

Second engine™ Liquid Alternative Indices

Quarterly Industry Report

Q1 2025

A division of Picton Mahoney Asset Management

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Index Snapshot

Universe AUM

\$57.4_B

12M AUM Growth Rate

35.6%

Total # of Funds in Universe

199

Fund Co in Universe

61

3M Net Flow

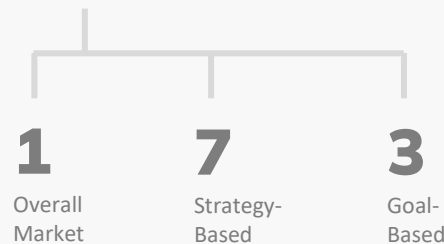
+\$4,542_M

12M Net Flow

+\$10,122_M

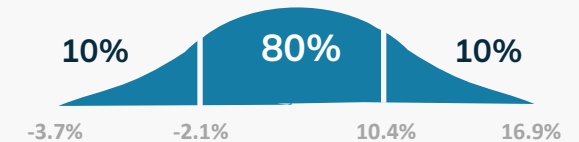
Total # of indices

11



12M return - Second engine Liquid Alternative 35 Index

+1.4%



Source: As of March 31, 2025. All currencies are in CAD terms. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.

Executive Summary – Q1 2025

Performance Highlights

- Liquid Alternative strategies held up generally well amid Q1's market volatility. The **Second engine Liquid Alternative 35 Index™** rose 1.4% during the quarter.
- Within the strategy-based indices, the **Second engine Global Macro Index™** led the group with a 3.0% gain in Q1, followed by the **Second engine Event-Driven Index™** at 1.4%. The **Second engine Equity Long Short Index™** detracted by 0.8%, primarily due to weakness among a few growth-oriented managers.
- Among the goal-based indices, the **Second engine Diversifier 10 Index™** stood out with a 2.4% gain, followed by the **Second engine Fixed Income Enhancer 10 Index™** at 1.2%. The **Second engine Equity Enhancer 10 Index™** declined by 2.5%.

Alternative Universe Flows

- Flows in Q1 continued to show strong investor demand for liquid alternatives, with a total net inflow of **\$4.5 billion** for the quarter and **\$10.1 billion** over the past 12 months, bringing total universe AUM to **\$57.4 billion** at the end of Q1, up 35.6% year-over-year.
- All categories posted positive net flows, with **Alternative Fixed Income** leading once again, adding **\$1.1 billion** during the quarter and **\$2.1 billion** over the past 12 months. The **Equity Long Short** category also saw robust inflows, with **\$631 million** in Q1.
- The **Alternative Fixed Income** category continues to hold the highest share of AUM, reaching \$11.6 billion across 25 funds, while **Equity Long Short** remains the largest category by number of funds, with 39 constituents.

Source: As of March 31, 2025, 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.

Second engine Indices

Overview

The Second engine Liquid Alternative Indices™ were created to provide accessible and timely insights into Canada's liquid alternatives market, bridge information gaps, and improve understanding of the segment. The index series include an aggregate index representing the overall market, along with seven strategy-based indices and three goal-based 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 landscape



Provide relevant peer groups to assess manager performance

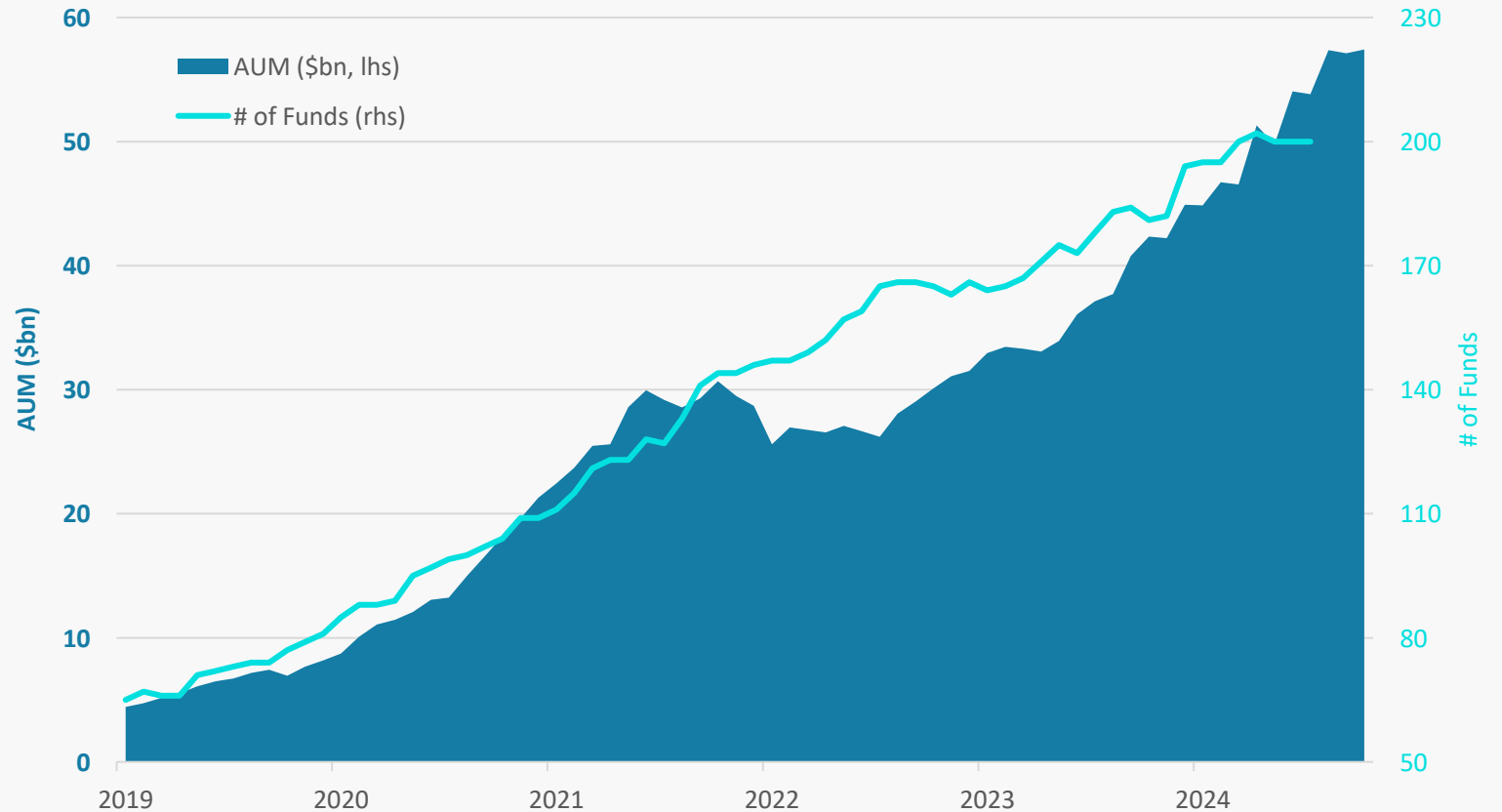
Key Features

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

¹ The index construction methodologies closely follow the principles outlined in the CFA Institute's 2021 "Guidance Statement on Benchmarks for Firms" publication.

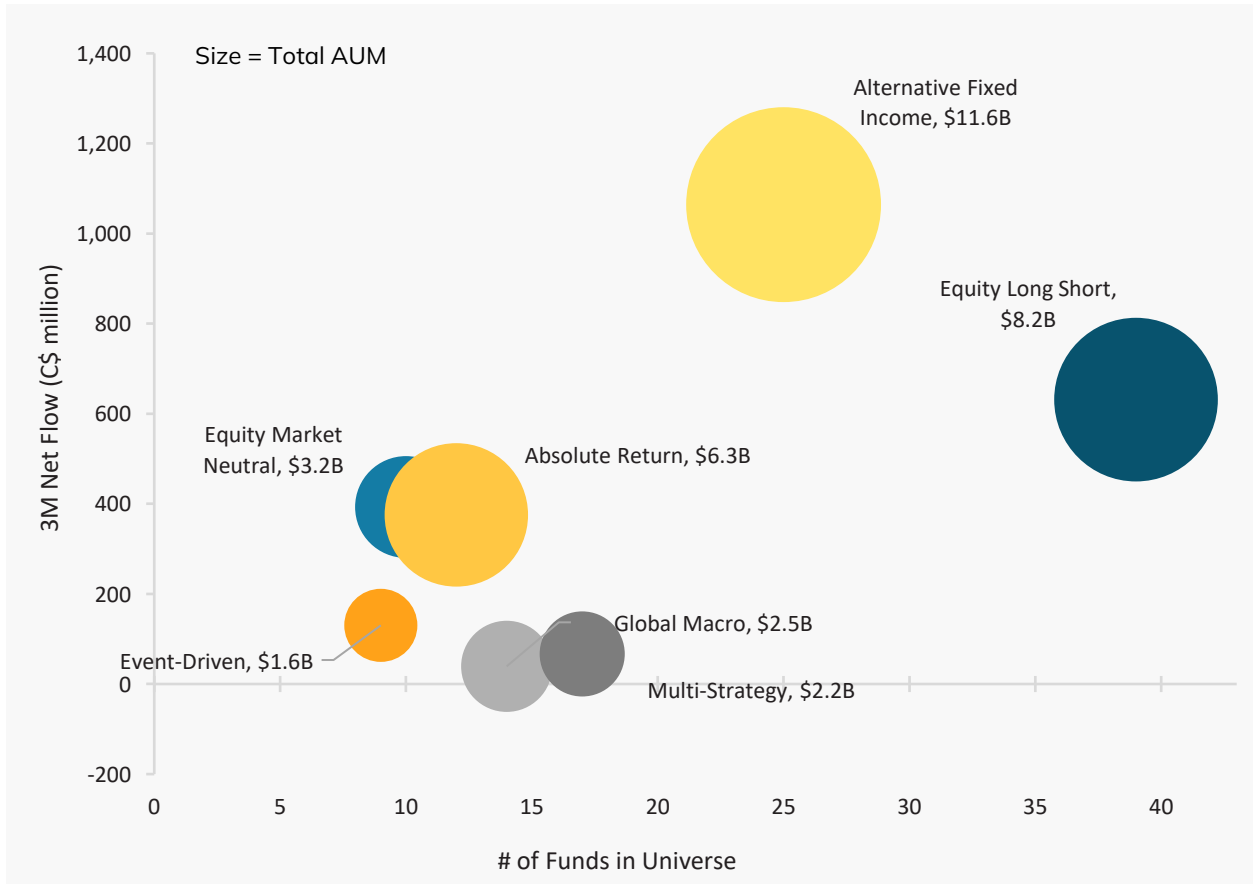
Industry Growth Over Time

Total AUM and # of Funds in Universe
(6/30/2019 - 3/31/2025)



Source: Morningstar Inc.

Assets and Flows by Strategy



Category	AUM (C\$ b)	% Total	3M Net Flow (C\$ m)	12M Net Flow (C\$ m)	# of Funds
Equity Long Short	8.2	14.3%	+631	+1,264	39
Equity Market Neutral	3.2	5.5%	+393	+616	10
Alternative Fixed Income	11.6	20.3%	+1,064	+2,053	25
Absolute Return	6.3	11.0%	+375	+1,073	12
Event-Driven	1.6	2.9%	+130	+178	9
Global Macro	2.5	4.4%	+39	+255	14
Multi-Strategy	2.2	3.9%	+67	+27	17
Others	21.7	37.8%	+1,842	+4,655	73
Total	57.4	100.0%	+4,542	+10,122	199

Source: As of March 31, 2025. Bubble size represents total AUM. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management. "Others" category consist of largely cryptocurrency assets and option-selling strategies.

Performance Summary

	1M	3M	YTD	1Y	3Y	5Y	Since Inception	Inception Date
Overall Market Index								
Second engine Liquid Alternative 35 Index	0.2	1.4	1.4	5.9	4.1	6.2	4.5	06/30/2019
Strategy-Based Indices								
Second engine Equity Long Short Index	-3.0	-0.8	-0.8	7.6	5.5	10.9	8.4	06/30/2019
Second engine Equity Market Neutral Index	0.1	0.9	0.9	5.0	4.1	2.3	2.8	06/30/2019
Second engine Alternative Fixed Income Index	-0.2	0.9	0.9	7.0	4.9	6.8	4.3	06/30/2019
Second engine Absolute Return Index	-0.6	0.5	0.5	4.9	3.5	3.9	2.8	06/30/2019
Second engine Event-Driven Index	0.3	1.4	1.4	3.4	2.8	-	3.9	06/30/2020
Second engine Global Macro Index	1.0	3.0	3.0	-0.8	2.5	-	3.8	06/30/2020
Second engine Multi-Strategy Index	-1.6	-1.0	-1.0	4.2	1.7	8.0	4.1	06/30/2019
Goal-Based Indices								
Second engine Equity Enhancer 10 Index	-3.8	-2.5	-2.5	4.3	2.9	7.1	5.3	06/30/2019
Second engine Fixed Income Enhancer 10 Index	0.1	1.2	1.2	6.6	4.4	6.1	4.7	06/30/2019
Second engine Diversifier 10 Index	1.1	2.4	2.4	5.8	4.2	5.0	3.9	06/30/2019
Broad Market Indices								
S&P/TSX Composite Index	-1.5	1.5	1.5	15.8	7.8	16.8	10.9	06/30/2019 ¹
ICE BofA Canada Broad Market Index	-0.3	2.0	2.0	7.5	2.4	0.8	1.0	06/30/2019 ¹

Source: As of March 31, 2025. 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 Statistics Summary

	Volatility	Sharpe Ratio	Max Drawdown	Equity		Fixed Income		Inception Date
				Correlation	Beta	Correlation	Beta	
Overall Market Index								
Second engine Liquid Alternative 35 Index	4.3	0.48	-7.5	0.86	0.54	0.25	0.38	06/30/2019
Strategy-Based Indices								
Second engine Equity Long Short Index	7.6	0.79	-10.0	0.88	0.46	0.44	0.58	06/30/2019
Second engine Equity Market Neutral Index	3.2	0.12	-5.8	-0.32	-0.02	-0.07	-0.01	06/30/2019
Second engine Alternative Fixed Income Index	5.7	0.32	-10.5	0.82	0.54	0.31	0.50	06/30/2019
Second engine Absolute Return Index	3.6	0.09	-6.5	0.84	0.66	0.20	0.39	06/30/2019
Second engine Event-Driven Index	8.7	0.17	-12.7	-0.06	-0.03	-0.03	-0.04	06/30/2020
Second engine Global Macro Index	4.7	0.29	-4.4	0.14	-0.10	0.04	-0.08	06/30/2020
Second engine Multi-Strategy Index	8.7	0.19	-14.5	0.89	0.46	0.51	0.66	06/30/2019
Goal-Based Indices								
Second engine Equity Enhancer 10 Index	6.0	0.48	-7.7	0.82	0.44	0.33	0.43	06/30/2019
Second engine Fixed Income Enhancer 10 Index	5.0	0.46	-7.8	0.81	0.61	0.27	0.50	06/30/2019
Second engine Diversifier 10 Index	3.2	0.45	-4.5	0.49	0.33	0.10	0.17	06/30/2019
Broad Market Indices								
S&P/TSX Composite Index	15.0	0.56	-22.3	-	-	-	-	06/30/2019 ¹
ICE BofA Canada Broad Market Index	6.1	-0.24	-15.6	-	-	-	-	06/30/2019 ¹

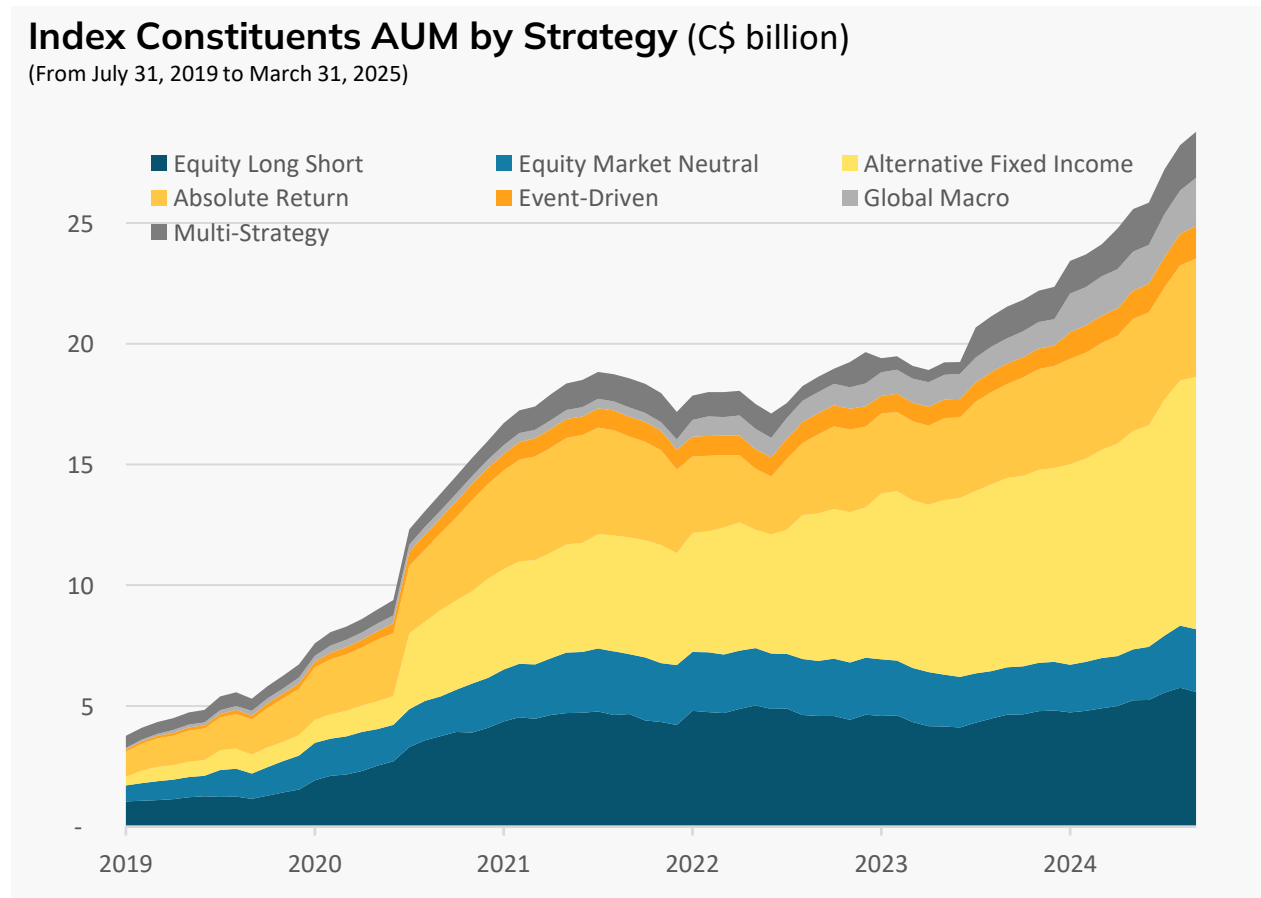
Source: As of March 31, 2025. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.

¹ inception date of the broad market indices were chosen to match the liquid alternative indices.

Second engine Liquid Alternative 35 Index™

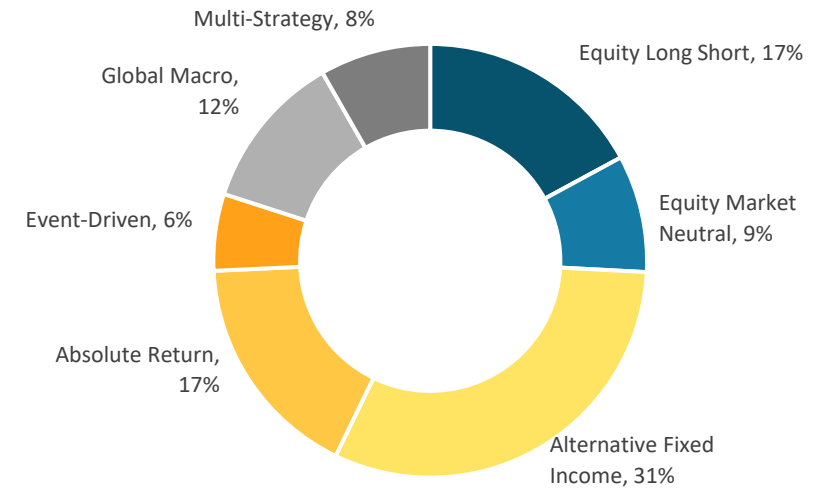
Index Constituents AUM by Strategy (C\$ billion)

(From July 31, 2019 to March 31, 2025)



Index Composition by Strategy

(As of March 31, 2025)



Index AUM Characteristics (C\$ million)

Total	Mean	Median	Largest	Smallest
28,779	822	778	2,232	204

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

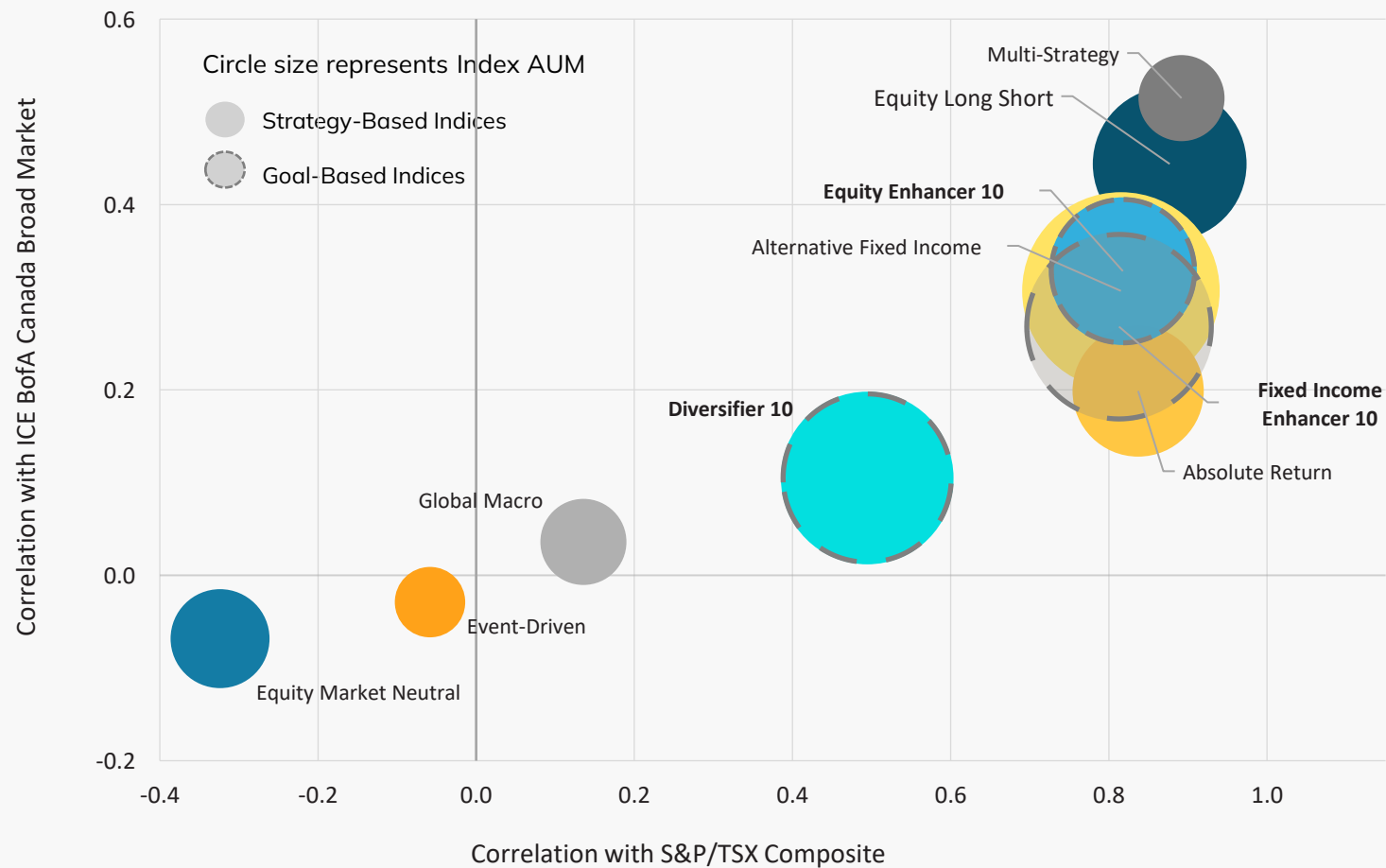
Calendar Year Returns by Strategy

2020	2021	2022	2023	2024	YTD	Since Inception ¹	
						Return	Vol.
Event-Driven 17.4%	Equity Long Short 15.8%	Global Macro 2.4%	Alternative Fixed Income 7.4%	Equity Long Short 15.3%	Global Macro 3.0%	Equity Long Short 8.4%	Equity Market Neutral 3.2%
Equity Long Short 16.4%	Multi-Strategy 9.4%	Equity Market Neutral 1.5%	Absolute Return 5.2%	Multi-Strategy 9.3%	Event-Driven 1.4%	Alternative Fixed Income 4.3%	Absolute Return 3.6%
Multi-Strategy 12.1%	Absolute Return 5.2%	Equity Long Short -3.6%	Multi-Strategy 3.9%	Equity Market Neutral 8.9%	Alternative Fixed Income 0.9%	Multi-Strategy 4.1%	Global Macro 4.7%
Alternative Fixed Income 6.9%	Alternative Fixed Income 3.9%	Alternative Fixed Income -3.9%	Equity Long Short 3.5%	Alternative Fixed Income 8.4%	Equity Market Neutral 0.9%	Event-Driven 3.9%	Alternative Fixed Income 5.7%
Global Macro 6.3%	Global Macro 2.9%	Event-Driven -4.8%	Event-Driven 2.8%	Absolute Return 7.2%	Absolute Return 0.5%	Global Macro 3.8%	Equity Long Short 7.6%
Equity Market Neutral 3.1%	Equity Market Neutral 0.5%	Absolute Return -5.0%	Global Macro 2.0%	Event-Driven 3.9%	Equity Long Short -0.8%	Equity Market Neutral 2.8%	Multi-Strategy 8.7%
Absolute Return 1.9%	Event-Driven -0.8%	Multi-Strategy -8.3%	Equity Market Neutral 0.8%	Global Macro 1.3%	Multi-Strategy -1.0%	Absolute Return 2.8%	Event-Driven 8.7%

Source: As of March 31, 2025. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.

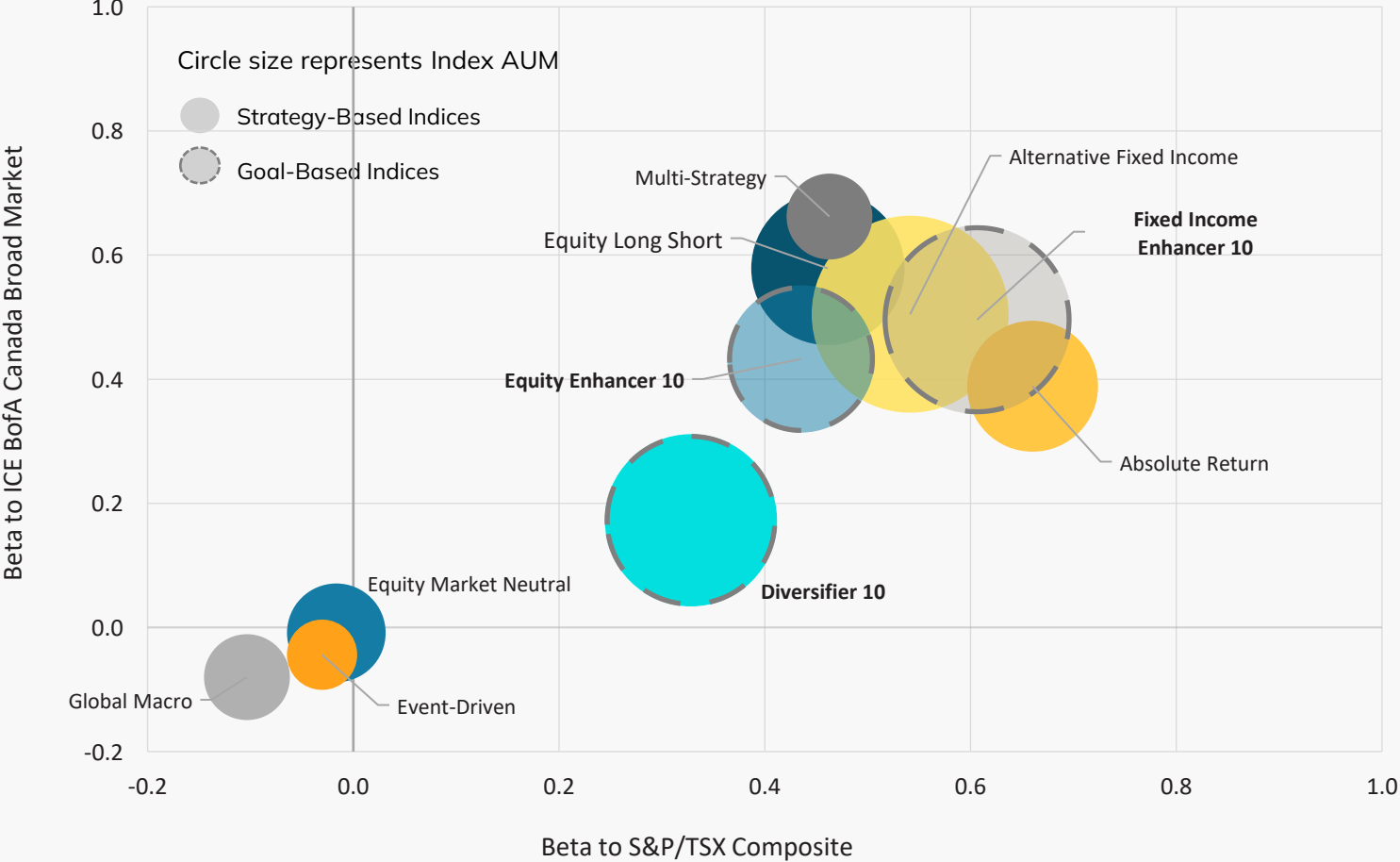
¹ Inception date for all indices are June 30, 2019, except for the Second engine Event-Driven Index and Second engine Global Macro Index which were incepted on June 30, 2020.

Correlation with stocks and bonds



Source: Since inception to March 31, 2025. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management. All strategy categories began on June 30, 2019, except for the Global Macro and Event-Driven, which started on June 30, 2020.

Beta to stocks and bonds



Source: Since inception to March 31, 2025. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management. All strategy categories began on June 30, 2019, except for the Global Macro and Event-Driven, which started on June 30, 2020.

Importance of Manager Selection

Manager Performance Dispersion (Trailing 3 Years, Annualize)



Second engine
Equity Long Short
Index



Second engine
Equity Market Neutral
Index



Second engine
Alternative Fixed Income
Index



Second engine
Absolute Return
Index



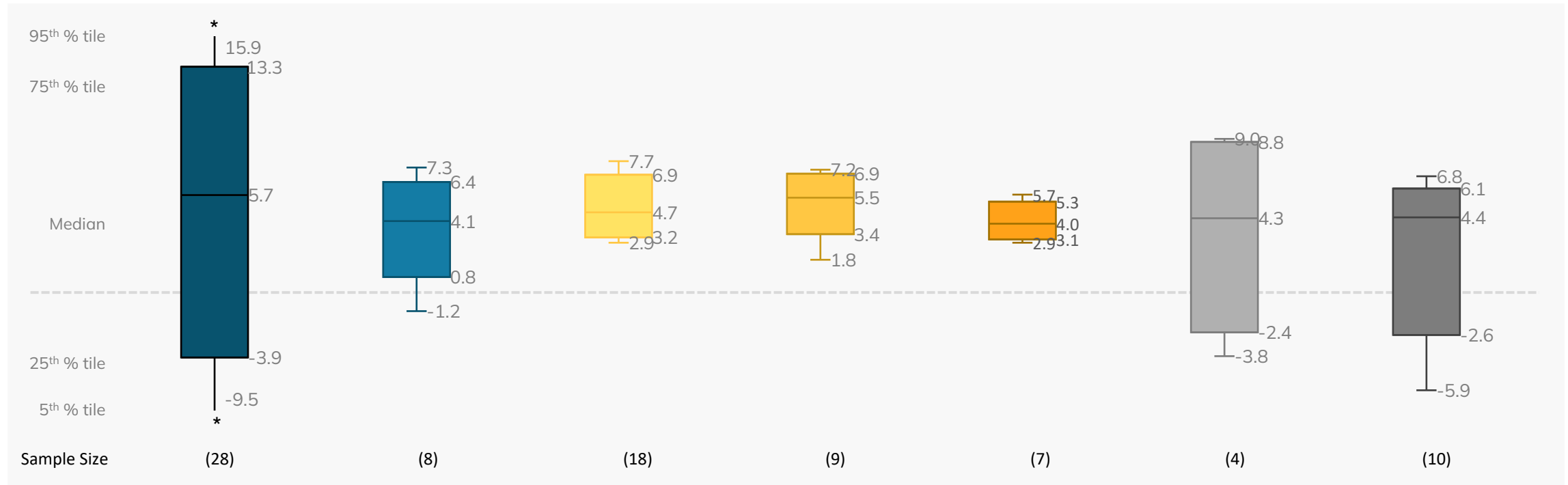
Second engine
Event-Driven
Index



Second engine
Global Macro
Index



Second engine
Multi-Strategy
Index



Source: As of March 31, 2025. Morningstar Inc.
* Chart scale capped for graphing purposes

Return Snapshot

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

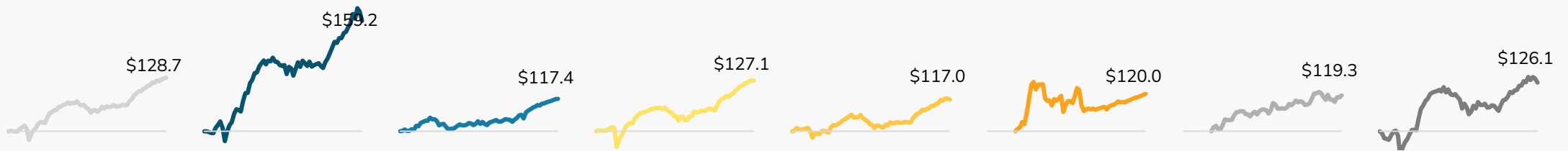


Second engine
Global Macro
Index

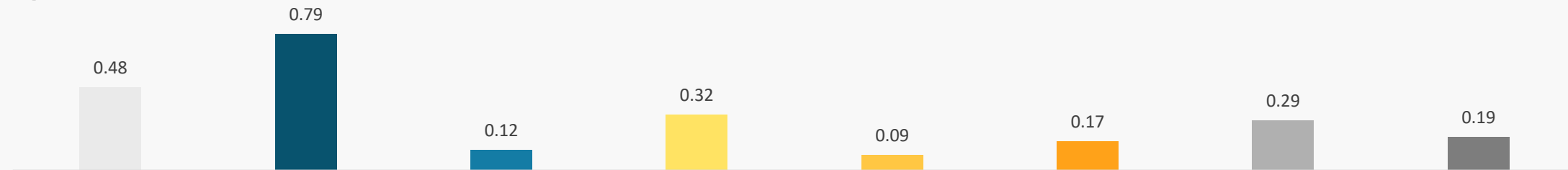


Second engine
Multi-Strategy
Index

Cumulative Growth (Rebased to 100 on inception)



Sharpe Ratio



Source: From inception to March 31, 2025. 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.

Return Snapshot

Goal-Based Indices



Second engine
**Liquid
Alternative 35**
Index



Second engine
**Equity
Enhancer 10**
Index

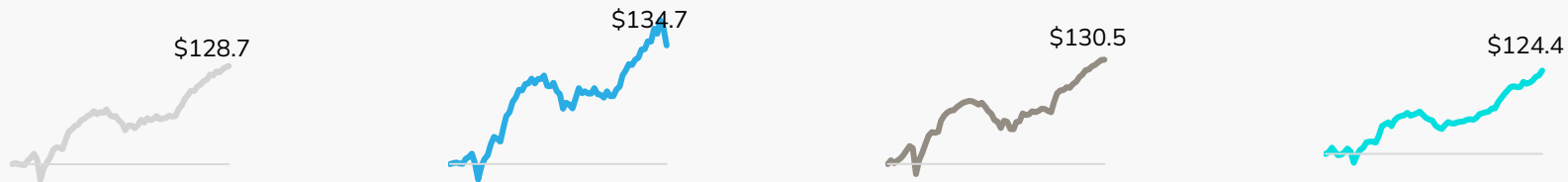


Second engine
**Fixed Income Enhancer
10**
Index

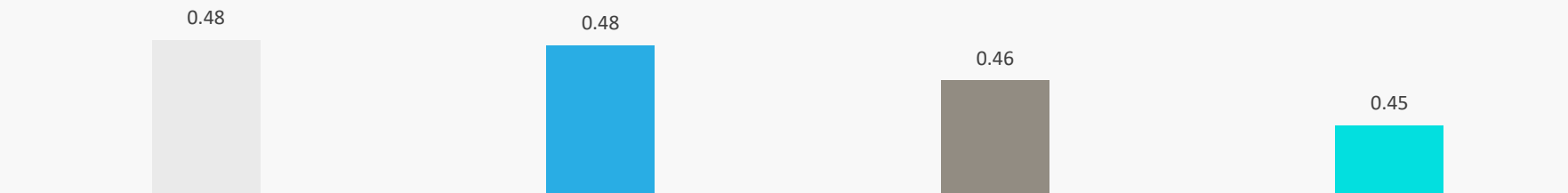


Second engine
Diversifier 10
Index

Cumulative Growth (Rebased to 100 on inception)



Sharpe Ratio



Source: From June 30, 2019 to March 31, 2025. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.

Canada's Top 15 Liquid Alternative Managers

	Alternative Strategies ¹		Others ²		Total Liquid Alternatives	
	AUM (C\$ M)	# of Funds	AUM (C\$ M)	# of Funds	AUM (C\$ M)	# of Funds
1832 Asset Management	4,775.8	7	7711.0	2	12486.8	9
Picton Mahoney	6,808.4	10	-	-	6808.4	10
CI Investments	3,505.0	8	2144.5	4	5649.6	12
Purpose Investments	924.8	6	3633.6	15	4558.3	21
Hamilton Capital	-	-	3423.8	6	3423.8	6
Fidelity International	3,211.2	7	159.7	2	3370.9	9
Forge First Asset Management	2,290.6	2	-	-	2290.6	2
RPIA	2,017.6	1	-	-	2017.6	1
RBC	1,684.3	1	-	-	1684.3	1
Arrow Hedge Partners	1,256.8	6	-	-	1256.8	6
Mackenzie	779.3	1	311.5	2	1090.8	3
Global X	203.7	1	852.1	16	1055.8	17
Evolve Funds	-	-	1038.5	5	1038.5	5
National Bank (Canada)	395.8	1	460.3	1	856.0	2
Harvest Portfolios	-	-	777.6	11	777.6	11
Market Share of Total Liquid Alternative Universe	77.9%				84.2%	

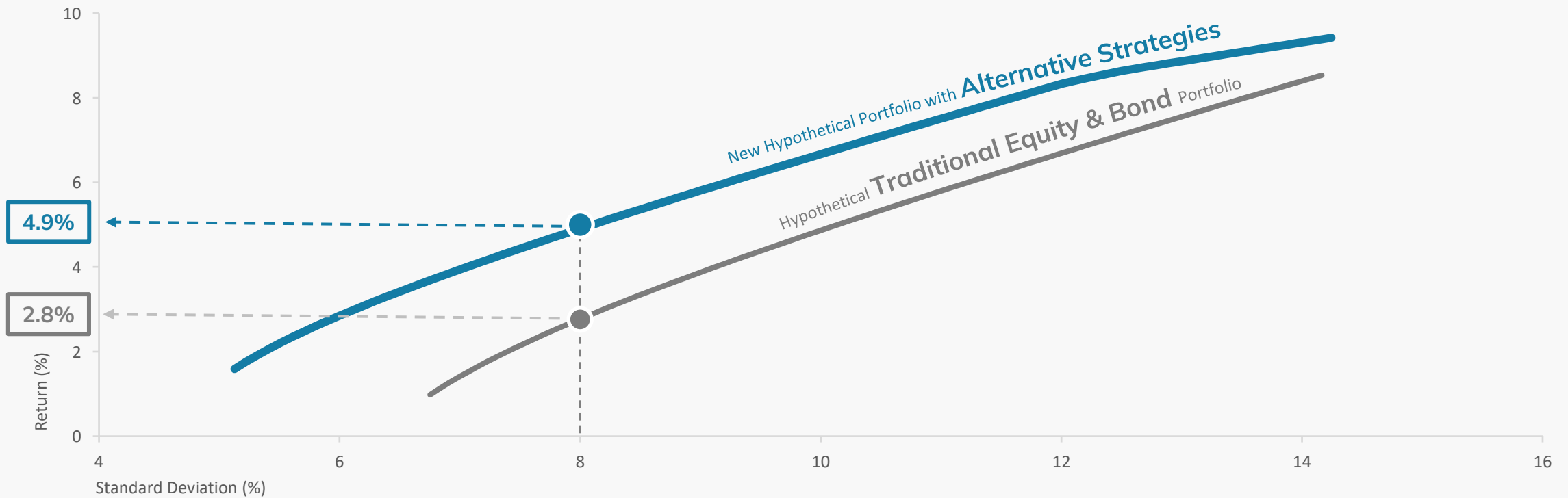
Source: As of March 31, 2025. Morningstar Inc.

¹ Include Equity Long Short, Equity Market Neutral, Alternative Fixed Income, Absolute Return, Event-Driven, Global Macro, Multi-Strategy.

² "Others" category consist of liquid alternative funds that are not included in any categories identified in footnote 1, and consist of largely cryptocurrency assets and option-selling strategies.

Optimize Portfolio Efficiency with Alternatives

Case Study: Efficient Frontier of Traditional Portfolio vs New Portfolio (w. Alternatives)



Source: Morningstar Inc. From June 30, 2019 to June 30, 2024. Equity is represented by S&P/TSX Composite Index, and Fixed Income is represented by ICE BofA Canada Broad Market Index. Past performance is no guarantee of future performance. Alternative assets compose of the 3 goal-based indices from Second engine, i.e. Second engine Equity Enhancer 10 Index, Second engine Fixed Income Enhancer 10 Index, Second engine Diversifier 10 Index. Weight for each asset is capped at 80%. **Weight for Alternative Strategies are capped at 30%**. The portfolios used in this efficient frontier is hypothetical in nature, calculated using the historical returns of the underlying indices. Indices are unmanaged, are not available for direct investment, and are not subject to management fees, transaction costs or other types of expenses that a portfolio may incur. Therefore, performance of actual portfolios can differ significantly.

Why Liquid Alternatives?

Enhancing returns and diversifying risk, while preserving liquidity and maintaining strong governance

	Traditional Mutual Fund	Liquid Alternative	Hedge Fund
Eligible Investors	Retail Investors	Retail Investors	Accredited Investors only
Leverage	Not permitted	Up to 300% of Net Asset Value	No explicit maximum
Short Selling	Up to 20% of Net Asset Value (cash cover required)	Up to 50% of Net Asset Value (or 100% with exemptive relief)	No explicit maximum
Borrowing	Not permitted	Up to 50% of Net Asset Value (or 100% with exemptive relief)	No explicit maximum
Governance	Independent Review Committee required	Independent Review Committee required	No specific governance requirement
Redemption Term	Daily	Daily (most common), or weekly	Weekly, monthly (most common) or quarterly
Transparency	Quarterly portfolio disclosure Annual and interim financial disclosure	Quarterly portfolio disclosure Annual and interim financial disclosure	Annual and interim financial disclosure
Minimum Investment	Low ¹	Low to medium ¹	High ¹

¹ Minimum investment levels are relative, traditional mutual funds and liquid alternatives generally have much lower minimums than hedge funds. Exact thresholds vary by fund and provider.

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Streamline your portfolio construction process with powerful tools, starting with Portfolio Analyzer.



Consulting

Insights from portfolio construction experts.



Research & Data

Track the performance of liquid alternative investments with a comprehensive suite of liquid alternatives indices.



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