

2ND ENGINE LIQUID ALTERNATIVE INDICES

Quarterly Industry Report

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INDEX SNAPSHOT

Universe AUM

\$66.6_B

12M AUM Growth Rate

48.2%

Total # of Funds in Universe

247

132

Alternative Strategies¹

115

Others²

Fund Co in Universe

59

3M Net Flow

+\$3,926_M

12M Net Flow

+\$11,110_M

Total # of indices

11

1

Overall
Market

7

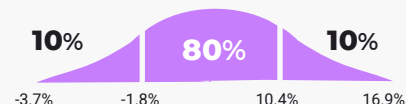
Strategy
-Based

3

Goal-
Based

12M return - 2ND ENGINE
Liquid Alternative 35 Index

+5.3%



Source: As of June 30, 2025. All currencies are in CAD terms. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.

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 mostly cryptocurrency assets and option-selling strategies.

EXECUTIVE SUMMARY – Q2 2025

PERFORMANCE HIGHLIGHTS

- Liquid Alternative strategies delivered modest gains in Q2 2025. The **2ND ENGINE Liquid Alternative 35 Index** rose 0.8% for the quarter, bringing its year-to-date return to 2.3%
- Within the strategy-based indices, the **2ND ENGINE Equity Long Short Index** led the group with a 6.5% gain in Q2, followed by the **2ND ENGINE Multi-Strategy Index** at 3.2%. The **2ND ENGINE Global Macro Index** detracted by 4.2%.
- Among the goal-based indices, the **2ND ENGINE Equity Enhancer 10 Index** stood out with a 6.5% gain, followed by the **2ND ENGINE Fixed Income Enhancer 10 Index** at 1.7%. The **2ND ENGINE Diversifier 10 Index** declined by 0.8%.

ALTERNATIVE UNIVERSE FLOWS

- Flows in Q2 reflected continued investor interest in liquid alternatives, with a total net inflow of **\$3.9 billion** for the quarter and **\$11.1 billion** over the past 12 months, bringing total universe AUM to **\$66.6 billion** at the end of Q2, up 48.2% year-over-year.
- All categories experienced positive net flows. **Alternative Fixed Income** once again led the quarter with **\$645 million**. **Equity Long Short** and **Equity Market Neutral** categories also saw robust inflows, with **\$339 million** and **\$297 million** respectively.
- The **Alternative Fixed Income** category continues to hold the highest share of AUM at \$12.5 billion across 27 funds, while **Equity Long Short** remains the largest category by number of funds, with 40 constituents.

Source: As of June 30, 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 2ND 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 2ND 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.

OVERVIEW

The 2ND 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.

2ND ENGINE LIQUID ALTERNATIVE 35 INDEX

STRATEGY-BASED				GOAL-BASED
EQUITY	BOND	MULTI-STRATEGY	SPECIALTY	
2ND ENGINE Equity Long Short Index	2ND ENGINE Alternative Fixed Income Index	2ND ENGINE Multi-Strategy Index	2ND ENGINE Event-Driven Index	2ND ENGINE Equity Enhancer 10 Index
2ND ENGINE Equity Market Neutral Index		2ND ENGINE Absolute Return Index	2ND ENGINE Global Macro Index	2ND ENGINE Fixed Income Enhancer 10 Index
				2ND 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

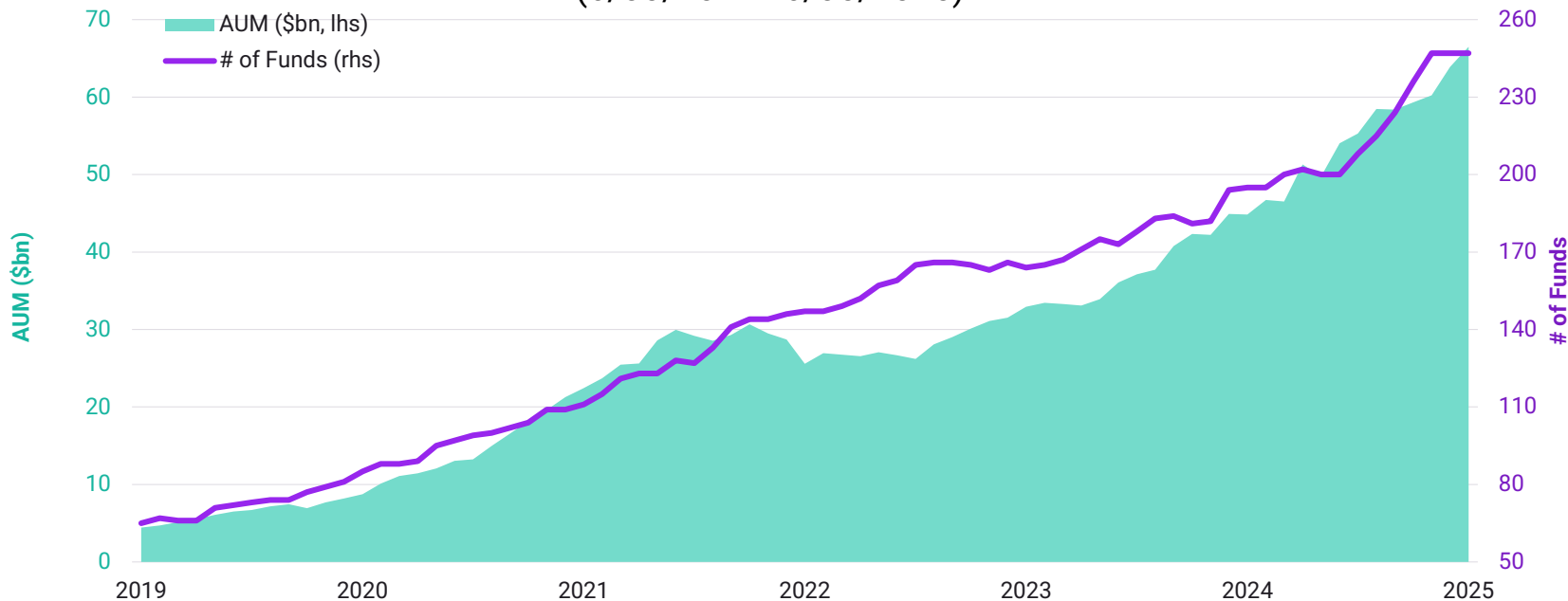
KEY FEATURES

- 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

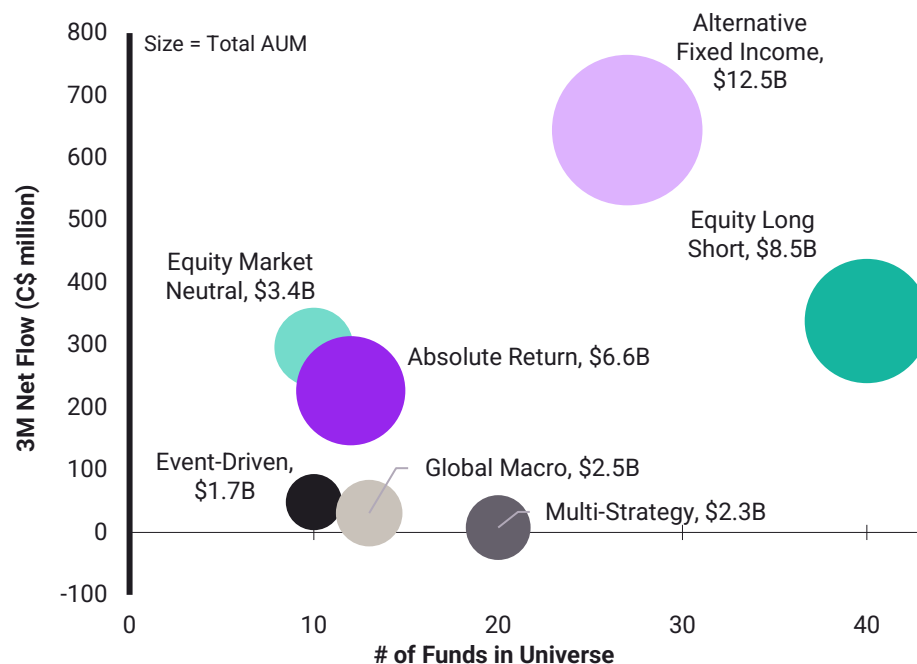
Total AUM and # of Funds in Universe
(6/30/2019 - 6/30/2025)



Source: Morningstar Inc.

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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	8.5	12.8%	+339	+1,562	40
Equity Market Neutral	3.4	5.2%	+297	+935	10
Alternative Fixed Income	12.5	18.8%	+645	+2,610	27
Absolute Return	6.6	9.9%	+227	+840	12
Event-Driven	1.7	2.6%	+49	+200	10
Global Macro	2.5	3.7%	+31	+215	13
Multi-Strategy	2.3	3.5%	+8	+1	20
Others	29.0	43.5%	+2,331	+4,747	115
Total	66.6	100.0%	+3,926	+11,110	247

Source: As of June 30, 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								
2ND ENGINE Liquid Alternative 35 Index	0.7	0.8	2.3	5.3	5.7	5.0	4.4	06/30/2019
Strategy-Based Indices								
2ND ENGINE Equity Long Short Index	2.7	6.5	5.6	13.0	9.1	10.1	9.2	06/30/2019
2ND ENGINE Equity Market Neutral Index	-0.5	-0.9	0.0	2.0	3.5	1.9	2.6	06/30/2019
2ND ENGINE Alternative Fixed Income Index	1.0	1.4	2.3	7.0	6.8	5.2	4.3	06/30/2019
2ND ENGINE Absolute Return Index	0.9	1.3	1.7	5.3	5.2	3.8	2.9	06/30/2019
2ND ENGINE Event-Driven Index	0.6	2.9	4.3	6.9	2.1	4.3	4.3	06/30/2020
2ND ENGINE Global Macro Index	1.1	-4.2	-1.3	-5.1	0.9	2.7	2.7	06/30/2020
2ND ENGINE Multi-Strategy Index	2.4	3.2	2.1	6.5	5.1	6.3	4.5	06/30/2019
Goal-Based Indices								
2ND ENGINE Equity Enhancer 10 Index	3.4	6.5	3.8	9.4	7.3	6.9	6.2	06/30/2019
2ND ENGINE Fixed Income Enhancer 10 Index	0.9	1.7	3.0	7.1	6.3	4.6	4.8	06/30/2019
2ND ENGINE Diversifier 10 Index	0.3	-0.8	1.6	3.0	4.7	3.9	3.6	06/30/2019
Broad Market Indices								
S&P/TSX Composite Index	2.9	8.5	10.2	26.4	16.1	15.0	12.0	06/30/2019 ¹
ICE BofA Canada Broad Market Index	0.0	-0.7	1.3	5.8	4.1	-0.5	0.9	06/30/2019 ¹

Source: As of June 30, 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								
2ND ENGINE Liquid Alternative 35 Index	4.2	0.47	-7.5	0.86	0.54	0.24	0.38	06/30/2019
Strategy-Based Indices								
2ND ENGINE Equity Long Short Index	7.6	0.88	-10.0	0.88	0.45	0.45	0.58	06/30/2019
2ND ENGINE Equity Market Neutral Index	3.1	0.03	-5.8	-0.32	-0.01	-0.07	-0.01	06/30/2019
2ND ENGINE Alternative Fixed Income Index	5.6	0.34	-10.5	0.81	0.54	0.30	0.51	06/30/2019
2ND ENGINE Absolute Return Index	3.5	0.12	-6.5	0.84	0.66	0.20	0.39	06/30/2019
2ND ENGINE Event-Driven Index	8.5	0.22	-12.7	-0.05	-0.03	-0.03	-0.05	06/30/2020
2ND ENGINE Global Macro Index	5.1	0.05	-6.6	0.13	-0.07	0.04	-0.06	06/30/2020
2ND ENGINE Multi-Strategy Index	8.6	0.24	-14.5	0.89	0.46	0.52	0.67	06/30/2019
Goal-Based Indices								
2ND ENGINE Equity Enhancer 10 Index	6.3	0.59	-7.7	0.80	0.41	0.34	0.44	06/30/2019
2ND ENGINE Fixed Income Enhancer 10 Index	4.9	0.49	-7.8	0.81	0.61	0.27	0.50	06/30/2019
2ND ENGINE Diversifier 10 Index	3.2	0.35	-4.5	0.48	0.33	0.10	0.18	06/30/2019
Broad Market Indices								
S&P/TSX Composite Index	14.9	0.64	-22.3	-	-	-	-	06/30/2019 ¹
ICE BofA Canada Broad Market Index	5.9	-0.27	-15.6	-	-	-	-	06/30/2019 ¹

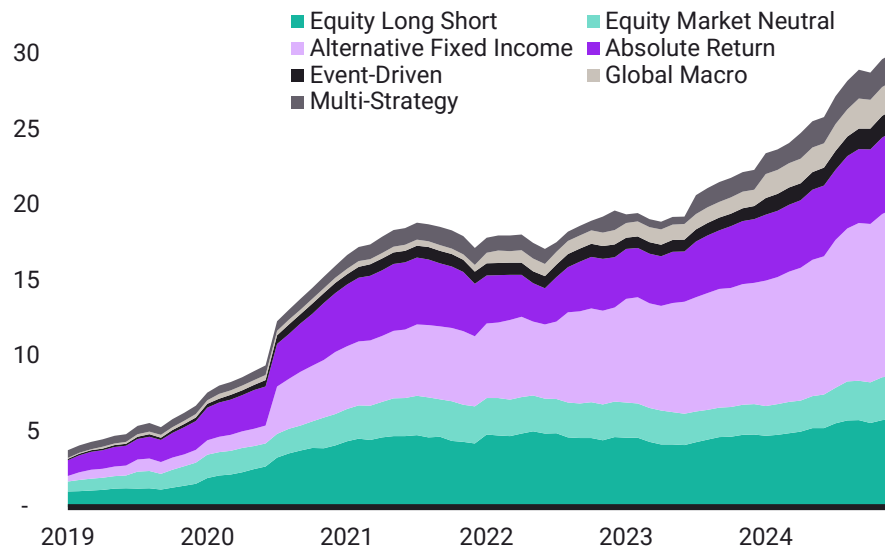
Source: As of June 30, 2025. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.

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

2ND ENGINE LIQUID ALTERNATIVE 35 INDEX

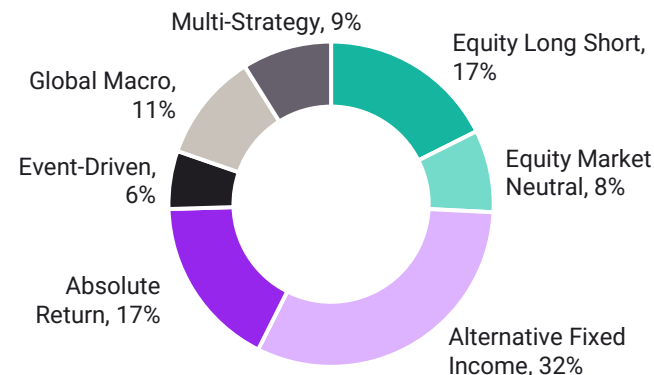
Index Constituents AUM by Strategy (C\$ billion)

(From July 31, 2019 to June 30, 2025)



Index Composition by Strategy

(As of June 30, 2025)



Index AUM Characteristics (C\$ million)

Total	Mean	Median	Largest	Smallest
30,093	860	749	2,438	154

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

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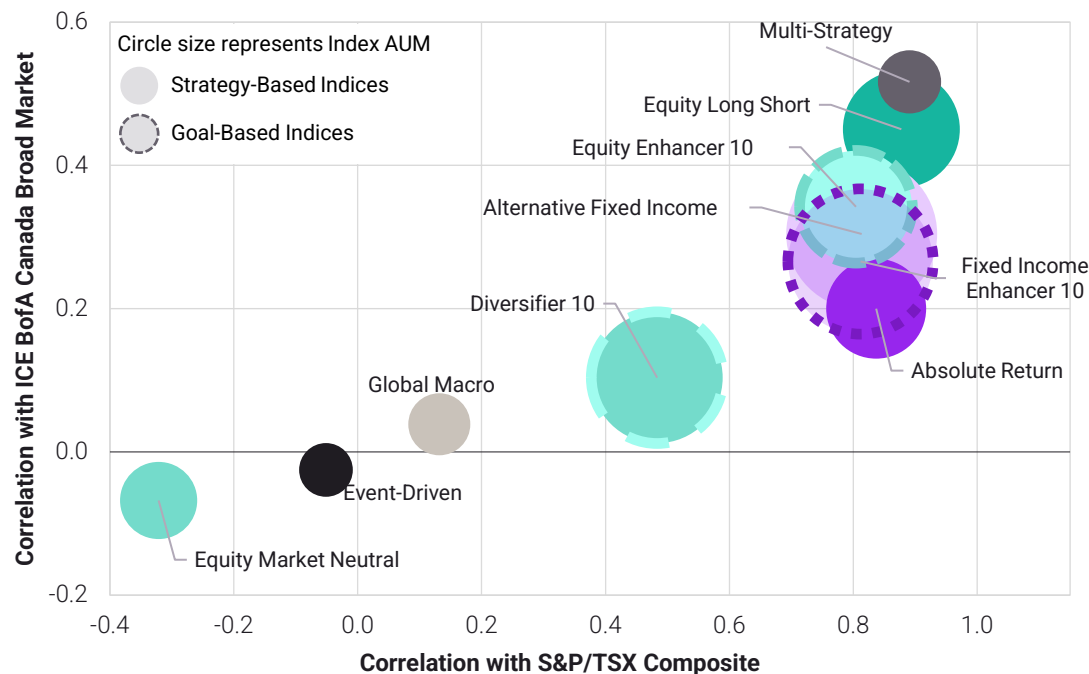
CALENDAR YEAR RETURNS BY STRATEGY

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%	Equity Long Short 5.6%	Equity Long Short 9.2%	Equity Market Neutral 3.1%
Equity Long Short 16.4%	Multi-Strategy 9.4%	Equity Market Neutral 1.5%	Absolute Return 5.2%	Multi-Strategy 9.3%	Event-Driven 4.3%	Multi-Strategy 4.5%	Absolute Return 3.5%
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 2.3%	Alternative Fixed Income 4.3%	Global Macro 5.1%
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%	Multi-Strategy 2.1%	Event-Driven 4.3%	Alternative Fixed Income 5.6%
Global Macro 6.3%	Global Macro 2.9%	Event-Driven -4.8%	Event-Driven 2.8%	Absolute Return 7.2%	Absolute Return 1.7%	Absolute Return 2.9%	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 Market Neutral 0.0%	Global Macro 2.7%	Multi-Strategy 8.6%
Absolute Return 1.9%	Event-Driven -0.8%	Multi-Strategy -8.3%	Equity Market Neutral 0.8%	Global Macro 1.3%	Global Macro -1.3%	Equity Market Neutral 2.6%	Event-Driven 8.5%

Source: As of June 30, 2025. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.

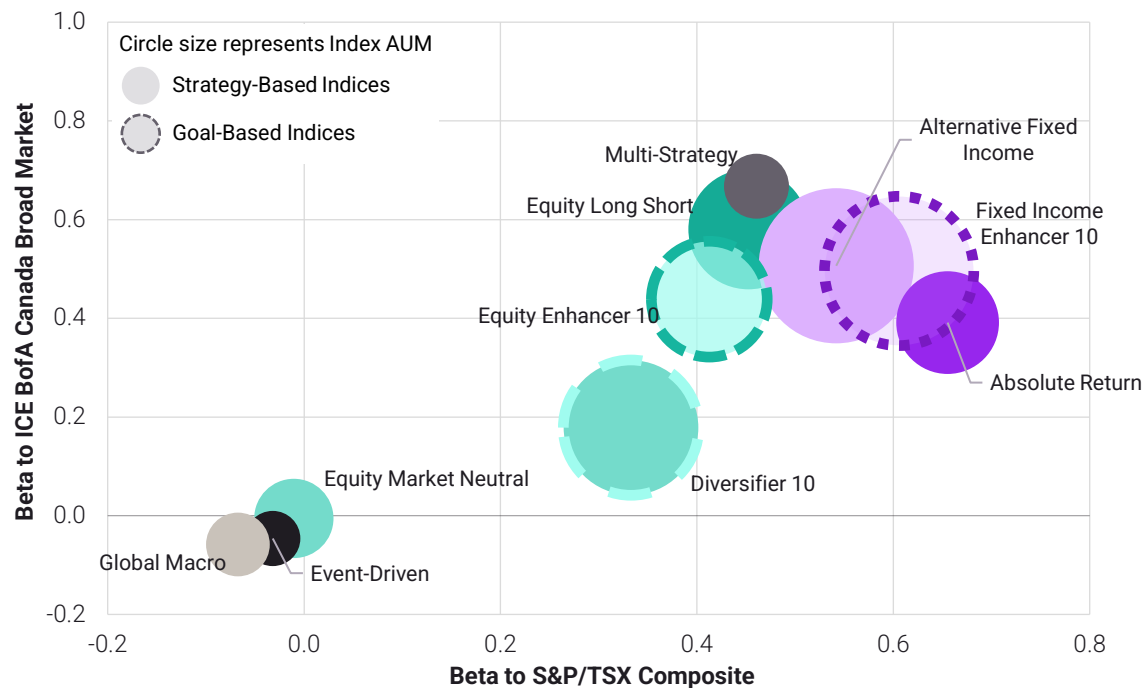
¹ Inception date for all indices are June 30, 2019, except for the 2ND ENGINE Event-Driven Index and 2ND ENGINE Global Macro Index which were inceptioned on June 30, 2020.

CORRELATION WITH STOCKS AND BONDS



Source: Since inception to June 30, 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.

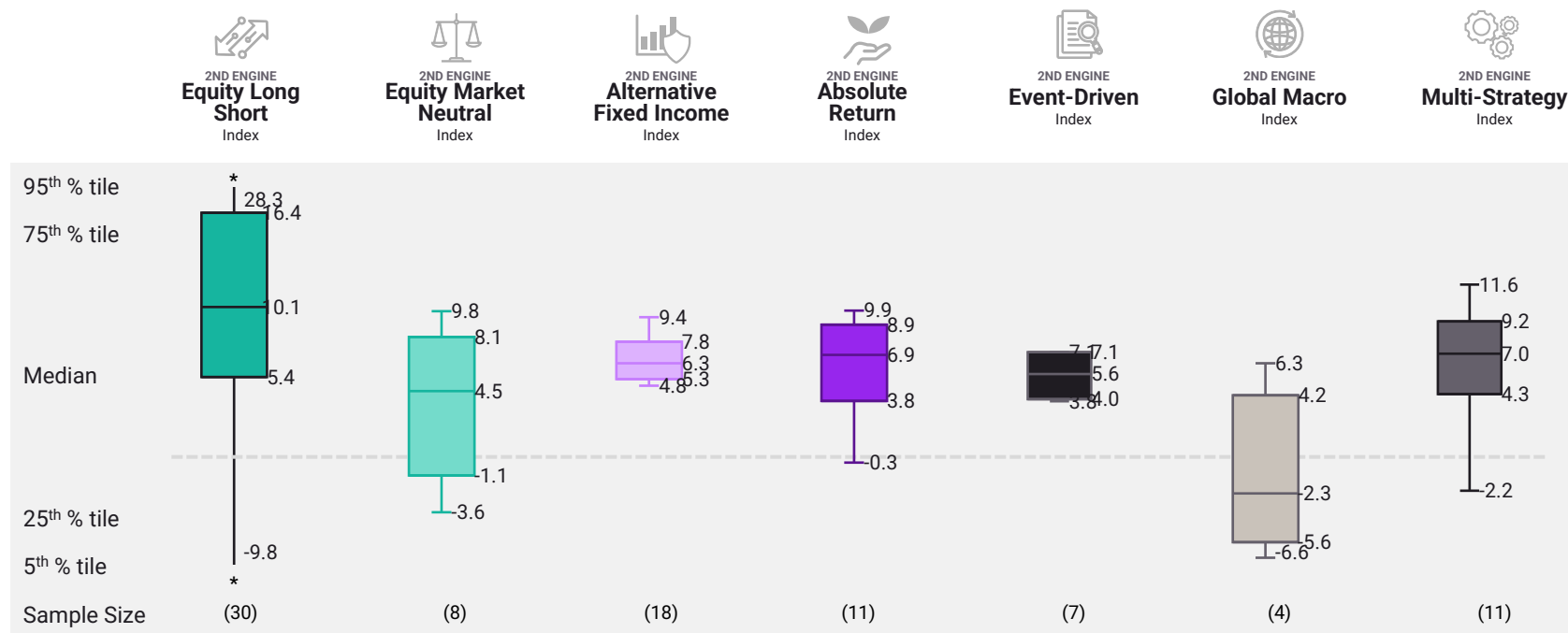
BETA TO STOCKS AND BONDS



Source: Since inception to June 30, 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, ANNUALIZED)



Source: As of June 30, 2025. Morningstar Inc.

* Chart scale capped for graphing purposes

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RETURN SNAPSHOT: STRATEGY-BASED INDICES



2ND ENGINE
**Liquid
Alternative 35**
Index



2ND ENGINE
**Equity Long
Short**
Index



2ND ENGINE
**Equity Market
Neutral**
Index



2ND ENGINE
**Alternative
Fixed Income**
Index



2ND ENGINE
**Absolute
Return**
Index



2ND ENGINE
Event-Driven
Index



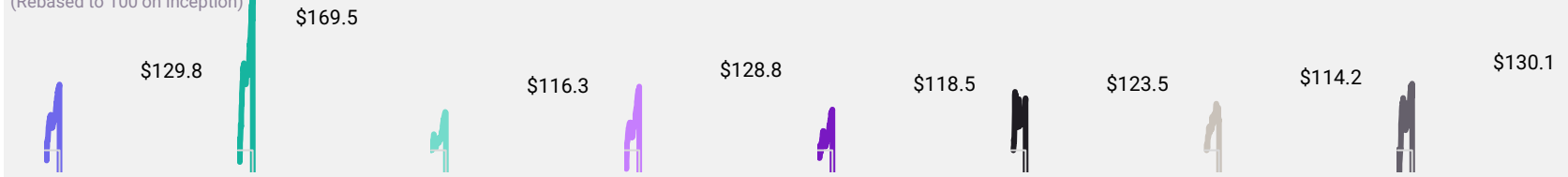
2ND ENGINE
Global Macro
Index



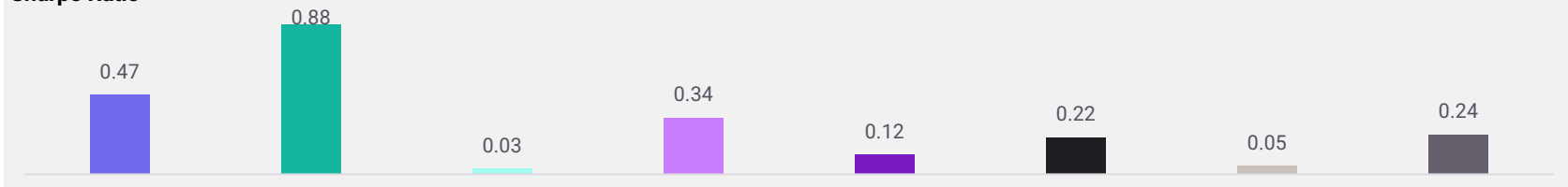
2ND ENGINE
Multi-Strategy
Index

Cumulative Growth

(Rebased to 100 on inception)



Sharpe Ratio




Source: From inception to June 30, 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


2ND ENGINE
**Liquid
Alternative 35**
Index


2ND ENGINE
**Equity
Enhancer 10**
Index


2ND ENGINE
**Fixed Income
Enhancer 10**
Index

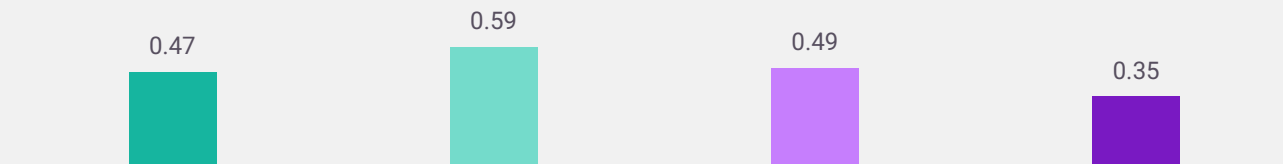

2ND ENGINE
Diversifier 10
Index

Cumulative Growth

(Rebased to 100 on inception)



Sharpe Ratio



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

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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	5,016.0	7	9,050.5	2	14,066.5	9
Picton Mahoney	7,667.4	11	-	-	7,667.4	11
CI Investments	3,544.4	9	2,597.9	6	6,142.3	15
Purpose Investments	945.7	6	4,541.0	23	5,486.7	29
Fidelity Investments	3,542.5	7	1,496.8	4	5,039.3	11
Hamilton Capital Partners	-	-	4,111.0	9	4,111.0	9
RPIA	2,467.3	1	-	-	2,467.3	1
Harvest Portfolios Group	-	-	2,263.7	24	2,263.7	24
Forge First	2,177.2	2	-	-	2,177.2	2
RBC GAM	1,713.6	1	-	-	1,713.6	1
Mackenzie Investments	745.4	2	613.4	4	1,358.7	6
Arrow Capital Management	1,276.6	7	-	-	1,276.6	7
Global X Investments	188.6	1	1,055.9	20	1,244.5	21
Evolve Funds Group	-	-	1,019.7	8	1,019.7	8
National Bank	345.6	1	478.6	1	824.2	2
Market Share of Total Liquid Alternative Universe	78.0%				84.9%	

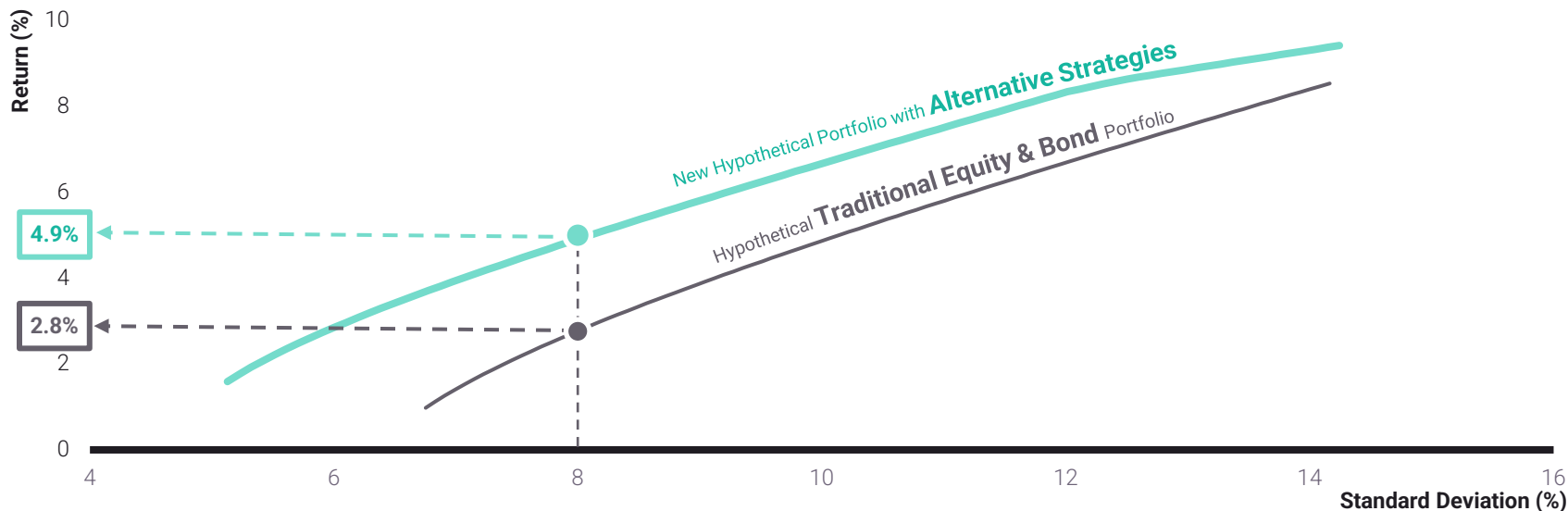
Source: As of June 30, 2025. Morningstar Inc.

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 mostly 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 2ND ENGINE, i.e. 2ND ENGINE Equity Enhancer 10 Index, 2ND ENGINE Fixed Income Enhancer 10 Index, 2ND 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.

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WHY LIQUID ALTERNATIVES?

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

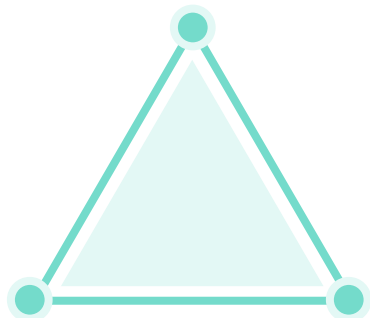
	Traditional Mutual Fund	Liquid Alternative	Hedge Fund
Eligible Investors	Retail Investors	Retail Investors	Accredited Investors only
Leverage	Not permitted	Up to 300% of Net Asset Value	No explicit maximum
Short Selling	Up to 20% of Net Asset Value (cash cover required)	Up to 50% of Net Asset Value (or 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.

POWER YOUR BUSINESS WITH 2ND ENGINE

Digital Tools

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



Research & Data

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

Consulting

Insights from portfolio construction experts.

To learn more about 2ND ENGINE,
Please visit our website at
secondengine.pictoninvestments.com

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