



Second engine Liquid Alternative Indices

Quarterly Industry Report

Q1 2024

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Second engine Indices

Overview

The Second engine Liquid Alternative Indices were designed to provide accessible and timely information on Canada's liquid alternatives in an effort to bridge critical informational gaps, facilitating greater understanding and engagement within the Canadian alternative investment landscape. The indices consist of an aggregate index representing the overall liquid alternative market, along with a series of strategy-based and goal-based indices, for a total of 11 indices.

Second engine Liquid Alternative 35 Index™



Objectives and Key Features



Provide better understanding of the alternative universe and available investment options



Provide timely information for investors to stay up-to-date on the liquid alternative market



Provide relevant peer groups to assess manager performance

Key Features

- Adhere to the CFA best practices for benchmarking¹
- Equal-weighting to minimize overconcentration risk
- Quarterly rebalancing and semi-annual reconstitution

¹ Index construction is consistent with the principles articulated in the 'Guidance Statement on Benchmarks for Firms' published by the CFA Institute in 2021.

Executive Summary – Q1 2024

Performance Highlights

- All 11 liquid alternative indices delivered positive returns in the first quarter, with the **Second engine Liquid Alternative 35 Index™** gaining 3.6%, bringing its one-year performance to 7.4%.
- The **Second engine Equity Long Short Index™** stood out as the top performer among strategy-based indices, gaining 6.4% in the first three months, followed by the **Second engine Global Macro Index™** with a 5.2%.
- All three goal-based indices posted positive returns, with the **Second engine Equity Enhancer 10 Index™** leading at 5.4%, followed by the **Second engine Diversifier 10 Index™** at 3.7% and the **Second engine Fixed Income Enhancer 10 Index™** at 1.5%.

Alternative Universe Flows

- In the first quarter, the Canadian liquid alternative strategies tracked by the Second engine Indices saw a net inflow of **\$778 million**, bringing their total AUM to \$25.0 billion at the end of Q1.
- Most categories saw net inflows, with Alternative Fixed Income leading with **\$484 million**, while Equity Market Neutral experienced net outflows of **\$101 million**.
- Alternative Fixed Income remains the largest category, with \$8.7 billion in assets managed across 21 funds.

Source: As of March 31, 2024, based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management. All currencies are in CAD terms. The calculation of the Second engine Liquid Alternative Indices began in June 2023 ("Index Creation Date"). All performance information of the indices are based on actual returns of the constituents and in accordance with the methodology stated in the Second engine Liquid Alternative Indices Methodology Guide (https://prd2e.wpenginepowered.com/wp-content/uploads/2024/03/2e_LiqAltIndex_MethodologyGuide_vF.pdf). The index calculation methodology have been retroactively applied to produce performance data for periods before the Index Creation Date where the index constituent criteria is achieved.

Index Snapshot

Universe AUM

\$25.0_B

3M Net Flow

+\$778_M

12M Net Flow

+\$98_M

Total # of Funds in Universe

115

Fund Co in Universe

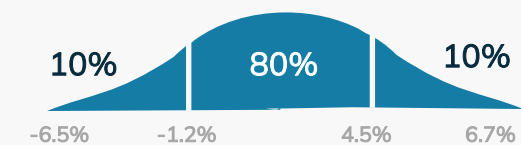
46

Total # of indices

11

3-month return of the Second engine
Liquid Alternative 35 Index

+3.6%



Source: As of March 31, 2024. All currencies are in CAD terms. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.

Calendar Year Returns by Strategy

	2020	2021	2022	2023	2024 YTD	Since Inception ¹	
						Return	Vol.
	Event-Driven 17.4%	Equity Long Short 15.8%	Multi-Strategy -8.3%	Alternative Fixed Income 7.4%	Equity Long Short 6.4%	Equity Long Short 8.6%	Equity Market Neutral 3.4%
	Equity Long Short 16.4%	Multi-Strategy 9.4%	Global Macro 2.4%	Absolute Return 5.2%	Global Macro 5.2%	Global Macro 5.0%	Absolute Return 3.8%
	Multi-Strategy 12.1%	Absolute Return 5.2%	Equity Market Neutral 1.5%	Multi-Strategy 3.9%	Equity Market Neutral 4.6%	Multi-Strategy 4.1%	Global Macro 4.6%
	Alternative Fixed Income 6.9%	Alternative Fixed Income 3.9%	Equity Long Short -3.6%	Equity Long Short 3.5%	Multi-Strategy 3.8%	Event-Driven 4.0%	Alternative Fixed Income 6.2%
	Global Macro 6.3%	Global Macro 2.9%	Alternative Fixed Income -3.9%	Event-Driven 2.8%	Absolute Return 2.7%	Alternative Fixed Income 3.7%	Equity Long Short 7.8%
	Equity Market Neutral 3.1%	Equity Market Neutral 0.5%	Event-Driven -4.8%	Global Macro 2.0%	Alternative Fixed Income 2.3%	Equity Market Neutral 2.4%	Multi-Strategy 9.3%
	Absolute Return 1.9%	Event-Driven -0.8%	Absolute Return -5.0%	Equity Market Neutral 0.8%	Event-Driven 1.8%	Absolute Return 2.3%	Event-Driven 9.8%

Source: As of March 31, 2024. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.

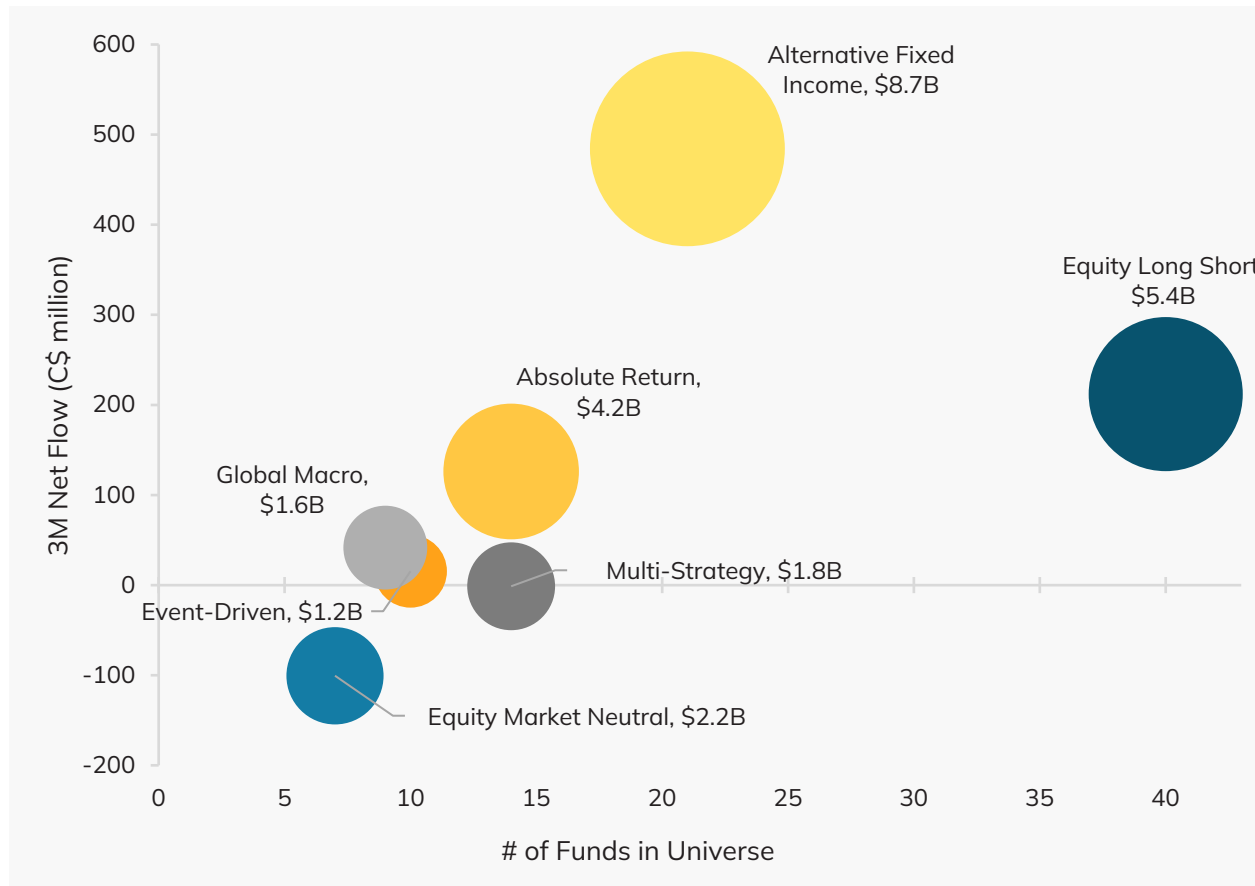
¹ Inception date for all indices are June 30, 2019, except for the Second engine Event-Driven Index and Second engine Global Macro Index which were incepted on June 30, 2020.

Trailing Performance

	1M	3M	6M	YTD	1Y	3Y	Since Inception	Vol.	Max Drawdown	Inception Date
Overall Market Index										
Second engine Liquid Alternative 35 Index	1.0	3.6	6.7	3.6	7.4	2.9	4.2	4.6	-7.5	06/30/2019
Strategy-Based Indices										
Second engine Equity Long Short Index	2.1	6.4	9.6	6.4	9.6	5.1	8.6	7.8	-10.0	06/30/2019
Second engine Equity Market Neutral Index	0.7	4.6	4.5	4.6	5.8	3.4	2.4	3.4	-5.8	06/30/2019
Second engine Alternative Fixed Income Index	0.9	2.3	6.4	2.3	7.9	2.5	3.7	6.2	-10.5	06/30/2019
Second engine Absolute Return Index	1.4	2.7	6.6	2.7	6.8	2.2	2.3	3.8	-6.5	06/30/2019
Second engine Event-Driven Index	1.0	1.8	2.6	1.8	3.9	-1.8	4.0	9.8	-12.7	06/30/2020
Second engine Global Macro Index	2.4	5.2	3.5	5.2	6.8	4.2	5.0	4.6	-2.7	06/30/2020
Second engine Multi-Strategy Index	2.1	3.8	7.8	3.8	6.1	1.0	4.1	9.3	-14.5	06/30/2019
Goal-Based Indices										
Second engine Equity Enhancer 10 Index	1.5	5.4	7.8	5.4	7.1	2.6	5.5	6.0	-7.7	06/30/2019
Second engine Fixed Income Enhancer 10 Index	0.7	1.5	6.1	1.5	7.0	1.9	4.4	5.4	-7.8	06/30/2019
Second engine Diversifier 10 Index	1.0	3.7	4.8	3.7	6.9	2.8	3.5	3.4	-4.5	06/30/2019
Broad Market Indices										
S&P/TSX Composite Index	4.1	6.6	15.3	6.6	14.0	9.1	9.9	15.8	-22.3	06/30/2019 ¹
ICE BofA Canada Broad Market Index	0.5	-1.3	6.8	-1.3	1.9	-1.5	-0.3	6.3	-15.6	06/30/2019 ¹

Source: As of March 31, 2024. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.
¹ inception date of the broad market indices were chosen to match the liquid alternative indices.

Activity Highlights by Strategy



Category	AUM (C\$ b)	% Total	3M Net Flow (C\$ m)	12M Net Flow (C\$ m)	# of Funds
Equity Long Short	5.4	21.7%	+212	-583	40
Equity Market Neutral	2.2	8.6%	-101	-239	7
Alternative Fixed Income	8.7	34.6%	+484	+1,153	21
Absolute Return	4.2	16.8%	+126	+141	14
Event-Driven	1.2	4.8%	+15	-111	10
Global Macro	1.6	6.4%	+42	-15	9
Multi-Strategy	1.8	7.0%	-1	-247	14
Total	25.0	100.0%	+778	+98	115

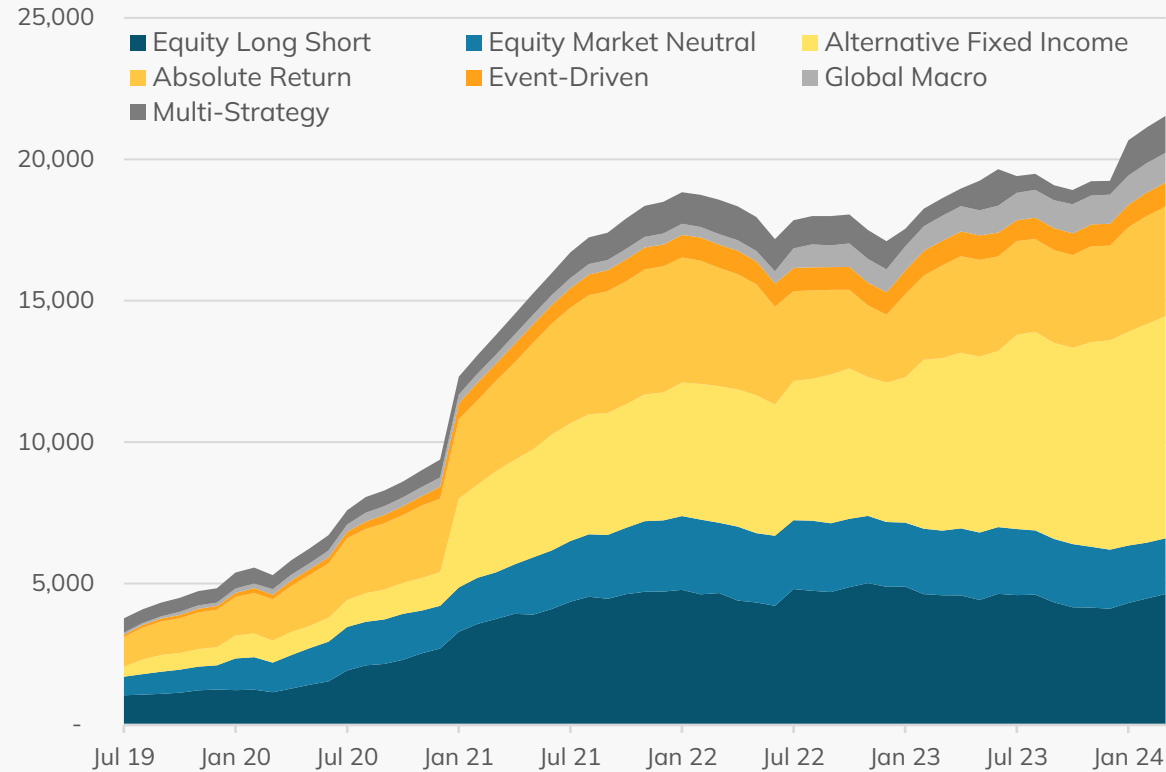
Source: As of March 31, 2024. Bubble size represents total AUM. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.

Second engine

Liquid Alternative 35 Index™

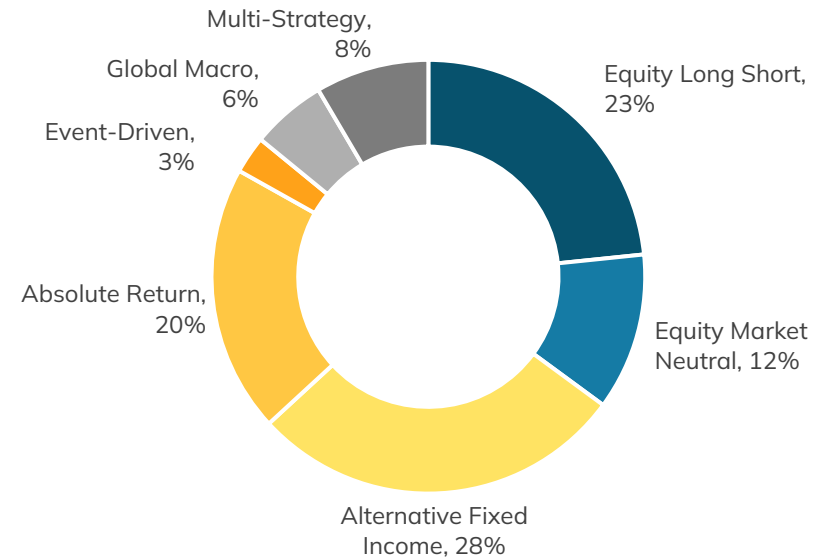
Index Constituents AUM by Strategy (C\$ million)

(From July 31, 2019 to March 31, 2024)



Index Composition by Strategy (%)

(As of March 31, 2024)



Index AUM Characteristics (C\$ million)

(As of March 31, 2024)

Total	Mean	Median	Largest	Smallest
21,531	615	488	1,692	91

Source: Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.

Rolling 1Y Return Distribution

Strategy-Based Indices



Second engine
**Liquid
Alternative 35**
Index



Second engine
**Equity Long
Short**
Index



Second engine
**Equity Market
Neutral**
Index



Second engine
**Alternative
Fixed Income**
Index



Second engine
Absolute Return
Index



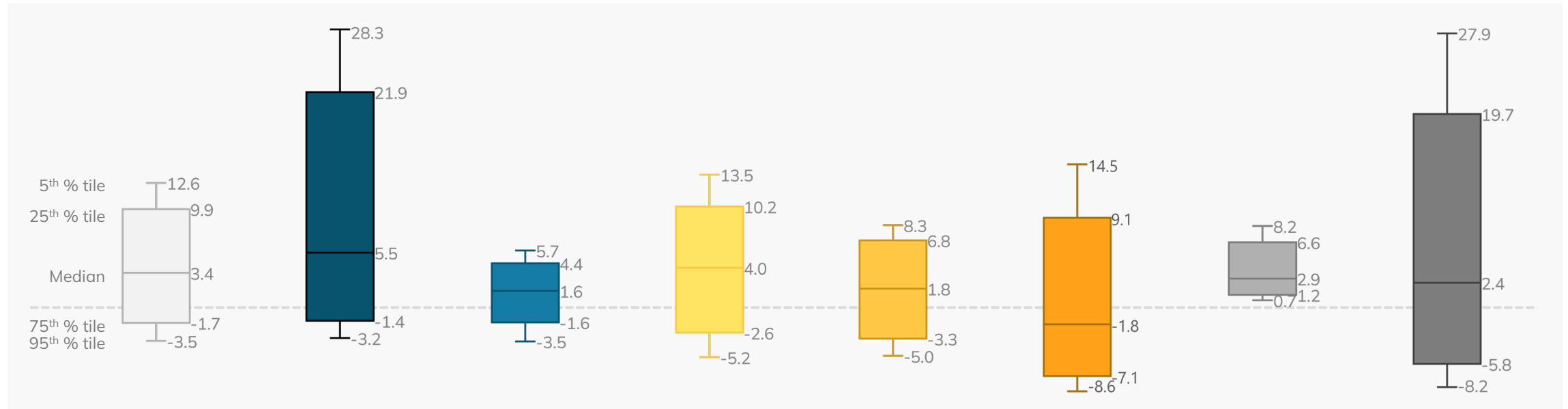
Second engine
Event-Driven
Index



Second engine
Global Macro
Index



Second engine
Multi-Strategy
Index



Source: From inception to March 31, 2024. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management. The inception date for all indices is June 30, 2019, except for the Second engine Global Macro Index and Second engine Event-Driven Index, which were inceptioned on June 30, 2020.

Rolling 1Y Return Distribution

Goal-Based Indices



Second engine
**Liquid
Alternative 35**
Index



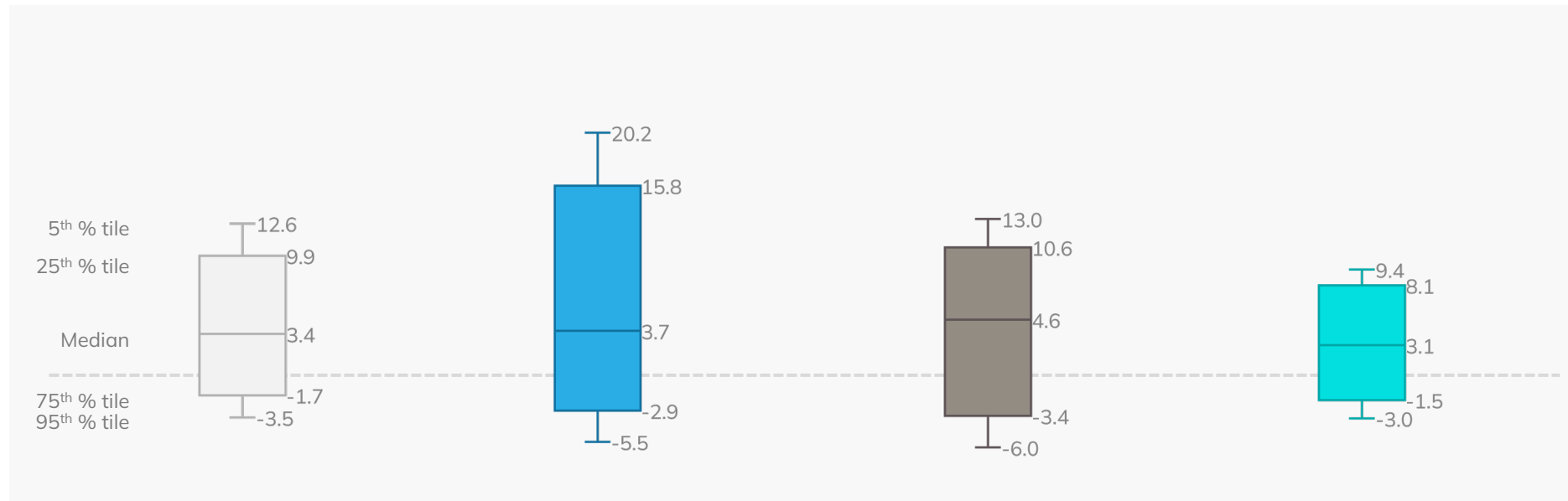
Second engine
**Equity
Enhancer 10**
Index



Second engine
**Fixed Income
Enhancer 10**
Index



Second engine
Diversifier 10
Index



Source: From June 30, 2019 to March 31, 2024. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.

Disclosure

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