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2ND ENGINE™ LIQUID ALTERNATIVE INDICES QUARTERLY INDUSTRY REPORT

# NAVIGATE ONE OF CANADA'S FASTEST GROWING FUND SEGMENTS

**As of June 30, 2026**

A division of Picton Mahoney Asset Management

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# TABLE OF CONTENTS

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# INDEX SNAPSHOT

**UNIVERSE AUM**
$90.4B

**12M AUM GROWTH RATE**
31.5%

**TOTAL # OF FUNDS IN UNIVERSE**
346

**FUND COMPANIES IN UNIVERSE**
60

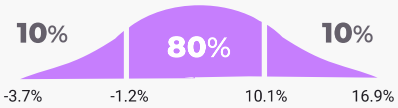
**3M NET FLOW**
+$6,042M

**12M NET FLOW**
+$19,990M

**TOTAL # OF INDICES**
14

- 1 Overall Market
- 8 Strategy-Based
- 3 Goal-Based
- 2 Others

**12M RETURN - 2ND ENGINE LIQUID ALTERNATIVE 35 INDEX**
+6.9%




Source: As of June 30, 2026. All currencies are in CAD terms. Based on index constituent data provided by Morningstar Inc. and index performance calculated by Picton Mahoney Asset Management.

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# EXECUTIVE SUMMARY – Q2 2026

## PERFORMANCE HIGHLIGHTS

- The **2ND ENGINE Liquid Alternative 35 Index** gained 2.2% in Q2, bringing its year-to-date return to 3.5% and its trailing one-year return to 6.9%. A strong rebound in global equity markets, following April's geopolitically driven volatility, lifted nearly all strategies, with every strategy-based index finishing the quarter in positive territory.
- **Equity Long Short** led strategy-based performance with an 8.1% return, followed by **Multi-Strategy** (5.0%) and **Absolute Return** (+2.7%).
- **Alternative Fixed Income** (+1.7%), **Equity Market Neutral** (+0.9%), **Event-Driven** (+0.8%) and **Global Macro** (+0.7%) also posted modest gains.
- Among goal-based indices, the **Equity Enhancer** gained 12.1%, while the **Fixed Income Enhancer** added 1.7% and the **Diversifier** rose 1.0%.

## ALTERNATIVE UNIVERSE FLOWS

- Total liquid alternative universe AUM reached **$90.4 billion** at the end of Q2, with net inflows of **$6.0 billion** for the quarter and **$20.0 billion** over the trailing 12 months, a 31.5% YoY growth.
- Among alternative strategy categories, investor flows were led by **Equity Market Neutral** (**+$903 million**), **Equity Long Short** (**+$440 million**), and **Global Macro** (**+$421 million**), while **Alternative Fixed Income** (**+$277 million**) and **Multi-Strategy** (**+$153 million**) also attracted inflows. **Event-Driven** (**-$36 million**) was the only category in net outflows.
- **Alternative Fixed Income** remains the largest alternative strategy category at $15.2 billion across 29 funds, while **Equity Long Short** continues to lead by fund count with 38 products.

Source: As of June 30, 2026, Morningstar Inc. and Picton Mahoney Asset Management Research. All currencies are in CAD terms. See Disclaimer for full methodology. Strategy names refer to the corresponding 2ND ENGINE Liquid Alternative Indices, e.g., Equity Long Short refers to the 2ND ENGINE Equity Long Short Index.

# EXECUTIVE SUMMARY (CON'T)

## LIQUID ALTERNATIVE INDUSTRY NEWS

- The Canadian liquid alternative fund industry saw a busy quarter for product development, with **28 new funds** launched in Q2 2026. Two new funds were introduced in each of the **Alternative Fixed Income** and **Multi-Strategy** categories.

- **Option-selling strategies** account for 13 of the quarter's launches -- including 10 single-stocks and 3 broad market covered call ETFs.

- Following SpaceX's IPO on June 12, Canadian fund manufacturers launched 3 SpaceX-focused funds within weeks, highlighting how quickly firms respond to major market events.

- Covered call products are extending into new areas, including cryptocurrencies and commodity producer equities such as uranium and silver miners.

- **Digital assets** also remained a noteworthy area of activity. Although the global cryptocurrency market experienced a sharp decline during 1H 2026 as AI investment theme took center stage (with the 2ND ENGINE Digital Assets Index returned -37.8% YTD), the Digital Assets category in Canada attracted $266 million of net inflows during the quarter, a divergence between global institutional investor sentiment and Canadian retail flows.

Source: As of June 30, 2026.

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# OVERVIEW

The 2ND ENGINE Liquid Alternative Indices are a suite of investable, equal-weighted benchmarks for Canada's fast-growing liquid alternative market. The suite consists of an aggregate overall market index, 7 strategy-based indices and 3 goal-based indices, bringing transparency, peer comparison, and timely data to the investment segment.

## Two Complementary Lenses on the Market

Constituents are viewed by both its investment strategy, and the role it plays in a portfolio.

### Strategy-Based Indices

Grouped by what the manager does

Funds are classified by investment strategy, using their stated objectives and risk-reward profiles, to form relevant peer groups. This isolates performance differentials and helps investors assess a manager's alpha generation within a given strategy category.

### Goal-Based Indices

Grouped by the role it plays in a portfolio

Funds are classified by their correlation to equity and fixed income markets, reflecting the outcome they deliver. This helps investors align strategy selection with portfolio goals. Each index holds the ten largest funds in its category.

## INDEX USE CASES

**Understand the landscape** — a clear view of available strategies and how the segment behaves

**Allocate with evidence** — determine the impact of alternative strategies in investment portfolios, without single-fund bias

**Evaluate managers objectively** — assess manager performance against relevant peer groups.

## KEY FEATURES

- Aligns with CFA’s best practices for benchmarking
- Equal-weighting to minimize overconcentration
- Quarterly rebalancing and semi-annual reconstitution

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# INDEX FAMILY

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## LIQUID ALTERNATIVE 35 INDEX

| STRATEGY-BASED | | | | GOAL-BASED | OTHERS |
|---|---|---|---|---|---|
| EQUITY | FIXED INCOME | 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 Option-Selling Index |
| | | | 2ND ENGINE Merger Arbitrage Index | 2ND ENGINE Fixed Income Enhancer 10 Index | |
| 2ND ENGINE Equity Market Neutral Index | 2ND ENGINE Absolute Return Index | | 2ND ENGINE Global Macro Index | 2ND ENGINE Diversifier 10 Index | 2ND ENGINE Digital Assets Index |

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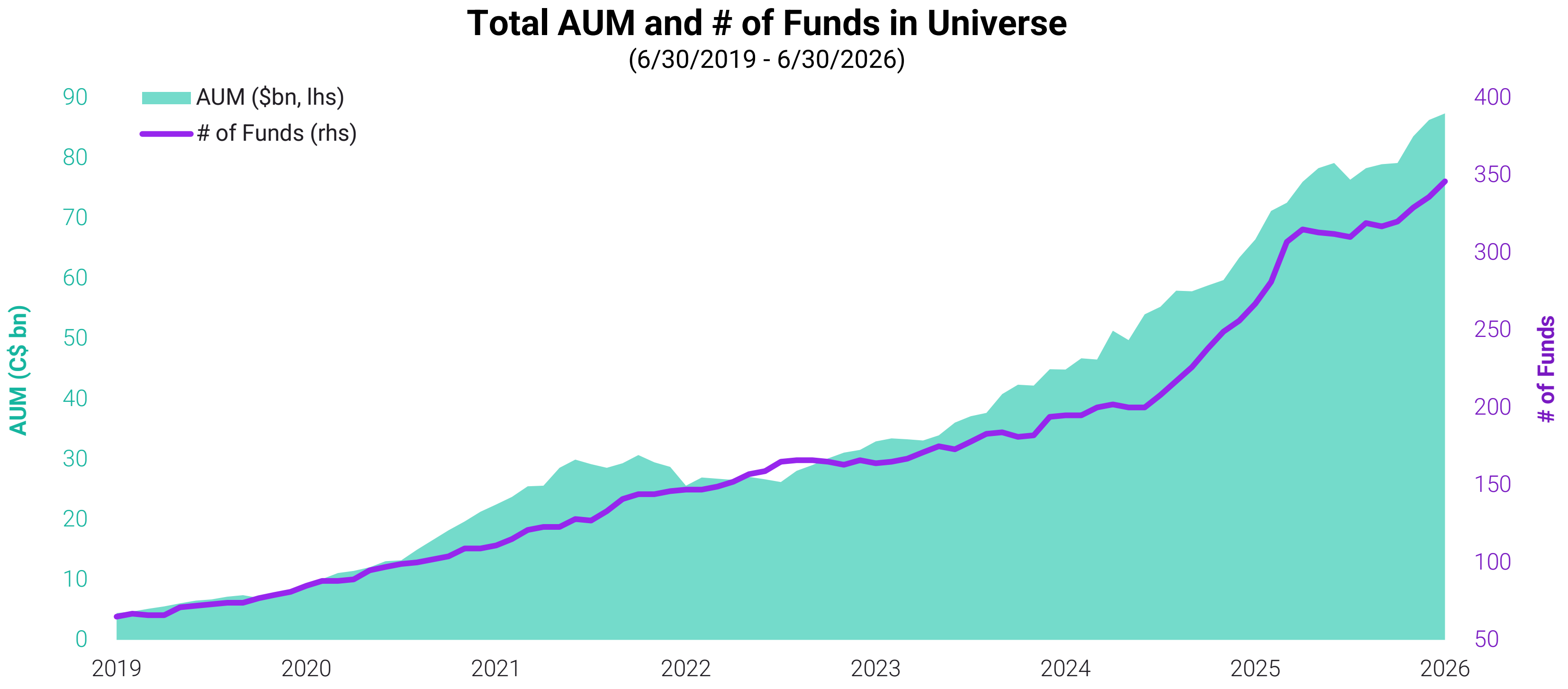
# INDUSTRY GROWTH OVER TIME




Source: Morningstar Inc.

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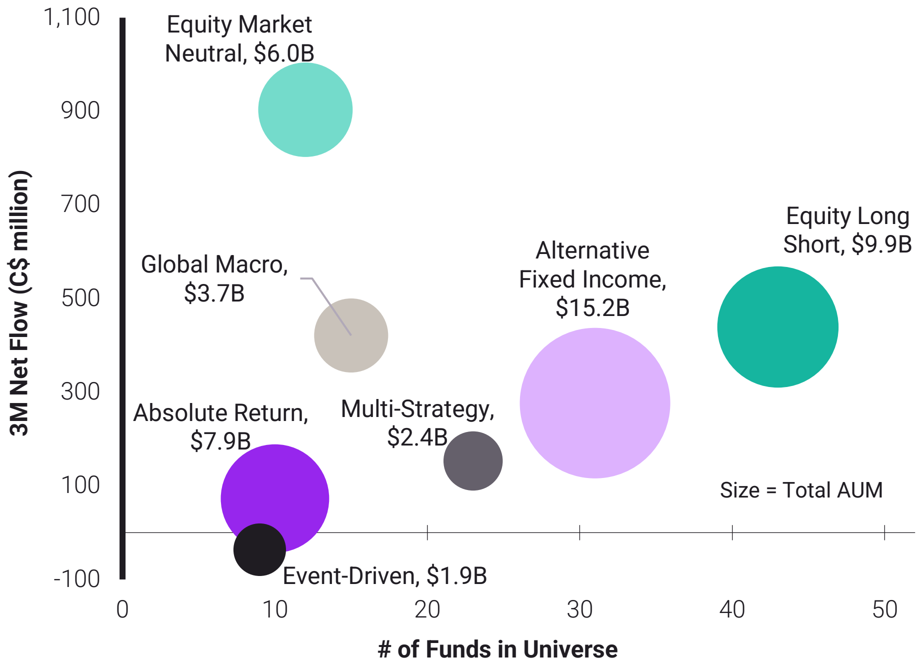
# ASSETS AND FLOWS BY STRATEGY




| Category | AUM (C$ b) | % Total | 3M Net Flow (C$ m) | 12M Net Flow (C$ m) | # of Funds |
|---|---|---|---|---|---|
| Equity Long Short | 9.9 | 10.9% | +440 | +638 | 38 |
| Equity Market Neutral | 6.0 | 6.6% | +903 | +2,578 | 11 |
| Alt. Fixed Income | 15.2 | 16.8% | +277 | +2,153 | 29 |
| Absolute Return | 7.9 | 8.7% | +73 | +845 | 10 |
| Event-Driven | 1.9 | 2.1% | -36 | -3 | 9 |
| Global Macro | 3.7 | 4.1% | +421 | +836 | 14 |
| Multi-Strategy | 2.4 | 2.6% | +153 | +40 | 23 |
| *Option-Selling* | *32.2* | *35.7%* | *+3,262* | *+10,955* | *130* |
| *Digital Assets* | *6.1* | *6.7%* | *+266* | *+1,221* | *31* |
| *Others* | *5.3* | *5.8%* | *+284* | *+728* | *51* |
| **Total** | **90.4** | **100.0%** | **+6,042** | **+19,990** | **346** |

Source: As of June 30, 2026. Bubble size represents total AUM. Based on index constituent data provided by Morningstar Inc. and index performance calculated by Picton Mahoney Asset Management. “Others” category consist of leveraged stocks/passive ETFs, split-shares and other small categories.

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# PERFORMANCE SUMMARY

| Percent (%) | 1M | 3M | YTD | 1Y | 3Y | 5Y | Since Inception | Inception Date |
|---|---|---|---|---|---|---|---|---|
| **Overall Market Index** | | | | | | | | |
| 2ND ENGINE Liquid Alternative 35 Index | 0.4 | 2.2 | 3.5 | 6.9 | 7.0 | 4.0 | 4.8 | 06/30/2019 |
| **Strategy-Based Indices** | | | | | | | | |
| 2ND ENGINE Equity Long Short Index | 1.1 | 8.1 | 10.5 | 18.9 | 14.2 | 8.4 | 10.5 | 06/30/2019 |
| 2ND ENGINE Equity Market Neutral Index | 0.7 | 0.9 | 0.5 | 0.8 | 3.4 | 2.8 | 2.3 | 06/30/2019 |
| 2ND ENGINE Alternative Fixed Income Index | 0.1 | 1.7 | 1.8 | 4.7 | 6.6 | 3.8 | 4.3 | 06/30/2019 |
| 2ND ENGINE Absolute Return Index | 0.7 | 2.7 | 4.1 | 8.5 | 7.1 | 3.7 | 3.7 | 06/30/2019 |
| 2ND ENGINE Event-Driven Index | 0.1 | 0.8 | 0.7 | 3.1 | 4.4 | 0.3 | 4.1 | 06/30/2020 |
| *2ND ENGINE Merger Arbitrage Index* | *-0.1* | *0.7* | *0.7* | *2.8* | *4.0* | *2.4* | *3.4* | *06/30/2020* |
| 2ND ENGINE Global Macro Index | -1.1 | 0.7 | 8.4 | 18.8 | 5.7 | 4.2 | 5.2 | 06/30/2020 |
| 2ND ENGINE Multi-Strategy Index | -0.1 | 5.0 | 7.8 | 15.2 | 10.0 | 4.4 | 6.0 | 06/30/2019 |
| **Goal-Based Indices** | | | | | | | | |
| 2ND ENGINE Equity Enhancer 10 Index | 1.8 | 12.1 | 11.7 | 17.5 | 11.9 | 6.4 | 7.7 | 06/30/2019 |
| 2ND ENGINE Fixed Income Enhancer 10 Index | 0.3 | 1.7 | 1.7 | 4.7 | 6.4 | 3.4 | 4.8 | 06/30/2019 |
| 2ND ENGINE Diversifier 10 Index | -0.4 | 1.0 | 4.0 | 7.8 | 6.4 | 3.7 | 4.2 | 06/30/2019 |
| **Other Indices** | | | | | | | | |
| 2ND ENGINE Option-Selling Index | 1.2 | 14.6 | 15.2 | 30.1 | 20.1 | 12.2 | 12.8 | 12/31/2020 |
| 2ND ENGINE Digital Assets Index | -17.6 | -15.8 | -37.8 | -39.9 | 15.4 | - | -0.9 | 12/31/2021 |

Source: As of June 30, 2026. Based on index constituent data provided by Morningstar Inc. and index performance calculated by Picton Mahoney Asset Management.

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# PERFORMANCE SUMMARY

| | Volatility (%) | Sharpe Ratio | Max Drawdown (%) | Equity | | Fixed Income | | Inception Date |
|---|---|---|---|---|---|---|---|---|
| | | | | Correlation | Beta | Correlation | Beta | |
| **Overall Market Index** | | | | | | | | |
| 2ND ENGINE Liquid Alternative 35 Index | 4.0 | 0.58 | -7.5 | 0.86 | 0.55 | 0.24 | 0.39 | 06/30/2019 |
| **Strategy-Based Indices** | | | | | | | | |
| 2ND ENGINE Equity Long Short Index | 7.5 | 1.08 | -10.0 | 0.86 | 0.48 | 0.45 | 0.63 | 06/30/2019 |
| 2ND ENGINE Equity Market Neutral Index | 3.0 | -0.05 | -5.8 | -0.27 | 0.03 | -0.06 | 0.02 | 06/30/2019 |
| 2ND ENGINE Alternative Fixed Income Index | 5.2 | 0.36 | -10.5 | 0.80 | 0.54 | 0.29 | 0.49 | 06/30/2019 |
| 2ND ENGINE Absolute Return Index | 3.4 | 0.35 | -6.5 | 0.83 | 0.67 | 0.20 | 0.40 | 06/30/2019 |
| 2ND ENGINE Event-Driven Index | 7.8 | 0.21 | -12.7 | -0.05 | -0.03 | -0.02 | -0.03 | 06/30/2020 |
| *2ND ENGINE Merger Arbitrage Index* | 3.9 | 0.25 | -4.1 | 0.20 | 0.08 | 0.05 | 0.05 | 12/31/2020 |
| 2ND ENGINE Global Macro Index | 5.3 | 0.53 | -6.6 | 0.14 | -0.03 | 0.05 | -0.03 | 06/30/2020 |
| 2ND ENGINE Multi-Strategy Index | 8.3 | 0.42 | -14.5 | 0.89 | 0.48 | 0.51 | 0.70 | 06/30/2019 |
| **Goal-Based Indices** | | | | | | | | |
| 2ND ENGINE Equity Enhancer 10 Index | 6.6 | 0.80 | -7.7 | 0.77 | 0.43 | 0.35 | 0.50 | 06/30/2019 |
| 2ND ENGINE Fixed Income Enhancer 10 Index | 4.5 | 0.52 | -7.8 | 0.79 | 0.60 | 0.25 | 0.48 | 06/30/2019 |
| 2ND ENGINE Diversifier 10 Index | 3.1 | 0.56 | -4.5 | 0.46 | 0.32 | 0.10 | 0.17 | 06/30/2019 |
| **Other Indices** | | | | | | | | |
| 2ND ENGINE Option-Selling Index | 10.4 | 0.99 | -12.1 | 0.88 | 0.58 | 0.53 | 1.06 | 12/31/2020 |
| 2ND ENGINE Digital Assets Index | 59.3 | -0.06 | -63.4 | 0.39 | 0.31 | 1.43 | 3.39 | 12/31/2021 |

Source: As of June 30, 2026. Based on index constituent data provided by Morningstar Inc. and index performance calculated by Picton Mahoney Asset Management.

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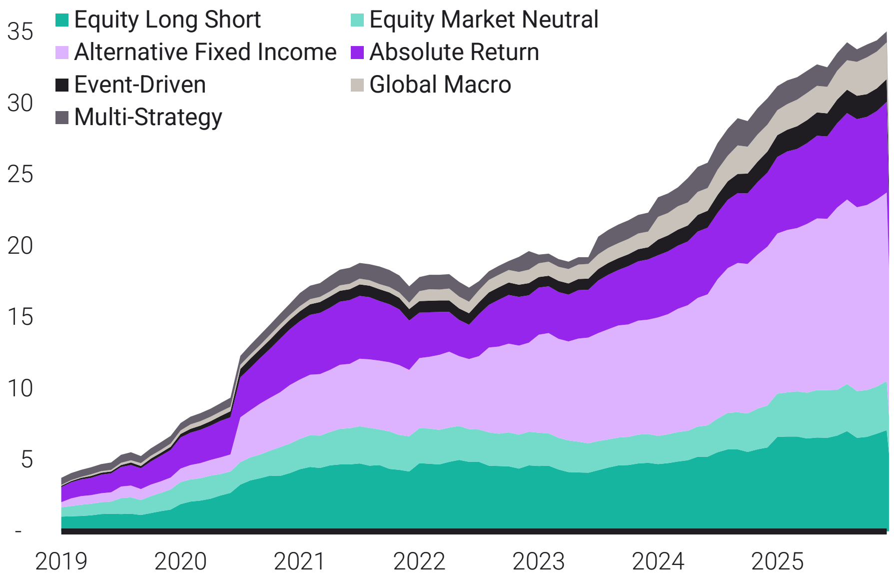
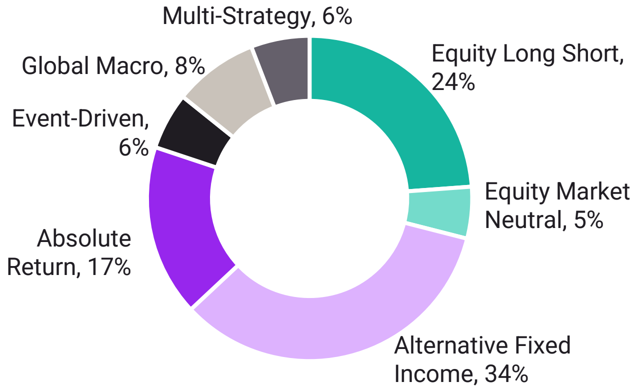
# 2ND ENGINE **LIQUID ALTERNATIVE 35 INDEX**

**Index Constituents AUM by Strategy (C$ billion)**
(From July 31, 2019 to June 30, 2026)




**Index Composition by Strategy**
(As of June 30, 2026)




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

| Total | Mean | Median | Largest | Smallest |
|---|---|---|---|---|
| 35,071 | 1,002 | 666 | 3,356 | 106 |

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

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# CALENDAR YEAR RETURNS BY STRATEGY

| 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | YTD |
|---|---|---|---|---|---|---|
| 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 13.8% | Equity Long Short 10.5% |
| Equity Long Short 16.4% | Multi-Strategy 9.4% | Equity Market Neutral 1.5% | Absolute Return 5.2% | Multi-Strategy 9.3% | Multi-Strategy 9.1% | Global Macro 8.4% |
| Multi-Strategy 12.1% | Absolute Return 5.2% | Equity Long Short -3.6% | Multi-Strategy 3.9% | Equity Market Neutral 8.9% | Global Macro 8.1% | Multi-Strategy 7.8% |
| 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% | Event-Driven 6.8% | Absolute Return 4.1% |
| Global Macro 6.3% | Global Macro 2.9% | Event-Driven -4.8% | Event-Driven 2.8% | Absolute Return 7.2% | Absolute Return 6.1% | Alternative Fixed Income 1.8% |
| Equity Market Neutral 3.1% | Equity Market Neutral 0.5% | Absolute Return -5.0% | Global Macro 2.0% | Event-Driven 3.9% | Alternative Fixed Income 5.0% | Event-Driven 0.7% |
| Absolute Return 1.9% | Event-Driven -0.8% | Multi-Strategy -8.3% | Equity Market Neutral 0.8% | Global Macro 1.3% | Equity Market Neutral 0.4% | Equity Market Neutral 0.5% |

| Since Inception[1] | |
|---|---|
| Return | Vol. |
| Equity Long Short 10.5% | Equity Market Neutral 3.0% |
| Multi-Strategy 6.0% | Absolute Return 3.4% |
| Global Macro 5.2% | Alternative Fixed Income 5.2% |
| Alternative Fixed Income 4.3% | Global Macro 5.3% |
| Event-Driven 4.1% | Equity Long Short 7.5% |
| Absolute Return 3.7% | Event-Driven 7.8% |
| Equity Market Neutral 2.3% | Multi-Strategy 8.3% |

Source: As of June 30, 2026. Based on index constituent data provided by Morningstar Inc. 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 incepted on June 30, 2020.

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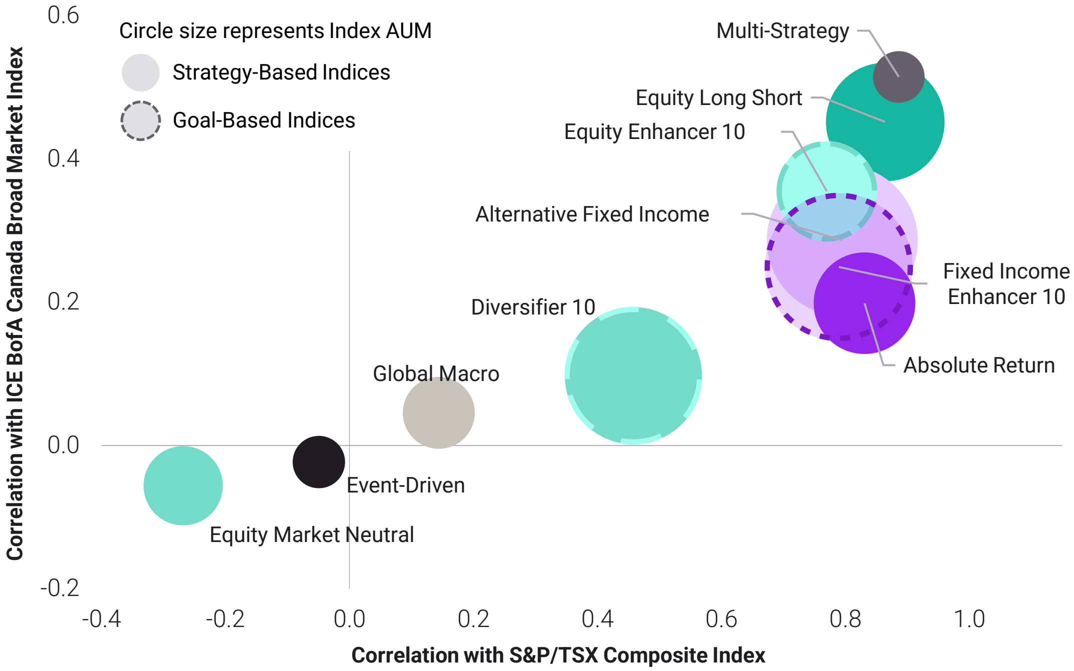
# CORRELATION WITH STOCKS AND BONDS




Source: Since inception to June 30, 2026. Based on index constituent data provided by Morningstar Inc. 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.

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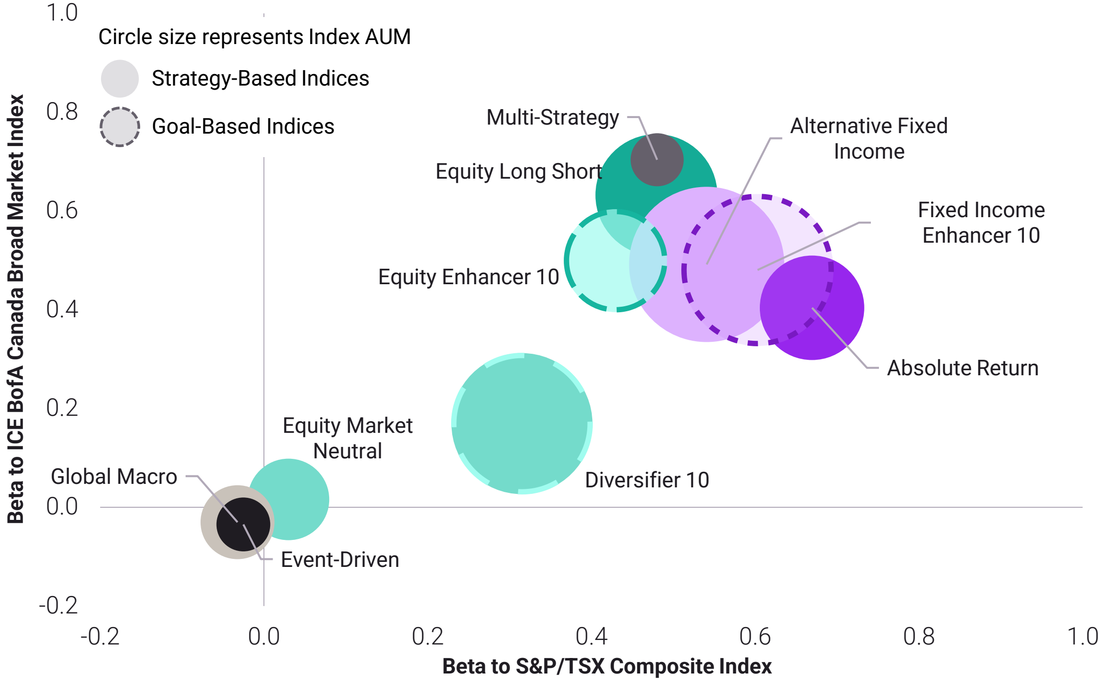
# BETA TO STOCKS AND BONDS




Source: Since inception to June 30, 2026. Based on index constituent data provided by Morningstar Inc. 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.

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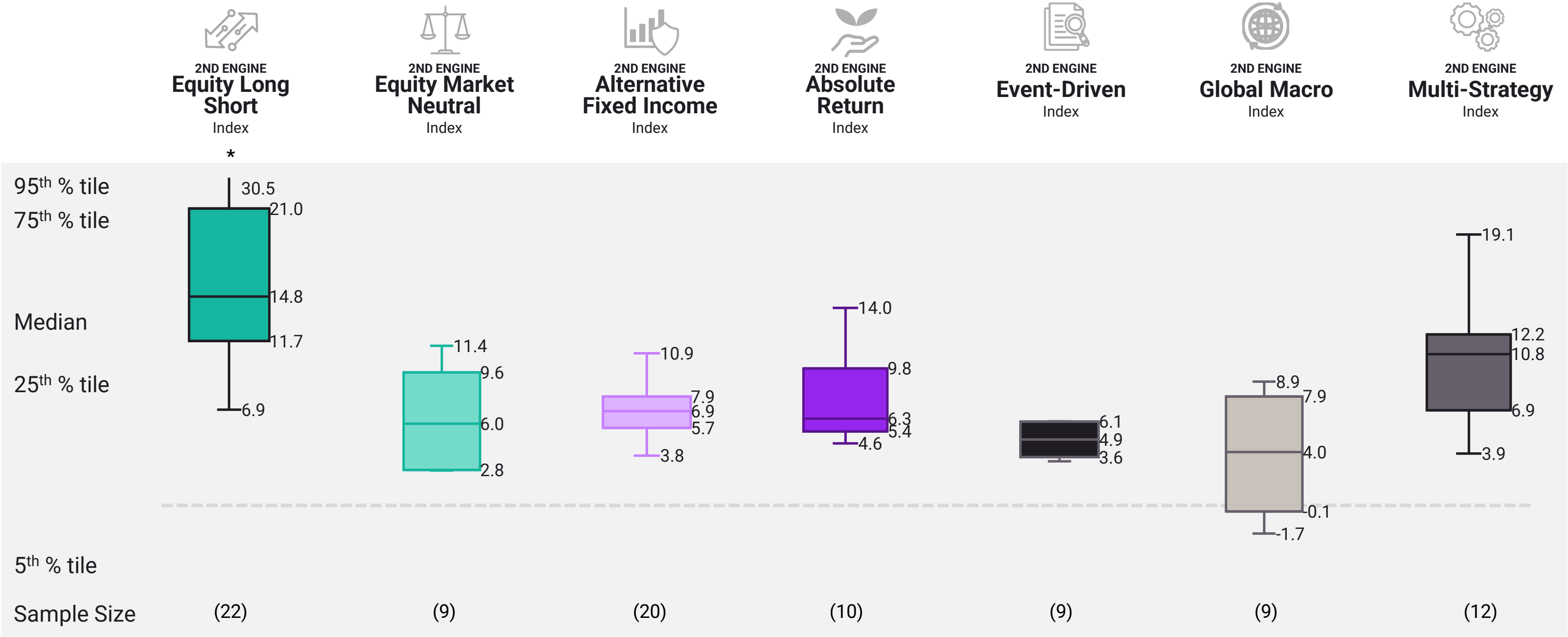
# IMPORTANCE OF MANAGER SELECTION

## MANAGER PERFORMANCE DISPERSION (TRAILING 3 YEARS, ANNUALIZED)




Source: As of June 30, 2026. Morningstar Inc.
* Chart scale capped for graphing purposes

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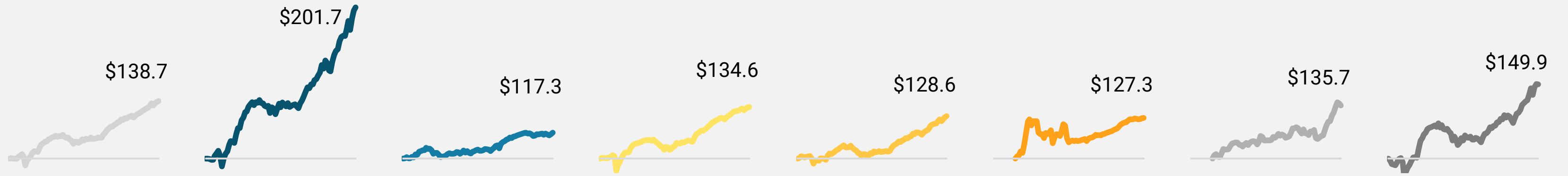
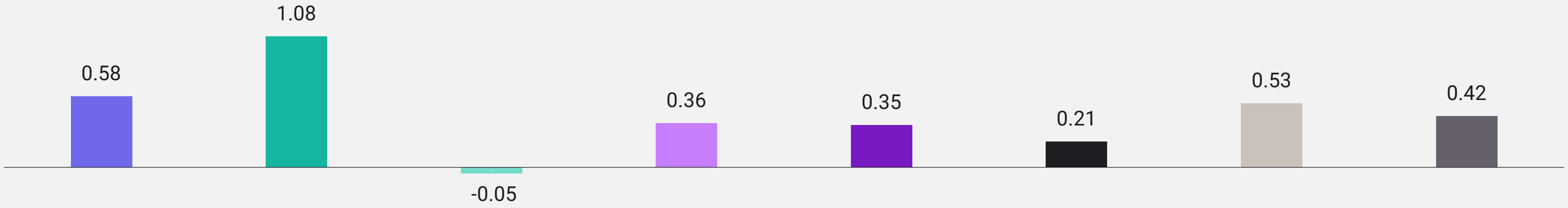
# RETURN SNAPSHOT:
# STRATEGY-BASED INDICES

| 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, 2026. Based on index constituent data provided by Morningstar Inc. and index performance calculated by Picton Mahoney Asset Management. The inception date for all indices is June 30, 2019, except for the 2ND ENGINE Global Macro Index and 2ND ENGINE Event-Driven Index, which were incepted on June 30, 2020.

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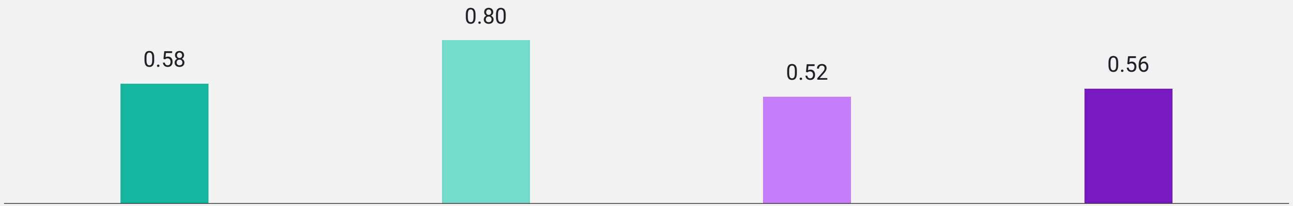
# RETURN SNAPSHOT:
# **GOAL-BASED INDICES**

| 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, 2026. Based on index constituent data provided by Morningstar Inc. and index performance calculated by Picton Mahoney Asset Management.

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# CANADA'S 15 LARGEST 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 | 6,726.9 | 8 | 13,681.2 | 3 | 20,408.1 | 11 |
| PICTON Investments | 9,845.1 | 11 | - | - | 9,845.1 | 11 |
| Hamilton Capital Partners | - | - | 8,533.7 | 13 | 8,533.7 | 13 |
| Harvest Portfolios Group | - | - | 6,393.3 | 47 | 6,393.3 | 47 |
| CI Investments | 3,846.9 | 10 | 1,454.2 | 8 | 5,301.1 | 18 |
| Fidelity Investments | 3,731.6 | 8 | 1,391.5 | 4 | 5,123.1 | 12 |
| Purpose Investments | 1,180.5 | 4 | 3,436.9 | 25 | 4,617.4 | 29 |
| RBC GAM | 3,663.8 | 3 | 2.1 | 1 | 3,666.0 | 4 |
| RP Investment Advisors | 3,628.9 | 2 | - | - | 3,628.9 | 2 |
| Evolve Funds Group | - | - | 2,294.1 | 12 | 2,294.1 | 12 |
| TD Asset Management | 1,778.7 | 2 | - | - | 1,778.7 | 2 |
| Global X Investments | 157.5 | 1 | 1,515.9 | 21 | 1,673.4 | 22 |
| Mackenzie Investments | 868.2 | 2 | 681.5 | 6 | 1,549.6 | 8 |
| Arrow Capital Management | 1,325.0 | 8 | - | - | 1,325.0 | 8 |
| Brompton Funds | - | - | 915.6 | 4 | 915.6 | 4 |
| **Market Share of Total Liquid Alternative Universe** | **78.5%** | | | | **85.3%** | |

Source: As of June 30. Morningstar Inc. Ranking is based on firms' liquid alternative fund AUMs.
[1] Include Equity Long Short, Equity Market Neutral, Alternative Fixed Income, Absolute Return, Event-Driven, Global Macro, and Multi-Strategy.
[2] "Others" category consist of liquid alternative funds that are not included in any categories identified in footnote 1, for e.g. option-selling strategies, digital assets, leveraged stocks/passive ETFs etc.

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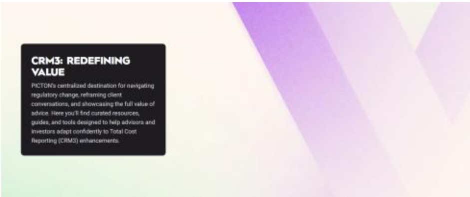
# EXPLORE OUR **LATEST THOUGHT LEADERSHIP INSIGHTS**


**THE VALUE OF TAX-SMART INVESTING >**


**THE VALUE OF A TOTAL PORTFOLIO APPROACH >**

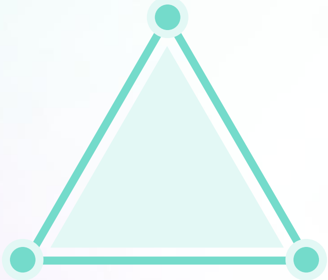



**THE VALUE OF SMARTER FEE BUDGETING >**

# 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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# 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<br>Annual and interim financial disclosure | Quarterly portfolio disclosure<br>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.

2ND ENGINE
BY PICTON

# DISCLOSURE

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