



Second engine Liquid Alternative Indices

Quarterly Industry Report

Q2 2024

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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™

Strategy-based				Goal-based
Equity Second engine Equity Long Short Index™ Second engine Equity Market Neutral Index™	Bond Second engine Alternative Fixed Income Index™	Multi-Strategy Second engine Multi-Strategy Index™ Second engine Absolute Return Index™	Specialty Second engine Event-Driven Index™ Second engine Global Macro Index™	Second engine Equity Enhancer 10 Index™ Second engine Fixed Income Enhancer 10 Index™ Second engine Diversifier 10 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 – Q2 2024

Performance Highlights

- Most of the liquid alternative indices continued to deliver positive returns in the second quarter. The **Second engine Liquid Alternative 35 Index™** gained 1.4%, bringing its year-to-date performance to 5.1% and its one-year performance to 8.7%.
- The **Second engine Equity Market Neutral Index™** was the top performer among strategy-based indices, gaining 2.0% last quarter, followed by the **Second engine Equity Long Short Index™** with a 1.4% gain. The **Second engine Event-Driven Index™** faced a slight decline of 0.4%.
- All three goal-based indices posted positive returns, with the **Second engine Diversifier 10 Index™** leading at 1.9% in Q2, followed by the **Second engine Equity Enhancer 10 Index™** at 1.5% and the **Second engine Fixed Income Enhancer 10 Index™** at 1.3%.

Alternative Universe Flows

- In the second quarter, the Canadian liquid alternative strategies saw a net inflow of **\$1.8 billion**, bringing their total AUM to \$42.8 billion at the end of Q2.
- Most categories saw net inflows, with Absolute Return leading with **\$429 million**, while Multi-Strategy experienced net outflows of **\$48 million**.
- Alternative Fixed Income remains the largest category, with \$8.9 billion in assets managed across 22 funds.

Source: As of June 30, 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.

2024 Q2

Index Snapshot

Universe AUM

\$42.8_B

3M Net Flow

+\$1,781_M

12M Net Flow

+\$5,206_M

Total # of Funds in Universe

176

Fund Co in Universe

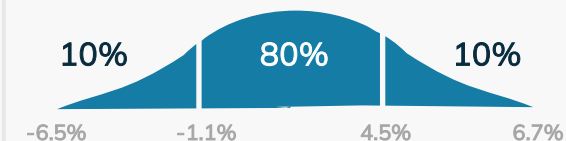
57

Total # of indices

11

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

+1.4%



Source: As of June 30, 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	YTD	Since Inception ¹	
					Return	Vol.
Event-Driven 17.4%	Equity Long Short 15.8%	Global Macro 2.4%	Alternative Fixed Income 7.4%	Equity Long Short 7.8%	Equity Long Short 8.4%	Equity Market Neutral 3.4%
Equity Long Short 16.4%	Multi-Strategy 9.4%	Equity Market Neutral 1.5%	Absolute Return 5.2%	Equity Market Neutral 6.8%	Global Macro 4.7%	Absolute Return 3.7%
Multi-Strategy 12.1%	Absolute Return 5.2%	Equity Long Short -3.6%	Multi-Strategy 3.9%	Global Macro 5.2%	Multi-Strategy 4.1%	Global Macro 4.5%
Alternative Fixed Income 6.9%	Alternative Fixed Income 3.9%	Alternative Fixed Income -3.9%	Equity Long Short 3.5%	Multi-Strategy 4.6%	Alternative Fixed Income 3.8%	Alternative Fixed Income 6.0%
Global Macro 6.3%	Global Macro 2.9%	Event-Driven - 4.8%	Event-Driven 2.8%	Alternative Fixed Income 3.6%	Event-Driven 3.7%	Equity Long Short 7.7%
Equity Market Neutral 3.1%	Equity Market Neutral 0.5%	Absolute Return -5.0%	Global Macro 2.0%	Absolute Return 3.6%	Equity Market Neutral 2.7%	Multi-Strategy 9.1%
Absolute Return 1.9%	Event-Driven - 0.8%	Multi-Strategy -8.3%	Equity Market Neutral 0.8%	Event-Driven 1.4%	Absolute Return 2.4%	Event-Driven 9.5%

Source: As of June 30, 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.

Performance Summary

	1M	3M	YTD	1Y	3Y	5Y	Since Inception	Inception Date
Overall Market Index								
Second engine Liquid Alternative 35 Index	0.4	1.4	5.1	8.7	2.6	4.3	4.3	06/30/2019
Strategy-Based Indices								
Second engine Equity Long Short Index	0.0	1.4	7.8	10.7	3.6	8.4	8.4	06/30/2019
Second engine Equity Market Neutral Index	0.8	2.0	6.8	7.5	3.8	2.7	2.7	06/30/2019
Second engine Alternative Fixed Income Index	0.6	1.3	3.6	8.2	2.5	3.8	3.8	06/30/2019
Second engine Absolute Return Index	0.4	0.9	3.6	7.6	1.6	2.4	2.4	06/30/2019
Second engine Event-Driven Index	-0.1	-0.4	1.4	3.2	-2.6	-	3.7	06/30/2020
Second engine Global Macro Index	-0.7	-0.1	5.2	4.5	2.8	-	4.7	06/30/2020
Second engine Multi-Strategy Index	0.1	0.8	4.6	8.2	0.2	4.1	4.1	06/30/2019
Goal-Based Indices								
Second engine Equity Enhancer 10 Index	0.5	1.5	7.0	9.1	2.1	5.6	5.6	06/30/2019
Second engine Fixed Income Enhancer 10 Index	0.5	1.3	2.8	7.4	1.7	4.4	4.4	06/30/2019
Second engine Diversifier 10 Index	0.1	1.9	5.7	8.4	2.5	3.7	3.7	06/30/2019
Broad Market Indices								
S&P/TSX Composite Index	-1.4	-0.5	6.1	12.1	6.0	9.3	9.3	06/30/2019 ¹
ICE BofA Canada Broad Market Index	1.2	1.0	-0.3	3.7	-1.8	-0.1	-0.1	06/30/2019 ¹

Source: As of June 30, 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.

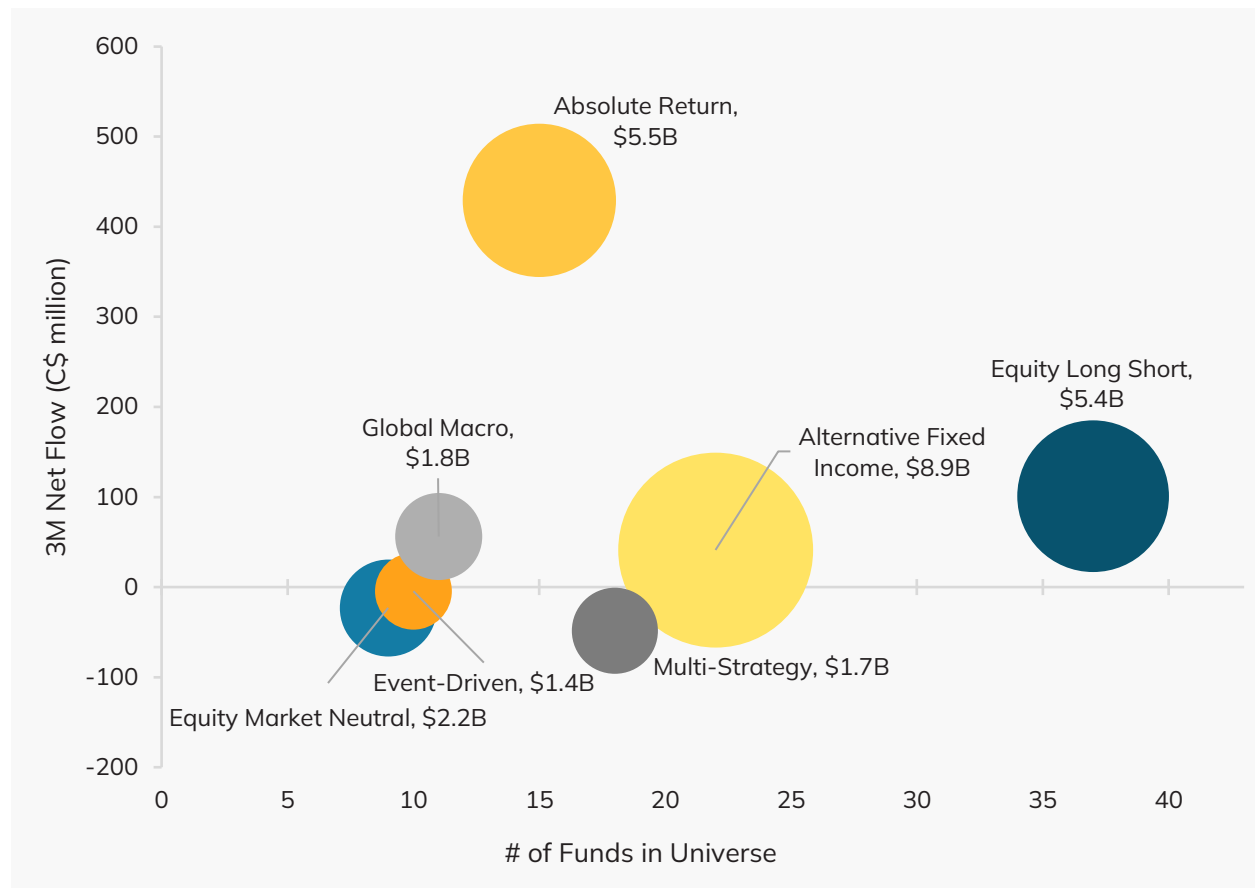
Risk Stats Summary

	Volatility	Sharpe Ratio	Max Drawdown	Equity		Fixed Income		Inception Date
				Correlation	Beta	Correlation	Beta	
Overall Market Index								
Second engine Liquid Alternative 35 Index	4.5	0.46	-7.5	0.87	0.53	0.25	0.38	06/30/2019
Strategy-Based Indices								
Second engine Equity Long Short Index	7.7	0.82	-10.0	0.88	0.46	0.44	0.57	06/30/2019
Second engine Equity Market Neutral Index	3.4	0.14	-5.8	-0.33	-0.01	-0.07	-0.01	06/30/2019
Second engine Alternative Fixed Income Index	6.0	0.27	-10.5	0.82	0.54	0.32	0.51	06/30/2019
Second engine Absolute Return Index	3.7	0.06	-6.5	0.83	0.65	0.20	0.39	06/30/2019
Second engine Event-Driven Index	9.5	0.16	-12.7	-0.07	-0.04	-0.03	-0.06	06/30/2020
Second engine Global Macro Index	4.5	0.56	-2.7	0.15	-0.15	0.04	-0.11	06/30/2020
Second engine Multi-Strategy Index	9.1	0.21	-14.5	0.89	0.45	0.52	0.65	06/30/2019
Goal-Based Indices								
Second engine Equity Enhancer 10 Index	5.8	0.58	-7.7	0.84	0.44	0.31	0.40	06/30/2019
Second engine Fixed Income Enhancer 10 Index	5.3	0.42	-7.8	0.83	0.60	0.28	0.51	06/30/2019
Second engine Diversifier 10 Index	3.3	0.45	-4.5	0.54	0.34	0.12	0.18	06/30/2019
Broad Market Indices								
S&P/TSX Composite Index	15.5	0.46	-22.3	-	-	-	-	06/30/2019 ¹
ICE BofA Canada Broad Market Index	6.3	-0.36	-15.6	-	-	-	-	06/30/2019 ¹

Source: As of June 30, 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

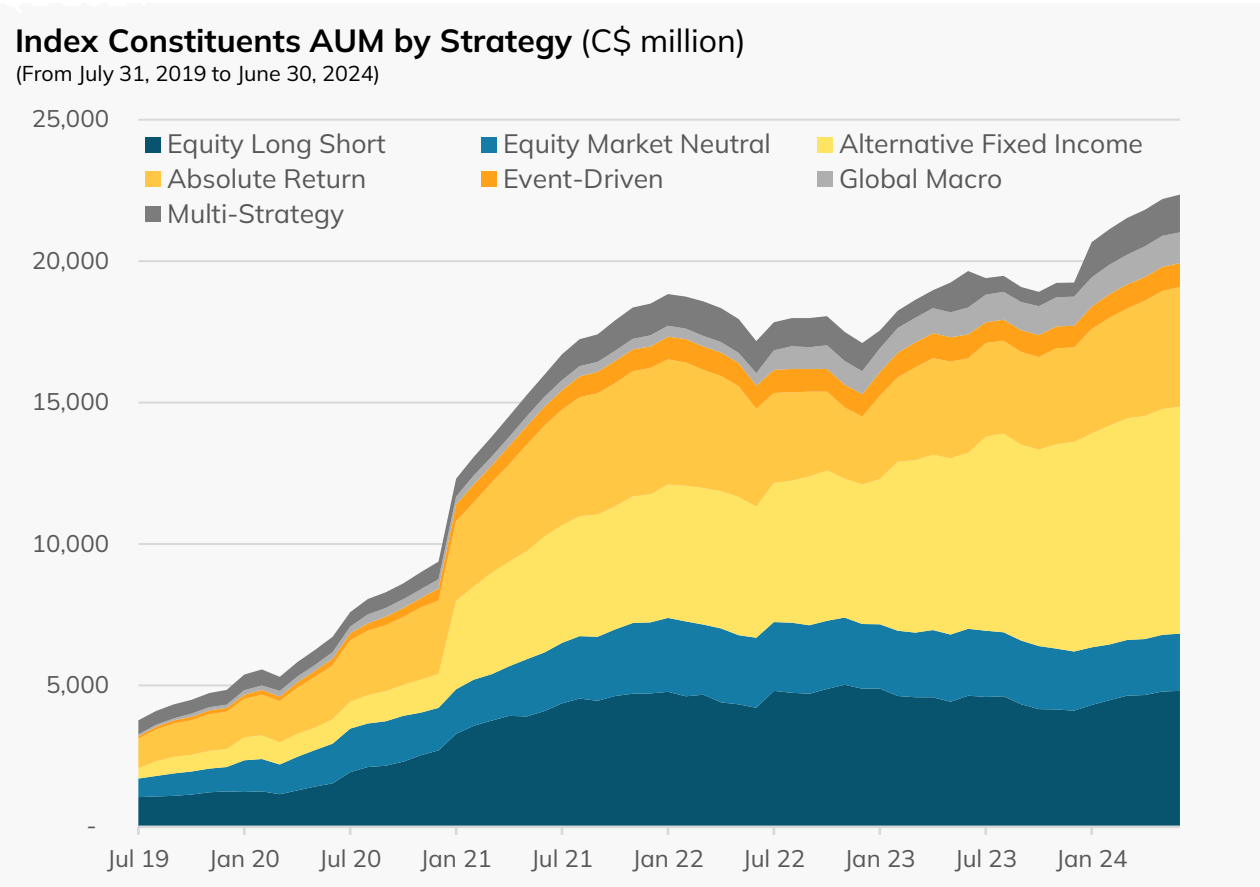


Category	AUM (C\$ b)	% Total	3M Net Flow (C\$ m)	12M Net Flow (C\$ m)	# of Funds
Equity Long Short	5.4	12.6%	+101	-265	37
Equity Market Neutral	2.2	5.1%	-23	-389	9
Alternative Fixed Income	8.9	20.8%	+41	+1,022	22
Absolute Return	5.5	12.8%	+429	+345	15
Event-Driven	1.4	3.2%	-4	-88	10
Global Macro	1.8	4.2%	+56	+222	11
Multi-Strategy	1.7	4.1%	-48	-244	18
Others ¹	15.9	37.1%	+1,229	+4,602	54
Total	42.8	100.0%	+1,781	+5,206	176

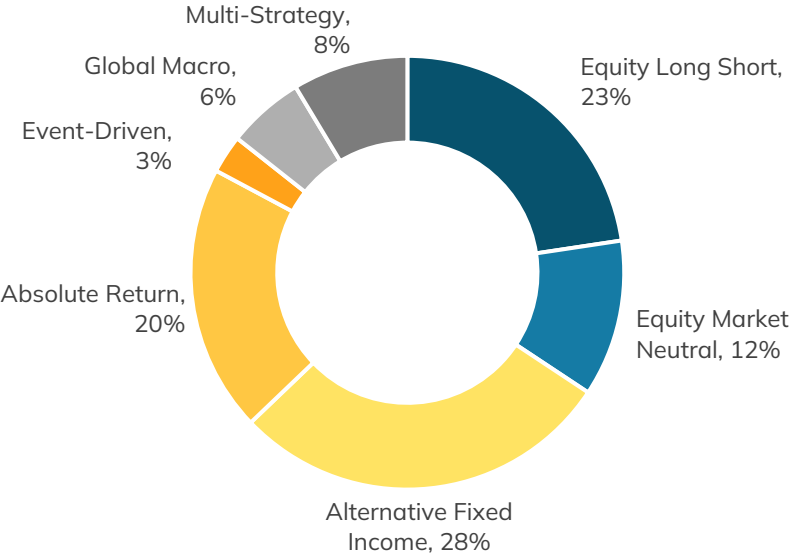
Source: As of June 30, 2024. Bubble size represents total AUM. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.

¹ Funds in the Others category consist of largely cryptocurrency assets and option-selling strategies.

Liquid Alternative 35 Index™



Index Composition by Strategy (%)
(As of June 30, 2024)



Index AUM Characteristics (C\$ million)
(As of June 30, 2024)

Total	Mean	Median	Largest	Smallest
22,351	639	549	1,964	73

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

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



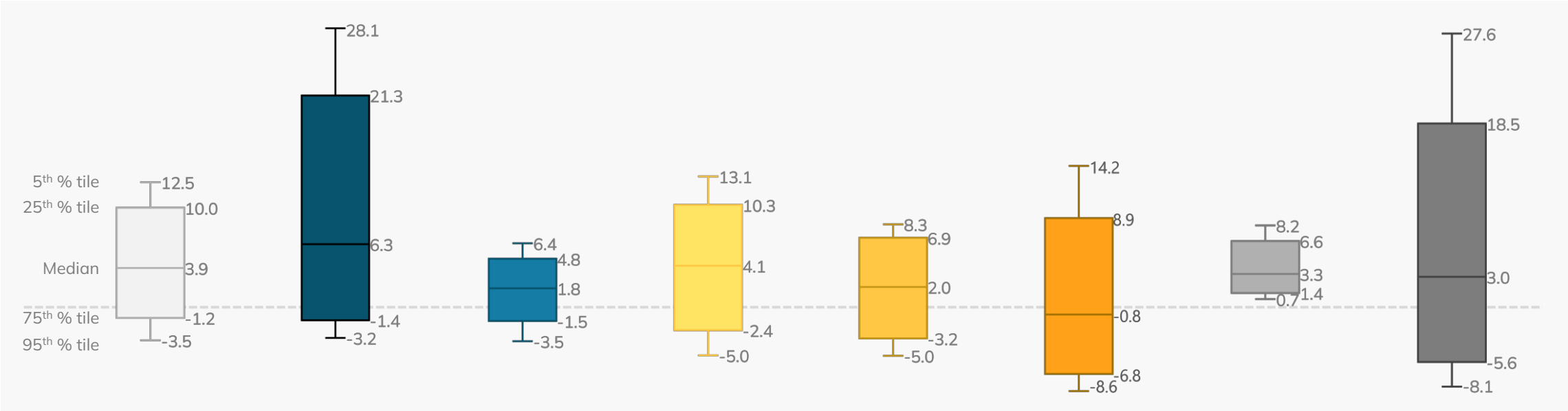
Second engine
Event-Driven
Index



Second engine
Global Macro
Index



Second engine
Multi-Strategy
Index



Source: From inception to June 30, 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

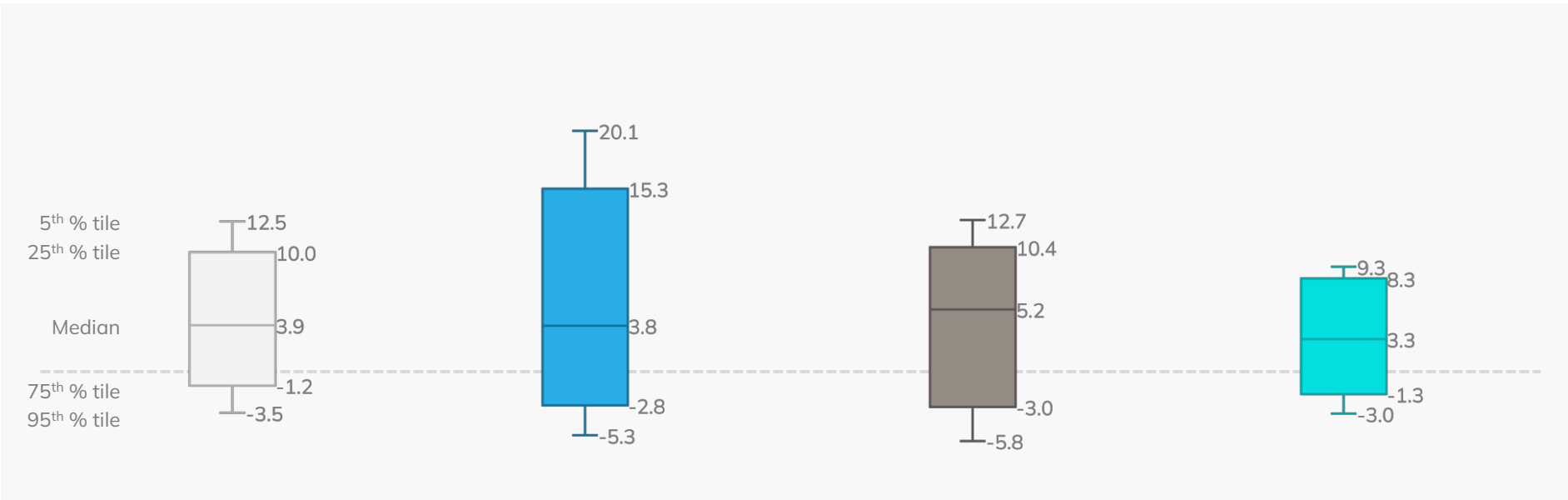
Goal-Based Indices


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 June 30, 2024. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.

Disclosure

Second engine™ is a division and a registered trademark of Picton Mahoney Asset Management.

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