224,792	336,708		24,000	Royal Bank of Canada	1,421,156	1,925,760
	17,500	EnerCare Inc.	202,723	253,750		34,000	Toronto-Dominion Bank	1,764,131	1,887,340
	4,600	Magna International Inc.	499,254	579,094		34,000	WPT Industrial Real Estate Investment Trust	348,926	432,073
	15,550	Quebecor Inc., Class B	365,014	496,667				14,159,954	14,921,434
	50,400	Sirius XM Canada Holdings Inc.	389,111	305,424	Industrials (0.3%)				
	10,000	Whistler Blackcomb Holdings Inc.	200,803	205,200		3,700	Canadian National Railway Company	156,703	296,074
			2,054,482	2,446,871		9,800	Cargojet Inc.	194,334	269,500
Consumer Staples (0.1%)						4,900	Finning International Inc.	120,333	123,627
	29,600	Liquor Stores NA Limited	381,908	455,840		9,500	Progressive Waste Solutions Limited	239,070	331,835
	2,100	Loblaw Companies Limited	98,311	130,557		18,200	Superior Plus Corporation	211,187	218,218
			480,219	586,397		21,000	Transcontinental Inc., Class A	325,114	347,760
Energy (0.8%)						9,000	Westjet Airlines Limited	173,322	300,240
	22,300	ARC Resources Limited	583,586	561,068		9,400	WSP Global Inc.	332,936	327,684
	22,900	Canadian Natural Resources Limited	778,075	822,568				1,752,999	2,214,938
	13,000	Enbridge Inc.	690,184	776,620	Information Technology (0.0%)				
	30,300	EnCana Corporation	615,862	489,951		10,300	Evertz Technologies Limited	173,363	181,280
	24,500	Enerflex Limited	383,769	401,555	Materials (0.2%)				
	2,200	Keyera Corporation	204,537	178,354		13,300	Agnico Eagle Mines Limited	374,034	384,636
	66,000	North American Energy Partners Inc.	472,426	242,880		28,000	Canam Group Inc.	345,114	317,240
	13,000	Parkland Fuel Corporation	263,602	282,620		7,600	First Quantum Minerals Limited	128,448	125,476
	12,300	Peyto Exploration & Development Corporation	434,709	411,681		29,400	Goldcorp Inc.	882,579	632,394
	13,700	PHX Energy Services Corporation	160,121	102,476		8,000	Labrador Iron Ore Royalty Corporation	236,835	148,800
	7,200	PrairieSky Royalty Limited	204,150	220,320		7,300	Teck Resources Limited, Class B	185,416	115,924
	17,000	Suncor Energy Inc.	719,610	627,300				2,152,426	1,724,470
	5,900	TransCanada Corporation	339,456	336,890	Telecommunication Services (0.0%)				
	38,600	Veresen Inc.	598,773	708,696		2,500	BCE Inc.	128,734	133,200
	55,450	ZCL Composites Inc.	345,734	336,027		13,000	Xplomet Communications Inc. Warrants, 2017-05-15	130	-
			6,794,594	6,499,006	Utilities (0.1%)				
Exchange Traded Fund/Shares (3.3%)						28,800	Boralex Inc., Class A	307,616	370,080
	2,000,000	BMO S&P/TSX Laddered Preferred Share Index ETF	27,416,800	27,940,000		23,000	Innervex Renewable Energy Inc.	254,382	261,280
Financials (1.7%)								561,998	631,360
	12,900	Bank of Montreal	1,072,574	1,060,122	Total Canadian Equities - Long				
	11,600	Bank of Nova Scotia	684,584	769,196				55,675,699	57,278,956
	175,000	Bank of Nova Scotia Preferred Series 32	4,305,667	4,322,500	Global Equities (8.0%)				
	16,500	Calloway Real Estate Investment Trust	422,656	450,450	United States (7.7%)				
	4,200	Canadian Real Estate Investment Trust	186,799	192,318		5,400	AbbVie Inc.	259,903	410,111
	70,400	CU Inc. Preferred Series 4	1,514,991	1,386,880		23,000	Ally Financial Inc.	568,400	630,481
	21,100	EGI Financial Holdings Inc.	299,438	276,410		21,350	Ally Financial Inc. Preferred Series G	23,654,589	24,767,690
	15,100	Genworth MI Canada Inc.	541,776	558,398		3,000	Anadarko Petroleum Corporation	297,792	287,236
	13,300	Great-West Lifeco Inc.	421,708	446,747		102,500	ARC Document Solutions Inc.	687,581	1,213,356
	12,000	H&R Real Estate Investment Trust	262,066	260,760		24,300	Bank of America Corporation	450,153	504,523
	25,000	Manulife Financial Corporation	528,978	554,500		7,000	Big Lots Inc.	364,411	325,117

PICTON MAHONEY INCOME OPPORTUNITIES FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014

CCY*	No. of shares/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/ Face value	Security Description	Average cost (\$)	Fair value (\$)
	2,400	Cimarex Energy Company	223,909	295,244	CAD	723,000	Merrill Lynch Financial Assets Inc. 4.729% Variable Rate Series 2006-CA18 Class H, 2039-03-12	720,260	721,250
	8,600	ConAgra Foods Inc.	338,065	362,101					
	27,500	Cooper Tire & Rubber Company	773,448	1,105,860					
	6,900	Cytec Industries Inc.	372,517	369,720	CAD	1,317,000	Merrill Lynch Financial Assets Inc. 4.803%, 2039-06-12	1,260,275	1,265,990
	2,400	Eagle Materials Inc.	247,356	211,601					
	1,700	Ecolab Inc.	206,777	206,251	CAD	1,793,000	Merrill Lynch Financial Assets Inc. 5.105% Variable Rate Series 2006-CA16 Class E, 2037-07-12	1,836,158	1,791,601
	8,500	EMC Corporation	278,323	293,474					
	37,400	H&E Equipment Services Inc.	1,474,714	1,219,235					
	350,000	HSBC Inc. Preferred Series F	8,502,402	9,066,221	CAD	1,844,000	Merrill Lynch Financial Assets Inc. 5.130% Variable Rate Series 2006-CA18 Class E, 2039-03-12	1,899,320	1,882,820
	6,900	Merck & Company Inc.	440,382	454,763					
	5,200	Molson Coors Brewing Company, Class B	412,064	449,537					
	2,100	Monsanto Company	268,425	291,045	CAD	1,446,000	Merrill Lynch Financial Assets Inc. Floating Rate 4.729% Series 2006-CA18 Class G, 2039-03-12	1,452,666	1,451,782
	30,000	Navistar International Corporation	1,167,904	1,165,657					
	22,500	Nelnet Inc., Class A	916,435	1,210,048					
	9,200	Pinnacle Foods Inc.	318,580	376,900	CAD	70,000	Merrill Lynch Financial Assets Inc., Class 2004-CA14 C 5.600% Series 2004-CA14, 2036-10-12	71,350	70,347
	2,500	Praxair Inc.	339,970	375,989					
	8,000	PulteGroup Inc.	194,498	199,243					
	592,500	RBS Capital FND Trust VII Preferred Series G	15,868,836	16,757,451	CAD	393	Merrill Lynch Financial Assets Inc., Class 2005-CA17 A2 4.621% Series 2006-CA18, 2037-11-12	351	400
	3,300	Skyworks Solutions Inc.	201,273	278,466					
	20,000	Sotheby's	809,601	1,002,251					
	4,000	Sunoco Logistics Partners Limited Partnership	213,632	194,091	CAD	3,557,000	Real Estate Asset Liquidity Trust 4.457% Series 2006-3 Class F, 2028-12-12	3,590,649	3,606,304
	3,800	Time Warner Cable Inc.	601,793	670,599					
	8,000	Valero Energy Corporation	451,824	459,578	CAD	1,235,000	Real Estate Asset Liquidity Trust 4.457% Series 2006-3 Class G, 2038-12-12	1,225,972	1,233,552
	3,000	Wyndham Worldwide Corporation	271,077	298,586					
			61,176,634	65,452,425	CAD	4,665,000	Real Estate Asset Liquidity Trust 4.789% Series 2005-2 Class F, 2015-10-12	4,695,976	4,683,800
Bermuda (0.0%)									
	10,500	Brookfield Property Partners Limited Partnership	270,902	277,725	CAD	3,110,000	Real Estate Asset Liquidity Trust 4.789% Series 2005-2 Class G, 2015-10-12	3,118,117	3,114,472
British Virgin Islands (0.0%)									
	30,000	UTI Worldwide Inc.	362,841	420,235	CAD	1,358,770	Real Estate Asset Liquidity Trust 5.007% Series 2006-1 Class F, 2016-04-12	1,381,067	1,376,655
Ireland (0.2%)									
	2,465,000	Bank of Ireland	1,157,798	1,081,672	CAD	1,067,710	Real Estate Asset Liquidity Trust 5.007% Series 2006-1 Class G, 2016-04-12	1,076,668	1,075,374
	3,400	Seagate Technology	218,885	262,400					
			1,376,683	1,344,072	CAD	1,030,000	Real Estate Asset Liquidity Trust 5.007%, Class H, 2016-04-12	999,914	1,014,007
Switzerland (0.0%)									
	4,000	TE Connectivity Limited	268,332	293,712	CAD	990,000	Real Estate Asset Liquidity Trust 5.007%, Class J, 2016-04-12	945,955	965,954
United Kingdom (0.1%)									
	4,300	AstraZeneca PLC ADR	349,268	351,222					
	15,400	Vodafone Group PLC ADR	577,740	610,703	CAD	1,943,500	Real Estate Asset Liquidity Trust 5.125% Series 2005-2 Class E, 2015-10-12	1,982,370	1,967,563
			927,008	961,925					
Total Global Equities - Long			64,382,400	68,750,094	CAD	9,414,000	Real Estate Asset Liquidity Trust 5.206% Series 2006-3 Class D, 2038-12-12	9,862,012	9,793,275
Canadian Debt (59.6%)									
Asset-Backed Securities (6.8%)									
CAD	2,170,000	Merrill Lynch Financial Assets Inc. 4.729% Variable Rate Series 2006-CA18 Class F, 2039-03-12			CAD	3,726,000	Real Estate Asset Liquidity Trust 5.206% Series 2006-3 Class E, 2038-12-12	3,925,863	3,923,701
			2,196,322	2,190,424	CAD	2,025,486	Schooner Trust 4.839% Series 2005-4 Class F, 2015-09-12	2,067,249	2,048,671

PICTON MAHONEY INCOME OPPORTUNITIES FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014

CCY*	No. of shares/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/ Face value	Security Description	Average cost (\$)	Fair value (\$)
CAD	1,012,743	Schooner Trust 4.839% Series 2005-4 Class G, 2015-09-12	1,021,098	1,017,565	CAD	14,950,000	NRL Energy Investments Limited 8.250%, 2018-04-13	13,147,323	12,109,500
CAD	2,912,659	Schooner Trust 5.136% Series 2006-6 Class F, 2038-10-12	3,010,087	2,994,894	CAD	25,760,000	Paramount Resources Limited 7.625%, 2019-12-04	26,465,154	24,667,776
CAD	1,900,332	Schooner Trust 5.136% Series 2006-6 Class G, 2038-10-12	1,929,236	1,926,234	CAD	10,818,000	Paramount Resources Limited 8.250%, 2017-12-13	11,296,954	10,568,104
CAD	1,332,009	Schooner Trust 5.136% Series 2006-6 Class H, 2038-10-12	1,339,002	1,339,514	CAD	26,100,000	Parkland Fuel Corporation 6.000%, 2022-11-21	26,175,750	25,871,625
CAD	3,041,325	Schooner Trust 5.188% Series 2006-5 Class E, 2021-02-12	3,147,254	3,118,285	CAD	9,400,000	Perpetual Energy Inc. 8.750%, 2018-03-15	9,468,688	8,929,656
CAD	3,374,422	Schooner Trust 5.449% Series 2006-6 Class E, 2038-10-12	3,527,283	3,501,449	CAD	6,900,000	Perpetual Energy Inc. 8.750%, 2019-07-23	6,913,191	6,490,830
			58,282,474	58,075,883	CAD	12,800,000	Russel Metals Inc. 6.000%, 2022-04-19	13,216,988	12,867,712
Corporate Bonds (52.8%)					CAD	15,500,000	Savanna Energy Services Corporation 7.000%, 2018-05-25	15,740,269	14,725,000
CAD	30,205,000	Air Canada 7.625%, 2019-10-01	32,247,388	32,164,096	USD	7,850,000	Seven Generations Energy Limited 8.250%, 2020-05-15	9,094,670	8,757,297
USD	8,500,000	Air Canada 8.750%, 2020-04-01	10,155,375	10,555,207	USD	10,100,000	Tembec Industries Inc. 9.000%, 2019-12-15	11,395,143	11,545,737
CAD	13,658,000	Alliance Grain Traders Inc. 9.000%, 2018-02-14	14,478,899	14,289,546	CAD	24,158,000	Tervita Corporation, Class 144A 9.000%, 2018-11-15	24,939,039	20,542,514
USD	15,100,000	Aurico Gold Inc. 7.750%, 2020-04-01	16,678,883	16,122,369	CAD	14,927,297	Xplomet Communications Inc. 13.000%, 2017-05-15	15,599,025	15,673,662
USD	18,250,000	Baytex Energy Corporation 6.750%, 2021-02-17	21,005,776	20,597,597			Total Canadian Debt - Long	466,493,724	451,400,130
CAD	17,500,000	Canadian Energy Services & Technology Corporation 7.375%, 2020-04-17	18,130,028	16,668,750			Global Debt (82.3%)	524,776,198	509,476,013
CAD	13,150,000	DHX Media Limited 5.875%, 2021-12-02	13,150,000	13,199,313			United States Corporate and Government Bonds (63.2%)		
USD	15,350,000	First Quantum Minerals Limited 7.250%, 2019-10-15	17,481,012	16,389,295	USD	12,140,000	American Greetings Corporation 7.375%, 2021-12-01	12,842,830	14,727,601
CAD	31,700,000	GFL Environmental Corporation 7.500%, 2018-06-18	32,783,755	31,066,000	USD	6,300,000	Avaya Inc. 10.500%, 2021-03-01	5,865,195	6,269,584
CAD	21,924,000	Gibson Energy Inc. 5.375%, 2022-07-15	21,953,278	20,827,800	USD	15,259,000	Calfrac Holdings Limited Partnership 7.500%, 2020-12-01	16,804,919	15,146,372
CAD	17,024,000	Great Canadian Gaming Company 6.625%, 2022-07-25	18,058,302	17,904,311	USD	11,188,000	Century Communities Inc. 6.875%, 2022-05-15	12,384,628	12,986,966
CAD	11,350,000	Iron Mountain Canada Operations ULC 6.125%, 2021-08-15	11,706,662	11,525,698	USD	10,000,000	Commercial Vehicle Group Inc. 7.875%, 2019-04-15	10,233,359	12,097,579
USD	6,900,000	Mattamy Group Corporation 6.500%, 2020-11-15	7,651,092	8,047,838	USD	10,050,000	Cooper Tire & Rubber Company 8.000%, 2019-12-15	11,697,493	12,975,681
CAD	18,996,000	Mattamy Group Corporation 6.875%, 2020-11-15	19,115,375	18,996,000	USD	25,500,000	Darden Restaurants Inc. 6.800%, 2037-10-15	31,637,553	34,702,267
USD	12,750,000	Millar Western Forest Products Limited 8.500%, 2021-04-01	13,458,750	15,314,915	USD	4,650,000	Dish DBS Corporation 5.125%, 2020-05-01	5,449,134	5,437,034
USD	12,750,000	NOVA Chemical Corporation 5.250%, 2023-08-01	14,986,955	14,981,982	USD	20,943,000	Dresdner Funding Trust I 8.151% Series 144A, 2031-06-30	24,728,229	28,686,461
					USD	5,595,000	DS Services Holdings Inc. 10.000%, 2021-09-01	7,471,279	7,491,622
					USD	6,400,000	GenOn Americas Generation LLC 9.125%, 2031-05-01	7,082,498	6,350,533

PICTON MAHONEY INCOME OPPORTUNITIES FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014

CCY*	No. of shares/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/ Face value	Security Description	Average cost (\$)	Fair value (\$)
USD	8,500,000	Genon Energy Inc. 9.875%, 2020-10-15	9,790,556	9,716,710	USD	13,450,000	XPO Logistics Inc. 7.875%, 2019-09-01	15,387,258	16,467,922
USD	5,150,000	Gibraltar Industries Inc. 6.250%, 2021-02-01	5,850,874	6,073,959				522,864,397	539,888,695
USD	26,000,000	Gibson Brands Inc. 8.875%, 2018-08-01	29,022,907	28,846,645	International Corporate Bonds (18.4%)				
USD	19,000,000	Glen Meadow Pass Through Trust Floating Rate 6.505%, 2067-02-12	19,597,729	21,554,325	USD	21,000,000	Banco Bilbao Vizcaya Argentina SA 9.000%, 2049-05-29	25,351,978	26,138,500
USD	10,800,000	GRD Holding III Corporation 10.750%, 2019-06-01	12,451,437	13,693,336	EUR	12,500,000	Bank of New York Luxembourg Floating Rate 4.581%, 2050-12-15	12,489,125	10,826,897
USD	25,350,000	ILFC E-Capital Trust I Floating Rate 4.370%, 2065-12-21	26,664,581	27,360,560	USD	2,400,000	Bank of Scotland PLC Floating Rate 0.625%, 2049-11-29	1,724,324	1,831,349
USD	21,750,000	ILFC E-Capital Trust II Floating Rate 6.250%, 2065-12-21	21,964,565	24,200,743	STG	15,750,000	Barclays Bank PLC Floating Rate 14.000%, 2049-11-29	38,041,172	37,442,408
USD	7,853,000	J.B. Poindexter & Company 9.000%, 2022-04-01	9,371,583	9,842,908	EUR	9,300,000	Barclays PLC Floating Rate 8.000%, 2049-12-15	14,445,651	13,589,636
USD	15,000,000	Land O' Lakes Inc. 7.450%, 2028-03-15	16,267,761	18,104,589	USD	23,989,500	CHC Helicopter SA 9.250%, 2020-10-15	26,906,978	27,145,002
USD	9,750,000	M&T Bank Corporation 6.875%, 2049-12-29	10,645,806	11,569,964	USD	8,500,000	Lloyds Bank PLC Floating Rate 12.000%, 2049-12-29	13,916,840	14,032,507
USD	7,350,000	Midcontinent Express Pipeline LLC 6.700%, 2019-09-15	8,395,836	9,419,987	STG	5,400,000	Lloyds Banking Group PLC 7.625%, 2049-12-29	10,621,795	9,757,191
USD	15,300,000	Northern Tier Energy LLC 7.125%, 2020-11-15	17,169,391	17,823,010	USD	13,650,000	Societe Generale SA Floating Rate 8.250%, 2049-09-29	16,096,844	16,297,276
USD	21,635,000	PBF Holding Company LLC 8.250%, 2020-02-15	25,448,679	25,112,278				159,594,707	157,060,766
USD	13,950,000	PHH Corporation 6.375%, 2021-08-15	15,099,769	14,833,795	International Government Bonds (0.7%)				
USD	900,000	Post Holdings Inc. 6.000%, 2022-12-15	965,126	975,298	EUR	4,050,000	Federal Republic of Germany 1.500%, 2023-02-15	6,375,908	6,224,142
USD	1,700,000	Post Holdings Inc. 7.375%, 2022-02-15	1,936,646	1,992,665	Total Global Debt - Long				
USD	4,000,000	PulteGroup Inc. 7.875%, 2032-06-15	5,302,362	5,303,716				688,835,012	703,173,603
USD	8,300,000	Rent-A-Center Inc. 4.750%, 2021-05-01	7,749,692	8,328,127	Options (1.0%)				
USD	6,500,000	Rent-A-Center Inc. 6.625%, 2020-11-15	7,068,742	7,241,836	Total Purchased Options - Refer to Appendix A				
USD	6,448,000	Sealed Air Corporation 8.375%, 2021-09-15	8,410,659	8,383,987	Transaction Costs				
USD	17,126,000	Sidewinder Drilling Inc. 9.750%, 2019-11-15	18,838,018	11,155,174	Total Long Positions				
USD	14,087,000	StoneMor Partners Limited Partnership / Cornerstone Family Services of West Virginia Subsidiary Inc. 7.875%, 2021-06-01	16,130,652	16,696,085	SHORT POSITIONS (-52.3%)				
USD	500,000	The Geon Company 7.500%, 2015-12-15	501,489	603,486	Canadian Equities (-0.5%)				
USD	32,642,000	US Treasury National Bond 2.250%, 2024-11-15	38,105,813	38,148,628	Consumer Discretionary (-0.0%)				
USD	10,257,000	WCI Communities Inc. 6.875%, 2021-08-15	11,518,586	11,993,045	(4,600)	Shaw Communications Inc., Class B		(117,481)	(144,210)
USD	15,200,000	Woodside Homes Company LLC / Finance Inc. 6.750%, 2021-12-15	17,010,763	17,574,217	Consumer Staples (-0.0%)				
					(1,400)	Metro Inc.		(95,574)	(130,620)
					(2,700)	Saputo Inc.		(91,832)	(94,284)
								(187,406)	(224,904)
					Energy (-0.2%)				
					(17,800)	Bellatrix Exploration Limited		(92,951)	(75,294)
					(5,200)	Imperial Oil Limited		(236,015)	(260,260)
					(3,800)	Inter Pipeline Limited		(132,826)	(136,572)
					(5,300)	MEG Energy Corporation		(138,797)	(103,615)
					(100,000)	Northern Blizzard Resources Inc.		(888,136)	(791,000)
					(6,000)	Pacific Rubiales Energy Corporation		(123,814)	(43,140)

PICTON MAHONEY INCOME OPPORTUNITIES FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014

CCY*	No. of shares/ Face value	Security Description	Average cost (\$)	Fair value (\$)	CCY*	No. of shares/ Face value	Security Description	Average cost (\$)	Fair value (\$)
USD	(4,900,000)	New Gold Inc. 6.250%, 2022-11-15	(5,497,946)	(5,601,397)	USD	(2,800,000)	Darling Ingredients Inc. 5.375%, 2022-01-15	(3,175,345)	(3,201,156)
USD	(1,700,000)	Pacific Rubiales Energy Corporation 5.375%, 2019-01-26	(1,924,020)	(1,706,589)	USD	(7,000,000)	Denbury Resources Inc. 5.500%, 2022-05-01	(7,772,832)	(7,512,615)
USD	(4,200,000)	Pacific Rubiales Energy Corporation 7.250%, 2021-12-12	(4,914,383)	(4,277,209)	USD	(1,700,000)	Earthlink Inc. 8.875%, 2019-05-15	(1,950,890)	(1,961,651)
CAD	(5,100,000)	Precision Drilling Corporation 6.500%, 2019-03-15	(4,896,000)	(4,866,165)	USD	(6,900,000)	Eastman Chemical Company 3.800%, 2025-03-15	(8,033,945)	(8,142,090)
CAD	(2,550,000)	Superior Plus Limited Partnership 6.500%, 2021-12-09	(2,516,000)	(2,524,423)	USD	(6,250,000)	EP Energy/Finance Inc. 9.375%, 2020-05-01	(7,216,758)	(7,334,535)
USD	(4,250,000)	Thompson Creek Metals Company Inc. 9.750%, 2017-12-01	(5,162,334)	(5,191,288)	USD	(3,400,000)	Florida East Coast Holdings Corporation 6.750%, 2019-05-01	(3,893,176)	(3,911,346)
USD	(1,250,000)	TransAlta Corporation 4.750%, 2015-01-15	(1,331,142)	(1,452,821)	USD	(9,800,000)	Freeport-McMoRan Copper & Gold Inc. 3.875%, 2023-03-15	(10,660,345)	(10,755,251)
			<u>(88,919,487)</u>	<u>(90,543,789)</u>	USD	(3,050,000)	Global Brass and Copper Holdings Inc. 9.500%, 2019-06-01	(3,813,794)	(3,818,429)
					USD	(6,100,000)	Halliburton Company 3.500%, 2023-08-01	(7,152,049)	(7,216,202)
					USD	(2,400,000)	IASIS Healthcare LLC/ Capital Corporation 8.375%, 2019-05-15	(2,579,499)	(2,924,587)
					USD	(6,200,000)	JMC Steel Group 8.250%, 2018-03-15	(6,988,281)	(6,826,649)
					USD	(4,000,000)	KB Home 4.750%, 2019-05-15	(4,356,648)	(4,572,569)
					USD	(7,250,000)	KEMET Corporation 10.500%, 2018-05-01	(8,541,157)	(8,629,137)
					USD	(4,425,000)	Lantheus Medical Imaging Inc. 9.750%, 2017-05-15	(4,821,282)	(4,930,019)
					USD	(4,500,000)	Mercer International Inc. 7.750%, 2022-12-01	(5,159,281)	(5,287,759)
					USD	(6,200,000)	Newfield Exploration Company 5.625%, 2024-07-01	(7,436,865)	(7,136,123)
					USD	(4,250,000)	PNK Finance Corporation 6.375%, 2021-08-01	(4,944,056)	(5,030,987)
					USD	(6,850,000)	Range Resources Corporation 5.000%, 2023-03-15	(7,832,245)	(8,004,943)
					USD	(1,700,000)	Reliance Steel & Aluminum Company 4.500%, 2023-04-15	(1,930,609)	(1,935,430)
					USD	(4,000,000)	Republic Services Inc. 5.000%, 2020-03-01	(4,681,126)	(5,118,028)
					USD	(5,850,000)	Reynolds Group Issuer Inc./ LLC/Luxembourg SA 8.250%, 2021-02-15	(7,029,410)	(7,014,623)
					USD	(2,400,000)	Sinclair Television Group Inc. 6.125%, 2022-10-01	(2,724,586)	(2,841,028)
					USD	(1,625,000)	U.S. Treasury National Bond 3.125%, 2044-08-15	(2,043,385)	(2,029,675)
					USD	(2,550,000)	Unisys Corporation 6.250%, 2017-08-15	(2,991,047)	(3,085,179)
					USD	(9,300,000)	US Treasury National Bond 1.500%, 2019-10-31	(10,415,813)	(10,725,555)
					USD	(16,540,000)	US Treasury National Bond 3.375%, 2044-05-15	(19,725,319)	(21,634,103)
					USD	(10,750,000)	US Treasury Notes 1.500%, 2018-12-31	(11,782,986)	(12,466,686)
								<u>(224,644,541)</u>	<u>(231,012,383)</u>
Government of Canada Bonds (-3.2%)									
CAD	(2,839,000)	Government of Canada 1.750%, 2019-03-01	(2,868,456)	(2,896,603)					
CAD	(2,308,000)	Government of Canada 2.000%, 2016-06-01	(2,365,123)	(2,340,243)					
CAD	(8,250,000)	Government of Canada 2.500%, 2024-06-01	(8,587,299)	(8,754,735)					
CAD	(9,025,000)	Government of Canada 3.250%, 2021-06-01	(9,798,535)	(10,004,664)					
CAD	(3,425,000)	Government of Canada 3.500%, 2020-06-01	(3,745,804)	(3,801,065)					
			<u>(27,365,217)</u>	<u>(27,797,310)</u>					
		Total Canadian Debt - Short	<u>(116,284,704)</u>	<u>(118,341,099)</u>					
Global Debt (-32.9%)									
United States Corporate and Government Bonds (-27.0%)									
USD	(3,500,000)	ADT Corporation 5.250%, 2020-03-15	(3,988,906)	(4,112,701)					
USD	(4,250,000)	Avis Budget Car/Finance 5.500%, 2023-04-01	(4,792,104)	(5,030,987)					
USD	(6,000,000)	B&G Foods Inc. 4.625%, 2021-06-01	(6,259,762)	(6,800,850)					
USD	(8,750,000)	Calpine Corporation 5.750%, 2025-01-15	(9,803,347)	(10,292,212)					
USD	(4,000,000)	Casella Waste Systems Inc. 7.750%, 2019-02-15	(4,610,943)	(4,671,820)					
USD	(4,250,000)	Castle (AM) & Company 12.750%, 2016-12-15	(4,889,480)	(4,895,347)					
USD	(3,400,000)	CCOH Safari LLC 5.750%, 2024-12-01	(3,831,939)	(3,994,525)					
USD	(4,250,000)	Chesapeake Energy Corporation 5.750%, 2023-03-15	(5,158,798)	(5,124,750)					
USD	(4,300,000)	Cloud Peak Energy Resources/Finance 8.500%, 2019-12-15	(5,164,542)	(5,168,524)					
USD	(6,000,000)	ConAgra Foods Inc. 3.200%, 2023-01-25	(6,491,991)	(6,874,312)					

PICTON MAHONEY INCOME OPPORTUNITIES FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014

CCY*	No. of shares/ Face value	Security Description	Average cost (\$)	Fair value (\$)
International Corporate Bonds (-5.9%)				
EUR	(4,500,000)	Anglo American Capital PLC 3.250%, 2023-04-03	(6,920,286)	(6,822,952)
USD	(4,300,000)	Anglo American Capital PLC 4.125%, 2022-09-27	(4,936,235)	(4,937,520)
USD	(4,000,000)	Ardagh Packaging Finance PLC / Ardagh MP Holdings USA Inc. 6.250%, 2019- 01-31	(4,569,687)	(4,562,960)
USD	(3,500,000)	Cemex Sab de CV 5.700%, 2025-01-11	(3,738,200)	(3,919,881)
USD	(5,200,000)	EnSCO PLC 4.700%, 2021- 03-15	(6,032,818)	(6,059,244)
USD	(7,050,000)	Rio Tinto Financial USA PLC 2.875%, 2022-08-21	(7,616,154)	(7,867,206)
USD	(4,250,000)	Vale Overseas Limited 4.375%, 2022-01-11	(4,679,390)	(4,736,723)
EUR	(2,600,000)	Vale SA 3.750%, 2023-01-10	(3,981,822)	(3,784,211)
USD	(2,700,000)	Vale SA 5.625%, 2042-09-11	(2,880,655)	(2,930,437)
USD	(4,300,000)	Wynn Macau Limited 5.250%, 2021-10-15	(4,673,641)	(4,740,849)
			<u>(50,028,888)</u>	<u>(50,361,983)</u>
		Total Global Debt - Short	<u>(274,673,429)</u>	<u>(281,374,366)</u>
Options (-0.7%)				
		Total Written Options - Refer to Appendix A	(6,166,603)	(5,941,821)
		Transaction Costs	(262,877)	-
		Total Short Positions	<u>(438,844,955)</u>	<u>(447,583,367)</u>
FOREIGN EXCHANGE FORWARD CURRENCY CONTRACTS (-1.8%)				
		Total Currency Hedge - Refer to Appendix B	-	<u>(14,996,856)</u>
CREDIT DEFAULT SWAPS (-0.9%)				
		Credit Default Swap Fair Value - Refer to Appendix C	<u>(7,030,161)</u>	<u>(7,650,914)</u>
		TOTAL INVESTMENT PORTFOLIO (102.7%)	898,235,323	877,328,188
		Other Assets Net of Liabilities (-2.7%)	<u>(22,910,403)</u>	<u>(22,910,403)</u>
		TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)	<u>854,417,785</u>	<u>854,417,785</u>

*CCY denotes local currency of security

APPENDIX A

OPTIONS (0.3%)

Issuer	Option Type	Number of Options	Strike	Expiry	Average Cost \$	Fair Value \$
Euro Stoxx Banks	Call Option	3,610	\$150	January, 2015	203,751	50,691
iShares iBoxx High Yield Corporate Bond ETF	Call Option	4,250	\$90	January, 2015	199,746	295,940
General Motors Company	Call Option	1,000	\$41	January, 2015	129,053	1,161
iShares U.S. Home Construction ETF	Call Option	2,000	\$26	January, 2015	153,829	104,450
United States Oil Fund Limited Partnership	Call Option	6,050	\$26	January, 2015	184,232	7,021
iShares MSCI Europe Financials ETF	Call Option	2,200	\$23	January, 2015	91,427	25,532
Quicksilver Resources Inc.	Call Option	1,100	\$3	January, 2015	42,740	6,383
Euro Stoxx Banks	Call Option	1,010	\$145	February, 2015	166,118	173,734
iShares MSCI Europe Financials ETF	Call Option	2,000	\$23	February, 2015	124,436	81,238
Genworth Financial Inc.	Call Option	1,700	\$10	March, 2015	63,205	74,972
North American Energy Partners Inc.	Call Option	2,100	\$8	May, 2015	88,761	24,372
Commerzbank AG	Call Option	1,700	\$13	June, 2015	124,435	81,163
					<u>1,571,733</u>	<u>926,657</u>
iShares iBoxx High Yield Corporate Bond ETF	Put Option	4,500	\$89	January, 2015	546,809	339,461
iShares S&P/TSX Capped Financials Index ETF	Put Option	2,250	\$30	January, 2015	109,688	25,875
United States Oil Fund Limited Partnership	Put Option	4,250	\$19	January, 2015	291,685	157,835
Baytex Energy Corporation	Put Option	2,250	\$15	January, 2015	124,920	39,375
Linn Energy LLC	Put Option	1,125	\$11	January, 2015	52,587	169,730
CEMEX SAB de CV	Put Option	2,250	\$10	January, 2015	47,804	78,337
HudBay Minerals Inc.	Put Option	2,200	\$8	January, 2015	64,798	28,600
SandRidge Energy Inc.	Put Option	4,500	\$2	January, 2015	197,677	135,784
US Long Bond (CBT)	Put Option	425	\$142	January, 2015	201,001	146,429
US 5 Year Note (CBT)	Put Option	1,275	\$119	January, 2015	352,154	312,125
Vale SA	Put Option	4,500	\$7	January, 2015	105,944	28,724
US Long Bond (CBT)	Put Option	640	\$140	February, 2015	290,695	278,532
SPDR S&P 500 ETF	Put Option	3,400	\$195	February, 2015	999,002	808,904
PHH Corporation	Put Option	2,250	\$20	February, 2015	103,671	45,697
Canadian Dollar Currency Future	Put Option	250	\$85	March, 2015	178,959	223,406
CurrencyShares Japanese Yen Trust	Put Option	3,560	\$75	March, 2015	133,889	134,276
Continental Resources Inc.	Put Option	2,250	\$30	March, 2015	796,676	402,131
Rent-A-Center Inc.	Put Option	2,250	\$30	March, 2015	283,567	130,562
Northern Tier Energy LLC	Put Option	2,250	\$19	March, 2015	176,111	156,674
Penn West Petroleum Limited	Put Option	5,000	\$3	March, 2015	153,750	362,500
Vermilion Energy Inc.	Put Option	2,250	\$50	April, 2015	645,750	517,500
SPDR Barclays Convertible Securities ETF	Put Option	5,000	\$47	April, 2015	1,130,778	1,000,975
CEMEX SAB de CV	Put Option	2,250	\$10	April, 2015	118,219	190,620
Calfrac Well Services Limited	Put Option	2,250	\$8	April, 2015	148,500	95,625
Canadian Oil Sands Limited	Put Option	2,250	\$8	April, 2015	146,250	105,750
Cliffs Natural Resources Inc.	Put Option	2,925	\$6	April, 2015	378,003	312,304
Pacific Rubiales Energy Corporation	Put Option	4,510	\$6	April, 2015	697,355	439,725
BioScrip Inc.	Put Option	1,350	\$5	April, 2015	118,939	62,670
Lundin Mining Corporation	Put Option	3,250	\$5	April, 2015	123,372	73,125
Pengrowth Energy Corporation	Put Option	2,000	\$3	April, 2015	71,240	50,000
Euro Currency Trust	Put Option	5,010	\$114	June, 2015	441,524	750,052
Raiffeisen Bank International	Put Option	2,250	\$11	June, 2015	441,452	350,699
					<u>9,672,769</u>	<u>7,954,002</u>
Total Purchased Options					11,244,502	8,880,659
iShares iBoxx High Yield Corporate Bond ETF	Written Call Option	(6,375)	\$91	January, 2015	(106,610)	(199,760)
General Motors Company	Written Call Option	(1,000)	\$45	January, 2015	(51,001)	(1,160)
United States Oil Fund Limited Partnership	Written Call Option	(6,050)	\$27	January, 2015	(87,688)	(7,021)
MEG Energy Corporation	Written Call Option	(2,010)	\$23	January, 2015	(98,145)	(70,350)
Euro Stoxx Banks	Written Call Option	(1,000)	\$155	February, 2015	(56,243)	(59,679)
Continental Resources Inc.	Written Call Option	(2,250)	\$45	March, 2015	(358,107)	(522,248)
Whiting Petroleum Corporation	Written Call Option	(2,000)	\$40	March, 2015	(440,435)	(510,642)
Genworth Financial Inc.	Written Call Option	(1,700)	\$13	March, 2015	(30,338)	(9,865)
SPDR Barclays Convertible Securities ETF	Written Call Option	(2,500)	\$50	April, 2015	(184,613)	(87,041)
SPDR Barclays Convertible Securities ETF	Written Call Option	(2,500)	\$49	April, 2015	(291,342)	(174,083)
Vermilion Energy Inc.	Written Call Option	(1,000)	\$46	April, 2015	(338,000)	(1,207,500)
MEG Energy Corporation	Written Call Option	(2,000)	\$25	April, 2015	(88,500)	(255,000)
Pacific Rubiales Energy Corporation	Written Call Option	(4,510)	\$9	April, 2015	(333,442)	(394,625)
Transocean Limited	Written Call Option	(2,285)	\$30	May, 2015	(263,921)	(60,993)
Raiffeisen Bank International	Written Call Option	(1,125)	\$19	June, 2015	(85,280)	(41,073)
Raiffeisen Bank International	Written Call Option	(1,125)	\$17	June, 2015	(162,514)	(78,986)

APPENDIX A

OPTIONS (0.3%)

Issuer	Option Type	Number of Options	Strike	Expiry	Average Cost \$	Fair Value \$
Commerzbank AG	Written Call Option	(500)	\$15	June, 2015	(13,635)	(7,723)
Commerzbank AG	Written Call Option	(1,200)	\$20	June, 2015	(88,413)	(6,740)
					<u>(3,078,227)</u>	<u>(3,694,489)</u>
iShares iBoxx High Yield Corporate Bond ETF	Written Put Option	(4,500)	\$85	January, 2015	(280,258)	(52,225)
iShares iBoxx High Yield Corporate Bond ETF	Written Put Option	(4,500)	\$83	January, 2015	(75,633)	(52,225)
United States Oil Fund Limited Partnership	Written Put Option	(4,250)	\$16	January, 2015	(66,740)	(14,797)
Baytex Energy Corporation	Written Put Option	(2,250)	\$12	January, 2015	(10,125)	(23,625)
Linn Energy LLC	Written Put Option	(2,250)	\$8	January, 2015	(141,332)	(52,225)
US Long Bond (CBT)	Written Put Option	(425)	\$137	January, 2015	(52,715)	(15,414)
US 5 Year Note (CBT)	Written Put Option	(1,275)	\$117	January, 2015	(136,993)	(46,241)
US Long Bond (CBT)	Written Put Option	(640)	\$135	February, 2015	(100,236)	(58,027)
SPDR S&P 500 ETF	Written Put Option	(4,250)	\$188	February, 2015	(761,770)	(631,339)
Canadian Dollar Currency Future	Written Put Option	(250)	\$82	March, 2015	(57,558)	(58,027)
Continental Resources Inc.	Written Put Option	(2,250)	\$25	March, 2015	(358,107)	(201,065)
Vermilion Energy Inc.	Written Put Option	(2,250)	\$44	April, 2015	(299,250)	(258,750)
SPDR Barclays Convertible Securities ETF	Written Put Option	(5,000)	\$44	April, 2015	(594,222)	(493,234)
Euro Currency Trust	Written Put Option	(5,000)	\$109	June, 2015	(153,437)	(290,138)
					<u>(3,088,376)</u>	<u>(2,247,332)</u>
Total Written Options					<u>(6,166,603)</u>	<u>(5,941,821)</u>

APPENDIX B

FOREIGN EXCHANGE FORWARD CONTRACTS (-1.8%)

Purchased Currency	Sold Currency	Forward Rate	Maturity Date	Fair Value (\$)	Counterparty	Credit Rating
CAD \$470,932,604	USD \$418,580,342	1.12507	2015-01-14	(14,996,856)	The Bank of Nova Scotia	AA-

APPENDIX C

CREDIT DEFAULT SWAPS (-0.9%)

Buy Protection	Referenced Entity	Fixed Rate	Expiry Date	Effective date	Counterparty	Counterparty Credit Rating	Notional Amount	Fair Value
Buy	Markit CDX North America High Yield Index Version 2	5%	20-Jun-19	20-Mar-14	Goldman Sachs International	A-1+	\$65,835,000	(5,177,934)
Buy	CDX North America Investment Grade Index Version 1	1%	20-Dec-18	20-Sep-13	Goldman Sachs International	A-1+	\$26,500,000	(592,856)
Buy	Markit iTraxx Europe Subordinated Financial Index Version 1	1%	20-Jun-19	20-Mar-14	Goldman Sachs International	A-1+	\$20,000,000	(177,715)
Buy	Markit CDX North America High Yield Index Version 1	5%	20-Dec-19	22-Sep-14	Goldman Sachs International	A-1+	\$21,250,000	(1,524,340)
Buy	Markit iTraxx Europe Index Version 1	5%	20-Dec-19	22-Sep-14	Goldman Sachs International	A-1+	\$7,000,000	(178,069)
Total Credit Default Swaps Contracts at Fair Value								<u>(7,650,914)</u>

PICTON MAHONEY INCOME OPPORTUNITIES FUND

FUND SPECIFIC NOTES

As at December 31, 2014

I. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following tables illustrate the classifications of the Fund's financial instruments within the fair value hierarchy as at December 31, 2014, December 31, 2013, and January 1, 2013.

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2014				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Picton Mahoney Income Opportunites Fund				
Equities - Long	126,029,050	-	-	126,029,050
Bonds - Long	-	1,212,649,616	-	1,212,649,616
Options - Long	8,880,659	-	-	8,880,659
Equities - Short	(41,926,081)	-	-	(41,926,081)
Bonds - Short	-	(399,715,465)	-	(399,715,465)
Options - Short	(5,941,821)	-	-	(5,941,821)
Forward Contracts	-	(14,996,856)	-	(14,996,856)
Credit Default Swaps	-	(7,650,914)	-	(7,650,914)
Total	87,041,807	790,286,381	-	877,328,188

ASSETS (LIABILITIES) AT FAIR VALUE AS AT DECEMBER 31, 2013				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Picton Mahoney Income Opportunites Fund				
Equities - Long	61,561,944	-	-	61,561,944
Bonds - Long	-	924,215,863	-	924,215,863
Options - Long	1,139,065	-	-	1,139,065
Equities - Short	(37,138,019)	-	-	(37,138,019)
Bonds - Short	-	(334,613,724)	-	(334,613,724)
Options - Short	(164,182)	-	-	(164,182)
Forward Contracts	-	(9,220,155)	-	(9,220,155)
Credit Default Swaps	-	(4,623,481)	-	(4,623,481)
Total	25,398,808	575,758,503	-	601,157,311

ASSETS (LIABILITIES) AT FAIR VALUE AS AT JANUARY 1, 2013				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Picton Mahoney Income Opportunites Fund				
Equities - Long	28,973,084	-	-	28,973,084
Bonds - Long	-	619,907,592	11,331,123	631,238,715
Options - Long	773,591	-	-	773,591
Equities - Short	(42,038,006)	-	-	(42,038,006)
Bonds - Short	-	(242,461,312)	-	(242,461,312)
Options - Short	(225,553)	-	-	(225,553)
Forward Contracts	-	(372,287)	-	(372,287)
Credit Default Swaps	-	(76,228)	-	(76,228)
Total	(12,516,884)	376,997,765	11,331,123	375,812,004

PICTON MAHONEY INCOME OPPORTUNITIES FUND

FUND SPECIFIC NOTES (CONTINUED)

2. RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS

For the year ended December 31, 2014, the Fund did not hold financial instruments within level 3 of the fair value hierarchy.

The following tables reconcile the Fund's Level 3 fair value measurements for the year ended December 31, 2013.

December 31, 2013	Equities	Debt Instruments	Total
Balance at Beginning of Year	-	11,331,123	11,331,123
Investment purchases during the year	-	103,591	103,591
Proceeds from sales during the year	-	(11,183,994)	(11,183,994)
Net transfers in (out) during the year	-	-	-
Net realized gain (loss) on sale of investments	-	665,466	665,466
Change in unrealized appreciation (depreciation) in value of investments	-	(916,186)	(916,186)
Balance at End of Year	-	-	-

The total change in unrealized gain (loss) on level 3 investments continued to be held as at December 31, 2014 was \$nil (December 31, 2013 - \$nil).

3. OTHER PRICE RISK

Using Beta as a measure of the relationship of the Fund's performance versus its index, if the ML Canadian and US Issuers Canadian Dollar Issue HY Index were to increase or decrease by 10%, net assets would have increased or decreased by approximately \$35,031,129 (December 31, 2013 - \$24,828,582; January 1, 2013 - \$17,753,838). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

PICTON MAHONEY INCOME OPPORTUNITIES FUND

FUND SPECIFIC NOTES (CONTINUED)

4. CURRENCY RISK

Foreign currencies to which the Fund had exposure as at December 31, 2014, December 31, 2013 and January 1, 2013 were as follows:

Financial Instruments				
December 31, 2014 Currency	Monetary \$	Non-Monetary \$	Total \$	Percentage of Net Assets %
United States Dollar	454,197,531	30,549,912	484,747,443	56.8%
Australian Dollar	26,588	-	26,588	0.0%
Norwegian Krone	(19,548)	-	(19,548)	0.0%
Euro	(1,563,350)	1,081,672	(481,678)	-0.1%
British Pound	(870,927)	-	(870,927)	-0.1%
Forward Currency Contracts				
United States Dollar	(485,929,460)	-	(485,929,460)	-56.9%
Net Exposure	(34,159,166)	31,631,584	(2,527,582)	-0.3%

Financial Instruments				
December 31, 2013 Currency	Monetary \$	Non-Monetary \$	Total \$	Percentage of Net Assets %
British Pound	3,337,080	-	3,337,080	0.6%
United States Dollar	336,807,832	(20,872,285)	315,935,547	56.0%
Euro	(1,040,440)	1,595,883	555,443	0.1%
Australian Dollar	(157,698)	173,733	16,035	0.0%
Norway Krone	(21,648)	-	(21,648)	0.0%
Forward Currency Contracts				
United States Dollar	(312,505,256)	-	(312,505,256)	-55.4%
Net Exposure	26,419,870	(19,102,669)	7,317,201	1.3%

Financial Instruments				
January 1, 2013 Currency	Monetary \$	Non-Monetary \$	Total \$	Percentage of Net Assets %
Australian Dollar	6	-	6	0.0%
Norway Krone	(21,656)	-	(21,656)	0.0%
British Pound	(28,528)	-	(28,528)	0.0%
Euro	(868,115)	-	(868,115)	-0.2%
United States Dollar	206,378,014	(33,823,231)	172,554,783	44.7%
Forward Currency Contracts				
United States Dollar	(176,414,691)	-	(176,414,691)	-45.7%
Net Exposure	29,045,030	(33,823,231)	(4,778,201)	-1.2%

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 decrease or increase by approximately (\$126,379) (December 31, 2013 - \$365,860; January 1, 2013 - (\$238,910)). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

PICTON MAHONEY INCOME OPPORTUNITIES FUND

FUND SPECIFIC NOTES (CONTINUED)

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 \$18,797,191 (December 31, 2013 -\$13,373,577; January 1, 2013 - \$16,268,251). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2014, December 31, 2013, and January 1, 2013, the Fund's exposure to debt instruments by maturity was as follows:

Debt Instruments by Maturity Date	December 31, 2014 (\$)		
	Long Positions	Short Positions	Total
Less than 1 year	13,435,557	(1,452,821)	11,982,736
1-3 years	30,673,756	(20,442,076)	10,231,680
3-5 years	297,576,274	(79,709,270)	217,867,004
Greater than 5 years	870,964,029	(298,111,298)	572,852,731
Total	1,212,649,616	(399,715,465)	812,934,151

Debt Instruments by Maturity Date	December 31, 2013 (\$)		
	Long Positions	Short Positions	Total
Less than 1 year	18,000,524	-	18,000,524
1-3 years	23,428,640	(6,287,754)	17,140,886
3-5 years	215,559,485	(70,621,139)	144,938,346
Greater than 5 years	667,227,214	(257,704,831)	409,522,383
Total	924,215,863	(334,613,724)	589,602,139

Debt Instruments by Maturity Date	January 1, 2013 (\$)		
	Long Positions	Short Positions	Total
Less than 1 year	-	-	-
1-3 years	56,296,746	(12,636,687)	43,660,059
3-5 years	146,462,409	(17,421,711)	129,040,698
Greater than 5 years	428,479,560	(212,402,914)	216,076,646
Total	631,238,715	(242,461,312)	388,777,403

PICTON MAHONEY INCOME OPPORTUNITIES FUND

FUND SPECIFIC NOTES (CONTINUED)

6. CREDIT RISK

The following tables presents the ratings of the bonds held in the Fund at December 31, 2014, December 31, 2013, and January 1, 2013.

December 31, 2014				December 31, 2013				January 1, 2013			
Bond Ratings	Net	Long	Short	Bond Ratings	Net	Long	Short	Bond Ratings	Net	Long	Short
AAA	-3.55%	5.19%	-8.74%	AAA	-17.61%	4.39%	-22.00%	AAA	-18.03%	1.33%	-19.36%
AA+	0.01%	0.01%	0.00%	AA+	0.00%	0.00%	0.00%	AA+	0.00%	0.00%	0.00%
AA	1.27%	1.27%	0.00%	AA	0.01%	0.01%	0.00%	AA	0.00%	0.00%	0.00%
AA-	0.00%	0.00%	0.00%	AA-	0.00%	0.00%	0.00%	AA-	0.00%	0.00%	0.00%
A+	0.21%	0.21%	0.00%	A+	0.00%	0.00%	0.00%	A+	0.81%	0.81%	0.00%
A	-0.84%	0.00%	-0.84%	A	0.00%	0.00%	0.00%	A	-1.29%	0.00%	-1.29%
A-	-1.13%	0.60%	-1.73%	A-	-0.49%	0.13%	-0.62%	A-	4.27%	4.27%	0.00%
BBB+	-1.56%	2.23%	-3.79%	BBB+	-1.39%	0.00%	-1.39%	BBB+	6.36%	11.64%	-5.28%
BBB	-7.84%	2.55%	-10.39%	BBB	4.79%	8.76%	-3.97%	BBB	0.25%	8.37%	-8.12%
BBB-	6.31%	7.84%	-1.53%	BBB-	7.86%	9.18%	-1.32%	BBB-	13.46%	16.66%	-3.20%
BB+	11.81%	15.10%	-3.29%	BB+	10.46%	11.58%	-1.12%	BB+	10.08%	10.57%	-0.49%
BB	21.05%	22.88%	-1.83%	BB	9.57%	12.52%	-2.95%	BB	6.93%	10.27%	-3.34%
BB-	18.48%	25.27%	-6.79%	BB-	20.78%	23.78%	-3.00%	BB-	-1.53%	9.07%	-10.60%
B+	18.00%	21.20%	-3.20%	B+	14.45%	20.19%	-5.74%	B+	23.17%	25.40%	-2.23%
B	5.87%	28.24%	-22.37%	B	15.62%	22.59%	-6.97%	B	20.52%	26.40%	-5.88%
B-	10.25%	13.95%	-3.70%	B-	26.66%	35.94%	-9.28%	B-	11.63%	19.13%	-7.50%
CCC+	1.14%	3.96%	-2.82%	CCC+	2.42%	8.19%	-5.77%	CCC+	-0.91%	3.98%	-4.89%
CCC	1.83%	1.83%	0.00%	CCC	2.16%	2.97%	-0.81%	CCC	1.74%	1.74%	0.00%
CCC-	0.00%	0.00%	0.00%	CCC-	0.00%	0.00%	0.00%	CCC-	0.84%	0.84%	0.00%
D	0.00%	0.00%	0.00%	D	0.00%	0.00%	0.00%	D	0.00%	0.00%	0.00%
NR	0.00%	0.00%	0.00%	NR	4.14%	4.14%	0.00%	NR	13.11%	13.11%	0.00%

7. CONCENTRATION RISK

Jurisdiction	% of Net Assets		
	December 31, 2014	December 31, 2013	January 1, 2013
Equities			
Canada	6.3%	7.8%	5.4%
Global	3.6%	-3.6%	-8.7%
Debt			
Canada			
Corporate	42.2%	48.8%	63.3%
Asset Backed Securities	6.8%	3.5%	0.8%
Government	-3.2%	-5.2%	-11.3%
Global			
Corporate	50.4%	70.9%	51.7%
Asset Backed Securities	0.0%	0.0%	0.0%
Government	-1.0%	-13.3%	-3.6%
Options	0.3%	-0.6%	0.1%
Derivatives	-2.7%	-1.6%	0.0%

PICTON MAHONEY INCOME OPPORTUNITIES FUND

FUND SPECIFIC NOTES (CONTINUED)

8. LIQUIDITY RISK

The tables below categorize the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amount in the tables are the contractual undiscounted cash flows.

December 31, 2014	On Demand	< 3 months	> 3 months	Total
Financial Liabilities	\$	\$	\$	\$
Short positions	447,583,367	-	-	447,583,367
Redemptions payable	3,077,953	-	-	3,077,953
Distributions payable	-	-	-	-
Accrued liabilities and other payables	44,507,793	6,548,580	-	51,056,373
Derivative liabilities	22,647,770	-	-	22,647,770
Cash overdraft	149,521,218	-	-	149,521,218

December 31, 2013	On Demand	< 3 months	> 3 months	Total
Financial Liabilities	\$	\$	\$	\$
Short positions	371,915,925	-	-	371,915,925
Redemptions payable	436,754	-	-	436,754
Distributions payable	101	-	-	101
Accrued liabilities and other payables	5,989,045	4,750,165	-	10,739,210
Derivative liabilities	13,843,636	-	-	13,843,636
Cash overdraft	79,512,516	-	-	79,512,516

January 1, 2013	On Demand	< 3 months	> 3 months	Total
Financial Liabilities	\$	\$	\$	\$
Short positions	284,724,870	-	-	284,724,870
Redemptions payable	575,422	-	-	575,422
Distributions payable	89	-	-	89
Accrued liabilities and other payables	627,353	3,604,198	-	4,231,551
Derivative liabilities	448,515	-	-	448,515
Cash overdraft	10,797,931	-	-	10,797,931

PICTON MAHONEY INCOME OPPORTUNITIES FUND

FUND SPECIFIC NOTES (CONTINUED)

9. FINANCIAL INSTRUMENTS BY CATEGORY

The following tables present the carrying amounts of the Fund's financial instruments by category as at December 31, 2014.

Assets	Financial assets classified as held for trading \$	Financial assets designated at FVTPL \$	Financial assets at amortized cost \$	Total \$
Long positions	8,880,659	1,338,678,666	-	1,347,559,325
Cash	-	-	125,530,541	125,530,541
Subscriptions receivable	-	-	874,473	874,473
Receivable for investments sold	-	-	35,854,898	35,854,898
Interest and other receivable	-	-	18,232,999	18,232,999
Dividends receivable	-	-	252,230	252,230
Total	8,880,659	1,338,678,666	180,745,141	1,528,304,466

Liabilities	Financial liabilities classified as held for trading \$	Financial liabilities designated at FVTPL \$	Financial liabilities at amortized cost \$	Total \$
Short positions	447,583,367	-	-	447,583,367
Unrealized loss on forward currency contracts	14,996,856	-	-	14,996,856
Credit default swap agreements	7,650,914	-	-	7,650,914
Cash overdraft	-	-	149,521,218	149,521,218
Accrued liabilities	-	-	146,391	146,391
Management fee payable	-	-	905,322	905,322
Redemptions payable	-	-	3,077,953	3,077,953
Payable for investments purchased	-	-	44,507,793	44,507,793
Interest payable	-	-	5,390,451	5,390,451
Dividends payable	-	-	106,416	106,416
Total	470,231,137	-	203,655,544	673,886,681

The following tables present the carrying amounts of the Fund's financial instruments by category as at December 31, 2013.

Assets	Financial assets classified as held for trading \$	Financial assets designated at FVTPL \$	Financial assets at amortized cost \$	Total \$
Long positions	1,058,809	985,858,063	-	986,916,872
Cash	-	-	27,306,914	27,306,914
Subscriptions receivable	-	-	1,980,141	1,980,141
Receivable for investments sold	-	-	11,772,898	11,772,898
Interest and other receivable	-	-	12,617,067	12,617,067
Dividends receivable	-	-	140,204	140,204
Total	1,058,809	985,858,063	53,817,224	1,040,734,096

PICTON MAHONEY INCOME OPPORTUNITIES FUND

FUND SPECIFIC NOTES (CONTINUED)

Liabilities	Financial liabilities classified as held for trading \$	Financial liabilities designated at FVTPL \$	Financial liabilities at amortized cost \$	Total \$
Short positions	371,915,925	-	-	371,915,925
Unrealized loss on forward currency contracts	9,220,155	-	-	9,220,155
Credit default swap agreements	4,623,481	-	-	4,623,481
Cash overdraft	-	-	79,512,516	79,512,516
Accrued liabilities	-	-	112,152	112,152
Management fee payable	-	-	572,919	572,919
Performance fee payable	-	-	412,070	412,070
Redemptions payable	-	-	436,754	436,754
Payable for investments purchased	-	-	5,989,045	5,989,045
Interest payable	-	-	3,491,658	3,491,658
Dividends payable	-	-	161,366	161,366
Distributions payable	-	-	101	101
Total	385,759,561	-	90,688,581	476,448,142

The following tables present the carrying amounts of the Fund's financial instruments by category as at January 1, 2013.

Assets	Financial assets classified as held for trading \$	Financial assets designated at FVTPL \$	Financial assets at amortized cost \$	Total \$
Long positions	417,271	660,568,118	-	660,985,389
Cash	-	-	11,452,429	11,452,429
Subscriptions receivable	-	-	567,000	567,000
Receivable for investments sold	-	-	4,323,253	4,323,253
Interest and other receivable	-	-	9,303,654	9,303,654
Dividends receivable	-	-	99,659	99,659
Total	417,271	660,568,118	25,745,995	686,731,384

Liabilities	Financial liabilities classified as held for trading \$	Financial liabilities designated at FVTPL \$	Financial liabilities at amortized cost \$	Total \$
Short positions	284,724,870	-	-	284,724,870
Unrealized loss on forward currency contracts	372,287	-	-	372,287
Credit default swap agreements	76,228	-	-	76,228
Cash overdraft	-	-	10,797,931	10,797,931
Accrued liabilities	-	-	65,680	65,680
Management fee payable	-	-	396,198	396,198
Performance fee payable	-	-	29,997	29,997
Redemptions payable	-	-	575,422	575,422
Payable for investments purchased	-	-	627,353	627,353
Interest payable	-	-	2,950,293	2,950,293
Dividends payable	-	-	162,030	162,030
Distributions payable	-	-	89	89
Total	285,173,385	-	15,604,993	300,778,378

PICTON MAHONEY INCOME OPPORTUNITIES FUND

FUND SPECIFIC NOTES (CONTINUED)

10. NET GAINS ON INVESTMENTS AND DERIVATIVES

The following tables present the net gains (losses) on investments and derivatives by category for the years ended December 31, 2014 and 2013.

	December 31, 2014		
	Financial assets classified as held for trading	Financial assets designated at FVTPL	Total
	\$	\$	\$
Interest for distribution purposes	-	89,506,371	89,506,371
Dividends	-	2,908,919	2,908,919
Net realized gain (loss) on investments and options	(32,282,051)	54,864,491	22,582,440
Net realized gain (loss) on foreign exchange forward contracts and credit default swaps	(25,834,059)	-	(25,834,059)
Change in unrealized appreciation (depreciation) on investments, options, foreign exchange forward contracts, and credit default swaps	(9,165,189)	(29,340,648)	(38,505,837)
Total	(67,281,299)	117,939,133	50,657,834

	December 31, 2013		
	Financial assets classified as held for trading	Financial assets designated at FVTPL	Total
	\$	\$	\$
Interest for distribution purposes	-	64,846,339	64,846,339
Dividends	-	1,180,058	1,180,058
Net realized gain (loss) on investments and options	(15,945,699)	29,130,989	13,185,290
Net realized gain (loss) on foreign exchange forward contracts and credit default swaps	(5,646,896)	-	(5,646,896)
Change in unrealized appreciation (depreciation) on investments, options, and foreign exchange forward contracts, and credit default swaps	(12,356,650)	23,019,661	10,663,011
Total	(33,949,245)	118,177,047	84,227,802

11. TRANSITION TO IFRS

The quantitative effect of the Fund's transition to IFRS is summarized in this note as follows:

Reconciliation of net assets and comprehensive income as previously reported under Canadian GAAP to IFRS

	December 31, 2013	January 1, 2013
	\$	\$
Net Assets		
Net assets as reported under Canadian GAAP	562,855,173	384,671,022
Revaluation of investments at FVTPL	1,430,781	1,281,984
Net Assets Attributable to Holders of Redeemable Units	564,285,954	385,953,006

	Year Ended December 31, 2013
	\$
Comprehensive income as reported under Canadian GAAP	40,225,504
Revaluation of investments at FVTPL	148,797
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	40,374,301

PICTON MAHONEY INCOME OPPORTUNITIES FUND

FUND SPECIFIC NOTES (CONTINUED)

12. FUND UNIT TRANSACTIONS

For the years ended December 31

	2014			2013		
	Class A	Class F	Class I	Class A	Class F	Class I
Units issued and outstanding as at January 1	21,342,498	32,086,700	365,932	16,530,944	20,792,785	274,056
Units issued	10,415,797	25,292,619	515,119	7,258,022	14,098,264	185,951
Units reinvested	1,133,854	1,695,583	33,482	881,887	1,098,311	21,698
Units redeemed	(3,442,919)	(4,132,560)	(55,929)	(3,328,355)	(3,902,660)	(115,773)
Units issued and outstanding as at December 31	29,449,230	54,942,342	858,604	21,342,498	32,086,700	365,932

13. COMMISSIONS

For the years ended December 31 (in \$000)

	2014	2013
Brokerage commissions	3,869	1,648
Soft Dollar commissions	124	49

14. TAX LOSS CARRY FORWARDS

As at December 31 (in \$000)

	2014
Net capital losses carry forward	3,084
Non-capital losses carry forward	-

PICTON MAHONEY FUNDS NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

I. ESTABLISHMENT OF THE FUNDS

Picton Mahoney Market Neutral Equity Fund, Picton Mahoney Long Short Equity Fund, Picton Mahoney Global Market Neutral Equity Fund, Picton Mahoney Global Long Short Equity Fund, Picton Mahoney Diversified Strategies Fund, Picton Mahoney Income Opportunities Fund, Picton Mahoney Long Short Global Resource Fund, Picton Mahoney Long Short Emerging Markets Fund, and Picton Mahoney Premium Fund (collectively "the Funds" and each "a Fund") are open-ended trusts established under the laws of the Province of Ontario by a declaration of trust.

Each Fund is permitted to issue trust units (the "Units" and each a "Unit") in an unlimited number of classes (the "Classes" and each a "Class") to qualified investors in the provinces and territories of Canada ("Offering Jurisdictions") pursuant to prospectus exemptions.

Name of the Fund	Fund Tax Structure	Series	Inception Date
Picton Mahoney Market Neutral Equity Fund Picton Mahoney Long Short Equity Fund	Open-ended trusts established under the laws of the Province of Ontario by the declaration of trust dated December 30, 2005 and as amended, March 30, 2007, restated and supplemented from time to time.	Class A Class F Class I	December 31, 2005 September 15, 2006 December 31, 2009
Picton Mahoney Global Market Neutral Equity Fund Picton Mahoney Global Long Short Equity Fund	Open-ended trusts established under the laws of the Province of Ontario by an amended and restated master declaration of trust dated October 31, 2007, and as amended, March 30, 2007, restated and supplemented from time to time.	Class A Class F Class I	October 31, 2007 October 31, 2007 February 15, 2008
Picton Mahoney Income Opportunities Fund Picton Mahoney Diversified Strategies Fund	Open-ended trusts established under the laws of the Province of Ontario by the declaration of trust dated December 30, 2005 and as amended and restated as of December 31, 2009.	Class A Class F Class I	All Series started on December 31, 2009
Picton Mahoney Long Short Global Resource Fund Picton Mahoney Long Short Emerging Markets Fund	Open-ended trust established under the laws of the Province of Ontario by an amended and restated master declaration of trust dated December 31, 2010 as amended, restated or supplemented from time to time.	Class A Class F Class I Class A Class F Class I	All 3 series started on December 31, 2010 Inception date is September 21, 2011 and commencement date of all 3 series is September 30, 2011
Picton Mahoney Premium Fund	Open-ended trusts established under the laws of the Province of Ontario by the declaration of trust dated January 31, 2012 and restated and supplemented from time to time.	Class A Class F Class I	All 3 series started on October 12, 2012

Picton Mahoney Asset Management acts as the trustee (the "Trustee") and the manager (the "Manager") of the Funds pursuant to the Trust Declaration. The Manager is responsible for the day-to-day business of the Funds, including the management of the Funds' investment portfolios. The address of the Funds' registered office is 33 Yonge Street, Suite 830, 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 30, 2015.

The Statements of Financial Position are as at December 31, 2014, December 31, 2013 and January 1, 2013. The Statements of Comprehensive Income, Statements of Changes in Net Assets Attributable to Holders of Redeemable Units and Statements of Cash Flows are for the years ended December 31, 2014 and December 31, 2013.

The investment objective of the Picton Mahoney Market Neutral Equity Fund and the Picton Mahoney Global Market Neutral Equity Fund is to provide consistent long-term capital appreciation and to provide holders of Units (the "Unitholders") with an attractive risk-adjusted rate of return with

less volatility than traditional equity markets and low correlation to major equity markets.

The investment objective of the Picton Mahoney Long Short Equity Fund, the Picton Mahoney Global Long Short Equity Fund, the Picton Mahoney Long Short Global Resource Fund and the Picton Mahoney Long Short Emerging Markets Fund is to provide consistent long-term capital appreciation and to provide Unitholders with an attractive risk-adjusted rate of return.

The investment objective of the Picton Mahoney Income Opportunities Fund is to maximize total return, consisting of interest and dividend income and capital appreciation and to provide Unitholders with monthly distributions initially targeted for 2014 to be \$0.0425 per Unit for the Class A Units, \$0.0444 per Unit for the Class F Units and \$0.0492 per Unit for the Class I Units (2013 - monthly distributions of \$0.0419 per Unit for the Class A Units, \$0.0434 per Unit for the Class F Units and \$0.0469 per Unit for the Class I Units).

PICTON MAHONEY FUNDS NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

The investment objective of the Picton Mahoney Diversified Strategies Fund is to provide consistent long-term capital appreciation and to provide Unitholders with an attractive risk-adjusted rate of return.

The investment objective of the Picton Mahoney Premium Fund is to provide consistent long-term capital appreciation and to provide Unitholders with an attractive risk-adjusted rate of return.

The Funds may invest, both long and short, in a variety of financial instruments including equities, debt securities, exchange traded funds, currencies and commodities as well as futures, forwards, credit default swaps and options.

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board (the "IASB"). The Funds adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Funds prepared their financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Handbook (Canadian GAAP). The Funds have consistently applied the accounting policies used in the preparation of their opening IFRS statements of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 12 discloses the impact of the transition to IFRS on the Funds' reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Funds' financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Funds.

(a) Financial Instruments

The Funds classify their investments in debt and equity securities, and derivatives, as financial assets or financial liabilities at fair value through profit or loss.

This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

(i) Financial assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives, including options, futures, foreign exchange forward contracts, and credit default swaps and short sales are recognized as held for trading.

(ii) Financial assets and liabilities designated at fair value through profit or loss at inception ("FVTPL")

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. Long positions investments have been designated as FVTPL.

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 classified as held for trading. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. As at December 31, 2014, December 31, 2013 and January 1, 2013, there was no difference between the Funds' net asset value for purposes of unitholder transactions and net assets for financial reporting.

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Funds enter into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

The carrying values of cash, subscriptions receivable, receivable for investments sold, interest receivable, dividends receivable, accrued liabilities, redemptions payable, payable for investments purchased, interest payable, dividends payable, and distributions payable approximate their fair values due to their short-term nature.

(b) Fair Value Measurements

The Funds utilize a three tier hierarchy as a framework for disclosing fair value based on inputs used to value the Funds' 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 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.

(c) 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, futures, 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.

PICTON MAHONEY FUNDS NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

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 Funds 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.

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 that are not listed on any recognized public securities exchange are valued using the Black-Scholes model and based on observable market inputs.

Credit default swaps are agreements to mitigate credit risk exposure to certain issuing entities ("referenced entity") held by the Funds or to increase credit risk exposure to the referenced entity by creating a notional investment position for the Funds. Where a notional investment position is created, the credit risk exposure of the Funds is comparable to the exposure that would have resulted if the Funds were invested directly in the referenced entity. Under a credit default swap agreement, the protection buyer, whose intention is to reduce its credit risk exposure to the referenced entity, pays a premium to the protection seller, who assumes the credit risk of that entity defaulting. This premium is paid at regular intervals over the term of the swap agreement. In return for the premium paid, the protection buyer is entitled to receive from the protection seller full payment for a loss arising from a credit default event of the referenced entity. A credit default event may be triggered by bankruptcy, failure to pay or restructuring of the referenced entity. If a credit default event occurs, the swap may be settled by either the physical delivery of the bond for proceeds equal to par value, or a cash payment equal to the loss amount. Credit default swaps are valued daily based on dealer-supplied valuations determined using observable inputs.

Forward currency 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, futures, foreign exchange forward contracts, and credit default swaps.

(d) Impairment of financial assets

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets at

amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(e) Cash

Cash is comprised of cash on demand deposit.

(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 statements of comprehensive income represents the coupon interest received by the Funds accounted for on an accrual basis. The Funds do 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 Funds based on the Class' pro-rated share of total Net Asset Value.

Distributions received from investment fund holdings are recognized by the Funds in the same form in which they were received from the underlying funds and are recognized on the distribution date.

(g) Valuation of Fund Units

Each Fund's Net Asset Value is calculated as the value of the Fund's assets, less its liabilities, computed on a particular date in accordance with the Fund's Trust Declaration. The administrator of the Funds (or such other person or entity designated by the Manager) will calculate the Net Asset Value of the Funds as of the last business day (any day on which the Toronto Stock Exchange ("TSX") is open for trading is hereinafter referred to as a "Business Day"), of each week at the close of regular trading on the TSX, normally 4:00 p.m. (Eastern time) (each, a "Valuation Date").

The Class Net Asset Value per Unit on a Valuation Date is obtained by dividing the value of the assets of a Fund less the amount of its liabilities, in each case attributable to that Class, by the total number of Units of the Class outstanding at the close of business on the Valuation Date.

(h) Foreign Currency Translation

The Funds' 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 are presented as 'Foreign currency gain (loss) on cash and other assets' and those relating to other financial assets and liabilities are presented within 'Net realized gain (loss) on investments, options, futures, foreign exchange forward contracts, and credit default swaps' and 'Change in unrealized appreciation (depreciation) on investments, options, futures, foreign exchange forward contracts, and credit default swaps'.

(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 Funds is determined by dividing the net

PICTON MAHONEY FUNDS NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

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 period.

(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 dealer, levies by regulatory agencies and securities exchange, and transfer taxes and duties. Such costs are expensed and included in "Transaction costs" in the Statements of Comprehensive Income.

(k) Future Accounting Changes

IFRS 9, Financial Instruments

The final version of IFRS 9, *Financial instruments*, was issued by the IASB in July 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Funds are in the process of assessing the impact of IFRS 9 and have not yet determined when they will adopt the new standard.

IAS 24, Related Party Disclosures

In December 2013, the IASB approved amendments to IAS 24, Related Party Disclosures, with respect to the definition of a 'related party, to include a person or entity who provides key management personnel services to the reporting entity or to the parent of the reporting entity; including the disclosure of amounts incurred for key management personnel services from a related party. The amendments are effective for annual periods beginning on or after July 1, 2014. The Fund is currently evaluating the impact that the adoption of these amendments will have on its financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB approved IFRS 15, Revenue from Contracts with Customers which specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers, except for leases, financial instruments and insurance contracts. Application of IFRS 15 is mandatory for annual periods beginning on or after January 1, 2017. The Fund is currently evaluating the impact that the adoption of these amendments will have on its non-consolidated financial statements.

(l) 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 Funds invest 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 Funds and other investors in any underlying funds.

The Funds 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 and as permitted by Canadian securities regulatory authorities. 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 Funds' interests in underlying funds as at December 31, 2014 and 2013, and January 1, 2013, held in the form of redeemable units, are included at their fair value in the Statements of Financial Position, which represent the Funds' maximum exposure in these underlying funds. The Funds do not provide and have 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, futures, foreign exchange forward contracts, and credit default swaps' in the Statements of Comprehensive Income.

Certain Funds invest in mortgage-related and other asset-backed securities. These securities include mortgage pass-through securities, collateralized mortgage obligations, commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. The debt and equity securities issued by these securities may include tranches with varying levels of subordination. These securities may provide a monthly payment which consists of both interest and principal payments.

Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans.

As at December 31, 2014, the carrying and market value of mortgage related and other asset-backed securities are listed on the Statement of Investment Portfolio of each Fund. This amount also represents the maximum exposure to losses at that date.

Certain Funds currently have interests in unconsolidated structured entities. The tables below illustrate those Funds' investment details in the underlying funds as on December 31, 2014 and 2013, and January 1, 2013.

PICTON MAHONEY FUNDS NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

Picton Mahoney Market Neutral Equity Fund		
Underlying Funds	Fair Value of Fund's Investment (in 000s)	Underlying Fund's Net Assets (in 000s)
As at December 31, 2014		
iShares MSCI Spain Capped ETF	\$442	\$1,834,935
Picton Mahoney Emerging Markets Fund	\$3,733	\$34,907
Picton Mahoney Global Market Neutral Equity Fund	\$42,846	\$276,860
Picton Mahoney Long Short Global Resource Fund	\$500	\$8,501
As at December 31, 2013		
iShares S&P/TSX Capped Energy Index Fund	\$1,357	\$634,920
iShares S&P/TSX Capped Financials Index Fund	\$843	\$885,856
Picton Mahoney Emerging Markets Fund	\$7,548	\$31,250
Picton Mahoney Global Market Neutral Equity Fund	\$25,863	\$199,840
Picton Mahoney Long Short Global Resource Fund	\$3,335	\$12,962
Picton Mahoney Long Short US Small Mid Cap Fund	\$5,430	\$11,416
Picton Mahoney Premium Fund	\$7,565	\$17,487
As at January 1, 2013		
Picton Mahoney Emerging Markets Fund	\$7,533	\$16,199
Picton Mahoney Long Short Global Resource Fund	\$2,852	\$9,317
Picton Mahoney Premium Fund	\$7,052	\$10,629

Picton Mahoney Long Short Equity Fund		
Underlying Funds	Fair Value of Fund's Investment (in 000s)	Underlying Fund's Net Assets (in 000s)
As at December 31, 2014		
iShares MSCI Spain Capped ETF	\$140	\$1,834,935
Picton Mahoney Emerging Markets Fund	\$935	\$34,907
Picton Mahoney Global Long Short Equity Fund	\$8,200	\$88,841
Picton Mahoney Long Short Global Resource Fund	\$126	\$8,501
As at December 31, 2013		
iShares S&P/TSX Capped Energy Index Fund	\$370	\$634,920
iShares S&P/TSX Capped Financials Index Fund	\$203	\$885,856
Picton Mahoney Emerging Markets Fund	\$2,611	\$31,250
Picton Mahoney Global Long Short Equity Fund	\$7,516	\$65,622
Picton Mahoney Long Short Global Resource Fund	\$943	\$12,962
Picton Mahoney Long Short US Small Mid Cap Fund	\$1,777	\$11,416
Picton Mahoney Premium Fund	\$1,108	\$17,487
As at January 1, 2013		
Picton Mahoney Emerging Markets Fund	\$2,119	\$16,199
Picton Mahoney Long Short Global Resource Fund	\$806	\$9,317

Picton Mahoney Global Market Neutral Equity Fund		
Underlying Funds	Fair Value of Fund's Investment (in 000s)	Underlying Fund's Net Assets (in 000s)
As at December 31, 2014		
Powershares S&P 500 Low Volatility Portfolio ETF	\$770	\$6,131,086
WisdomTree Japan Hedged Equity Fund	\$428	\$13,694,765
As at December 31, 2013		
Powershares S&P 500 Low Volatility Portfolio ETF	\$616	\$4,162,549
iShares FTSE China 25 Index Fund	\$1,427	\$6,508,430
As at January 1, 2013		
Powershares S&P 500 Low Volatility Portfolio ETF	\$295	\$16,101
iShares MSCI Spain Index Fund	\$325	\$245,713

PICTON MAHONEY FUNDS NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

Picton Mahoney Global Long Short Equity Fund		
Underlying Funds	Fair Value of Fund's Investment (in 000s)	Underlying Fund's Net Assets (in 000s)

As at December 31, 2014

Powershares S&P 500 Low Volatility Portfolio ETF	\$149	\$6,131,086
WisdomTree Japan Hedged Equity Fund	\$142	\$13,694,765

As at December 31, 2013

Powershares S&P 500 Low Volatility Portfolio ETF	\$105	\$4,162,549
db X-trackers Harvest CSI 300 China A Shares Fund ETF	\$143	\$234,567
iShares FTSE China 25 Index Fund	\$734	\$6,508,430

As at January 1, 2013

Powershares S&P 500 Low Volatility Portfolio ETF	\$82	\$3,078,841
iShares MSCI Spain Index Fund	\$77	\$245,713

Picton Mahoney Diversified Strategies Fund		
Underlying Funds	Fair Value of Fund's Investment (in 000s)	Underlying Fund's Net Assets (in 000s)

As at December 31, 2014

Picton Mahoney 130/30 Alpha Extension Canadian Equity Fund	\$5,949	\$428,809
Picton Mahoney Emerging Markets Fund	\$1,648	\$34,907
Picton Mahoney Global Long Short Equity Fund	\$9,057	\$88,841
Picton Mahoney Global Market Neutral Equity Fund	\$3,900	\$276,860
Picton Mahoney Income Opportunities Fund	\$8,881	\$854,417
Picton Mahoney Long Short Equity Fund	\$3,311	\$210,197
Picton Mahoney Long Short Global Resource Fund	\$1,007	\$8,501
Picton Mahoney Long Short US Small Mid Cap Fund	\$2,797	\$8,404
Picton Mahoney Market Neutral Equity Fund	\$5,384	\$583,520
Picton Mahoney Premium Fund	\$1,517	\$11,592

Picton Mahoney Diversified Strategies Fund		
Underlying Funds	Fair Value of Fund's Investment (in 000s)	Underlying Fund's Net Assets (in 000s)

As at December 31, 2013

Picton Mahoney 130/30 Alpha Extension Canadian Equity Fund	\$5,505	\$476,824
Picton Mahoney Emerging Markets Fund	\$1,241	\$31,250
Picton Mahoney Global Long Short Equity Fund	\$5,966	\$65,622
Picton Mahoney Global Market Neutral Equity Fund	\$3,503	\$199,840
Picton Mahoney Income Opportunities Fund	\$4,317	\$564,285
Picton Mahoney Long Short Equity Fund	\$4,555	\$198,159
Picton Mahoney Long Short Global Resource Fund	\$875	\$12,962
Picton Mahoney Long Short US Small Mid Cap Fund	\$381	\$11,416
Picton Mahoney Market Neutral Equity Fund	\$3,547	\$605,977
Picton Mahoney Premium Fund	\$1,125	\$17,487

As at January 1, 2013

Picton Mahoney 130/30 Alpha Extension Canadian Equity Fund	\$3,609	\$374,271
Picton Mahoney Emerging Markets Fund	\$768	\$16,199
Picton Mahoney Global Long Short Equity Fund	\$3,294	\$21,364
Picton Mahoney Global Market Neutral Equity Fund	\$2,126	\$82,884
Picton Mahoney Income Opportunities Fund	\$3,083	\$385,953
Picton Mahoney Long Short Equity Fund	\$2,811	\$183,265
Picton Mahoney Long Short Global Resource Fund	\$411	\$9,317
Picton Mahoney Market Neutral Equity Fund	\$2,108	\$618,077
Picton Mahoney Premium Fund	\$553	\$10,629

Picton Mahoney Income Opportunities Fund		
Underlying Funds	Fair Value of Fund's Investment (in 000s)	Underlying Fund's Net Assets (in 000s)

As at December 31, 2014

BMO S&P/TSX Laddered Preferred Share Index ETF	\$27,940	\$1,148,334
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As at December 31, 2013

BMO S&P/TSX Laddered Preferred Share Index ETF	\$7,302	\$908,236
iShares S&P/TSX Canadian Preferred Share Index Fund	\$5,273	\$1,299,174

As at January 1, 2013

Market Vectors Junior Gold Miners ETF	\$271	\$2,524,333
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PICTON MAHONEY FUNDS NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

Picton Mahoney Long Short Global Resource Fund		
Underlying Funds	Fair Value of Fund's Investment (in 000s)	Underlying Fund's Net Assets (in 000s)
As at December 31, 2014		
ETFS Palladium Trust	\$98	\$463,523
Market Vectors Gold Miners ETF	\$114	\$6,382,978
Market Vectors Junior Gold Miners ETF	\$83	\$1,760,432
As at December 31, 2013		
None	\$-	\$-
As at January 1, 2013		
None	\$-	\$-

Picton Mahoney Long Short Emerging Markets Fund		
Underlying Funds	Fair Value of Fund's Investment (in 000s)	Underlying Fund's Net Assets (in 000s)
As at December 31, 2014		
None	\$-	\$-
As at December 31, 2013		
db X-trackers Harvest CSI 300 China A Shares Fund ETF	\$414	\$234,567
iShares FTSE China 25 Index Fund	\$611	\$6,508,430
iShares MSCI Mexico Capped ETF	\$428	\$2,808,065
As at January 1, 2013		
iShares FTSE China 25 Index Fund	\$482	\$8,620,202
iShares MSCI Brazil Index Fund	\$424	\$9,375,035

Picton Mahoney Premium Fund		
Underlying Funds	Fair Value of Fund's Investment (in 000s)	Underlying Fund's Net Assets (in 000s)
As at December 31, 2014		
iShares MSCI Spain Capped ETF	\$562	\$1,834,935
As at December 31, 2013		
iShares S&P/TSX Capped Energy Index Fund	\$1,234	\$634,920
iShares S&P/TSX Capped Financials Index Fund	\$2,037	\$885,856
As at January 1, 2013		
None	\$-	\$-

4. 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 Funds have made in preparing the financial statements.

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the Funds, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments – Recognition and Measurement (IAS 39). The most significant judgments made include the determination that certain financial instruments are held-for-trading and that the fair value option can be applied to those which are not.

5. FINANCIAL INSTRUMENTS RISKS

The Funds are 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 portfolios 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 Funds trade in financial instruments, taking positions in traded and over-the-counter instruments which may include derivatives. As of December 31, 2014, December 31, 2013 and January 1, 2013, the Funds 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

PICTON MAHONEY FUNDS NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

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 included in these Funds 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 Funds. The prices of the foreign securities are denominated in foreign currencies which are converted to the Funds' 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 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 Funds.

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 Funds. 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.

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 Funds primarily invest in liquid securities that are readily realizable in an active market which is essential if the Funds are required to fund weekly redemptions in the course of operations. The Funds 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 Funds' Net Asset Values. The Funds may also maintain a cash reserve to accommodate normal-type redemptions. All liabilities of the Funds mature in one year or less with the exception of bonds sold short. At the Manager's discretion, bonds sold short can be repurchased to settle the liability immediately. 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.

6. REDEEMABLE UNIT TRANSACTIONS

Each 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 the 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 Funds or may acquire additional Units on a weekly basis as of the last business day of each calendar week. Units of the Funds are offered at the Class Net Asset Value per Unit calculated as of the applicable Valuation Date. The minimum initial investment in the Funds is \$25,000 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 \$5,000 subject to applicable securities legislation.

The capital of the Funds 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 Funds' Net Asset Value per Unit upon redemption. The Funds have 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.

Class A Units are designed for investors investing CAD \$25,000 or more, who are not eligible to purchase Class F Units. Class F Units are designed for 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, investing Canadian dollar \$25,000 or more.

Class I Units of each of the Funds are issued only to the Picton Mahoney Diversified Strategies Fund.

Units may be surrendered to the Manager for redemption at any time. A Unitholder may have his or her Units redeemed as of the last Business Day of any calendar week (the "Redemption Date") at the Class Net Asset Value per Unit as of the Redemption Date provided the Manager has received a notice of redemption in respect of such Units prior to 4:00 p.m. (Eastern time) on such Valuation Date, otherwise such Units will be redeemed on the next Valuation Date. In order to protect the interest of the majority of investors in the Funds and to discourage short-term trading, investors may be subject to a short-term trading deduction. If an investor redeems Units within 120 days of purchasing such Units, the Funds may deduct and retain, for the benefit of the remaining Unitholders, five percent (5%) of the Class Net Asset Value of the Units being redeemed.

Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. This is applicable to all Funds. The Funds also have 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

Each Fund intends to distribute sufficient net income and net realized capital gains, if any, to Unitholders in each calendar 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

PICTON MAHONEY FUNDS NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

refunds. Subject to applicable securities legislation, all annual distributions made by a Fund (net of any deductions or withholdings required by law) will be automatically reinvested in additional Units or fractions of Units of the Fund at the Class Net Asset Value per Unit. The Picton Mahoney Income Opportunities Fund also has a monthly distribution that can either be automatically reinvested in additional Units or fractions of Units of the Fund at the Class Net Asset Value per Unit or paid out in cash.

8. TAXATION

Each Fund currently qualifies as a "mutual fund 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, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. Each 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 their net income and net realized capital gains as described under "Distributions", it will generally not be liable in such year for any tax on their net income or profit under Part I of the Act. As a result, the Funds do not record income taxes. Since the Funds do 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 income 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.

The Funds currently incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statement of Comprehensive Income.

9. OPERATING EXPENSES

The Manager paid for the costs of initially organizing the Funds and offering the Units, including the fees and expenses of counsel. The Funds will pay for all routine and customary expenses relating to the Funds' operation, including registrar and transfer agency fees and expenses, trustee fees (if any), custodian fees, auditing, legal and accounting fees, communication expenses, printing and mailing expenses, all costs and expenses associated with the sale of Units including securities filing fees (if any), expenses relating to providing financial and other reports to Unitholders and convening and conducting meetings of Unitholders, all taxes, assessments or other governmental charges levied against the Funds, interest expenses and all brokerage and other fees relating to the purchase and sale of the assets of the Funds. In addition, the Funds will pay for expenses associated with ongoing investor relations and education relating to the Funds. With the exception of Class specific expenses, all other expenses are allocated to each 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 receive fees and reimbursement of expenses subsequently accruing to it.

10. RELATED PARTY TRANSACTIONS

(a) Management Fees

For providing its services to the Funds, the Manager receives a management fee (the "Management Fee") from each Fund attributable to the Class A Units and the Class F Units of the Funds, respectively. The Management Fee charged to a Class of Units of a Fund is only borne by the holders of Units of that Class of the Fund.

The Class A Units of each Fund are charged a Management Fee equal to 0.50% per quarter (2.00% per annum) of the Net Asset Value of the Class A Units of the Fund; the Class F Units of each Fund are charged a Management Fee equal to 0.25% per quarter (1.00% per annum) of the Net Asset Value of the Class F Units of the Fund. Management Fees are calculated and accrued on each Valuation Date and payable on the last Valuation Date of each quarter. Class I Units of each Fund are not charged a Management Fee.

(b) Performance Fees

Each Fund shall pay the Manager a performance fee (the "Performance Fee") in respect of each of the Class A Units and Class F Units of the Fund. The Performance Fee in respect of each Class shall be calculated and become a liability of the Fund on each Valuation Date and shall be payable at the end of each calendar quarter.

With the exception of the Picton Mahoney Income Opportunities Fund, the Performance Fee in respect of each of the Class A Units and Class F Units, on a particular Valuation Date shall be equal to the product of (a) 20% of the positive difference between (i) the Adjusted Class Net Asset Value per Unit on the Valuation Date, (Adjusted Class Net Asset Value per Unit on a Valuation Date means the Class Net Asset Value per Unit on the Valuation Date, without giving effect to any Performance Fee determined on such Valuation Date) and (ii) the greatest Class Net Asset Value per Unit on any previous Valuation Date (or the date Units of the Class were first issued, where no Performance Fee liability has previously arisen in respect of Units of the Class) (the "high water mark"), and (b) the number of Units outstanding on the applicable Valuation Date on which the Performance Fee is determined.

For the calculation of the Performance Fee in respect of the Picton Mahoney Income Opportunities Fund, each of the Class A Units and Class F Units include an Accrued Hurdle Amount per Unit on Valuation Date which must be included in the formula above. The Accrued Hurdle Amount per Unit on any Valuation Date is the accumulated Hurdle Amount per Unit since the last high water mark that occurred in the current financial year of the Fund. The Hurdle Amount per Unit is calculated and accrued on each Valuation Date and shall be equal to the product of (a) the Hurdle Rate equal to 5% per annum (prorated for the number of days in the year since the last Valuation Date), and (b) the Adjusted Class Net Asset Value per Unit on the applicable Valuation Date.

The Manager may make such adjustments to the Adjusted Net Asset Value per Unit of a Class and/or the applicable high water mark as are determined by the Manager to be necessary to account for the payment of any distributions on Units, any Unit splits or consolidations or any other event or matter that would, in the opinion of the Manager, impact upon the computation of Performance Fee. Any such determination of the Manager shall, absent manifest error, be binding on all Unitholders.

11. FILING EXEMPTION

The Funds are relying on the exemption pursuant to section 2.11 of National Instrument 81-106, not to file their financial statements with the Ontario Securities Commission.

12. TRANSITION TO IFRS

The effect of the Funds' transition to IFRS is summarized in this note as follows:

Transition elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian

PICTON MAHONEY FUNDS NOTES TO THE FINANCIAL STATEMENTS

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GAAP as required by Accounting Guideline 18, Investment Companies.

Classification of redeemable units issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Funds' do not meet the criteria in IAS 32 for classification as equity and therefore have been reclassified as financial liabilities on transition to IFRS.

Revaluation of Investments at FVTPL

Under Canadian GAAP, the Funds measured the fair values of their investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread.

As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Picton Mahoney Market Neutral Equity Fund's investments by \$2,251,612 at January 1, 2013 and \$3,096,240 as at December 31, 2013. The impact of this adjustment was to increase Picton Mahoney Market Neutral Equity Fund's increase in net assets attributable to holders of redeemable units by \$844,628 for the year ended December 31, 2013.

Upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Picton Mahoney Long Short Equity Fund's investments by \$749,721 at January 1, 2013 and \$1,025,788 as at December 31, 2013. The impact of this adjustment was to increase Picton Mahoney Long Short Equity Fund's increase in net assets attributable to holders of redeemable units by \$276,067 for the year ended December 31, 2013.

Upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Picton Mahoney Global Market Neutral Equity Fund's investments by \$223,650 at January 1, 2013 and \$322,096 as at December 31, 2013. The impact of this adjustment was to increase Picton Mahoney Global Market Neutral Equity Fund's increase in net assets attributable to holders of redeemable units by \$98,446 for the year ended December 31, 2013.

Upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Picton Mahoney Global Long Short Equity Fund's investments by \$64,437 at January 1, 2013 and \$132,967 as at December 31, 2013. The impact of this adjustment was to increase Picton Mahoney Global Long Short Equity Fund's increase in net assets attributable to holders of redeemable units by \$68,530 for the year ended December 31, 2013.

Upon adoption of IFRS no adjustment was required to change the carrying amount of the Picton Mahoney Diversified Strategies Fund's investments at January 1, 2013 and as at December 31, 2013. There was no impact to Picton Mahoney Diversified Strategies Fund's net assets attributable to holders of redeemable units for the year ended December 31, 2013.

Upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Picton Mahoney Income Opportunities Fund's investments by \$1,281,984 at January 1, 2013 and \$1,430,781 as at December 31, 2013. The impact of this adjustment was to increase Picton Mahoney Income Opportunities Fund's increase in net assets attributable to holders of redeemable units by \$148,797 for the year ended December 31, 2013.

Upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Picton Mahoney Long Short Global Resource Fund's investments by \$34,095 at January 1, 2013 and \$42,739 as at December 31, 2013. The impact of this adjustment was to increase Picton Mahoney Long Short Global Resource Fund's increase in net assets attributable to holders of redeemable units by \$8,644 for the year ended December 31, 2013.

Upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Picton Mahoney Long Short Emerging Markets Fund's investments by \$71,233 at January 1, 2013 and \$138,638 as at December 31, 2013. The impact of this adjustment was to increase Picton Mahoney Long Short Emerging Markets Fund's increase in net assets attributable to holders of redeemable units by \$67,405 for the year ended December 31, 2013.

Upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Picton Mahoney Premium Fund's investments by \$180,357 at January 1, 2013 and \$266,953 as at December 31, 2013. The impact of this adjustment was to increase Picton Mahoney Market Premium Fund's increase in net assets attributable to holders of redeemable units by \$86,596 for the year ended December 31, 2013.

Please refer to the Fund Specific Notes in the Fund's financial statements for details of these adjustments.

Reclassification Adjustments

In addition to the measurement adjustments noted above, the Funds reclassified certain amounts upon transition in order to conform to its financial statement presentation under IFRS. Withholding taxes for the year ending Dec 31, 2013 which were previously netted against interest income or dividend income under Canadian GAAP have been reclassified and presented separate as an expense under IFRS.



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