

# **2ND ENGINE LIQUID ALTERNATIVE INDICES**

Quarterly Industry Report

# TABLE OF CONTENTS

## INDEX SNAPSHOT

## INDUSTRY TRENDS

Industry Growth Over Time  
Assets and Flows by Strategy

## EXECUTIVE SUMMARY

## PERFORMANCE STATISTICS

Trailing Performance  
Risk Statistics Summary  
Overall Market Index  
Calendar Year Returns by Strategy  
Correlation with Stocks and Bonds  
Beta to Stocks and Bonds  
Manager Performance Dispersion  
Strategy-Based Indices  
Goal-Based Indices

## INDEX OVERVIEW

## APPENDIX

# INDEX SNAPSHOT

Universe AUM

**\$79.7<sub>B</sub>**

12M AUM Growth Rate

**41.3%**

Total # of Funds in Universe

**317**

**142**

Alternative Strategies<sup>1</sup>

**175**

Others<sup>2</sup>

Fund Co in Universe

**60**

3M Net Flow

**+\$4,088<sub>M</sub>**

12M Net Flow

**+\$14,897<sub>M</sub>**

Total # of indices

**11**

**1**

Overall  
Market

**7**

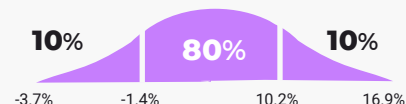
Strategy  
-Based

**3**

Goal-  
Based

12M return - 2ND ENGINE  
Liquid Alternative 35 Index

**+5.6%**



Source: As of December 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.

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

<sup>2</sup> "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 – Q4 2025

## PERFORMANCE HIGHLIGHTS

- Liquid Alternative strategies delivered modest gains in Q4 2025. The **2ND ENGINE Liquid Alternative 35 Index** rose 1.2% for the quarter, bringing its full year return to 5.6%
- Within the strategy-based indices, the **2ND ENGINE Global Macro Index** led performance in Q4 with a 5.1%, followed by the **2ND ENGINE Multi-Strategy Index** at 2.1%, and the **2ND ENGINE Equity Long Short Index** at 1.9%.
- Among goal-based indices, the **2ND ENGINE Diversifier 10 Index** rose 1.8%, while the **2ND ENGINE Equity Enhancer 10 Index** and **2ND ENGINE Fixed Income Enhancer 10 Index** returned 1.5% and 0.7%, respectively.

## ALTERNATIVE UNIVERSE FLOWS

- Investor interest in liquid alternatives remained strong in Q4, with total net inflows of **\$4.1 billion** for the quarter and **\$14.9 billion** over the past 12 months, bringing total universe AUM to **\$79.7 billion** at the end of Q4, up 41.3% year-over-year.
- Investor flows in Q4 were primarily directed toward more conservative strategies, with **Alternative Fixed Income** receiving **\$543 million**, **Equity Market Neutral** attracting **\$215 million**, and **Absolute Return** drawing **\$146 million**. The **Equity Long Short** category also saw steady inflows, adding **\$115 million** during the quarter.
- The **Alternative Fixed Income** category maintains the largest AUM at \$14.1 billion across 28 funds, while **Equity Long Short** continues to lead by fund count, with 46 products in the category.

Source: As of December 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 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](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.

# EXECUTIVE SUMMARY (CON'T)

## LIQUID ALTERNATIVE INDUSTRY NEWS

- Over the past six months, the liquid alternative universe has seen **43 new fund** launches, with the majority incepted in Q3.
- **8 alternative strategies** were introduced — including 4 Equity Long Short, 1 Alternative Fixed Income, 1 Global Macro, and 2 Multi-Strategy funds.
- **Option-selling strategies** remained a hot segment, with **33 new funds launched** over the past six months. The space continues to attract new entrants, while existing providers actively expand their shelves. Notably, **single-name option-selling products** have emerged as the new battleground, accounting for roughly two-thirds of the newly launched products in this category.

Source: As of December 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 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](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<br>Equity Long<br>Short Index     | 2ND ENGINE<br>Alternative Fixed<br>Income Index | 2ND ENGINE<br>Multi-Strategy<br>Index  | 2ND ENGINE<br>Event-Driven<br>Index | 2ND ENGINE<br>Equity Enhancer 10 Index          |
| 2ND ENGINE<br>Equity Market<br>Neutral Index |   | 2ND ENGINE<br>Absolute Return<br>Index | 2ND ENGINE<br>Global Macro<br>Index | 2ND ENGINE<br>Fixed Income Enhancer<br>10 Index |
|  |   |  |                                     | 2ND ENGINE<br>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

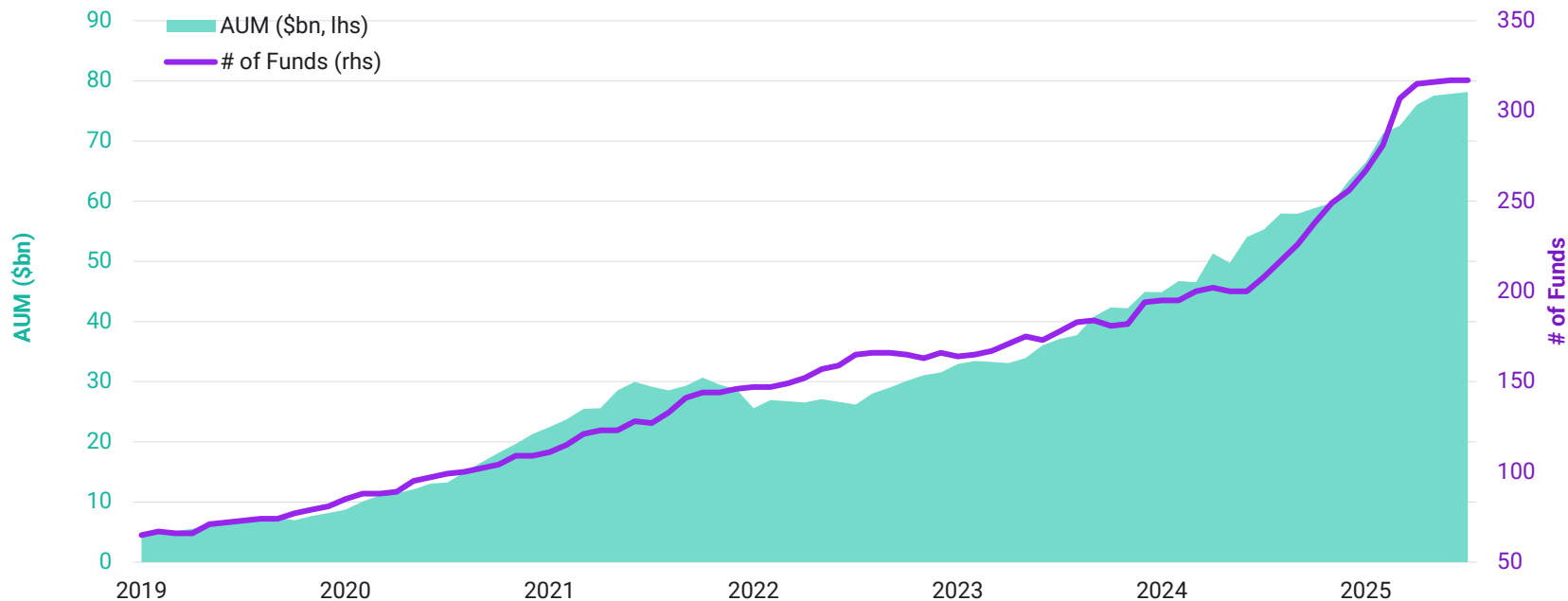
- Adhere to the CFA best practices for benchmarking<sup>1</sup>
- Equal-weighting to minimize overconcentration risk
- Quarterly rebalancing and semi-annual reconstitution

<sup>1</sup> 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

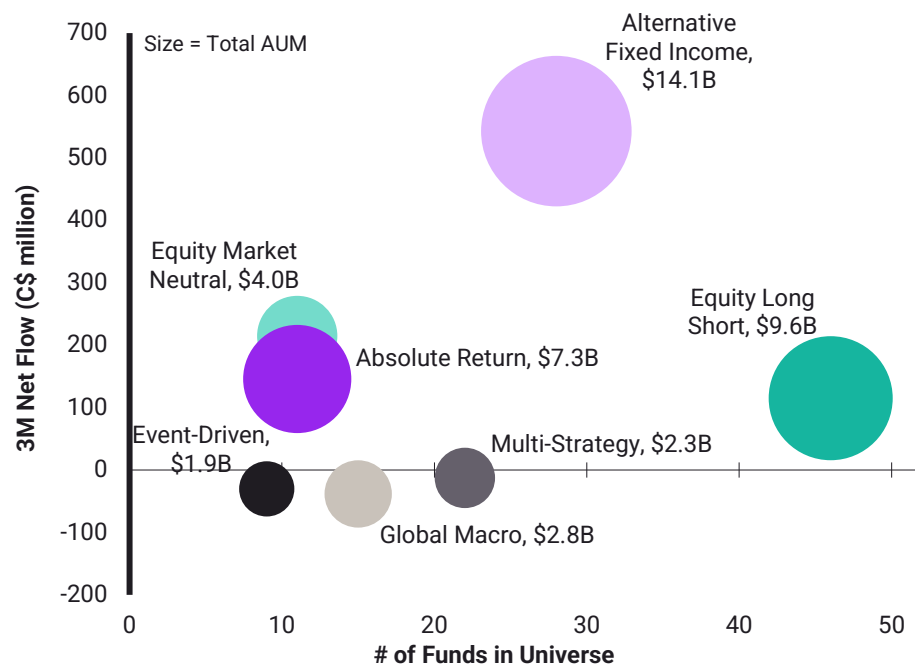
(6/30/2019 - 12/31/2025)



Source: Morningstar Inc.

For advisor use only. Proprietary & Confidential – Not to be redistributed to any other party.

# 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        | 9.6         | 12.0%         | +115                | +973                 | 46         |
| Equity Market Neutral    | 4.0         | 5.0%          | +215                | +1,190               | 11         |
| Alternative Fixed Income | 14.1        | 17.7%         | +543                | +2,935               | 28         |
| Absolute Return          | 7.3         | 9.1%          | +146                | +1,007               | 11         |
| Event-Driven             | 1.9         | 2.4%          | -30                 | +226                 | 9          |
| Global Macro             | 2.8         | 3.5%          | -38                 | +58                  | 15         |
| Multi-Strategy           | 2.3         | 2.8%          | -13                 | +125                 | 22         |
| Others                   | 37.8        | 47.4%         | +3,150              | +8,383               | 175        |
| <b>Total</b>             | <b>79.7</b> | <b>100.0%</b> | <b>+4,088</b>       | <b>+14,897</b>       | <b>317</b> |

Source: As of December 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          |
|---|------|------|------|------|------|------|-----------------|-------------------------|
| <b>Overall Market Index</b>               |      |      |      |      |      |      |                 |                         |
| 2ND ENGINE Liquid Alternative 35 Index    | 0.2  | 1.2  | 5.6  | 5.6  | 6.1  | 4.1  | 4.6             | 06/30/2019              |
| <b>Strategy-Based Indices</b>             |      |      |      |      |      |      |                 |                         |
| 2ND ENGINE Equity Long Short Index        | -0.1 | 1.9  | 13.8 | 13.8 | 10.7 | 8.7  | 9.7             | 06/30/2019              |
| 2ND ENGINE Equity Market Neutral Index    | 0.1  | 0.4  | 0.4  | 0.4  | 3.3  | 2.4  | 2.4             | 06/30/2019              |
| 2ND ENGINE Alternative Fixed Income Index | 0.1  | 0.6  | 4.9  | 4.9  | 6.9  | 4.0  | 4.4             | 06/30/2019              |
| 2ND ENGINE Absolute Return Index          | 0.1  | 1.2  | 6.1  | 6.1  | 6.2  | 3.6  | 3.3             | 06/30/2019              |
| 2ND ENGINE Event-Driven Index             | 0.1  | 0.9  | 6.8  | 6.8  | 4.5  | 1.5  | 4.4             | 06/30/2020              |
| 2ND ENGINE Global Macro Index             | 0.4  | 5.1  | 8.1  | 8.1  | 3.8  | 3.3  | 4.2             | 06/30/2020              |
| 2ND ENGINE Multi-Strategy Index           | 0.3  | 2.1  | 9.1  | 9.1  | 7.4  | 4.4  | 5.2             | 06/30/2019              |
| <b>Goal-Based Indices</b>                 |      |      |      |      |      |      |                 |                         |
| 2ND ENGINE Equity Enhancer 10 Index       | 0.2  | 1.5  | 9.2  | 9.2  | 7.7  | 5.8  | 6.5             | 06/30/2019              |
| 2ND ENGINE Fixed Income Enhancer 10 Index | 0.0  | 0.7  | 5.9  | 5.9  | 6.7  | 3.7  | 4.9             | 06/30/2019              |
| 2ND ENGINE Diversifier 10 Index           | 0.5  | 1.8  | 5.3  | 5.3  | 5.4  | 3.4  | 3.9             | 06/30/2019              |
| <b>Broad Market Indices</b>               |      |      |      |      |      |      |                 |                         |
| S&P/TSX Composite Index                   | 1.3  | 6.2  | 31.7 | 31.7 | 21.4 | 16.1 | 14.1            | 06/30/2019 <sup>1</sup> |
| ICE BofA Canada Broad Market Index        | -1.4 | -0.4 | 2.4  | 2.4  | 4.3  | -0.5 | 1.0             | 06/30/2019 <sup>1</sup> |

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

<sup>1</sup> 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    | 4.1        | 0.53         | -7.5         | 0.86        | 0.54  | 0.24         | 0.38  | 06/30/2019              |
| Strategy-Based Indices                    |            |              |              |             |       |              |       |                         |
| 2ND ENGINE Equity Long Short Index        | 7.4        | 0.98         | -10.0        | 0.87        | 0.46  | 0.44         | 0.59  | 06/30/2019              |
| 2ND ENGINE Equity Market Neutral Index    | 3.1        | -0.02        | -5.8         | -0.30       | 0.01  | -0.06        | 0.00  | 06/30/2019              |
| 2ND ENGINE Alternative Fixed Income Index | 5.3        | 0.36         | -10.5        | 0.81        | 0.54  | 0.30         | 0.50  | 06/30/2019              |
| 2ND ENGINE Absolute Return Index          | 3.5        | 0.24         | -6.5         | 0.83        | 0.66  | 0.20         | 0.39  | 06/30/2019              |
| 2ND ENGINE Event-Driven Index             | 8.1        | 0.23         | -12.7        | -0.05       | -0.03 | -0.02        | -0.04 | 06/30/2020              |
| 2ND ENGINE Global Macro Index             | 5.1        | 0.33         | -6.6         | 0.16        | -0.02 | 0.05         | -0.02 | 06/30/2020              |
| 2ND ENGINE Multi-Strategy Index           | 8.3        | 0.33         | -14.5        | 0.89        | 0.47  | 0.51         | 0.67  | 06/30/2019              |
| Goal-Based Indices                        |            |              |              |             |       |              |       |                         |
| 2ND ENGINE Equity Enhancer 10 Index       | 6.1        | 0.67         | -7.7         | 0.79        | 0.41  | 0.33         | 0.44  | 06/30/2019              |
| 2ND ENGINE Fixed Income Enhancer 10 Index | 4.7        | 0.52         | -7.8         | 0.80        | 0.60  | 0.26         | 0.49  | 06/30/2019              |
| 2ND ENGINE Diversifier 10 Index           | 3.1        | 0.45         | -4.5         | 0.49        | 0.34  | 0.11         | 0.18  | 06/30/2019              |
| Broad Market Indices                      |            |              |              |             |       |              |       |                         |
| S&P/TSX Composite Index                   | 14.5       | 0.80         | -22.3        | -           | -     | -            | -     | 06/30/2019 <sup>1</sup> |
| ICE BofA Canada Broad Market Index        | 5.8        | -0.26        | -15.6        | -           | -     | -            | -     | 06/30/2019 <sup>1</sup> |

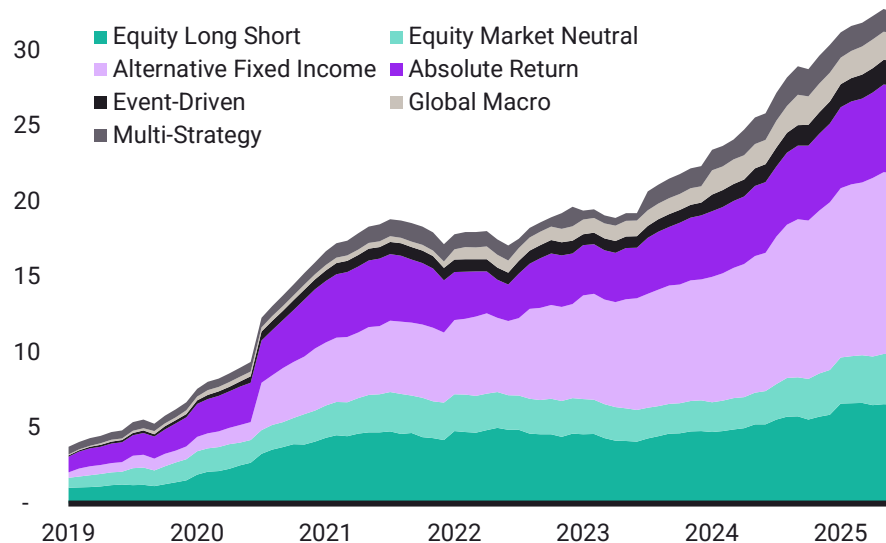
Source: As of December 31, 2025. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.

<sup>1</sup> inception date of the broad market indices were chosen to match the liquid alternative indices.

# 2ND ENGINE LIQUID ALTERNATIVE 35 INDEX

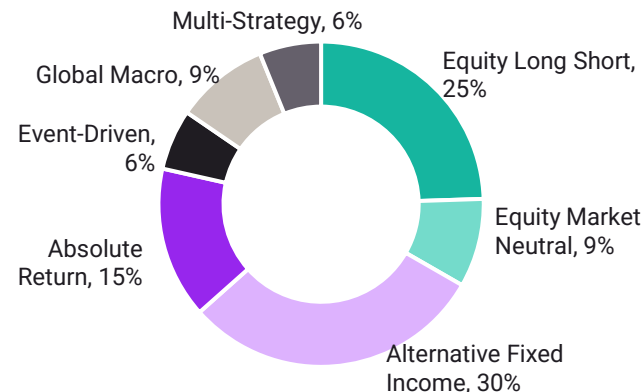
**Index Constituents AUM by Strategy (C\$ billion)**

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



**Index Composition by Strategy**

(As of December 31, 2025)



**Index AUM Characteristics (C\$ million)**

| Total  | Mean | Median | Largest | Smallest |
|--------|------|--------|---------|----------|
| 29,661 | 927  | 672    | 3,064   | 203      |

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

For advisor use only. Proprietary & Confidential – Not to be redistributed to any other party.

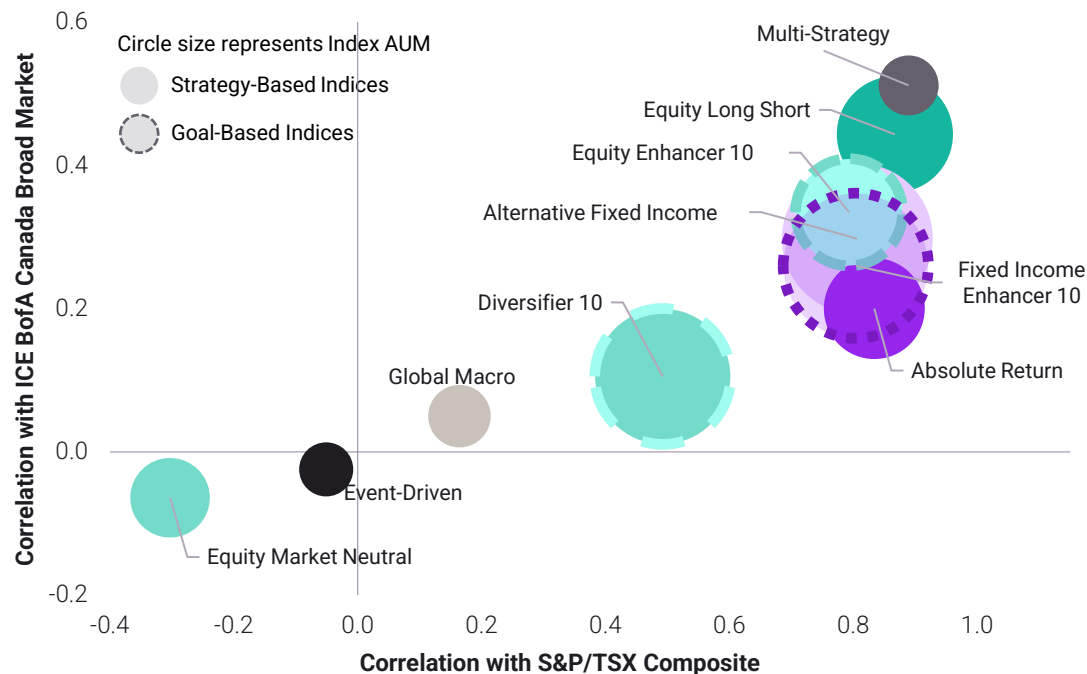
# CALENDAR YEAR RETURNS BY STRATEGY

| 2020                                | 2021                                | 2022                                  | 2023                                | 2024                                | 2025                                | Since Inception <sup>1</sup>        |                                     |
|-------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                                     |                                     |                                       |                                     |                                     |                                     | Return                              | Vol.                                |
| Event-Driven<br>17.4%               | Equity Long<br>Short 15.8%          | Global Macro<br>2.4%                  | Alternative<br>Fixed Income<br>7.4% | Equity Long<br>Short 15.3%          | Equity Long<br>Short 13.8%          | Equity Long<br>Short 9.7%           | Equity Market<br>Neutral 3.1%       |
| Equity Long<br>Short 16.4%          | Multi-Strategy<br>9.4%              | Equity Market<br>Neutral 1.5%         | Absolute Return<br>5.2%             | Multi-Strategy<br>9.3%              | Multi-Strategy<br>9.1%              | Multi-Strategy<br>5.2%              | Absolute Return<br>3.5%             |
| Multi-Strategy<br>12.1%             | Absolute Return<br>5.2%             | Equity Long<br>Short -3.6%            | Multi-Strategy<br>3.9%              | Equity Market<br>Neutral 8.9%       | Global Macro<br>8.1%                | Alternative<br>Fixed Income<br>4.4% | Global Macro<br>5.1%                |
| Alternative<br>Fixed Income<br>6.9% | Alternative<br>Fixed Income<br>3.9% | Alternative<br>Fixed Income -<br>3.9% | Equity Long<br>Short 3.5%           | Alternative<br>Fixed Income<br>8.4% | Event-Driven<br>6.8%                | Event-Driven<br>4.4%                | Alternative<br>Fixed Income<br>5.3% |
| Global Macro<br>6.3%                | Global Macro<br>2.9%                | Event-Driven<br>-4.8%                 | Event-Driven<br>2.8%                | Absolute Return<br>7.2%             | Absolute Return<br>6.1%             | Global Macro<br>4.2%                | Equity Long<br>Short 7.4%           |
| Equity Market<br>Neutral 3.1%       | Equity Market<br>Neutral 0.5%       | Absolute Return<br>-5.0%              | Global Macro<br>2.0%                | Event-Driven<br>3.9%                | Alternative<br>Fixed Income<br>4.9% | Absolute Return<br>3.3%             | Event-Driven<br>8.1%                |
| Absolute Return<br>1.9%             | Event-Driven<br>-0.8%               | Multi-Strategy<br>-8.3%               | Equity Market<br>Neutral 0.8%       | Global Macro<br>1.3%                | Equity Market<br>Neutral 0.4%       | Equity Market<br>Neutral 2.4%       | Multi-Strategy<br>8.3%              |

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

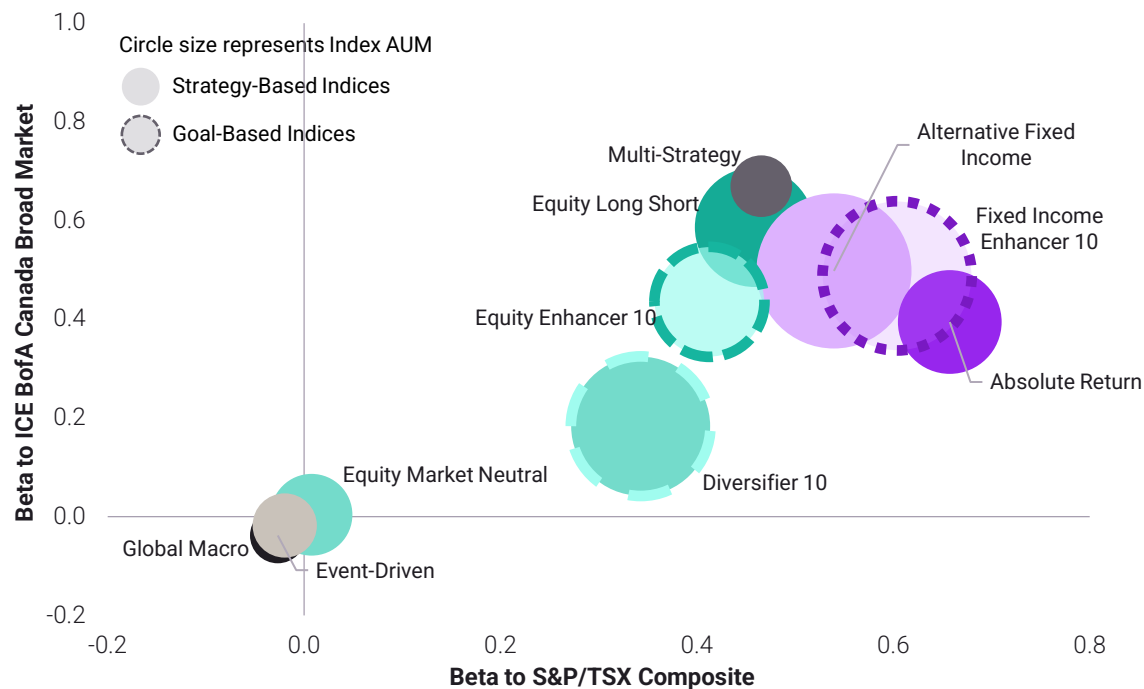
<sup>1</sup> Inception date for all indices are June 30, 2019, except for the 2ND ENGINE Event-Driven Index and 2ND ENGINE Global Macro Index which were inceptioned on June 30, 2020.

# CORRELATION WITH STOCKS AND BONDS



Source: Since inception to December 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.

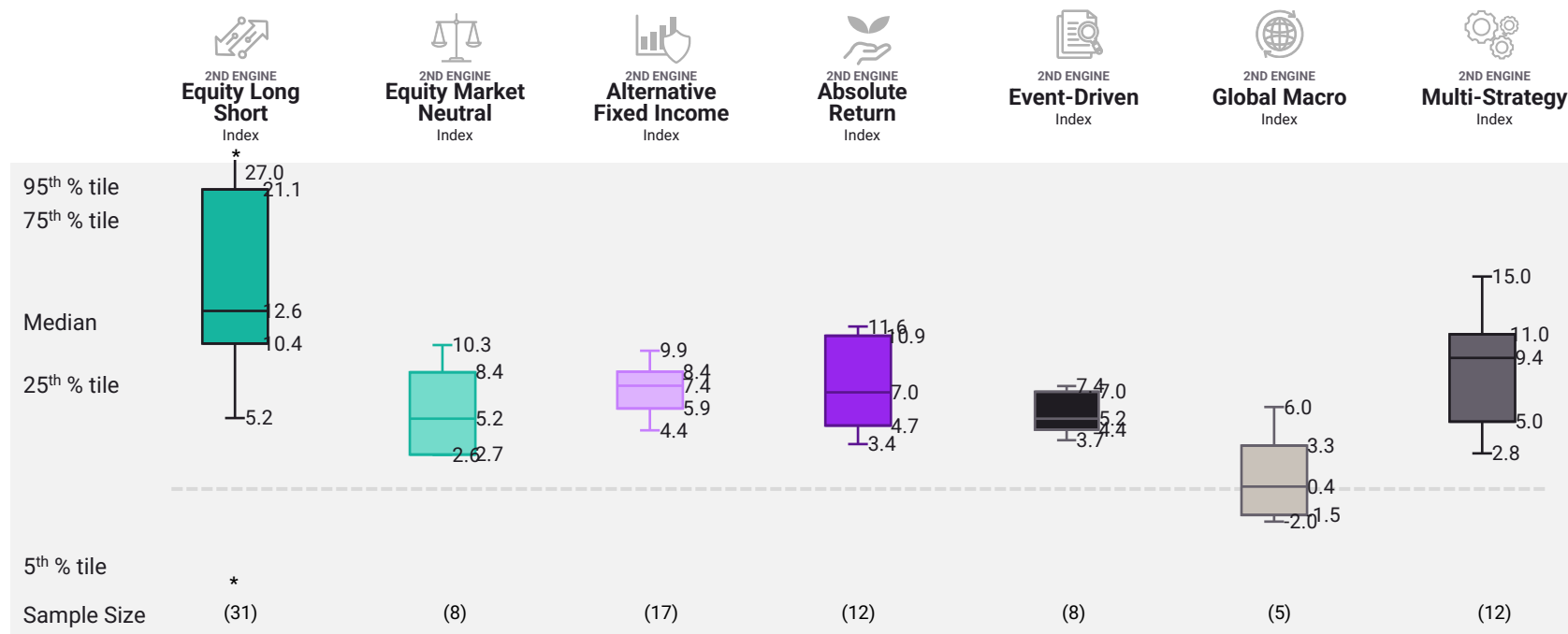
# BETA TO STOCKS AND BONDS



Source: Since inception to December 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, ANNUALIZED)



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

\* Chart scale capped for graphing purposes

For advisor use only. Proprietary & Confidential – Not to be redistributed to any other party.

# 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



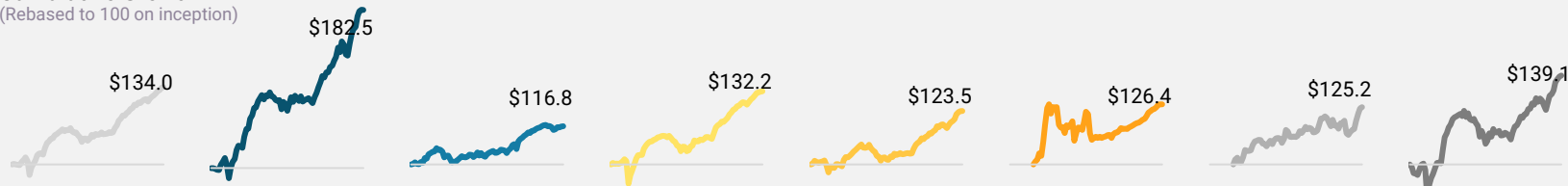
2ND ENGINE  
**Global Macro**  
Index



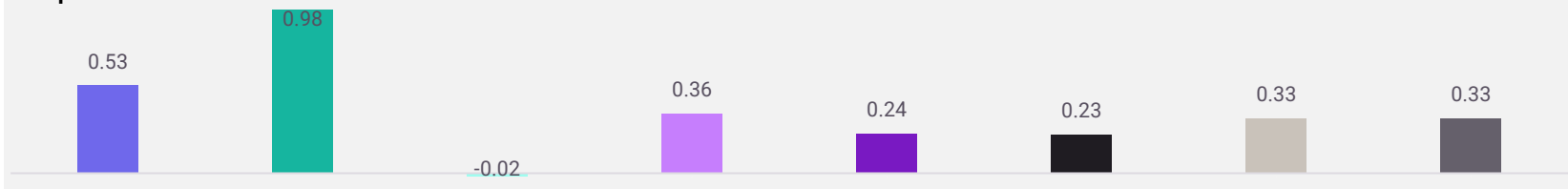
2ND ENGINE  
**Multi-Strategy**  
Index

## Cumulative Growth

(Rebased to 100 on inception)



## Sharpe Ratio



Source: From inception to December 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



2ND ENGINE  
**Liquid  
Alternative 35**  
Index



2ND ENGINE  
**Equity  
Enhancer 10**  
Index



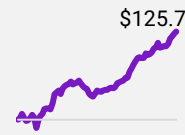
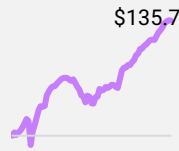
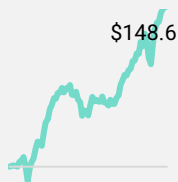
2ND ENGINE  
**Fixed Income  
Enhancer 10**  
Index



2ND ENGINE  
**Diversifier 10**  
Index

## Cumulative Growth

(Rebased to 100 on inception)



## Sharpe Ratio

0.53



0.67



0.52



0.45



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

For advisor use only. Proprietary & Confidential – Not to be redistributed to any other party.

# CANADA'S TOP 15 LIQUID ALTERNATIVE MANAGERS

|  | Alternative Strategies <sup>1</sup> |            | Others <sup>2</sup> |            | Total Liquid Alternatives |            |
|--|-------------------------------------|------------|---------------------|------------|---------------------------|------------|
|  | AUM (C\$ M)                         | # of Funds | AUM (C\$ M)         | # of Funds | AUM (C\$ M)               | # of Funds |
| 1832 Asset Management                                    | 5,940.1                             | 8          | 11,152.8            | 2          | 17,092.9                  | 10         |
| PICTON Investments                                       | 8,985.9                             | 11         | -                   | -          | 8,985.9                   | 11         |
| Hamilton Capital Partners                                | -                                   | 0          | 6,248.7             | 12         | 6,248.7                   | 12         |
| Fidelity Investments                                     | 4,050.1                             | 8          | 1,550.1             | 4          | 5,600.2                   | 12         |
| CI Investments   | 3,239.9                             | 9          | 2,312.4             | 8          | 5,552.2                   | 17         |
| Purpose Investments                                      | 1,029.5                             | 5          | 4,504.7             | 26         | 5,534.3                   | 31         |
| Harvest Portfolios Group                                 | -                                   | -          | 4,602.5             | 40         | 4,602.5                   | 40         |
| RP Investment Advisors                                   | 3,356.3                             | 2          | -                   | -          | 3,356.3                   | 2          |
| RBC GAM  | 1,769.1                             | 1          | -                   | -          | 1,769.1                   | 1          |
| Evolve Funds Group                                       | -                                   | -          | 1,767.0             | 12         | 1,767.0                   | 12         |
| Mackenzie Investments                                    | 787.9                               | 2          | 688.4               | 6          | 1,476.3                   | 8          |
| Global X Investments                                     | 155.8                               | 1          | 1,313.5             | 21         | 1,469.3                   | 22         |
| Forge First  | 1,444.8                             | 2          | -                   | -          | 1,444.8                   | 2          |
| Arrow Capital Management                                 | 1,260.0                             | 8          | -                   | -          | 1,260.0                   | 8          |
| TD Asset Management                                      | 1,130.4                             | 2          | 3.9                 | 1          | 1,134.3                   | 3          |
| <b>Market Share of Total Liquid Alternative Universe</b> | <b>79.5%</b>                        |            |                     |            | <b>84.7%</b>              |            |

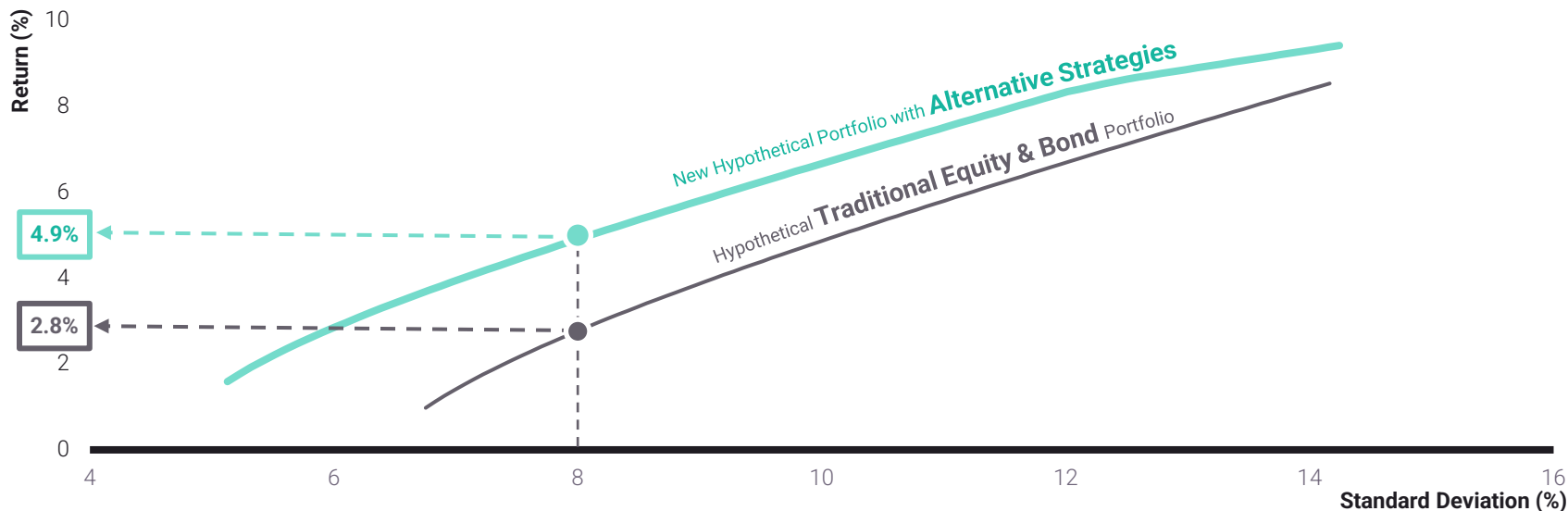
Source: As of December 31, 2025. Morningstar Inc.

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

<sup>2</sup> "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.

For advisor use only. Proprietary & Confidential – Not to be redistributed to any other party.

# WHY LIQUID ALTERNATIVES?

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

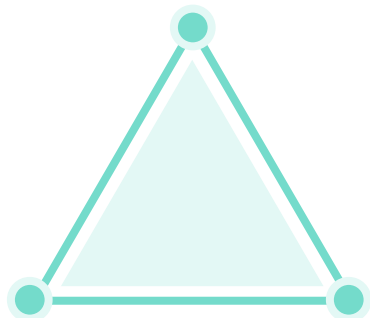
|                           | Traditional Mutual Fund   | Liquid Alternative  | Hedge Fund                                 |
|---------------------------|---|---|--|
| <b>Eligible Investors</b> | Retail Investors  | Retail Investors  | Accredited Investors only                  |
| <b>Leverage</b>  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

<sup>1</sup> 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](https://secondengine.pictoninvestments.com)**

# DISCLOSURE

2ND ENGINE™ is a division of Picton Mahoney Asset Management.

This material has been published by Picton Mahoney Asset Management ("PICTON Investments") on January 13, 2026. It is provided as a general source of information, is subject to change without notification and should not be construed as investment advice. This material should not be relied upon for any investment decision and is not a recommendation, solicitation or offering of any security in any jurisdiction. The information contained in this material has been obtained from sources believed reliable, however, the accuracy and/or completeness of the information is not guaranteed by PICTON Investments, nor does PICTON Investments assume any responsibility or liability whatsoever. All investments involve risk and may lose value. This information is not intended to provide financial, investment, tax, legal or accounting advice specific to any person, and should not be relied upon in that regard. Tax, investment and all other decisions should be made, as appropriate, only with guidance from a qualified professional.

2ND ENGINE™, 2ND ENGINE Liquid Alternative 35 Index, 2ND ENGINE Absolute Return Index, 2ND ENGINE Alternative Fixed Income Index, 2ND ENGINE Diversifier 10 Index, 2ND ENGINE Equity Enhancer 10 Index, 2ND ENGINE Equity Long Short Index, 2ND ENGINE Equity Market Neutral Index, 2ND ENGINE Event-Driven Index, 2ND ENGINE Fixed Income Enhancer 10 Index, 2ND ENGINE Global Macro Index and 2ND ENGINE Multi-Strategy Index are trademarks of Picton Mahoney Asset Management.

©2026 Morningstar. All Rights Reserved. The data used in part to create the index information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

© 2026 Picton Mahoney Asset Management. All rights reserved.