

2ND ENGINE™ LIQUID ALTERNATIVE INDICES QUARTERLY INDUSTRY REPORT

NAVIGATE ONE OF CANADA'S FASTEST GROWING FUND SEGMENTS

As of September 30, 2026

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INDEX SNAPSHOT

UNIVERSE AUM

\$99.7_B

12M AUM GROWTH RATE

28.4%

TOTAL # OF FUNDS IN UNIVERSE

359

FUND COMPANIES IN UNIVERSE

60

3M NET FLOW

+\$5,971_M

12M NET FLOW

+\$21,820_M

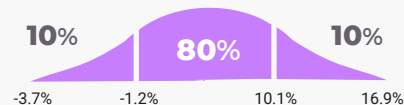
TOTAL # OF INDICES

14

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

12M RETURN - 2ND ENGINE
LIQUID ALTERNATIVE 35 INDEX

+5.6%



EXECUTIVE SUMMARY – Q3 2026

PERFORMANCE HIGHLIGHTS

- The **2ND ENGINE Liquid Alternative 35 Index** gained 0.8% in Q3, bringing its year-to-date return to 4.3% and its trailing one-year return to 5.6%. The quarter gave back some of its early gains in a September pullback (-0.9%).
- **Global Macro** led strategy-based performance with a 4.8% return, helped by large moves in rates, and energy. **Equity Market Neutral** (+0.5%), **Absolute Return** (+0.1%), **Event-Driven** (0.0%) and **Equity Long Short** (-0.1%) were broadly flat in an equity market where a narrow group of large-cap tech stocks drove the gains. **Alternative Fixed Income** (-1.1%) and **Multi-Strategy** (-1.5%) lagged as rising yields weighed on credit and duration exposure.
- Among goal-based indices, the **Diversifier** gained 2.7%, highlighting the value of low-correlation strategies when stocks and bonds sell off together. The **Equity Enhancer** fell 1.2% and the **Fixed Income Enhancer** declined 1.0%.

ALTERNATIVE UNIVERSE FLOWS

- Total liquid alternative universe AUM reached \$99.7 billion at the end of Q3. Net inflows were \$6.0 billion for the quarter and \$21.8 billion over the trailing 12 months, a 28.4% YoY growth.
- Among alternative strategy categories, **Equity Market Neutral** led flows (+\$1,711 million), followed by **Global Macro** (+\$270 million) and **Multi-Strategy** (+\$194 million). **Event-Driven** (-\$148 million) and **Alternative Fixed Income** (-\$117 million) saw net outflows.
- **Alternative Fixed Income** remains the largest alternative strategy category at \$14.9 billion across 31 funds, while **Equity Long Short** continues to lead by fund count with 39 products.

EXECUTIVE SUMMARY (CON'T)

LIQUID ALTERNATIVE INDUSTRY NEWS

- **15 new liquid alternative funds** launched in Q3 2026, down from 28 in Q2. The difference mainly reflects the near absence of single-stock option-selling launches, which made up 10 of Q2's launches.
- **Option-selling strategies** account for 10 of the quarter's 15 launches, with several leaning toward sector and thematic exposures, including gold, utilities, infrastructure, aerospace, defence, and technology. The category also added its first autocallable ETF, which generates income from single-stock autocallable derivatives on U.S. large caps.
- Three new **Alternative Fixed Income** funds were introduced in the quarter, including one that primarily takes short positions on CDX derivatives, aiming to benefit from widening credit spreads and defaults.
- One **Global Macro** fund was launched, investing across global equities, bonds, currencies and commodities through an unconstrained approach.

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

INDEX FAMILY

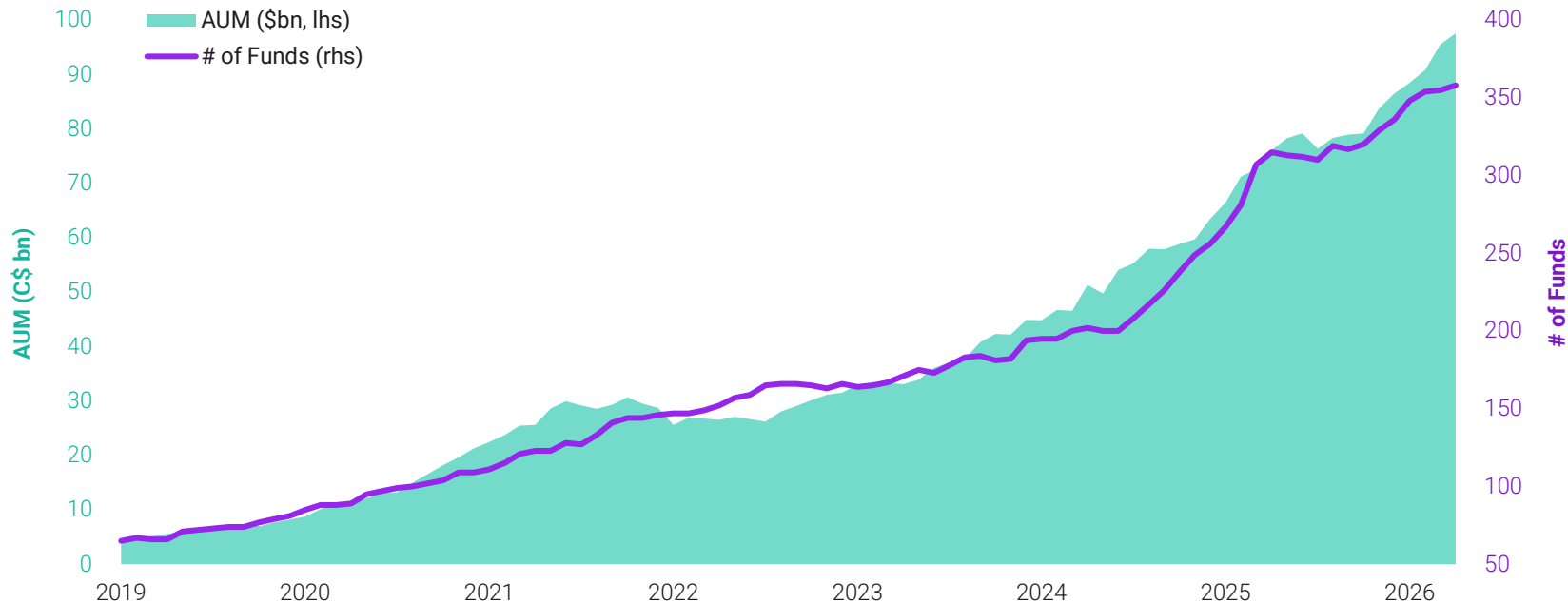
2ND ENGINE LIQUID ALTERNATIVE 35 INDEX

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

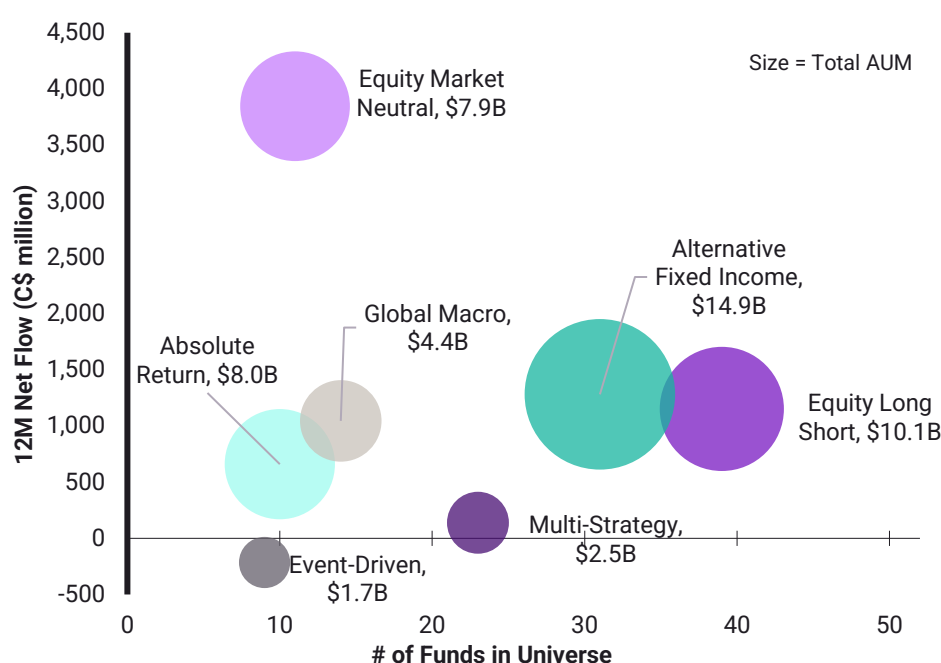
INDUSTRY GROWTH OVER TIME

Total AUM and # of Funds in Universe

(6/30/2019 - 9/30/2026)



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	10.1	10.2%	+25	+1,152	39
Equity Market Neutral	7.9	7.9%	+1,711	+3,846	11
Alt. Fixed Income	14.9	14.9%	-117	+1,282	31
Absolute Return	8.0	8.0%	+89	+660	10
Event-Driven	1.7	1.7%	-148	-215	9
Global Macro	4.4	4.4%	+270	+1,045	14
Multi-Strategy	2.5	2.5%	+194	+139	23
Option-Selling	36.4	36.5%	+3,622	+12,455	140
Digital Assets	8.5	8.5%	+112	+647	31
Others	5.3	5.3%	+213	+811	51
Total	99.7	100.0%	+5,971	+21,820	359

Source: As of September 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.

PERFORMANCE SUMMARY

Percent (%)	1M	3M	YTD	1Y	3Y	5Y	Since Inception	Inception Date
Overall Market Index								
2ND ENGINE Liquid Alternative 35 Index	-0.9	0.8	4.3	5.6	7.1	4.0	4.7	06/30/2019
Strategy-Based Indices								
2ND ENGINE Equity Long Short Index	-1.1	-0.1	10.4	12.5	14.3	8.2	10.1	06/30/2019
2ND ENGINE Equity Market Neutral Index	0.4	0.5	1.0	1.4	3.3	2.7	2.3	06/30/2019
2ND ENGINE Alternative Fixed Income Index	-1.1	-1.1	0.7	1.3	6.0	3.4	4.0	06/30/2019
2ND ENGINE Absolute Return Index	-0.1	0.1	4.2	5.4	7.1	3.7	3.5	06/30/2019
2ND ENGINE Event-Driven Index	-0.3	0.0	0.7	1.7	4.0	1.8	3.9	06/30/2020
2ND ENGINE Merger Arbitrage Index	-0.1	0.3	1.0	2.0	3.8	2.8	3.3	06/30/2020
2ND ENGINE Global Macro Index	1.6	4.8	13.7	19.4	7.0	5.4	5.8	06/30/2020
2ND ENGINE Multi-Strategy Index	-1.0	-1.5	6.2	8.4	9.5	4.0	5.5	06/30/2019
Goal-Based Indices								
2ND ENGINE Equity Enhancer 10 Index	-0.4	-1.2	10.3	12.0	11.6	6.1	7.3	06/30/2019
2ND ENGINE Fixed Income Enhancer 10 Index	-1.0	-1.0	0.7	1.5	6.0	3.1	4.5	06/30/2019
2ND ENGINE Diversifier 10 Index	0.7	2.7	6.7	8.7	6.8	4.2	4.4	06/30/2019
Other Indices								
2ND ENGINE Option-Selling Index	-0.1	2.2	17.7	22.8	21.6	12.8	12.6	12/31/2020
2ND ENGINE Digital Assets Index	10.4	52.5	-5.1	-30.4	37.5	-	8.4	12/31/2021

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

PERFORMANCE SUMMARY

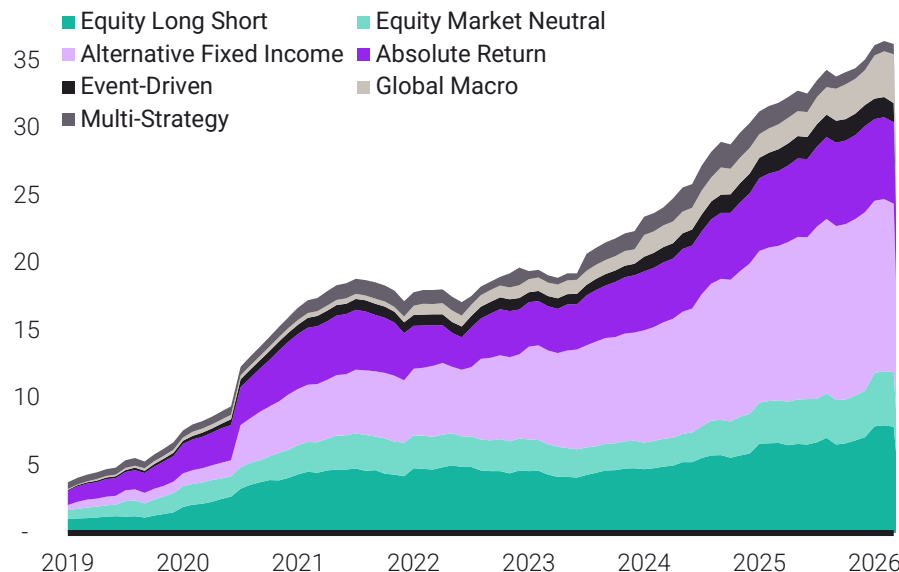
	Volatility (%)	Sharpe Ratio	Max Drawdown (%)	Equity		Fixed Income		Inception Date
				Correlation	Beta	Correlation	Beta	
Overall Market Index								
2ND ENGINE Liquid Alternative 35 Index	3.9	0.58	-7.5	0.86	0.54	0.24	0.38	06/30/2019
Strategy-Based Indices								
2ND ENGINE Equity Long Short Index	7.4	1.04	-10.0	0.86	0.49	0.45	0.64	06/30/2019
2ND ENGINE Equity Market Neutral Index	3.0	-0.05	-5.8	-0.27	0.03	-0.06	0.01	06/30/2019
2ND ENGINE Alternative Fixed Income Index	5.1	0.31	-10.5	0.80	0.55	0.29	0.49	06/30/2019
2ND ENGINE Absolute Return Index	3.4	0.32	-6.5	0.83	0.67	0.20	0.40	06/30/2019
2ND ENGINE Event-Driven Index	7.6	0.20	-12.7	-0.04	-0.02	-0.02	-0.03	06/30/2020
2ND ENGINE Merger Arbitrage Index	3.9	0.23	-4.1	0.20	0.08	0.05	0.06	12/31/2020
2ND ENGINE Global Macro Index	5.2	0.64	-6.6	0.14	-0.04	0.04	-0.04	06/30/2020
2ND ENGINE Multi-Strategy Index	8.2	0.37	-14.5	0.88	0.49	0.51	0.71	06/30/2019
Goal-Based Indices								
2ND ENGINE Equity Enhancer 10 Index	6.6	0.73	-7.7	0.76	0.44	0.35	0.51	06/30/2019
2ND ENGINE Fixed Income Enhancer 10 Index	4.5	0.46	-7.8	0.79	0.61	0.25	0.48	06/30/2019
2ND ENGINE Diversifier 10 Index	3.0	0.64	-4.5	0.45	0.29	0.10	0.16	06/30/2019
Other Indices								
2ND ENGINE Option-Selling Index	10.3	0.99	-12.1	0.87	0.58	0.53	1.05	12/31/2020
2ND ENGINE Digital Assets Index	59.2	0.10	-63.4	0.38	0.28	1.41	3.07	12/31/2021

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

2ND ENGINE LIQUID ALTERNATIVE 35 INDEX

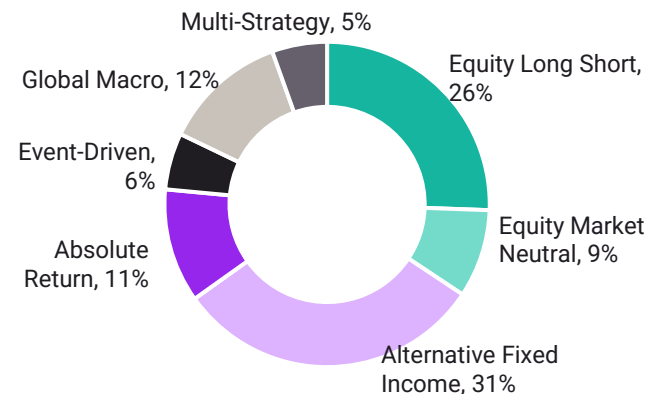
Index Constituents AUM by Strategy (C\$ billion)

(From July 31, 2019 to September 30, 2026)



Index Composition by Strategy

(As of September 30, 2026)



Index AUM Characteristics (C\$ million)

Total	Mean	Median	Largest	Smallest
36,225	1,035	651	3,193	224

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

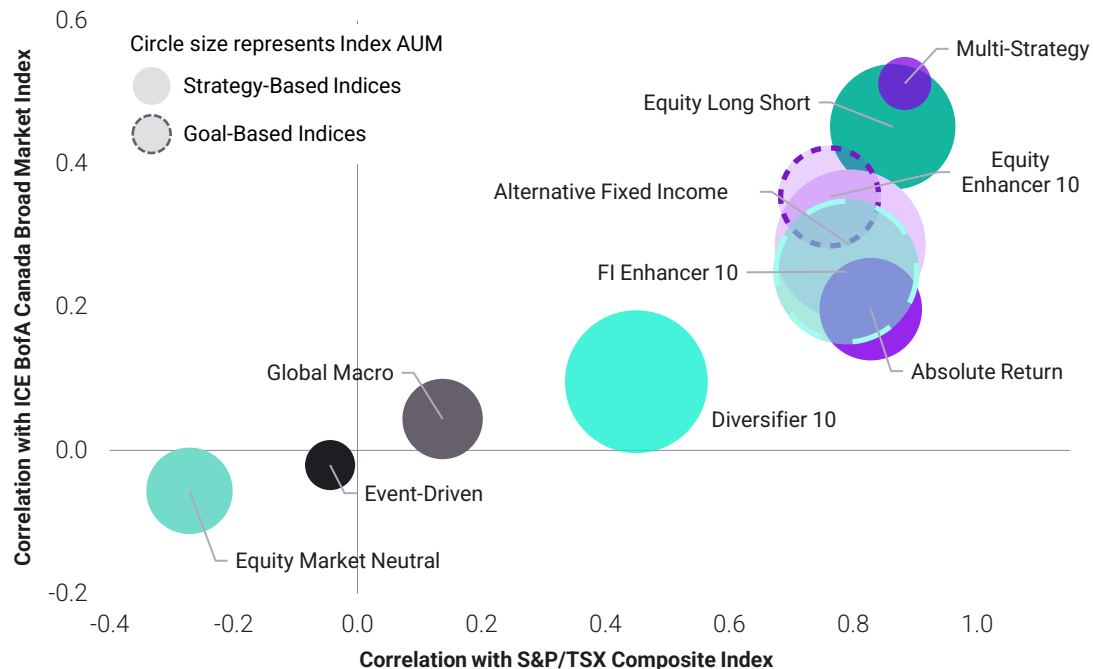
CALENDAR YEAR RETURNS BY STRATEGY

2020	2021	2022	2023	2024	2025	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 13.8%	Global Macro 13.7%	Equity Long Short 10.1%	Equity Market Neutral 3.0%
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%	Equity Long Short 10.4%	Global Macro 5.8%	Absolute Return 3.4%
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 6.2%	Multi-Strategy 5.5%	Alternative Fixed Income 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%	Event-Driven 6.8%	Absolute Return 4.2%	Alternative Fixed Income 4.0%	Global Macro 5.2%
Global Macro 6.3%	Global Macro 2.9%	Event-Driven -4.8%	Event-Driven 2.8%	Absolute Return 7.2%	Absolute Return 6.1%	Equity Market Neutral 1.0%	Event-Driven 3.9%	Equity Long Short 7.4%
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 3.5%	Event-Driven 7.6%
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%	Alternative Fixed Income 0.7%	Equity Market Neutral 2.3%	Multi-Strategy 8.2%

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

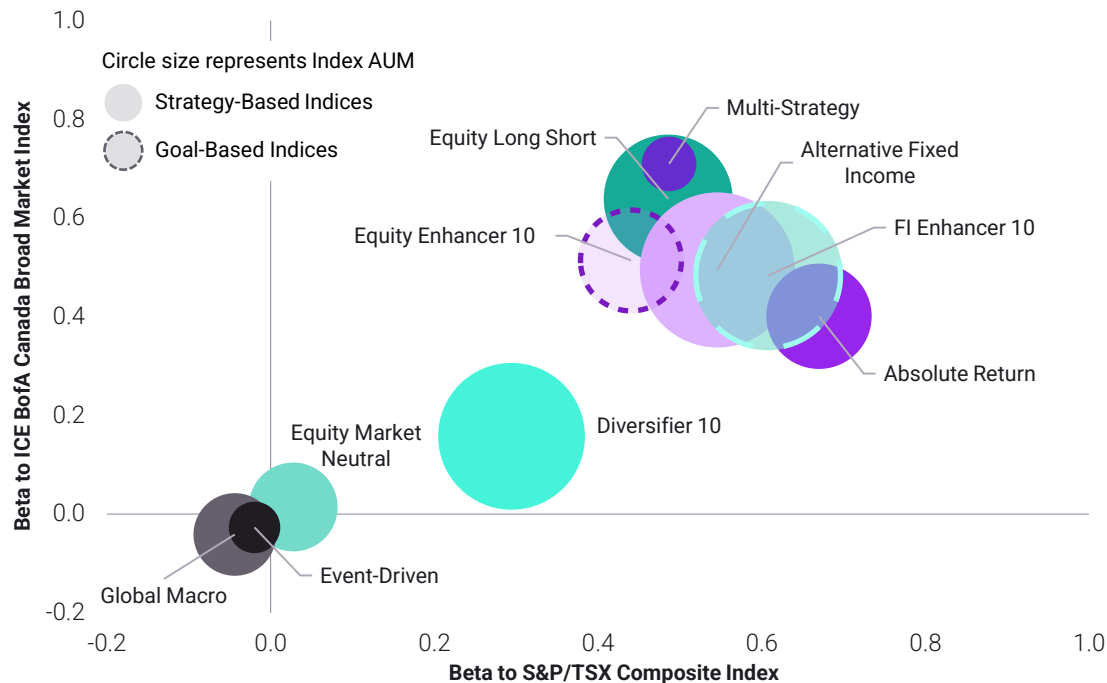
¹ Inception date for all indices are June 30, 2019, except for the 2ND ENGINE Event-Driven Index and 2ND ENGINE Global Macro Index which were incepted on June 30, 2020.

CORRELATION WITH STOCKS AND BONDS



Source: Since inception to September 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.

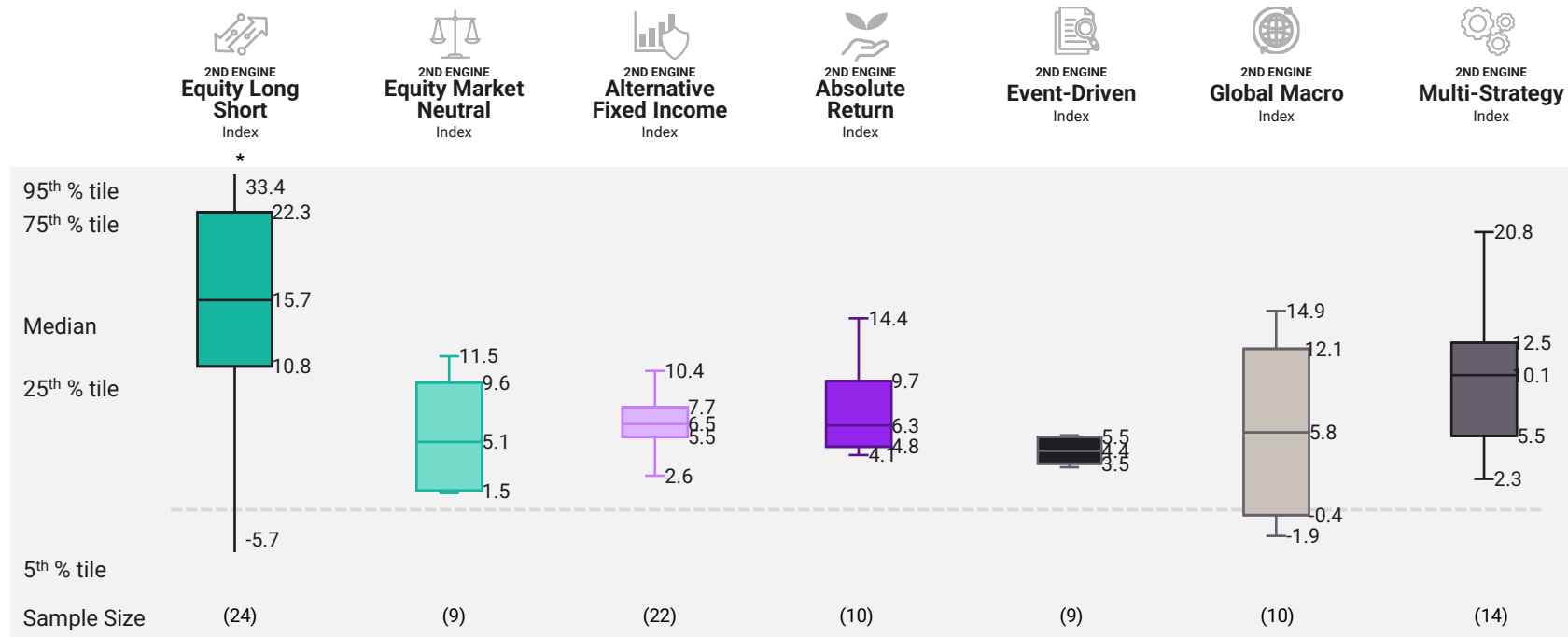
BETA TO STOCKS AND BONDS



Source: Since inception to September 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.

IMPORTANCE OF MANAGER SELECTION

MANAGER PERFORMANCE DISPERSION (TRAILING 3 YEARS, ANNUALIZED)



Source: As of September 30, 2026. Morningstar Inc.

* Chart scale capped for graphing purposes

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



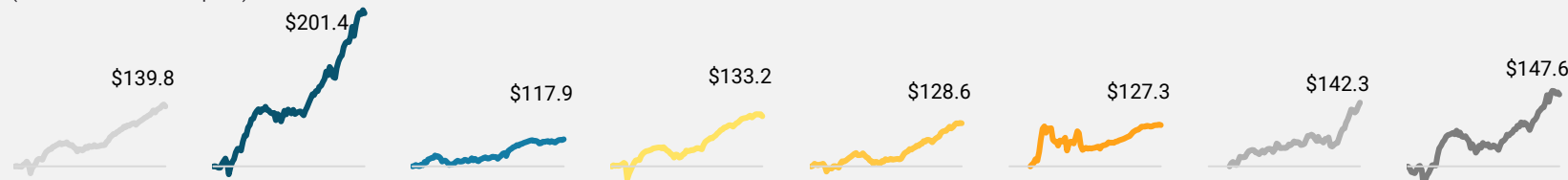
2ND ENGINE
Global Macro
Index



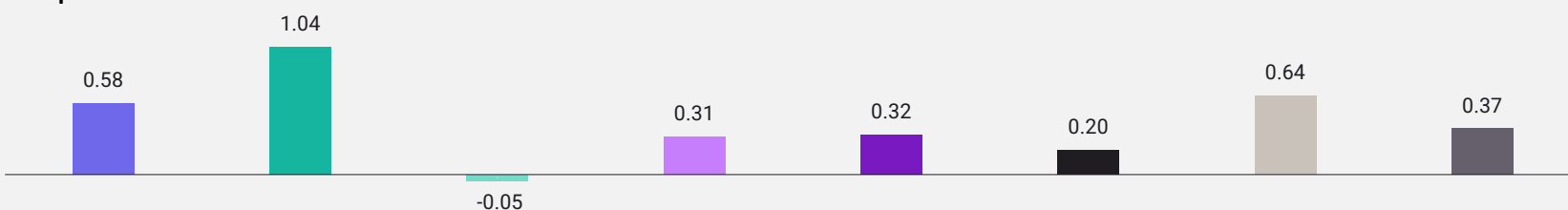
2ND ENGINE
Multi-Strategy
Index

Cumulative Growth

(Rebased to 100 on inception)



Sharpe Ratio



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

RETURN SNAPSHOT: GOAL-BASED INDICES


**2ND ENGINE
Liquid
Alternative 35**
Index


**2ND ENGINE
Equity
Enhancer 10**
Index

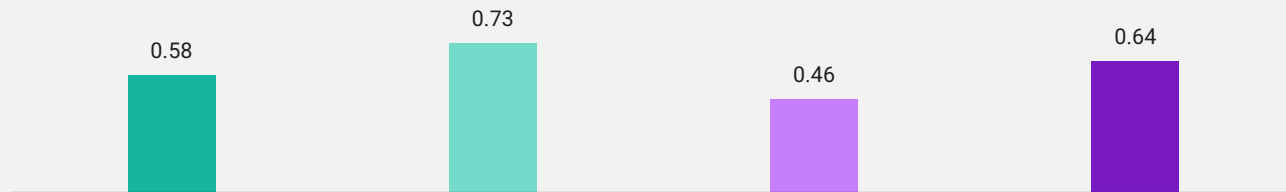

**2ND ENGINE
Fixed Income
Enhancer 10**
Index


**2ND ENGINE
Diversifier 10**
Index

Cumulative Growth (Rebased to 100 on inception)



Sharpe Ratio



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	6,915.4	8	15,088.9	3	22,004.3	11
PICTON Investments	9,744.0	11	-	-	9,744.0	11
Hamilton Capital Partners	-	-	8,992.8	13	8,992.8	13
Harvest Portfolios Group	-	-	7,838.6	49	7,838.6	49
Fidelity Investments	4,066.0	8	2,131.2	4	6,197.2	12
Purpose Investments	1,242.6	4	4,305.1	25	5,547.6	29
RBC GAM	5,508.9	3	2.3	1	5,511.2	4
CI Investments	3,333.6	10	1,931.2	8	5,264.8	18
RP Investment Advisors	3,389.7	2	-	-	3,389.7	2
Evolve Funds Group	-	-	2,551.2	13	2,551.2	13
TD Asset Management	2,303.0	2	-	-	2,303.0	2
Global X Investments	154.7	1	1,647.3	21	1,802.0	22
Mackenzie Investments	963.4	2	683.9	7	1,647.3	9
Arrow Capital Management	1,329.0	8	-	-	1,329.0	8
Brompton Funds	-	-	1,033.5	6	1,033.5	6
Market Share of Total Liquid Alternative Universe	78.6%				85.4%	

Source: As of September 30, 2026. 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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THE NET EFFECT **EXPAND YOUR VALUE-ADD THROUGH A TAX LENS**

Discover modern practices to shift the conversation to other tax outcomes



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

BUILDING WEALTHY PORTFOLIOS FOR A NEW ERA

TOTAL PORTFOLIO APPROACH

PICTON's central destination for building fortified and resilient portfolios through a total portfolio view. Explore insights, frameworks, and tools designed to help advisors move beyond label-based diversification, build outcome-driven portfolios, and achieve client goals with greater certainty.

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

CRMS: REDEFINING VALUE

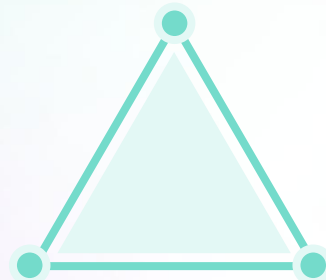
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**THE VALUE OF SMARTER
FEE BUDGETING >**

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

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.

DISCLOSURE

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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. 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.
(https://prd2e.wpenginepowered.com/wp-content/uploads/2024/03/2e_LiqAltIndex_MethodologyGuide_vF.pdf).

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.

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