

2ND ENGINE
BY PICTON

2ND ENGINE LIQUID ALTERNATIVE INDICES

Quarterly Industry Report

March 31, 2026
A division of PICTON Investments

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INDEX SNAPSHOT

Universe AUM

\$85.5_B

12M AUM Growth Rate

43.0%

Total # of Funds in Universe

314

135
Alternative Strategies¹

179
Others²

Fund Co in Universe

60

3M Net Flow

+\$7,654_M

12M Net Flow

+\$18,044_M

Total # of indices

11

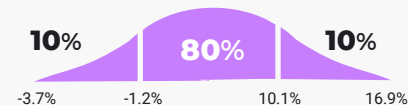
1
Overall
Market

7
Strategy
-Based

3
Goal-
Based

12M return - 2ND ENGINE
Liquid Alternative 35 Index

+5.4%



Source: As of March 31, 2026. 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 – Q1 2026

PERFORMANCE HIGHLIGHTS

- The **2ND ENGINE Liquid Alternative 35 Index** gained 1.3% in Q1 2026, bringing its trailing one-year return to 5.4%. Returns were positive through February before a broad-based pullback in March weighed on most strategies.
- For the quarter, **Global Macro** led strategy-based performance with a 7.6% return, followed by **Multi-Strategy** (+2.7%), **Equity Long Short** (+2.2%), and **Absolute Return** (+1.4%).
- **Event-Driven** (-0.1%) and **Equity Market Neutral** (-0.4%) were modestly negative.
- Among goal-based indices, **Diversifier** gained 3.0%, while the **Fixed Income Enhancer** was flat and the **Equity Enhancer** declined 0.3%.

ALTERNATIVE UNIVERSE FLOWS

- Total liquid alternative universe AUM reached **\$85.8 billion** across 314 funds at the end of Q1, with net inflows of **\$7.7 billion** for the quarter and **\$18.0 billion** over the trailing 12 months.
- Investor flows were led by **Alternative Fixed Income** (+**\$670 million**), **Equity Market Neutral** (+**\$665 million**), and **Equity Long Short** (+**\$520 million**). While **Global Macro** (+**\$406 million**) and **Absolute Return** (+**\$375 million**) also attracted meaningful inflows.
- **Alternative Fixed Income** remains the largest category at \$14.7 billion across 28 funds, while **Equity Long Short** continues to lead by fund count with 40 products.

Source: As of March 31, 2026, Morningstar and Picton Mahoney Asset Management Research. All currencies are in CAD terms. See Disclaimer for full methodology.

EXECUTIVE SUMMARY (CON'T)

LIQUID ALTERNATIVE INDUSTRY NEWS

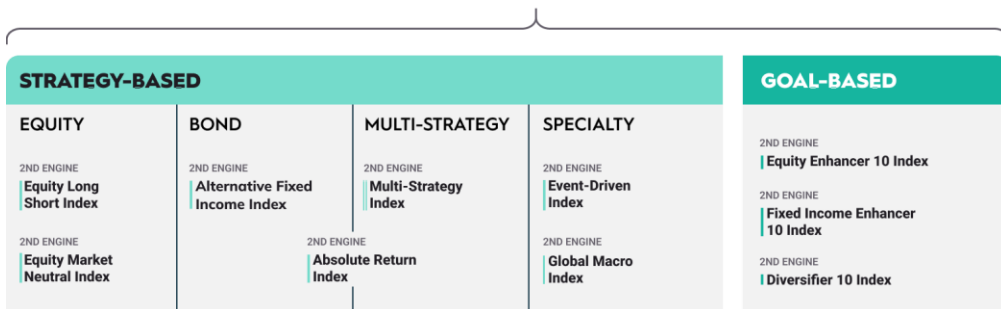
- **10 new funds were launched in Q1 2026**, 9 of which were option-selling strategies – including 6 single-name ETFs targeting US equities, and 3 broad market covered call products. One new alternative strategy was added to the **Equity Long Short category**.
- **5 funds were terminated**, including 2 enhanced yield products. While the closures are small in scale, they are notable in context: after several years of aggressive product expansion, the option-selling segment is starting to show early signs of product consolidation.
- CI Global Asset Management (“CI GAM”) completed its acquisition of Forge First Asset Management in December 2025, bringing approximately \$1 billion in long-short equity AUM under the CI GAM umbrella, as the firm continues to expand its alternatives shelf.
- On the regulatory front, the Canadian Securities Administrators (“CSA”) published proposed amendments to NI 81-102 relating to liquidity risk management (“LRM”) for all investment funds. The proposed amendments represent a **material shift from guidance-based expectations to enforceable rule requirements**. The comment period closed March 27, 2026. If adopted, these rules would align Canada with international LRM standards and could meaningfully increase compliance requirements for smaller fund managers.

Source: As of March 31, 2026, Morningstar and Picton Mahoney Asset Management Research. All currencies are in CAD terms. See Disclaimer for full methodology.

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



OBJECTIVES AND KEY FEATURES

- Provide better understanding of the alternative universe and available investment options
- Provide timely information for investors to stay up-to-date on the liquid alternative landscape
- Provide relevant peer groups to assess manager performance

KEY FEATURES

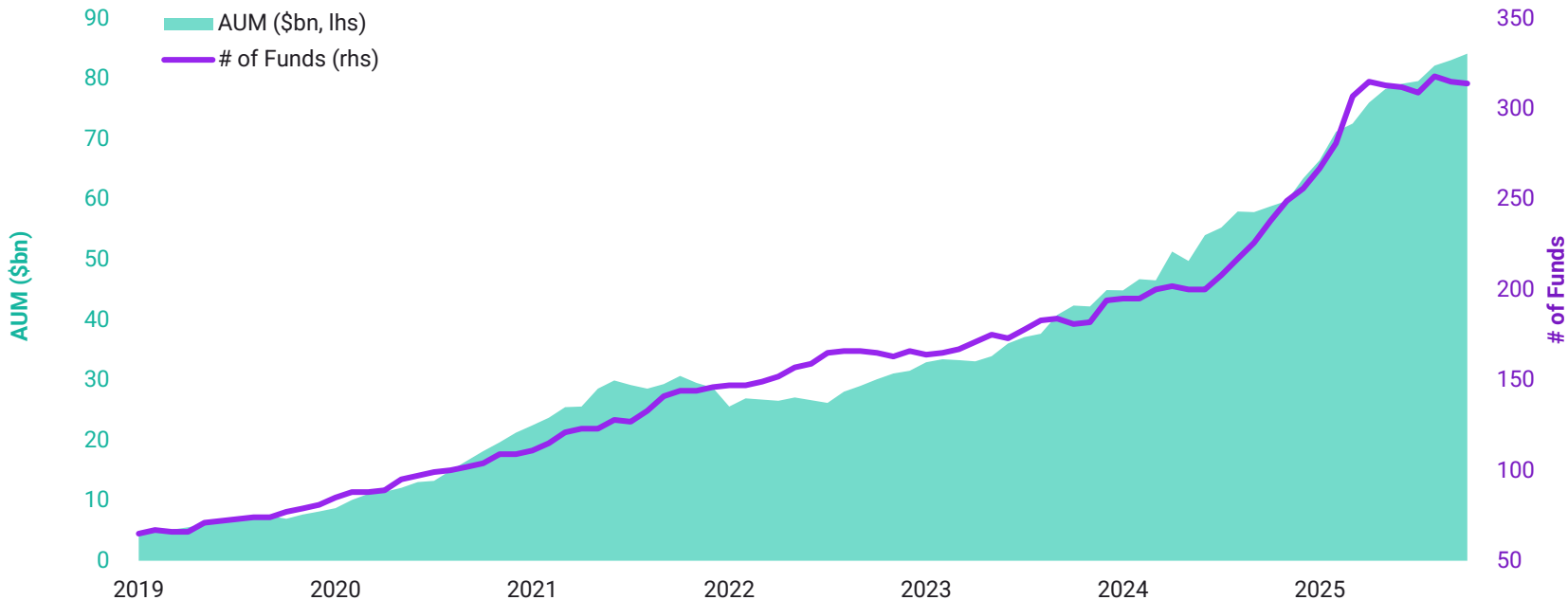
- Adhere to the CFA best practices for benchmarking¹
- Equal-weighting to minimize overconcentration risk
- Quarterly rebalancing and semi-annual reconstitution

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

INDUSTRY GROWTH OVER TIME

Total AUM and # of Funds in Universe

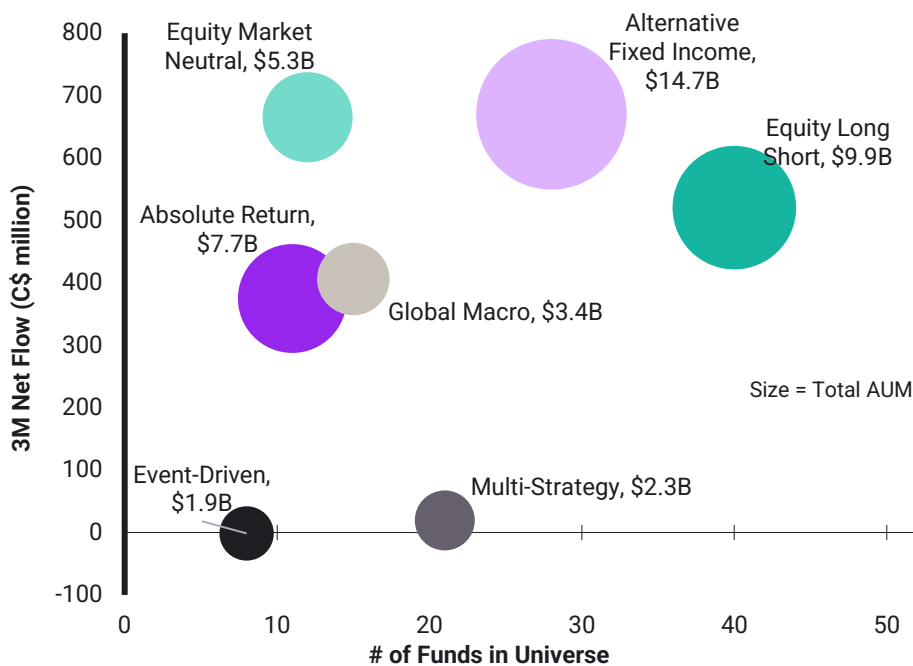
(6/30/2019 - 3/31/2026)



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	11.5%	+520	+430	40
Equity Market Neutral	5.3	6.1%	+665	+2,098	12
Alternative Fixed Income	14.7	17.1%	+670	+2,457	28
Absolute Return	7.7	9.0%	+375	+1,005	11
Event-Driven	1.9	2.2%	-1	+95	8
Global Macro	3.4	4.0%	+406	+427	15
Multi-Strategy	2.3	2.7%	+19	-37	21
Others	40.6	47.3%	+4,999	+11,568	179
Total	85.8	100.0%	+7,654	+18,044	314

Source: As of March 31, 2026. 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	-1.1	1.3	1.3	5.4	6.2	4.0	4.6	06/30/2019
Strategy-Based Indices								
2ND ENGINE Equity Long Short Index	-3.1	2.2	2.2	17.1	11.4	7.9	9.7	06/30/2019
2ND ENGINE Equity Market Neutral Index	-0.5	-0.4	-0.4	-0.9	3.2	2.9	2.3	06/30/2019
2ND ENGINE Alternative Fixed Income Index	-0.9	0.2	0.2	4.1	6.3	3.7	4.2	06/30/2019
2ND ENGINE Absolute Return Index	-0.9	1.4	1.4	7.1	6.2	3.7	3.4	06/30/2019
2ND ENGINE Event-Driven Index	-0.3	-0.1	-0.1	5.2	4.2	0.6	4.1	06/30/2020
2ND ENGINE Global Macro Index	2.8	7.6	7.6	13.0	6.2	4.9	5.3	06/30/2020
2ND ENGINE Multi-Strategy Index	-3.0	2.7	2.7	13.2	7.8	4.0	5.4	06/30/2019
Goal-Based Indices								
2ND ENGINE Equity Enhancer 10 Index	-3.7	-0.3	-0.3	11.7	7.6	4.7	6.2	06/30/2019
2ND ENGINE Fixed Income Enhancer 10 Index	-0.8	0.0	0.0	4.7	6.1	3.4	4.7	06/30/2019
2ND ENGINE Diversifier 10 Index	1.2	3.0	3.0	6.0	6.2	4.0	4.2	06/30/2019
Broad Market Indices								
S&P/TSX Composite Index	-4.3	3.9	3.9	34.8	21.2	15.2	14.2	06/30/2019 ¹
ICE BofA Canada Broad Market Index	-2.0	0.3	0.3	0.7	3.4	0.7	1.0	06/30/2019 ¹

Source: As of March 31, 2026. 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	4.0	0.54	-7.5	0.86	0.55	0.24	0.39	06/30/2019
Strategy-Based Indices								
2ND ENGINE Equity Long Short Index	7.5	0.96	-10.0	0.87	0.48	0.45	0.63	06/30/2019
2ND ENGINE Equity Market Neutral Index	3.0	-0.07	-5.8	-0.27	0.02	-0.06	0.01	06/30/2019
2ND ENGINE Alternative Fixed Income Index	5.3	0.34	-10.5	0.80	0.54	0.29	0.49	06/30/2019
2ND ENGINE Absolute Return Index	3.5	0.27	-6.5	0.83	0.67	0.20	0.40	06/30/2019
2ND ENGINE Event-Driven Index	7.9	0.21	-12.7	-0.05	-0.03	-0.02	-0.04	06/30/2020
2ND ENGINE Global Macro Index	5.3	0.55	-6.6	0.13	-0.02	0.04	-0.02	06/30/2020
2ND ENGINE Multi-Strategy Index	8.4	0.35	-14.5	0.89	0.49	0.51	0.71	06/30/2019
Goal-Based Indices								
2ND ENGINE Equity Enhancer 10 Index	6.3	0.60	-7.7	0.80	0.44	0.35	0.48	06/30/2019
2ND ENGINE Fixed Income Enhancer 10 Index	4.6	0.49	-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
Broad Market Indices								
S&P/TSX Composite Index	14.6	0.80	-22.3	-	-	-	-	06/30/2019 ¹
ICE BofA Canada Broad Market Index	5.8	-0.26	-15.6	-	-	-	-	06/30/2019 ¹

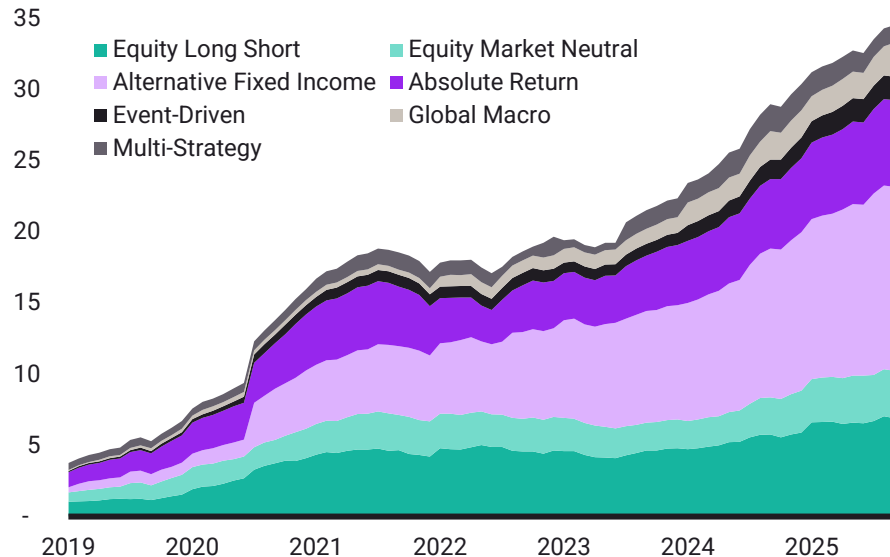
Source: As of March 31, 2026. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.

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

2ND ENGINE LIQUID ALTERNATIVE 35 INDEX

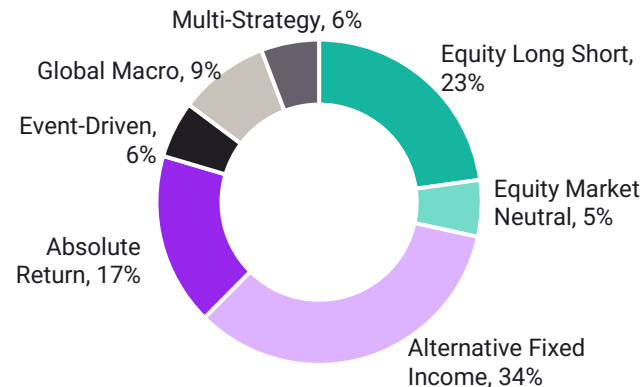
Index Constituents AUM by Strategy (C\$ billion)

(From July 31, 2019 to March 31, 2026)



Index Composition by Strategy

(As of March 31, 2026)



Index AUM Characteristics (C\$ million)

Total	Mean	Median	Largest	Smallest
34,527	986	713	3,245	182

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

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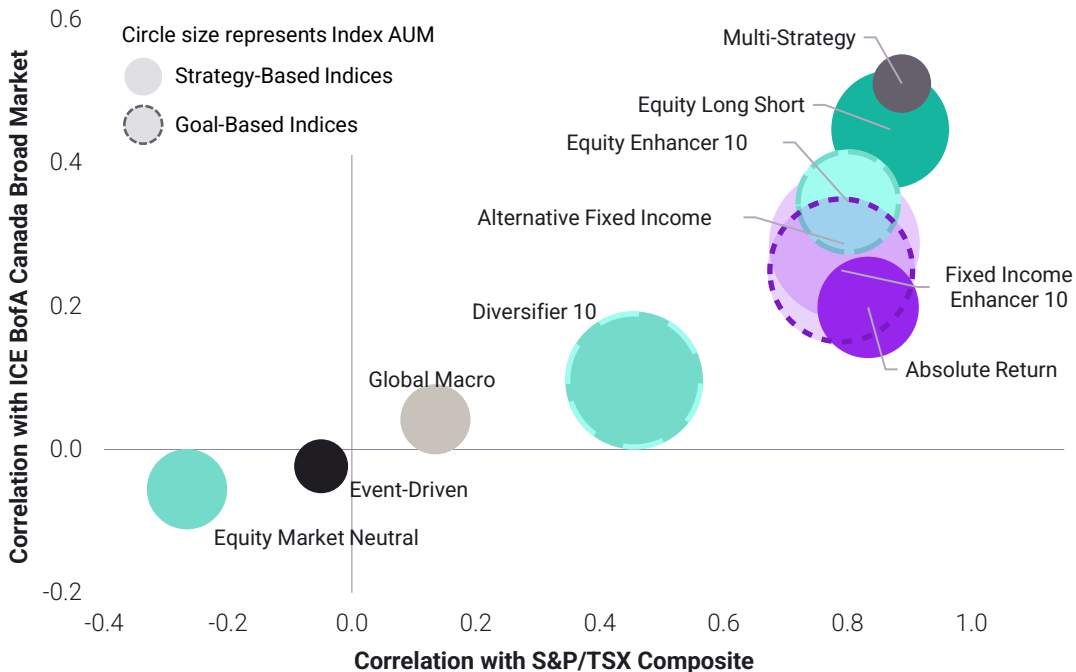
CALENDAR YEAR RETURNS BY STRATEGY

2020	2021	2022	2023	2024	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 7.6%	Equity Long Short 9.7%	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%	Multi-Strategy 2.7%	Multi-Strategy 5.4%	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%	Global Macro 8.1%	Equity Long Short 2.2%	Global Macro 5.3%	Global Macro 5.3%
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 1.4%	Alternative Fixed Income 4.2%	Alternative Fixed Income 5.3%
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 0.2%	Event-Driven 4.1%	Equity Long Short 7.5%
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 -0.1%	Absolute Return 3.4%	Event-Driven 7.9%
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 -0.4%	Equity Market Neutral 2.3%	Multi-Strategy 8.4%

Source: As of March 31, 2026. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management.

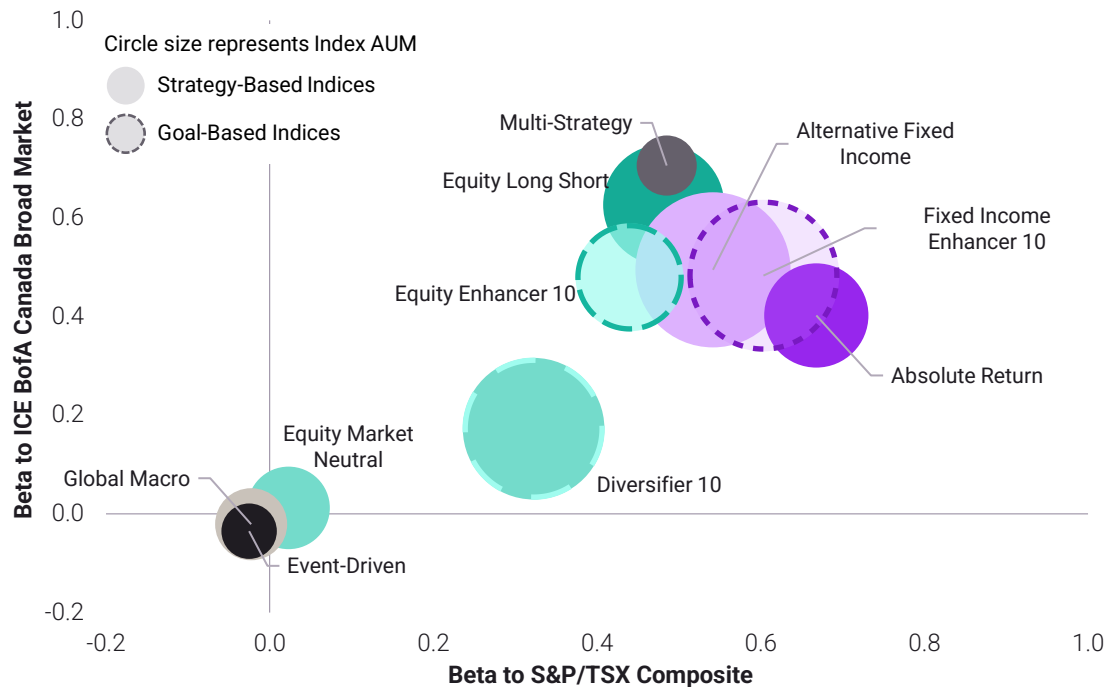
¹ Inception date for all indices are June 30, 2019, except for the 2ND ENGINE Event-Driven Index and 2ND ENGINE Global Macro Index which were incepted on June 30, 2020.

CORRELATION WITH STOCKS AND BONDS



Source: Since inception to March 31, 2026. Based on index constituent data provided by Morningstar and index performance calculated by Picton Mahoney Asset Management. All strategy categories began on June 30, 2019, except for the Global Macro and Event-Driven, which started on June 30, 2020.

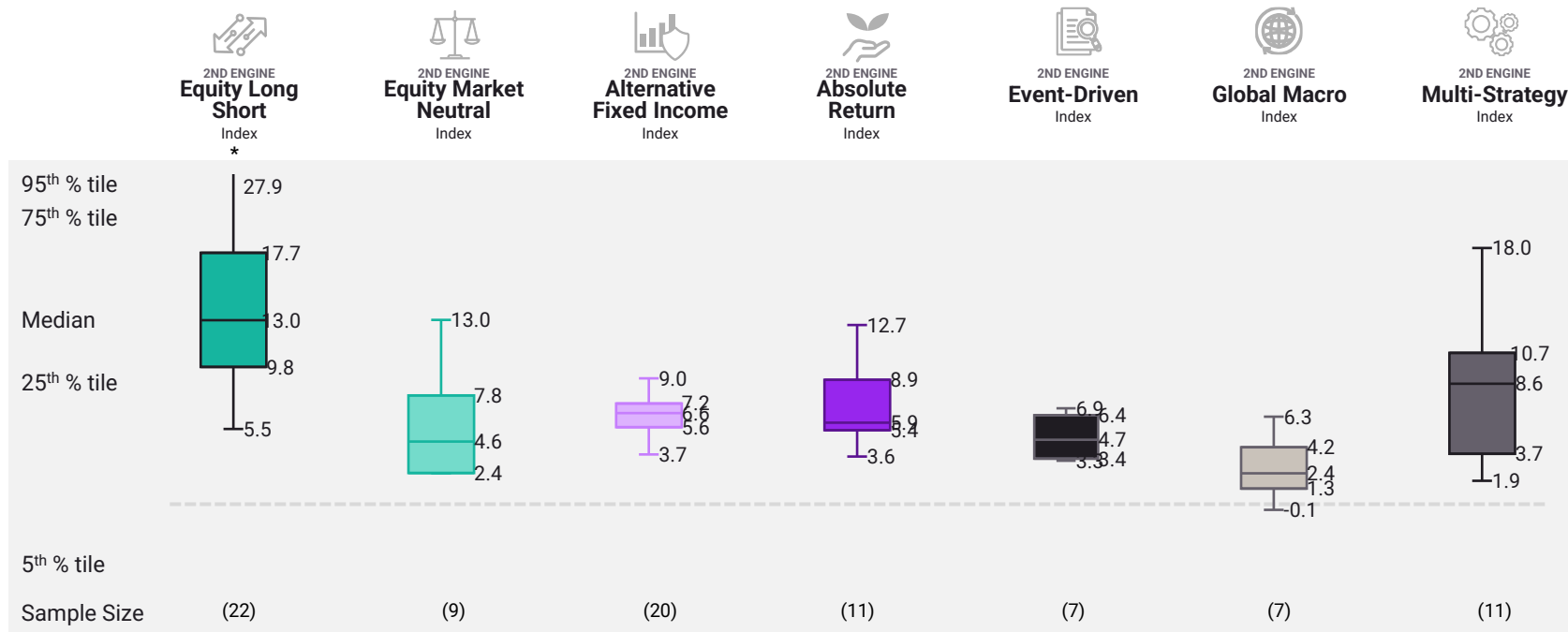
BETA TO STOCKS AND BONDS



Source: Since inception to March 31, 2026. 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 March 31, 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



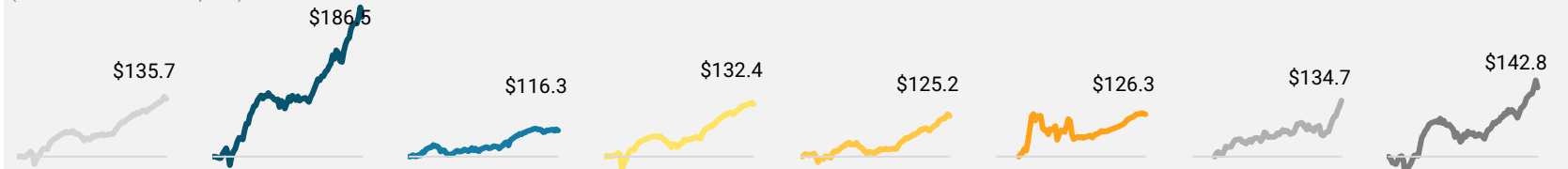
2ND ENGINE
Global Macro
Index



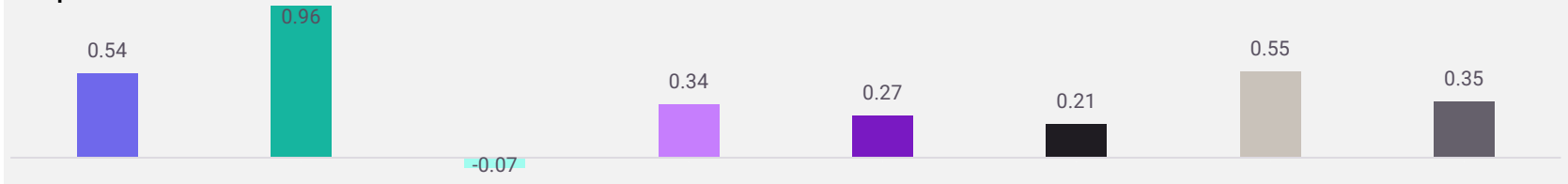
2ND ENGINE
Multi-Strategy
Index

Cumulative Growth

(Rebased to 100 on inception)



Sharpe Ratio



Source: From inception to March 31, 2026. 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



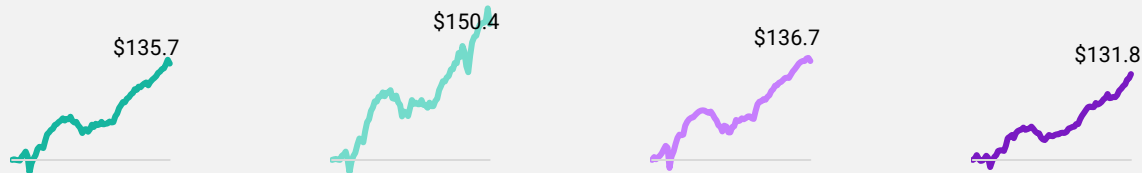
2ND ENGINE
**Fixed Income
Enhancer 10**
Index



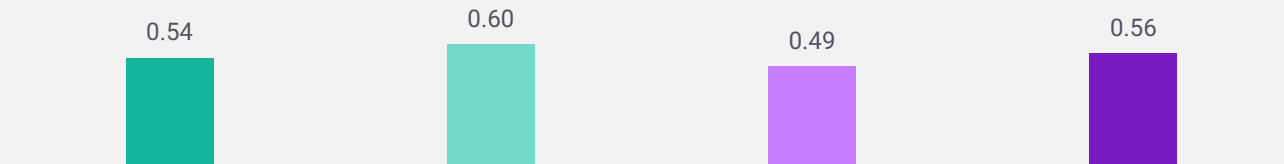
2ND ENGINE
Diversifier 10
Index

Cumulative Growth

(Rebased to 100 on inception)



Sharpe Ratio



Source: From June 30, 2019 to March 31, 2026. 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	6,277.3	8	11,807.5	2	18,084.8	10
PICTON Investments	9,459.6	11	-	-	9,459.6	11
Hamilton Capital Partners	-	-	6,888.0	12	6,888.0	12
CI Investments	4,244.0	11	1,711.9	8	5,955.8	19
Fidelity Investments	4,500.8	9	1,444.4	4	5,945.2	13
Harvest Portfolios Group	-	-	4,956.6	46	4,956.6	46
Purpose Investments	1,020.7	2	3,584.9	25	4,605.6	27
RP Investment Advisors	3,585.2	2	-	-	3,585.2	2
RBC GAM	2,883.9	3	-	-	2,883.9	3
Evolve Funds Group	-	-	1,839.9	13	1,839.9	13
Global X Investments	154.8	1	1,405.2	18	1,560.0	19
TD Asset Management	1,457.4	2	-	-	1,457.4	2
Mackenzie Investments	773.7	2	676.4	6	1,450.1	8
BMO AM	288.3	4	1,026.1	1	1,314.4	5
Arrow Capital Management	1,303.4	8	-	-	1,303.4	8
Market Share of Total Liquid Alternative Universe	80.2%				85.1%	

Source: As of March 31, 2026. Morningstar Inc.

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, and consist of mostly cryptocurrency assets and option-selling strategies.

EXPLORE OUR LATEST THOUGHT LEADERSHIP INSIGHTS

OUR NEW ADVISOR GUIDE

Insider insight for Rotators moves beyond mere insight to our implementation roadmap for 2026. From repositioning equity exposure and refining the role of bonds, to emphasizing differentiated sources of return, this guide outlines how our strategies can be implemented in a changing market environment.

[EXPLORE THE GUIDE >](#)



**REBALANCING PORTFOLIOS
FOR ROTATION >**

BUILDING RESILIENT 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

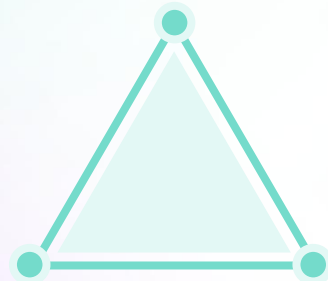
PICTON's central destination for managing regulatory change, refining client communication, and delivering the full value of advice. Here you'll find curated resources, guides, and tools designed to help advisors and investors adapt confidently to Total Cost Reporting (TCR) enhancements.

**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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