

Second engine Liquid Alternative Indices

Quarterly Industry Report

Q3 2024

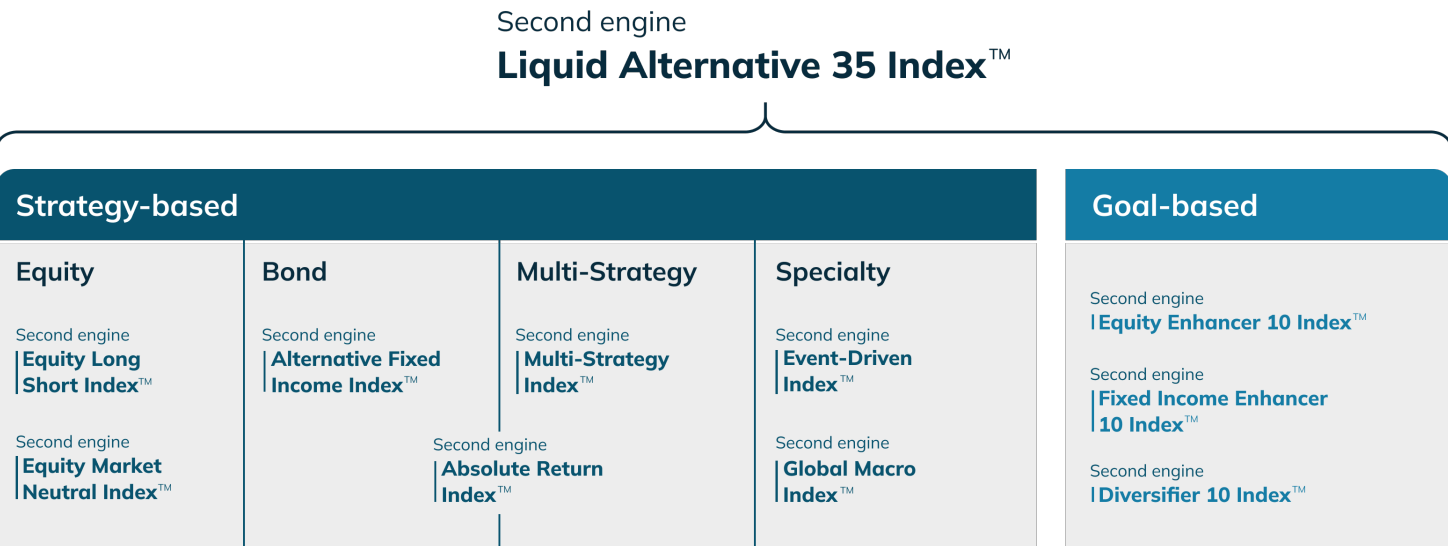
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Overview

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, facilitate greater understanding of 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.



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 – Q3 2024

Performance Highlights

- The liquid alternative indices continued their positive streak in the third quarter. The **Second engine Liquid Alternative 35 Index™** gained 2.5%, bringing its year-to-date performance to 7.7% and its one-year performance to 10.9%.
- The **Second engine Equity Long Short Index™** was the top performer among strategy-based indices, gaining 3.9% last quarter, followed by the **Second engine Multi-Strategy Index™** with a 3.8% gain. The **Second engine Global Macro Index™** had a slight decline of 0.6%.
- All three goal-based indices posted positive returns, with the **Second engine Equity Enhancer 10 Index™** leading at 3.7% in Q3, followed by the **Second engine Fixed Income Enhancer 10 Index™** at 2.8% and the **Second engine Diversifier 10 Index™** at 1.1%.

Alternative Universe Flows

- Flows in Q3 indicate continued investor interest in alternative strategies, with a total net inflow of **\$2.2 billion** for the quarter and **\$7.0 billion** over the past 12 months, bringing total universe AUM to \$47.1 billion at the end of Q3.
- Most categories experienced positive net flows, with **Alternative Fixed Income** leading the charge, adding **\$467million** during the quarter and **1.2 billion** over the past year.
- In contrast, the **Multi-Strategy** category saw slight net outflows of **\$47 million** for the quarter, bringing its 1-year net outflow to **\$193 million**.
- The **Alternative Fixed Income** category holds the highest AUM, with \$9.6 billion in assets managed across 22 funds, while the **Equity Long Short** category has the largest number of funds, with 37 constituents.

Source: As of September 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 Q3

Index Snapshot

Universe AUM

\$47.1_B

3M Net Flow

+\$2,160_M

12M Net Flow

+\$6,965_M

Total # of Funds in Universe

176

Fund Co in Universe

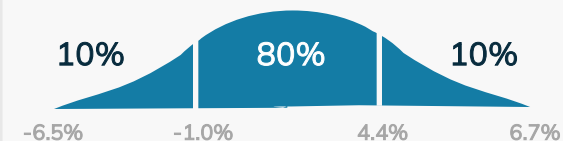
57

Total # of indices

11

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

+2.5%



Source: As of September 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 12.1%	Equity Long Short 8.8%	Equity Market Neutral 3.3%
Equity Long Short 16.4%	Multi-Strategy 9.4%	Equity Market Neutral 1.5%	Absolute Return 5.2%	Multi-Strategy 8.8%	Multi-Strategy 4.6%	Absolute Return 3.7%
Multi-Strategy 12.1%	Absolute Return 5.2%	Equity Long Short -3.6%	Multi-Strategy 3.9%	Equity Market Neutral 7.6%	Global Macro 4.3%	Global Macro 4.6%
Alternative Fixed Income 6.9%	Alternative Fixed Income 3.9%	Alternative Fixed Income -3.9%	Equity Long Short 3.5%	Alternative Fixed Income 6.9%	Alternative Fixed Income 4.2%	Alternative Fixed Income 5.9%
Global Macro 6.3%	Global Macro 2.9%	Event-Driven - 4.8%	Event-Driven 2.8%	Absolute Return 5.6%	Event-Driven 3.8%	Equity Long Short 7.5%
Equity Market Neutral 3.1%	Equity Market Neutral 0.5%	Absolute Return -5.0%	Global Macro 2.0%	Global Macro 4.7%	Equity Market Neutral 2.7%	Multi-Strategy 8.9%
Absolute Return 1.9%	Event-Driven - 0.8%	Multi-Strategy -8.3%	Equity Market Neutral 0.8%	Event-Driven 2.8%	Absolute Return 2.6%	Event-Driven 9.2%

Source: As of September 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.

Calendar Year Returns by Strategy

	1M	3M	YTD	1Y	3Y	5Y	Since Inception	Inception Date
Overall Market Index								
Second engine Liquid Alternative 35 Index	1.2	2.5	7.7	10.9	3.3	4.8	4.5	06/30/2019
Strategy-Based Indices								
Second engine Equity Long Short Index	1.6	3.9	12.1	15.4	4.7	9.5	8.8	06/30/2019
Second engine Equity Market Neutral Index	0.1	0.7	7.6	7.4	3.6	2.8	2.7	06/30/2019
Second engine Alternative Fixed Income Index	1.2	3.1	6.9	11.2	3.3	4.3	4.2	06/30/2019
Second engine Absolute Return Index	1.0	1.9	5.6	9.5	2.2	2.6	2.6	06/30/2019
Second engine Event-Driven Index	0.4	1.4	2.8	3.6	0.2	-	3.8	06/30/2020
Second engine Global Macro Index	2.4	-0.6	4.7	3.0	3.1	-	4.3	06/30/2020
Second engine Multi-Strategy Index	1.9	3.8	8.8	13.0	1.5	5.7	4.6	06/30/2019
Goal-Based Indices								
Second engine Equity Enhancer 10 Index	1.7	3.7	10.9	13.4	3.2	6.3	6.0	06/30/2019
Second engine Fixed Income Enhancer 10 Index	1.1	2.8	5.6	10.4	2.5	4.8	4.7	06/30/2019
Second engine Diversifier 10 Index	1.2	1.1	6.9	7.9	2.9	3.8	3.7	06/30/2019
Broad Market Indices								
S&P/TSX Composite Index	3.2	10.5	17.2	26.7	9.5	10.9	10.9	06/30/2019 ¹
ICE BofA Canada Broad Market Index	1.8	4.5	4.2	12.8	-0.1	0.6	0.8	06/30/2019 ¹

Source: As of September 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.

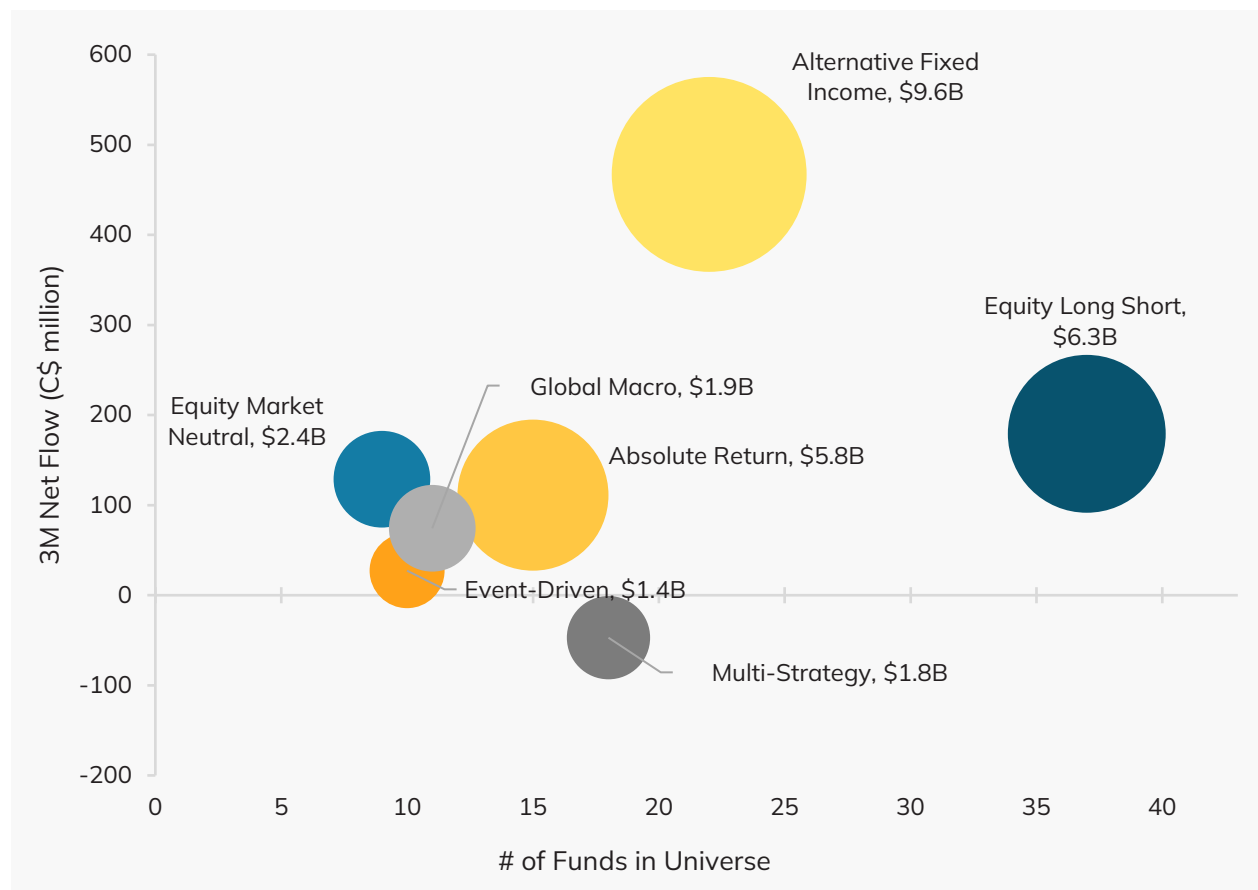
Risk Stats Summary

	Volatility	Sharpe Ratio	Max Drawdown	Equity		Fixed Income		Inception Date
				Correlation	Beta	Correlation	Beta	
Overall Market Index								
Second engine Liquid Alternative 35 Index	4.4	0.52	-7.5	0.87	0.53	0.25	0.38	06/30/2019
Strategy-Based Indices								
Second engine Equity Long Short Index	7.5	0.88	-10.0	0.88	0.47	0.43	0.56	06/30/2019
Second engine Equity Market Neutral Index	3.3	0.13	-5.8	-0.33	-0.02	-0.07	-0.01	06/30/2019
Second engine Alternative Fixed Income Index	5.9	0.33	-10.5	0.83	0.54	0.32	0.51	06/30/2019
Second engine Absolute Return Index	3.7	0.11	-6.5	0.83	0.66	0.20	0.39	06/30/2019
Second engine Event-Driven Index	9.2	0.17	-12.7	-0.06	-0.03	-0.03	-0.05	06/30/2020
Second engine Global Macro Index	4.6	0.45	-3.5	0.12	-0.15	0.03	-0.11	06/30/2020
Second engine Multi-Strategy Index	8.9	0.27	-14.5	0.89	0.46	0.52	0.66	06/30/2019
Goal-Based Indices								
Second engine Equity Enhancer 10 Index	5.7	0.66	-7.7	0.84	0.45	0.31	0.41	06/30/2019
Second engine Fixed Income Enhancer 10 Index	5.2	0.48	-7.8	0.83	0.61	0.28	0.50	06/30/2019
Second engine Diversifier 10 Index	3.3	0.45	-4.5	0.52	0.33	0.11	0.17	06/30/2019
Broad Market Indices								
S&P/TSX Composite Index	15.4	0.57	-22.3	-	-	-	-	06/30/2019 ¹
ICE BofA Canada Broad Market Index	6.3	-0.24	-15.6	-	-	-	-	06/30/2019 ¹

Source: As of September 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.

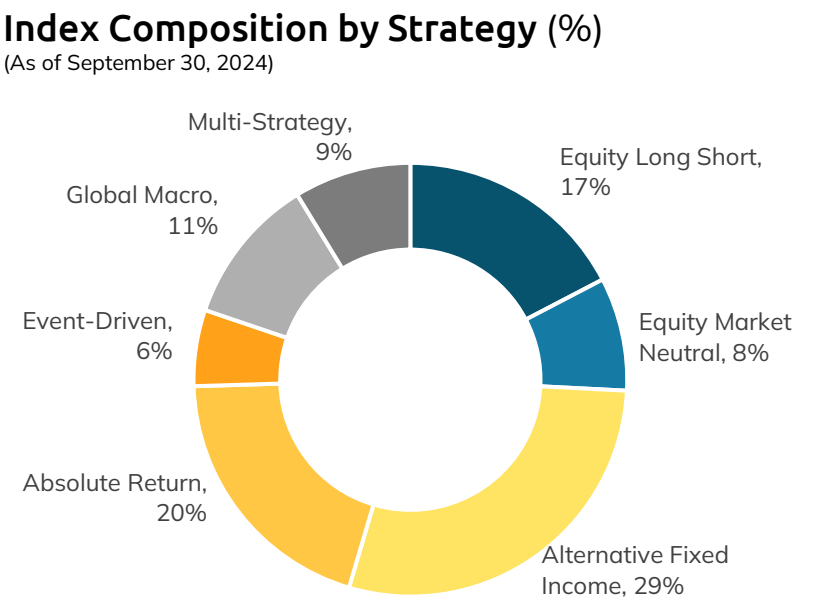
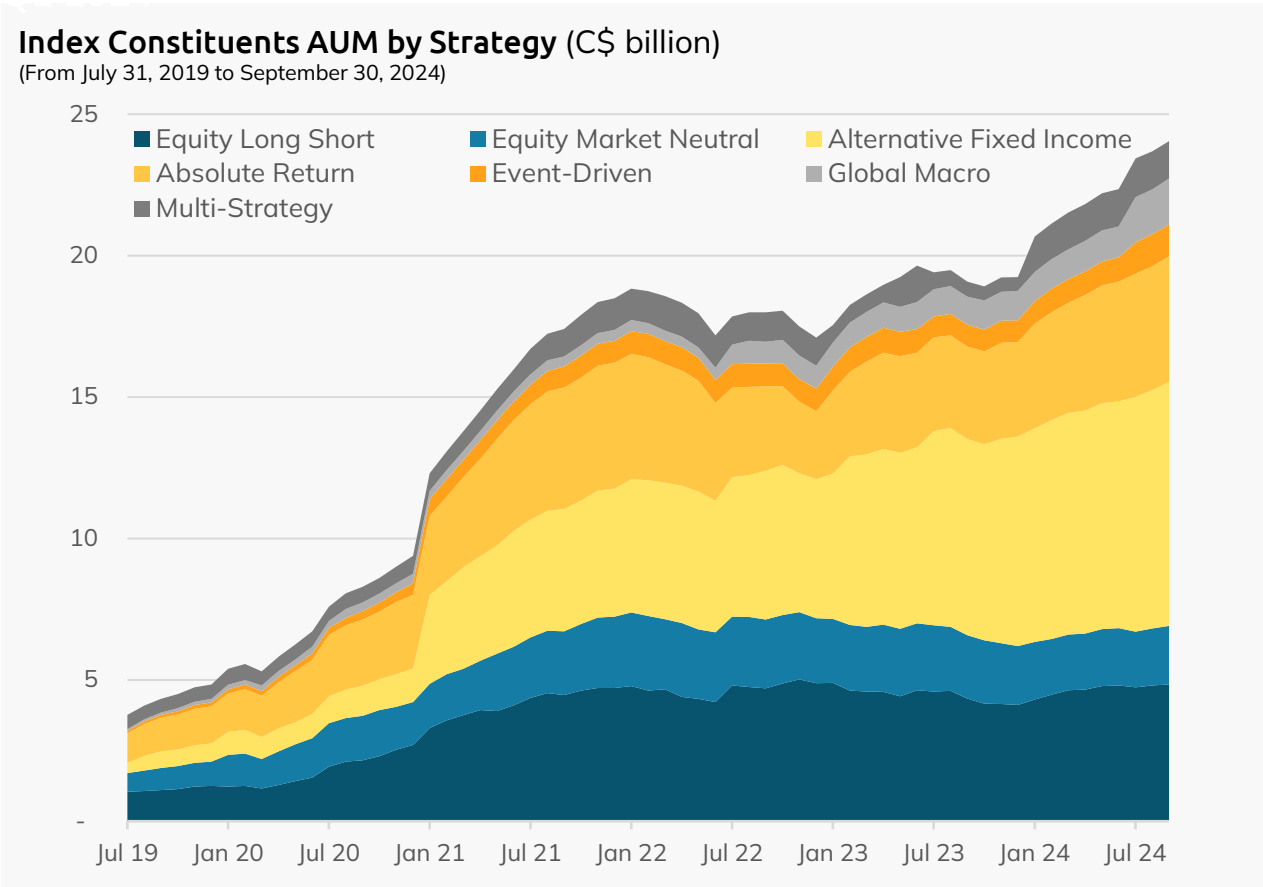
Activity Highlights by Strategy



Category	AUM (C\$ b)	% Total	3M Net Flow (C\$ m)	12M Net Flow (C\$ m)	# of Funds
Equity Long Short	6.3	13.4%	+179	+253	37
Equity Market Neutral	2.4	5.0%	+129	-117	9
Alternative Fixed Income	9.6	20.4%	+467	+1,250	22
Absolute Return	5.8	12.3%	+111	+410	15
Event-Driven	1.4	3.0%	+27	+5	10
Global Macro	1.9	4.0%	+74	+299	11
Multi-Strategy	1.8	3.7%	-47	-193	18
Others	18.0	38.1%	+1,219	+5,057	54
Total	47.1	100.0%	+2,160	+6,965	176

Source: As of September 30, 2024. Bubble size represents total AUM. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management. Funds in the Others category consist of largely cryptocurrency assets and option-selling strategies.

2e Liquid Alternative 35 Index™



Index AUM Characteristics (C\$ million)

Total	Mean	Median	Largest	Smallest
24,048	687	565	2,029	165

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



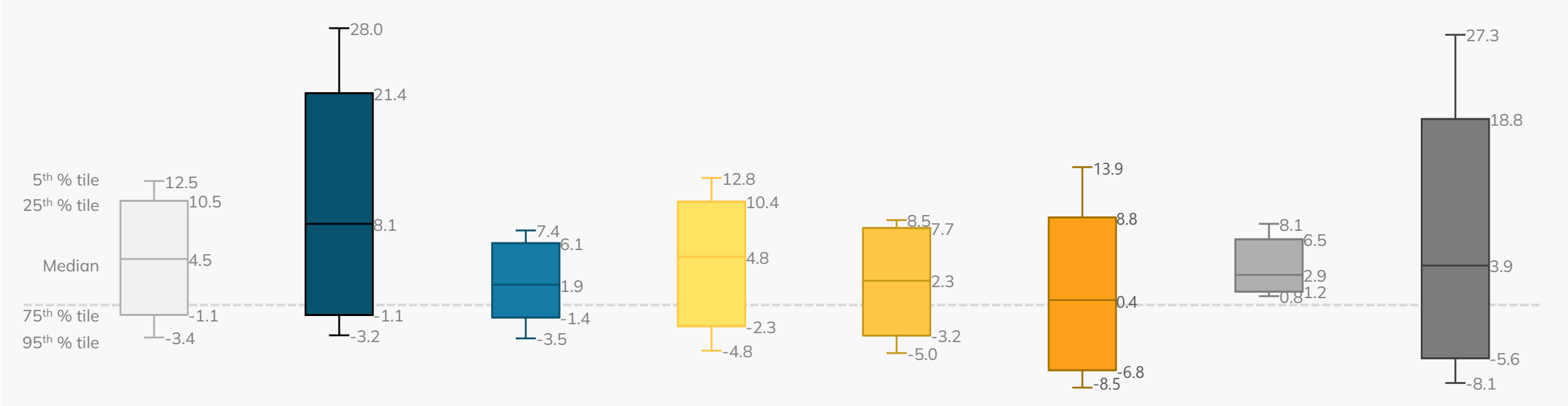
Second engine
Event-Driven
Index



Second engine
Global Macro
Index




Second engine
Multi-Strategy
Index




Source: From inception to September 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 inception on June 30, 2020.

Rolling 1Y Return Distribution


Goal-Based Indices




Second engine
**Liquid
Alternative 35**
Index



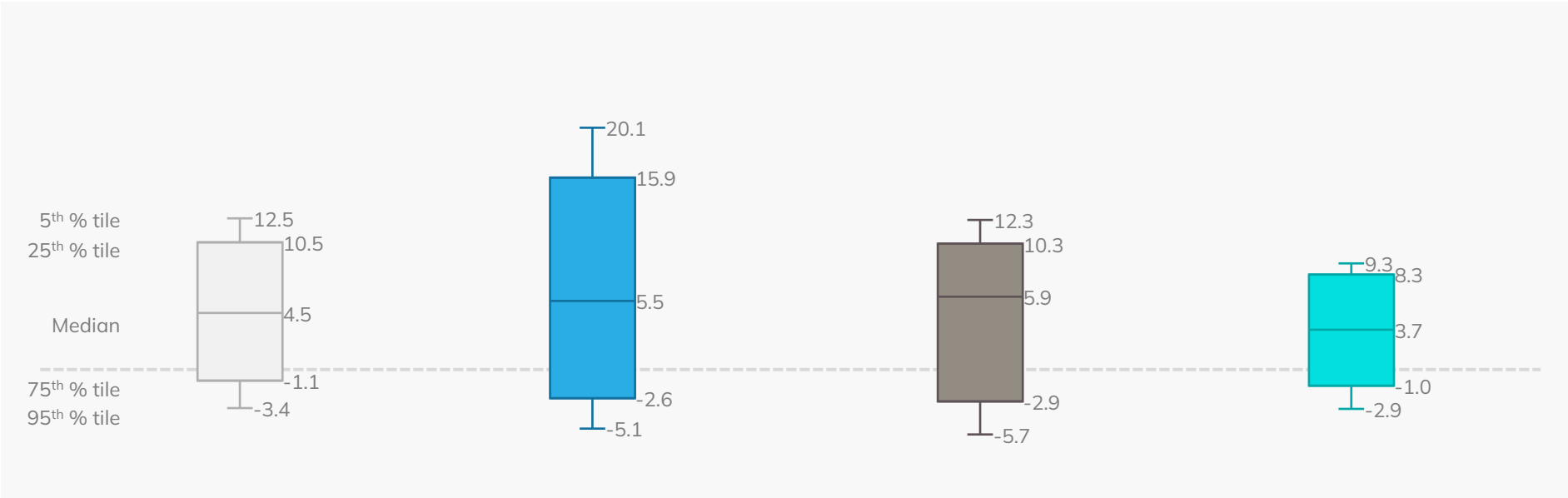
Second engine
**Equity
Enhancer 10**
Index



Second engine
**Fixed Income
Enhancer 10**
Index



Second engine
Diversifier 10
Index



Source: From June 30, 2019 to September 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 of Picton Mahoney Asset Management.

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