



**UNAUDITED SEMI-ANNUAL FINANCIAL STATEMENTS**

**JUNE 2016**

EXEMPLAR CANADIAN FOCUS PORTFOLIO | EXEMPLAR DIVERSIFIED PORTFOLIO

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## Statements of Financial Position (Unaudited)

	As at June 30, 2016	As at December 31, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Financial assets designated at fair value through profit and loss	\$80,303,000	\$68,808,046
Financial assets held for trading		
Unrealized gain on forward currency contracts	43,596	-
Cash	77,645,401	53,030,235
Margin deposits	2,933,759	1,150,937
Accrued interest receivable	-	11,760
Accrued dividends receivable	92,686	82,208
Accrued income tax receivable	7,011	-
Due from manager (Note 9)	-	297,576
Receivable for securities sold	474,388	171,912
Receivable for redeemable shares issued	1,797,407	490,635
	163,297,248	124,043,309
<b>Current liabilities</b>		
Financial liabilities held for trading		
Investments sold short	1,845,002	920,418
Payable for securities purchased	347,827	-
Accrued dividends payable	11,657	147
Payable for redeemable shares redeemed	378,718	56,253
Distributions payable	-	195,577
Other liabilities (Note 9)	296,710	67,838
	2,879,914	1,240,233
<b>Net assets attributable to holders of redeemable shares</b>	<b>\$160,417,334</b>	<b>\$122,803,076</b>
Net assets attributable to holders of redeemable shares		
Series A	\$59,517,607	\$53,659,760
Series F	\$90,275,315	\$60,500,812
Series L	\$10,624,412	\$8,642,504
Number of redeemable shares outstanding (Note 8)		
Series A	3,077,206	2,702,715
Series F	4,357,950	2,859,550
Series L	783,808	619,909
Net assets attributable to holders of redeemable shares per share		
Series A	\$19.34	\$19.85
Series F	\$20.72	\$21.16
Series L	\$13.55	\$13.94

Approved on behalf of the Board of Directors of Arrow Capital Management Inc., the Manager of the Portfolio:

“James L. McGovern”

James L. McGovern, Director

“Robert W. Maxwell”

Robert W. Maxwell, Director

The accompanying notes are an integral part of these financial statements.

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

Statements of Comprehensive Income (Unaudited)  
For the periods ended June 30,

	2016 \$	2015 \$
<b>INCOME</b>		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	19,584	45,851
Dividend income	559,635	442,293
Dividend expense on short sales	(22,027)	(10,187)
Net realized gain (loss) on investments and derivatives	2,710,535	3,263,643
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	(3,764,199)	2,329,871
Net gains on investments and derivatives	(496,472)	6,071,471
Other income items:		
Interest on cash	125,654	13,067
Foreign exchange gain (loss)	(501,090)	578,928
Net change in unrealized foreign exchange gain (loss)	(43,282)	(177,095)
<b>Total income (net)</b>	(915,190)	6,486,371
<b>EXPENSES</b>		
Securityholder reporting fees	267,990	197,141
Management fees (Note 9)	805,133	545,676
Performance fees (Note 9)	72,359	1,178,960
Interest expense	153	1,640
Audit fees	14,724	10,167
Independent Review Committee fees	2,300	2,445
Legal fees	6,685	10,833
Custodial fees	13,883	7,832
Security borrowing expenses	4,067	3,466
Commissions and other portfolio transaction costs (Note 9)	37,384	11,477
Withholding tax expense	6,166	7,689
Harmonized sales tax	119,437	213,007
Income tax	-	3,698
<b>Total expenses</b>	1,350,281	2,194,031
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	(2,265,471)	4,292,340
<b>Increase (decrease) in net assets attributable to holders of redeemable shares (Note 11)</b>		
Series A	(1,282,976)	2,203,467
Series F	(793,368)	1,802,928
Series L	(189,127)	285,945
<b>Increase (decrease) in net assets attributable to holders of redeemable shares per share (Note 11)</b>		
Series A	(0.44)	0.97
Series F	(0.21)	1.07
Series L	(0.25)	0.60

The accompanying notes are an integral part of these financial statements.

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares (Unaudited)  
For the periods ended June 30,

		2016 \$	2015 \$
<b>Net assets attributable to holders of redeemable shares at beginning of period</b>	Series A	53,659,760	43,776,926
	Series F	60,500,812	30,891,999
	Series L	8,642,504	5,616,981
		122,803,076	80,285,906
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	Series A	(1,282,976)	2,203,467
	Series F	(793,368)	1,802,928
	Series L	(189,127)	285,945
		(2,265,471)	4,292,340
<b>Redeemable share transactions</b>			
Proceeds from redeemable shares issued	Series A	11,988,292	5,219,667
	Series F	35,639,087	7,295,075
	Series L	2,979,785	2,357,653
Redemption of redeemable shares	Series A	(4,847,469)	(5,197,565)
	Series F	(5,071,216)	(1,608,158)
	Series L	(808,750)	(524,708)
<b>Net increase (decrease) from redeemable share transactions</b>		39,879,729	7,541,964
<b>Net increase (decrease) in net assets attributable to holders of redeemable shares</b>		37,614,258	11,834,304
<b>Net assets attributable to holders of redeemable shares at end of period</b>	Series A	59,517,607	46,002,495
	Series F	90,275,315	38,381,844
	Series L	10,624,412	7,735,871
		160,417,334	92,120,210

The accompanying notes are an integral part of these financial statements.

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

Statements of Cash Flows (Unaudited)  
For the periods ended June 30,

	2016 \$	2015 \$
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares	(2,265,471)	4,292,340
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	24,151	5,540
Net realized (gain) loss on investments and derivatives	(2,710,535)	(3,263,643)
Net change in unrealized (appreciation) depreciation in value of investments and	3,764,199	(2,329,871)
Purchase of investments	(45,375,234)	(20,533,603)
Proceeds on sale of investments	33,752,955	14,739,288
Decrease (increase) in accrued interest receivable	11,760	40
Decrease (increase) in accrued dividends receivable	(10,478)	(2,728)
Decrease (increase) in accrued income tax receivable	(7,011)	-
Decrease (increase) in due from manager	297,576	-
Increase (decrease) in accrued dividends payable	11,510	(1,292)
Increase (decrease) in distributions payable	(195,577)	-
Increase (decrease) in other liabilities	228,872	1,294,431
Decrease (increase) in margin deposits	(1,782,822)	1,394,422
<b>Net cash from (used in) operating activities</b>	<b>(14,256,105)</b>	<b>(4,405,076)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from redeemable shares issued	49,300,392	14,753,933
Redemption of redeemable shares	(10,404,970)	(7,368,442)
<b>Net cash from (used in) financing activities</b>	<b>38,895,422</b>	<b>7,385,491</b>
<b>Net Increase (decrease) in cash</b>	<b>24,639,317</b>	<b>2,980,415</b>
<b>Cash at beginning of the period</b>	<b>53,030,235</b>	<b>14,777,266</b>
Net change in unrealized foreign exchange gain (loss) on cash	(24,151)	(5,540)
<b>Cash at end of the period</b>	<b>77,645,401</b>	<b>17,752,141</b>
Interest received*	156,998	58,958
Dividends received, net of withholding tax*	542,991	431,876
Income tax paid*	-	(3,698)
Interest paid*	(153)	(1,640)
Dividend paid*	(10,517)	(11,479)

\*Included as part of cash flows from operating activities

The accompanying notes are an integral part of these financial statements.

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

Schedule of Investment Portfolio – As at June 30, 2016 (Unaudited)

Equity Positions - Long Security Name	Currency	41.1%	Quantity	Average Cost \$	Fair Value \$
<b>Consumer Discretionary</b>		<b>6.6%</b>			
Canadian Tire Corporation, Limited	CAD		5,300	487,320	745,975
Cineplex Inc.	CAD		24,000	902,208	1,237,920
DHX Media Ltd.	CAD		506,000	1,164,761	3,339,600
Dollarama Inc.	CAD		2,100	159,026	189,420
GNC Holdings, Inc.	USD		8,000	253,514	252,791
McDonald's Corporation	USD		100	15,457	15,655
Newell Brands Inc.	USD		9,500	571,106	600,254
Restaurant Brands International Inc.	USD		7,000	335,094	378,822
Ross Stores, Inc.	USD		800	48,662	58,998
Sleep Country Canada Holdings Inc.	CAD		43,200	767,524	1,029,024
Smith & Wesson Holding Corporation	USD		700	22,079	24,751
Spin Master Corp.	CAD		67,200	1,786,502	1,790,880
Tower International, Inc.	USD		3,300	104,105	88,349
Uni-Select Inc.	CAD		25,600	496,270	838,656
				7,113,628	10,591,095
<b>Consumer Staples</b>		<b>6.1%</b>			
AGT Food and Ingredients Inc.	CAD		39,600	1,243,553	1,405,404
Alimentation Couche-Tard Inc.	CAD		75,700	1,248,405	4,199,836
Altria Group, Inc.	USD		3,300	267,915	296,043
Constellation Brands, Inc.	USD		4,000	606,255	860,675
Cott Corporation	CAD		10,800	208,069	195,048
Diageo plc	USD		3,000	444,319	440,537
Loblaw Companies Limited	CAD		9,600	562,053	663,456
Premium Brands Holdings Corporation	CAD		3,100	153,742	168,640
Tyson Foods, Inc.	USD		8,700	744,450	755,917
The WhiteWave Foods Company	USD		12,700	718,197	775,516
				6,196,958	9,761,072
<b>Energy</b>		<b>5.5%</b>			
Bonavista Energy Corporation	CAD		148,000	495,645	488,400
Canadian Natural Resources Limited	CAD		20,900	787,975	833,074
Enbridge Inc.	CAD		29,200	1,534,130	1,598,116
Keyera Corp.	CAD		39,000	861,673	1,541,280
Occidental Petroleum Corporation	USD		2,100	205,866	206,422
Paramount Resources Ltd.	CAD		51,100	432,837	547,792
Peyto Exploration & Development Corp.	CAD		8,800	312,093	305,184
Raging River Exploration Inc.	CAD		41,200	439,224	423,536
Tamarack Valley Energy Ltd.	CAD		106,100	407,916	389,387
Tourmaline Oil Corp.	CAD		11,200	360,812	380,912
TransCanada Corporation	CAD		22,100	1,042,083	1,288,872
Vermilion Energy Inc.	CAD		18,500	780,335	761,090
				7,660,589	8,764,065
<b>Financials</b>		<b>1.4%</b>			
CI Financial Corp.	CAD		2,600	67,959	70,070
Dream Industrial Real Estate Investment	CAD		45,000	390,735	392,850
FirstService Corporation	CAD		6,500	211,045	384,085

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

Schedule of Investment Portfolio – As at June 30, 2016 (Unaudited)

Equity Positions - Long		41.1%			
Security Name	Currency		Quantity	Average Cost \$	Fair Value \$
iPath Bloomberg Cotton Subindex Total	USD		4,300	225,511	237,824
iShares Silver Trust	USD		43,100	887,376	1,001,949
RioCan Real Estate Investment Trust	CAD		3,200	89,988	93,856
				1,872,614	2,180,634
<b>Health Care</b>		<b>0.6%</b>			
Johnson & Johnson	USD		800	117,515	126,239
Zoetix Inc.	USD		13,802	775,447	852,145
				892,962	978,384
MacDonald, Dettwiler and Associates					
<b>Industrials</b>		<b>5.5%</b>			
Armstrong Flooring, Inc.	USD		48,300	924,850	1,065,027
Black Diamond Group Limited	CAD		82,900	455,666	446,831
CAE Inc.	CAD		31,700	476,996	494,837
DIRTT Environmental Solutions Ltd.	CAD		104,400	307,376	561,672
General Electric Company	USD		2,400	82,185	98,286
Honeywell International Inc.	USD		4,400	512,764	665,811
MacDonald, Dettwiler and Associates	CAD		24,400	1,514,547	2,056,188
Morneau Shepell Inc.	CAD		21,100	349,537	374,314
New Flyer Industries Inc.	CAD		25,500	914,010	1,025,865
Nielsen Holdings plc	USD		1,300	89,329	87,890
Toromont Industries Ltd.	CAD		6,400	203,763	240,896
Waste Connections, Inc.	USD		5,900	509,895	553,006
WSP Global Inc.	CAD		30,500	1,090,916	1,205,360
				7,431,834	8,875,983
<b>Information Technology</b>		<b>4.5%</b>			
Alphabet Inc.	USD		100	93,079	90,035
Alphabet Inc.	USD		1,500	1,488,484	1,372,833
Avigilon Corporation	CAD		25,200	563,116	334,404
Broadcom Limited	USD		1,800	365,830	363,888
CGI Group Inc.	CAD		10,100	363,401	557,419
Computer Sciences Corporation	USD		2,300	188,073	148,556
The Descartes Systems Group Inc.	CAD		80,000	492,675	1,976,800
Facebook, Inc.	USD		700	100,679	104,067
Kinaxis Inc.	CAD		21,500	443,364	1,115,420
Open Text Corporation	CAD		2,900	221,587	221,531
PayPal Holdings, Inc.	USD		3,500	167,508	166,235
Paysafe Group PLC	GBP		75,000	611,132	506,378
Visa Inc.	USD		1,300	129,310	125,434
Yahoo! Inc.	USD		3,500	165,336	171,016
				5,393,574	7,254,016
<b>Materials</b>		<b>9.1%</b>			
Agnico Eagle Mines Limited	CAD		12,200	607,184	843,508
Canam Group Inc.	CAD		45,800	606,546	596,774
CCL Industries Inc.	CAD		19,800	2,203,751	4,451,832
Detour Gold Corporation	CAD		19,200	392,624	620,544
Kirkland Lake Gold Inc.	CAD		25,400	266,722	270,256

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

Schedule of Investment Portfolio – As at June 30, 2016 (Unaudited)

Equity Positions - Long		41.1%			
Security Name	Currency		Quantity	Average Cost \$	Fair Value \$
Lithium Americas Corp.	CAD		134,400	97,067	146,496
Lithium X Energy Corp.	CAD		94,400	174,888	158,592
Methanex Corporation	CAD		6,460	256,515	242,831
Primero Mining Corp.	CAD		208,050	483,623	559,655
Sandstorm Gold Ltd.	CAD		409,000	2,110,091	2,376,290
Sociedad Quimica y Minera de Chile S.A.	USD		17,500	476,982	562,769
Stella-Jones Inc.	CAD		62,400	782,138	3,002,064
Tahoe Resources Inc.	CAD		900	14,728	17,415
Turquoise Hill Resources Ltd.	CAD		28,200	120,679	123,234
Yamana Gold Inc.	CAD		93,800	567,773	630,336
				9,161,311	14,602,596
<b>Telecommunication Services</b>		<b>0.4%</b>			
BCE Inc.	CAD		8,500	482,008	519,690
Manitoba Telecom Services Inc.	CAD		4,600	142,357	174,478
				624,365	694,168
<b>Utilities</b>		<b>1.5%</b>			
American Water Works Company, Inc.	USD		800	77,877	87,951
Brookfield Renewable Energy Partners	CAD		10,900	404,041	419,214
Hydro One Limited	CAD		58,000	1,371,760	1,505,680
TransAlta Corporation	CAD		57,900	371,179	389,088
				2,224,857	2,401,933
				48,572,692	66,103,946

Equity Positions - Short		(1.1%)			
Security Name	Currency		Quantity	Proceeds \$	Fair Value \$
<b>Consumer Discretionary</b>		<b>(0.2%)</b>			
Hilton Worldwide Holdings Inc.	USD		(500)	(14,524)	(14,655)
Magna International Inc.	CAD		(2,900)	(146,490)	(131,515)
MTY Food Group Inc.	CAD		(1,000)	(44,168)	(43,410)
NIKE, Inc.	USD		(700)	(49,547)	(50,267)
				(254,729)	(239,847)
<b>Energy</b>		<b>(0.7%)</b>			
TransCanada Corporation	CAD		(20,100)	(998,679)	(1,175,046)
<b>Financials</b>		<b>(0.0%)</b>			
The Carlyle Group L.P.	USD		(2,900)	(59,227)	(61,229)
<b>Industrials</b>		<b>(0.2%)</b>			
Canadian Pacific Railway Limited	CAD		(800)	(127,452)	(133,064)
Caterpillar Inc.	USD		(1,900)	(175,937)	(187,380)
Finning International Inc.	CAD		(200)	(4,216)	(4,208)
				(307,605)	(324,652)
				(1,620,240)	(1,800,774)



# EXEMPLAR CANADIAN FOCUS PORTFOLIO

Schedule of Investment Portfolio – As at June 30, 2016 (Unaudited)

Funds - Long		8.9%		
Security Name	Currency	Quantity	Average Cost \$	Fair Value \$
BMO S&P/TSX Equal Weight Banks Index	CAD	5,200	120,885	117,572
Boyd Group Income Fund	CAD	118,783	2,208,691	8,820,826
iShares 20+ Year Treasury Bond	USD	1,800	305,299	325,251
iShares S&P/TSX Capped Energy	CAD	79,700	919,516	956,400
iShares S&P/TSX Global Gold Index ETF	CAD	67,900	932,751	1,068,746
PowerShares DB Agriculture Fund	USD	3,200	93,078	91,875
SPDR Dow Jones Global Real Estate	USD	10,071	636,512	659,784
SPDR Gold Shares	USD	8,500	1,325,596	1,399,013
VanEck Vectors Junior Gold Miners	USD	13,700	679,405	759,587
			<u>7,221,733</u>	<u>14,199,054</u>

Funds - Short		(0.0%)		
Security Name	Currency	Quantity	Average Cost \$	Fair Value \$
iShares MSCI Spain Capped ETF	USD	(500)	(15,059)	(16,248)
PowerShares QQQ	USD	(200)	(27,591)	(27,980)
			<u>(42,650)</u>	<u>(44,228)</u>

Warrant Positions - Long		0.0%			Average Cost	Fair Value
Security Name	Currency	Strike Price	Maturity Date	Quantity	\$	\$
Patient Home Monitoring Corp.	CAD	1.8	05-04-18	135,000	270	-

Forward Currency Contracts		0.0%			Counterparty	Credit Rating	Fair Value	
Currency Purchased	Notional Value	Currency Sold	Notional Value	Contract Rate	Maturity Date		\$	
CAD	546,200	GBP	(289,500)	1.8867	07-06-16	BNY Mellon	A1	43,596

Investment Portfolio Summary		Average Cost/(Proceeds)	Fair Value
	%	\$	\$
Equity Positions - Long	41.2	48,572,692	66,103,946
Equity Positions - Short	(1.1)	(1,620,240)	(1,800,774)
Funds - Long	8.9	7,221,733	14,199,054
Funds - Short	(0.0)	(42,650)	(44,228)
Warrant Positions - Long	-	270	-
Forward Currency Contracts	0.0	-	43,596
Total Investments	<u>48.9</u>	<u>54,131,805</u>	<u>78,501,594</u>
Total Other Net Assets	<u>51.1</u>	<u>-</u>	<u>81,915,740</u>
Total Net Assets	<u>100.0</u>	<u>54,131,805</u>	<u>160,417,334</u>

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS (UNAUDITED)

For the period ended June 30, 2016

The investment objective of the Exemplar Canadian Focus Portfolio (the "Portfolio") is to achieve superior capital appreciation over both short and long term horizons primarily through the selection and management of a concentrated group of long and short positions in Canadian equity securities and equity derivative securities.

### RISK MANAGEMENT

The Portfolio's overall risk management program seeks to maximize the returns derived for the level of risk to which the Portfolio is exposed and seeks to minimize potential adverse effects on the Portfolio's financial performance. All investments present a risk of loss of capital. The maximum loss of capital on long equity and debt securities is limited to the fair value of those positions. The maximum loss on equities and debt sold short can be unlimited and the maximum loss on forward currency contracts is the notional contract value of those positions.

The management of these risks is carried out by the Manager in accordance with Portfolio's prospectus.

The Portfolio's use of leverage and borrowings can increase the Portfolio's exposure to these risks, which in turn can also increase the potential returns the Portfolio can achieve. The Manager manages these exposures on a daily basis in accordance with investment restrictions that have been established by the Portfolio to manage the overall potential exposure. The Portfolio will generally not use leverage in excess of 20% of its Net Asset Value.

A general discussion of risks associated with financial instruments for the Exemplar Portfolios is contained in Note 4: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

### Credit Risk

The analysis below summarizes the credit quality of the Portfolio's debt portfolio at June 30, 2016 and December 31, 2015.

Credit Rating*	Percentage of total debt securities	
	As at June 30, 2016	As at December 31, 2015
	\$	\$
Not Rated	-	100.0
Total	-	100.0

*\* Credit ratings are obtained from Standard & Poor's, Moody's and / or Dominion Bond Rating Service. Where multiple ratings were obtained for a security, the lowest rating has been used.*

The Portfolio is exposed to counterparty credit risk on cash, margin on deposit, receivable for securities sold and other receivable balances. The Portfolio's brokerage agreements require cash collateral up to 150% of the fair value of securities sold short. The Portfolio's brokerage services are provided by BMO Nesbitt Burns which has a credit rating of Aa3 (December 31, 2015: Aa3) as rated by Moody's bond rating services.

There are risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Portfolio. Therefore, the Portfolio should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Portfolio may experience increased exposure to credit risk associated with the applicable custodians or brokers. The Portfolio's custodial services are provided by CIBC Mellon Trust Company which has a credit rating as rated by Moody's bond rating services of A1 (December 31, 2015: Aa3).

The Portfolio is also exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (December 31, 2015: Aa1).

### Liquidity Risk

All of the Portfolio's liabilities are typically due in less than 3 months except for performance fees which are accrued daily and payable annually on December 31. Redeemable shares are redeemable on demand at the holder's option. However, holders of these instruments typically retain them for a longer period.

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS (UNAUDITED)

For the period ended June 30, 2016

### Market Risk

The following include sensitivity analyses that show how the net assets attributable to holders of redeemable shares would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

#### (a) Currency Risk

The tables below indicate the Portfolio's exposure as at June 30, 2016 and December 31, 2015 in Canadian dollar terms. The tables also illustrate the potential impact on the net assets attributable to holders of redeemable shares if the Canadian dollar had strengthened or weakened by 10% in relation to each of the other currencies, with all other variables held constant. Non-monetary is comprised of equity positions and warrants. Monetary includes cash, fixed income securities and other current receivables and payables.

June 30, 2016	Exposure			Impact on net assets attributable to holders of redeemable shares		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$	\$	\$	\$	\$	\$
United States Dollar - Long	1,908,756	15,878,213	17,786,969	190,876	1,587,821	1,778,697
United States Dollar - Short	(135,280)	(357,759)	(493,039)	(13,528)	(35,776)	(49,304)
Great Britian Pound - Long	-	506,378	506,378	-	50,638	50,638
Great Britian Pound - Short	(502,602)	-	(502,602)	(50,260)	-	(50,260)
<b>Total</b>	<b>1,270,874</b>	<b>16,026,832</b>	<b>17,297,706</b>	<b>127,088</b>	<b>1,602,683</b>	<b>1,729,771</b>
% of net assets attributable to holders of redeemable shares	0.8%	10.0%	10.8%	0.1%	1.0%	1.1%

December 31, 2015	Exposure			Impact on net assets attributable to holders of redeemable shares		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$	\$	\$	\$	\$	\$
United States Dollar - Long	3,159,858	13,081,150	16,241,008	315,986	1,308,115	1,624,101
United States Dollar - Short	-	(578,932)	(578,932)	-	(57,893)	(57,893)
<b>Total</b>	<b>3,159,858</b>	<b>12,502,218</b>	<b>15,662,076</b>	<b>315,986</b>	<b>1,250,222</b>	<b>1,566,208</b>
% of net assets attributable to holders of redeemable shares	2.6%	10.2%	12.8%	0.3%	1.0%	1.3%

#### (b) Interest Rate Risk

The table below summarizes the Portfolio's exposure to interest rate risk as at June 30, 2016 and December 31, 2015. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable shares if the prevailing levels of market interest rates changed by 1.0%, assuming a parallel shift in the yield curve with all other variables held constant.

Term to Maturity	Total Exposure	
	June 30, 2016	December 31, 2015
Less than 1 year	\$ -	\$ -
1-3 years	-	1,275,396
3-5 years	-	-
Greater than 5 years	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,275,396</b>
Sensitivity:		
Total \$ sensitivity	+/- \$ -	+/- \$ 2,856
Total % sensitivity	0.0%	0.0%

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS (UNAUDITED)

For the period ended June 30, 2016

### (c) Price Risk

The Portfolio's policy is to manage price risk through diversification and selection of investments within specified limits established by the investment restrictions within the Portfolio's prospectus, as summarized below.

The Portfolio invests predominantly in large and mid capitalization companies. The Portfolio may also invest in bonds and other debt instruments if warranted by financial conditions. The Portfolio does not specialize in any one industry other than to concentrate investments in those industries that offer the best opportunities for exceptional returns at each stage of the economic and market cycle. The Portfolio may also invest in options, including put options or call options either in respect of a specific security or in respect of a stock exchange index as a means to reduce volatility.

The Portfolio may engage in short selling of securities which the Manager believes are overvalued, especially securities of issuers with deteriorating fundamentals and weak balance sheets. Short positions of index securities such as exchange traded funds may also be employed for capital preservation and hedging purposes. Short selling positions will not in total exceed 40% of the Net Asset Value of the Portfolio.

The Portfolio holds cash and invests in short term securities for the purpose of preserving capital and/or maintaining liquidity, based upon the Manager's ongoing evaluation of current and anticipated economic and market conditions. The Portfolio may also invest in foreign securities of the same type and characteristics as described above.

The Portfolio may use derivatives for hedging and non-hedging purposes as permitted by applicable securities laws. The Portfolio may enter into securities lending, repurchase and reverse repurchase transactions to generate additional income or as a short-term cash management tool.

The impact on net assets of the Portfolio due to a 5% change in market prices of equity securities, funds, and warrants with all other variables held constant, is presented in the following table.

	Impact on net assets attributable to holders of redeemable shares	
	June 30, 2016	December 31, 2015
	\$	\$
5% Increase	3,922,900	3,330,612
5% Decrease	(3,922,900)	(3,330,612)

The Portfolio engages in short selling activities, wherein it borrows securities and sells them to third parties. Until the Portfolio covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold short at prices which may be significantly higher than the fair value reflected on the financial statements.

### Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

The following is a summary of the Portfolio's concentration risk as a percentage of net assets attributable to holders of redeemable shares:

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS (UNAUDITED)

For the period ended June 30, 2016

Market Segment	% of net assets attributable to holders of redeemable shares			
	June 30, 2016		December 31, 2015	
	Long %	Short %	Long %	Short %
Consumer Discretionary	6.6	(0.1)	12.9	(0.2)
Consumer Staples	6.1	-	7.5	-
Energy	6.1	(0.7)	2.3	(0.2)
Financials	2.1	(0.1)	3.4	(0.2)
Health Care	0.6	-	0.7	-
Industrials	11.0	(0.2)	13.2	(0.1)
Information Technology	4.5	-	9.1	-
Materials	11.1	-	6.4	-
Telecommunication Services	0.4	-	0.5	-
Utilities	1.5	-	-	-
	50.0	(1.1)	56.0	(0.7)

### FAIR VALUE MEASUREMENT

A general discussion of fair value measurement for the Exemplar Portfolios appears as Note 5: FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT.

The following table illustrates the classification of the Portfolio's assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2016 and December 31, 2015.

June 30, 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Equities	65,684,732	419,214	-	66,103,946
Funds	5,378,228	8,820,826	-	14,199,054
Derivatives	-	43,596	-	43,596
	71,062,960	9,283,636	-	80,346,596
<b>Financial liabilities</b>				
Equities sold short	(1,800,774)	-	-	(1,800,774)
Funds	(44,228)	-	-	(44,228)
	(1,845,002)	-	-	(1,845,002)
<b>Total</b>	<b>69,217,958</b>	<b>9,283,636</b>	<b>-</b>	<b>78,501,594</b>

December 31, 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Equities	67,532,650	-	-	67,532,650
Fixed income	-	1,275,396	-	1,275,396
	67,532,650	1,275,396	-	68,808,046
<b>Financial liabilities</b>				
Equities sold short	(920,418)	-	-	(920,418)
	(920,418)	-	-	(920,418)
<b>Total</b>	<b>66,612,232</b>	<b>1,275,396</b>	<b>-</b>	<b>67,887,628</b>

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS (UNAUDITED)

For the period ended June 30, 2016

All fair value measurements above are recurring. The carrying values of all of the Portfolio's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

The Manager is responsible for performing the fair value measurements included in the financial statements of the Portfolio, including Level 3 measurements, if any. The Manager obtains pricing from a third party pricing vendor which is monitored and reviewed daily by the finance department.

As at June 30, 2016, the Portfolio did not hold any Level 3 financial instruments. There were no transfers between Levels 1, 2, and 3 during the periods ending June 30, 2016 and 2015.

### a) Equities and equities sold short

Most of the Portfolio's equity positions are classified as Level 1 as the securities are actively traded on a recognized exchange and a quoted price is available. Equity positions which have resale restrictions but otherwise trade on the market are classified as Level 2.

### b) Funds and funds sold short

Funds are classified as Level 1 when the security is actively traded and a reliable price is observable. When the Fund investment is not traded on public exchanges, observable prices are not available. In such cases, fair value is determined using the fund prices as reported by the respective Fund administrator, which have been determined using observable market data, and the fair value is classified as Level 2. If the determination of fair value requires significant unobservable data, the measurement is classified as Level 3.

### c) Fixed Income

The Portfolio's fixed income holdings are comprised of Canadian corporate bonds. Bond pricing is obtained from bid and ask prices provided by independent security pricing services or recognized investment dealers. Bond prices may be derived by using models which include inputs such as interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Portfolio's fixed income holdings have been classified as Level 2.

### d) Derivatives

Warrants are valued using models and valuation techniques commonly used in the industry, including inputs such as underlying stock price, restrictions on exercise and days to expiry. When the inputs that are significant to valuation are generally observable, the warrant is classified as Level 2.

### Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the periods ended June 30, 2016 and 2015.

	Net realized gains / (losses)	Net change in unrealized gains / (losses)	Interest income	Interest expense	Dividend income	Dividend expense	Total
June 30, 2016	\$	\$	\$	\$	\$	\$	\$
Financial asset at FVTPL:							
Designated as FVTPL	2,594,805	(3,571,463)	19,584	-	559,635	-	(397,439)
Financial liabilities at FVTPL:							
HFT	115,730	(192,736)	-	-	-	(22,027)	(99,033)
<b>Total</b>	<b>2,710,535</b>	<b>(3,764,199)</b>	<b>19,584</b>	<b>-</b>	<b>559,635</b>	<b>(22,027)</b>	<b>(496,472)</b>

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS (UNAUDITED)

For the period ended June 30, 2016

June 30, 2015	Net realized gains / (losses) \$	Net change in unrealized gains / (losses) \$	Interest income \$	Interest expense \$	Dividend income \$	Dividend expense \$	Total \$
Financial asset at FVTPL:							
Designated as FVTPL	3,596,316	2,177,307	45,851	-	442,293	-	6,261,767
HFT	-	41,763	-	-	-	-	41,763
	3,596,316	2,219,070	45,851	-	442,293	-	6,303,530
Financial liabilities at FVTPL:							
HFT	(332,673)	110,801	-	-	-	(10,187)	(232,059)
<b>Total</b>	<b>3,263,643</b>	<b>2,329,871</b>	<b>45,851</b>	<b>-</b>	<b>442,293</b>	<b>(10,187)</b>	<b>6,071,471</b>

# EXEMPLAR DIVERSIFIED PORTFOLIO

## Statements of Financial Position (Unaudited)

	As at June 30, 2016	As at December 31, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Financial assets held for trading		
Unrealized gain on futures - long	\$3,352,334	\$219,227
Unrealized gain on futures - short	675,515	603,263
Unrealized gain on options - long	173,105	243,521
Unrealized gain on forward contract	232	-
Cash	35,811,820	23,670,352
Margin deposits	17,473,378	27,797,731
Due from manager (Note 9)	-	75,649
Receivable for redeemable shares issued	384,224	298,118
	57,870,608	52,907,861
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Financial liabilities held for trading		
Unrealized loss on futures - long	294,712	142,419
Unrealized loss on futures - short	1,177,053	631,822
Unrealized loss on forward contract	105	-
Payable for redeemable shares redeemed	41,512	6,143
Other liabilities (Note 9)	105,619	28,182
	1,619,001	808,566
<b>Net assets attributable to holders of redeemable shares</b>	<b>\$56,251,607</b>	<b>\$52,099,295</b>
Net assets attributable to holders of redeemable shares		
Series A	\$5,237,933	\$5,654,764
Series F	\$25,331,437	\$22,455,614
Series I	\$8,799,471	\$9,190,252
Series L	\$1,560,279	\$1,574,529
Series R	\$15,322,487	\$13,224,136
Number of redeemable shares outstanding (Note 8)		
Series A	394,274	415,011
Series F	1,791,673	1,554,720
Series I	683,586	705,240
Series L	135,734	133,351
Series R	1,571,032	1,327,895
Net assets attributable to holders of redeemable shares per share		
Series A	\$13.29	\$13.63
Series F	\$14.14	\$14.44
Series I	\$12.87	\$13.03
Series L	\$11.50	\$11.81
Series R	\$9.75	\$9.96

Approved on behalf of the Board of Directors of Arrow Capital Management Inc., the Manager of the Portfolio:

“James L. McGovern”

“Robert W. Maxwell”

James L. McGovern, Director

Robert W. Maxwell, Director

*The accompanying notes are an integral part of these financial statements.*



# EXEMPLAR DIVERSIFIED PORTFOLIO

Statements of Comprehensive Income (Unaudited)  
For the periods ended June 30,

	2016 \$	2015 \$
<b>INCOME</b>		
Net gains (losses) on investments and derivatives		
Net realized gain (loss) on futures	(2,836,064)	3,772,134
Net change in unrealized appreciation (depreciation) in value of futures	2,507,833	(1,443,085)
Net realized gain (loss) on investments and derivatives	(595,457)	(159,156)
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	411,502	453,091
Net gains (losses) on investments and derivatives	(512,186)	2,622,984
Other income items:		
Interest on cash	70,953	110,289
Foreign exchange gain (loss)	534,527	461,772
Net change in unrealized foreign exchange gain (loss)	(471,452)	170,073
<b>Total income (net)</b>	(378,158)	3,365,118
<b>EXPENSES</b>		
Management fees (Note 9)	255,584	241,172
Performance fees (Note 9)	49,952	647,756
Securityholder reporting fees	83,594	94,589
Independent Review Committee fees	2,300	2,404
Audit fees	12,863	10,167
Legal fees	37,425	10,833
Commissions and other portfolio transaction costs (Note 9)	262,159	218,107
Harmonized sales tax	54,473	130,551
Total expenses	758,350	1,355,579
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	(1,136,508)	2,009,539
<b>Increase (decrease) in net assets attributable to holders of redeemable shares (Note 11)</b>		
Series A	(133,929)	368,221
Series F	(623,746)	1,161,975
Series I	(126,173)	411,154
Series L	(45,379)	68,189
Series R	(207,281)	-
<b>Increase (decrease) in net assets attributable to holders of redeemable shares per share (Note 11)</b>		
Series A	(0.33)	0.72
Series F	(0.37)	0.55
Series I	(0.18)	0.59
Series L	(0.34)	0.39
Series R	(0.15)	-

The accompanying notes are an integral part of these financial statements.

# EXEMPLAR DIVERSIFIED PORTFOLIO

Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares (Unaudited)  
For the periods ended June 30,

		2016	2015
		\$	\$
<b>Net assets attributable to holders of redeemable shares at beginning of period</b>	Series A	5,654,764	7,245,031
	Series F	22,455,614	26,578,556
	Series I	9,190,252	7,836,247
	Series L	1,574,529	1,783,840
	Series R	13,224,136	-
			<u>52,099,295</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	Series A	(133,929)	368,221
	Series F	(623,746)	1,161,975
	Series I	(126,173)	411,154
	Series L	(45,379)	68,189
	Series R	(207,281)	-
			<u>(1,136,508)</u>
<b>Redeemable share transactions</b>			
Proceeds from redeemable shares issued	Series A	356,664	1,143,327
	Series F	5,211,405	7,602,627
	Series I	246,307	818,849
	Series L	154,085	407,500
	Series R	6,032,561	-
Redemption of redeemable shares	Series A	(639,566)	(2,886,753)
	Series F	(1,711,836)	(3,614,446)
	Series I	(510,915)	(225,647)
	Series L	(122,956)	(168,426)
	Series R	(3,726,929)	-
<b>Net increase (decrease) from redeemable share transactions</b>		<u>5,288,820</u>	<u>3,077,031</u>
<b>Net increase (decrease) in net assets attributable to holders of redeemable shares</b>		<u>4,152,312</u>	<u>5,086,570</u>
<b>Net assets attributable to holders of redeemable shares at end of period</b>	Series A	5,237,933	5,869,826
	Series F	25,331,437	31,728,711
	Series I	8,799,471	8,840,604
	Series L	1,560,279	2,091,103
	Series R	15,322,487	-
			<u>56,251,607</u>

The accompanying notes are an integral part of these financial statements.

# EXEMPLAR DIVERSIFIED PORTFOLIO

Statements of Cash Flows (Unaudited)  
For the periods ended June 30,

	2016 \$	2015 \$
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares	(1,136,508)	2,009,539
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	7,573	(170,073)
Net realized loss (gain) on investments and derivatives	595,457	159,156
Net change in unrealized depreciation (appreciation) in value of investments and derivatives	(411,502)	(453,091)
Net change in unrealized depreciation (appreciation) in value of futures	(2,507,833)	1,443,085
Purchase of investments and derivatives	(4,053,547)	(1,335,580)
Proceeds from sale of investments and derivatives	3,939,879	1,333,271
(Increase) decrease in margin deposits	10,324,353	(4,232,003)
(Increase) decrease in due from manager	75,649	-
(Decrease) increase in other liabilities	77,437	503,175
<b>Net cash from (used in) operating activities</b>	6,910,958	(742,521)
<b>Cash flows from (used in) financing activities</b>		
Proceeds from redeemable shares issued	11,914,916	10,035,251
Redemption of redeemable shares	(6,676,833)	(6,687,959)
<b>Net cash from (used in) financing activities</b>	5,238,083	3,347,292
<b>Net Increase (decrease) in cash</b>	12,149,041	2,604,771
<b>Cash at beginning of the period</b>	23,670,352	20,761,142
Net change in unrealized foreign exchange gain (loss) on cash	(7,573)	170,073
<b>Cash at end of the period</b>	35,811,820	23,535,986
Interest received*	70,953	110,289
*Included as part of cash flows from operating activities		

The accompanying notes are an integral part of these financial statements.

# EXEMPLAR DIVERSIFIED PORTFOLIO

Schedule of Investment Portfolio – As at June 30, 2016 (Unaudited)

Futures Contracts - Long Security Name	Currency	5.4% Contracts	Contract Size	Expiry Date	Notional Value	Unrealized Gain / (Loss) \$
<b>Bond Futures</b>		<b>1.9%</b>				
AUSTRALIAN 10YR BOND FUT (SFE)	AUD	80	1,000	09-15-16	10,895,965	98,647
BRAZIL REAL FUTURE (CME)	USD	154	1,000	07-29-16	4,751,670	151,847
CANADA 10YR BOND FUTURE (MSE)	CAD	84	1,000	09-21-16	12,435,360	171,130
US 10YR TREAS NTS FUTURE (CBT)	USD	135	1,000	09-21-16	17,952,891	245,728
US 5YR TREAS NTS FUTURE (CBT)	USD	58	1,000	09-30-16	7,085,516	63,561
US LONG BD FUTURE (CBT)	USD	51	1,000	09-21-16	8,789,531	345,714
						<u>1,076,627</u>
<b>Commodity Futures</b>		<b>1.8%</b>				
ALUMINUM HG FUTURE (LME)	USD	16	25	08-15-16	659,200	9,968
COCOA FUTURE (NYB)	USD	23	10	09-15-16	681,490	(43,437)
COFFEE 'C' FUTURE (NYB)	USD	10	375	09-20-16	546,188	30,953
COTTON NO 2 FUTURE (NYB)	USD	7	500	12-07-16	224,595	(6,134)
GOLD 100 OZ FUTURE (CMX)	USD	26	100	08-29-16	3,433,560	70,457
LEAN HOGS FUTURE (CME)	USD	100	400	08-12-16	3,331,000	(216,574)
NATURAL GAS FUTURE (NYM)	USD	74	10,000	03-29-17	2,271,800	7,844
NATURAL GAS FUTURE (NYM)	USD	13	10,000	08-29-16	379,340	34,552
SILVER FUTURE (CMX)	USD	16	5,000	09-28-16	1,489,840	93,593
SOYBEAN FUTURE (CBT)	USD	61	50	11-14-16	3,517,413	22,880
SUGAR #11 WORLD FUTURE (NYB)	USD	118	1,120	09-30-16	2,686,813	91,121
WHITE SUGAR (ICE)	USD	266	50	07-15-16	7,348,250	898,134
ZINC FUTURE (LME)	USD	19	25	08-15-16	999,495	19,808
						<u>1,013,165</u>
<b>Currency Futures</b>		<b>1.5%</b>				
AUDUSD CRNCY FUTURE (CME)	USD	19	1,000	09-19-16	1,410,560	(7,038)
C\$ CURRENCY FUTURE (CME)	USD	16	1,000	09-20-16	1,233,920	(17,536)
EURO/GBP FUTURE (CME)	GBP	16	125,000	09-19-16	1,676,900	179,220
JAPANESE YEN CCY FUTURE (CME)	USD	93	1,250	09-19-16	11,284,388	426,337
UK LONG GILT FUTURE (ICE)	GBP	36	1,000	09-28-16	4,625,640	254,825
						<u>835,808</u>
<b>Index Futures</b>		<b>0.0%</b>				
S & P 500 EMINI IND FUT (CME)	USD	3	50	09-16-16	313,538	11,448
<b>Interest Rate Futures</b>		<b>0.2%</b>				
90 DAY AUSTRALIAN BK BILL FUT	AUD	154	10,000	09-08-16	153,289,409	(3,993)
90DAY BANK ACCEPT FUTURE (MSE)	CAD	142	2,500	09-19-16	35,187,600	2,888
90DAY EURODOLLAR FUTURE (CME)	USD	389	2,500	09-19-16	96,622,738	101,844
90DAY STERLING LIBOR FUT (LIF)	GBP	61	1250	09-21-16	7,596,406	19,835
						<u>120,574</u>
						<u><u>3,057,622</u></u>



# EXEMPLAR DIVERSIFIED PORTFOLIO

Schedule of Investment Portfolio – As at June 30, 2016 (Unaudited)

Option Positions - Long		0.3%					
Security Name	Currency	Strike Price	Expiry Date	Contracts	Average Cost \$	Fair Value \$	
90DAY EURODOLLAR FUTURE	USD	99	09-20-16	538	19,742	4,374	
90DAY STERLING LIBOR FUT	GBP	99	09-22-16	1,005	12,338	-	
EURO-BUND FUT SEP 16	EUR	171	08-27-16	180	63,520	38,955	
JPN YEN CURR FUT (CME) SEP	USD	96	07-09-16	58	35,258	27,351	
S&P500 EMINI FUT (CME) SEP 16	USD	2,100	09-17-16	25	57,153	79,680	
US 10YR NOTE FUTURE SEP 16	USD	129	08-27-16	53	51,674	8,618	
US 5YR TREAS NTS FUT SEP 16	USD	121	07-23-16	195	59,168	7,927	
US LONG BD FUTURE (CBT)	USD	164	07-23-16	61	56,305	6,200	
					<u>355,158</u>	<u>173,105</u>	

Forward Currency Contracts		0.0%						
Currency Purchased	Notional Value	Currency Sold	Notional Value	Contract Rate	Maturity Date	Counterparty	Credit Rating	Fair Value \$
AUD	30,839	CAD	(29,785)	1.0354	07-04-16	Societe Generale	A2	37
CAD	58,582	GBP	(33,637)	1.7416	07-04-16	Societe Generale	A2	185
HKD	43,281	CAD	(7,240)	5.9783	07-04-16	Societe Generale	A2	6
CAD	78,379	JPY	(6,199,753)	0.0126	07-04-16	Societe Generale	A2	(105)
EUR	19,766	CAD	(28,515)	0.6932	07-04-16	Societe Generale	A2	4
								<u>127</u>

Investment Portfolio Summary			Average Cost / (Proceeds) \$	Fair Value \$
Futures Contracts - Long	5.4		-	3,057,622
Futures Contracts - Short	(0.9)		-	(501,538)
Option Positions - Long	0.3		355,158	173,105
Forward Currency Contracts	0.0		-	127
Total Investments	4.8		355,158	2,729,316
Total Other Net Assets	95.2		-	53,522,291
Total Net Assets	<u>100.0</u>		<u>355,158</u>	<u>56,251,607</u>

# EXEMPLAR DIVERSIFIED PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS (UNAUDITED)

For the period ended June 30, 2016

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The investment objective of the Exemplar Diversified Portfolio (the "Portfolio") is to seek superior long term absolute and risk-adjusted returns with the potential for low correlation to global equity and fixed-income market returns through the selection and management of long and short positions in a globally diversified portfolio of futures, options, forward contracts and other financial derivative instruments on agricultural and soft commodities, metals, energies, currencies, interest rates and equity indices.

### RISK MANAGEMENT

The Portfolio's overall risk management program seeks to maximize the returns derived for the level of risk to which the Portfolio is exposed and seeks to minimize potential adverse effects on the Portfolio's financial performance. All investments present a risk of loss of capital. The maximum loss of capital on long equity, options and debt securities is limited to the fair value of those positions. The maximum loss on equities, options and debt sold short can be unlimited and the maximum loss on futures contracts is the notional contract value of those positions.

The management of these risks is carried out by the Manager and Portfolio Sub-Advisor in accordance with the Portfolio's prospectus.

The Portfolio's use of leverage and borrowings can increase the Portfolio's exposure to these risks, which in turn can also increase the potential returns the Portfolio can achieve. The Portfolio Sub-Advisor manages these exposures on a daily basis in accordance with investment restrictions that have been established by the Portfolio to manage the overall potential exposure. Futures and forward contracts and investments to which the Portfolio may have exposure at any time may be substantially larger than the actual amount invested with the result that the Portfolio will be exposed to a form of notional leverage. The notional leverage of the Portfolio, excluding futures on government securities and Euro dollars, is generally between 0% and 300% and can never go above 500%. The notional leverage of the Portfolio, including futures on government securities and Euro dollars, is typically around 300% but from time to time may be as high as 1,000%. No form of cash leverage is permitted and in the case of government securities and Euro dollars, futures positions are restricted to those that are based on investment grade government securities and Euro dollars.

A general discussion of risks associated with financial instruments for the Exemplar Portfolios is contained in Note 4: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

### Credit Risk

As at June 30, 2016 and December 31, 2015, the Portfolio had no investments in debt instruments and therefore was not subject to related credit risk.

The Portfolio is exposed to counterparty credit risk on cash, margin deposits, derivatives, receivable for securities sold and other receivable balances. The Portfolio's brokerage agreements require cash collateral to be maintained in respect of futures transactions entered into. The brokers for the Portfolio are Societe Generale SA, Royal Bank Canada and Bank of Montreal which have credit ratings as obtained from Moody's bond rating services of A2, Aa3 and Aa3, respectively (December 31, 2015: A2, Aa3 and Aa3, respectively).

There are risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Portfolio. Therefore, the Portfolio should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the investments of the Portfolio may experience increased exposure to credit risk associated with the applicable custodians or brokers.

The Portfolio's custodial services are provided by CIBC Mellon Trust Company which has a credit rating as rated by Moody's bond rating services of A1 (December 31, 2015: Aa3).

The Portfolio is also exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (December 31, 2015: Aa1).

# EXEMPLAR DIVERSIFIED PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS (UNAUDITED)

For the period ended June 30, 2016

### Liquidity Risk

All of the Portfolio's liabilities are typically due in less than 3 months except for performance fees which are accrued daily and payable annually on December 31. Redeemable shares are redeemable on demand at the holder's option. However, holders of these instruments typically retain them for a longer period.

### Market Risk

The following include sensitivity analyses that show how the net assets attributable to holders of redeemable shares would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

#### (a) Currency Risk

The table below indicates the foreign currencies to which the Portfolio had significant exposure at June 30, 2016 and December 31, 2015, in Canadian dollar terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable shares if the Canadian dollar had strengthened or weakened by 10% in relation to each of the other currencies, with all other variables held constant. Non-monetary is comprised of non-financial options. Monetary items include cash, margin deposits, futures, financial options, and other current receivables and payables.

June 30, 2016 Currency	Exposure			Impact on net assets attributable to holders of redeemable shares		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$	\$	\$	\$	\$	\$
United States Dollar - Long	2,530,199	79,680	2,609,879	253,020	7,968	260,988
United States Dollar - Short	(1,128,837)	-	(1,128,837)	(112,884)	-	(112,884)
Australian Dollar - Long	124,476	-	124,476	12,448	-	12,448
Australian Dollar - Short	(118,414)	-	(118,414)	(11,841)	-	(11,841)
British Pound - Long	629,051	-	629,051	62,905	-	62,905
British Pound - Short	(58,397)	-	(58,397)	(5,840)	-	(5,840)
Euro Currency - Long	67,473	-	67,473	6,747	-	6,747
Euro Currency - Short	(936,413)	-	(936,413)	(93,641)	-	(93,641)
Hong Kong Dollar - Long	7,245	-	7,245	725	-	725
Hong Kong Dollar - Short	(60,588)	-	(60,588)	(6,059)	-	(6,059)
Japanese Yen - Long	165,460	-	165,460	16,546	-	16,546
Japanese Yen - Short	133,680	-	133,680	13,368	-	13,368
Malaysian Ringgit - Long	159,268	-	159,268	15,927	-	15,927
Malaysian Ringgit - Short	46,758	-	46,758	4,676	-	4,676
Swiss Franc - Short	(11,180)	-	(11,180)	(1,118)	-	(1,118)
<b>Total</b>	<b>1,549,781</b>	<b>79,680</b>	<b>1,629,461</b>	<b>154,979</b>	<b>7,968</b>	<b>162,947</b>
% of net assets attributable to holders of redeemable shares	2.8%	0.1%	2.9%	0.3%	0.0%	0.3%



# EXEMPLAR DIVERSIFIED PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS (UNAUDITED)

For the period ended June 30, 2016

December 31, 2015	Exposure			Impact on net assets attributable to holders of redeemable shares		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$	\$	\$	\$	\$	\$
Australian Dollar - Long	(6,999)	-	(6,999)	(700)	-	(700)
Australian Dollar - Short	(414)	-	(414)	(41)	-	(41)
British Pound Sterling - Long	(13,591)	-	(13,591)	(1,359)	-	(1,359)
Euro Currency - Long	301,019	-	301,019	30,102	-	30,102
Euro Currency - Short	78,222	-	78,222	7,822	-	7,822
Hong Kong Dollar - Short	(15,892)	-	(15,892)	(1,589)	-	(1,589)
Japanese Yen - Long	104,802	-	104,802	10,480	-	10,480
Japanese Yen - Short	(27,493)	-	(27,493)	(2,749)	-	(2,749)
Malaysian Ringgit - Short	178,261	-	178,261	17,826	-	17,826
Swiss Franc - Long	13,146	-	13,146	1,315	-	1,315
United States Dollar - Long	8,453,347	59,557	8,512,904	845,335	5,956	851,291
United States Dollar - Short	(52,755)	-	(52,755)	(5,276)	-	(5,276)
<b>Total</b>	<b>9,011,653</b>	<b>59,557</b>	<b>9,071,210</b>	<b>901,166</b>	<b>5,956</b>	<b>907,122</b>
% of net assets attributable to holders of redeemable shares	17.3%	0.1%	17.4%	1.7%	0.0%	1.7%

### (b) Interest Rate Risk

As at June 30, 2016 and December 31, 2015 the Portfolio did not hold any interest-bearing securities, and therefore was not subject to significant interest rate risk.

### (c) Price Risk

The Portfolio's policy is to manage price risk through diversification and selection of investments within specified limits established by the investment restrictions within the prospectus, as summarized below.

The core investment strategy of the Portfolio is based on a risk budgeting strategy of allocating capital to markets and utilizing that capital based on the amount of risk premium being priced into markets. As a result of this allocation methodology, generally 50% of the portfolio risk budget is allocated to globally-traded industrial and agricultural commodity futures markets, and 50% is allocated to global currency, treasury debt and equity index futures markets.

The Portfolio transacts on highly liquid exchanges globally that may include, but are not limited to, all futures exchanges in the United States and Canada, the London Metals Exchange (LME), Euronext-LIFFE (LIFFE), the Eurex Deutschland (EUREX), the International Petroleum Exchange of London Limited (IPE), the Singapore International Monetary Exchange (SIMEX), the Sydney Futures Exchange Ltd. (SFE) and the Tokyo Commodities Exchange (TCE).

The Portfolio also has the ability to take short positions, in total not exceeding 40% of the Net Asset Value of the Portfolio.

The Portfolio may hold cash or invest in short term securities for the purpose of preserving capital and/or maintaining liquidity, based upon the portfolio manager's ongoing evaluation of current and anticipated economic and market conditions.

As at June 30, 2016 and December 31, 2015, if the Portfolio's relevant benchmark index, Societe Generale Commodity Trading Index (CAD), had increased or decreased by 10%, with all other variables constant, the net assets attributable to holders of redeemable shares of the Portfolio would have increased or decreased by \$6,865,591 (December 31, 2015: 6,517,778).

Benchmark	Impact on net assets attributable to holders of redeemable shares	
	June 30, 2016	December 31, 2015
	%	%
Societe Generale Commodity Trading Index	12.2	12.5

# EXEMPLAR DIVERSIFIED PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS (UNAUDITED)

For the period ended June 30, 2016

### Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

The following is a summary of the Portfolio's concentration risk as a percentage of net assets attributable to holders of redeemable shares:

Market Segment	% of net assets attributable to holders of redeemable shares			
	June 30, 2016		December 31, 2015	
	Long Positions	Short Positions	Long Positions	Short Positions
	%	%	%	%
Bond Futures	1.9	(0.3)	-	(0.1)
Interest Rate Futures	0.2	(0.0)	-	0.2
Index Futures	0.0	(0.1)	-	-
Commodity Futures	1.8	(0.1)	0.2	(0.6)
Currency Futures	1.5	(0.4)	-	0.5
Options	0.3	-	0.5	-
	5.7	(0.9)	0.7	-

### FAIR VALUE MEASUREMENT

A general discussion of fair value measurement for the Exemplar Portfolios appears as Note 5: FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT.

All fair value measurements are recurring. The carrying values of all of the Portfolio's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

The Portfolio Sub-Advisor is responsible for performing the fair value measurements included in the financial statements of the Portfolio, including Level 3 measurements if any. The Portfolio Sub-Advisor obtains pricing from a third party pricing vendor which is monitored and reviewed daily by the finance department.

As at June 30, 2016 and 2015, all of the Portfolio's financial assets and financial liabilities held for trading were classified as Level 1. There were no transfers between levels 1, 2 and 3 during the periods ended June 30, 2016 and 2015.

Derivative assets and liabilities consist of options and futures contracts which are exchange traded and therefore classified as level 1.

### Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the periods ended June 30, 2016 and 2015.

June 30, 2016	Net realized gains / (losses)	Net change in unrealized gains / (losses)	Total
Financial asset at FVTPL:			
Designated as FVTPL	(2,836,064)	2,980,816	144,752
HFT	-	411,502	411,502
Financial liabilities at FVTPL:			
HFT	(595,457)	(472,983)	(1,068,440)
Total	(3,431,521)	2,919,335	(512,186)

# EXEMPLAR DIVERSIFIED PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS (UNAUDITED)

For the period ended June 30, 2016

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June 30, 2015	Net realized gains / (losses) \$	Net change in unrealized gains / (losses) \$	Total \$
Financial asset at FVTPL:			
Designated as FVTPL	3,772,134	(1,127,865)	2,644,269
HFT		453,091	453,091
Financial liabilities at FVTPL:			
HFT	(159,156)	(315,220)	(474,376)
Total	3,612,978	(989,994)	2,622,984

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2016

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### 1. THE PORTFOLIOS

Exemplar Portfolios Ltd. (the "Company") is a mutual fund corporation incorporated under the Business Corporations Act (Ontario). The Company was incorporated on March 18, 2008.

These financial statements only present the financial information of the Exemplar Canadian Focus Portfolio class (the "Canadian Focus Portfolio") and the Exemplar Diversified Portfolio class (the "Diversified Portfolio") (collectively, the "Portfolios"). If the Company cannot satisfy its obligations related to each legally distinct class, it may be required to satisfy such obligations using assets attributable to one or both the Canadian Focus Portfolio and Diversified Portfolio. The Manager believes that the risk of such cross-class liability is remote.

The Manager of the Portfolios is Arrow Capital Management Inc. The address of the Portfolios' registered office is 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5.

On May 22, 2015, Arrow launched Series R Shares of the Diversified Portfolio. The Series commenced operations on November 10, 2015. Please refer to the Portfolios' prospectus for more details.

Integrated Managed Futures Corp. ("IMFC") is the portfolio sub-advisor "Portfolio Sub-Advisor" of the Diversified Portfolio.

The financial statements are as at June 30, 2016 and December 31, 2015, and for the periods ending June 30, 2016 and 2015.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of Presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

These financial statements were authorized for issue by the Manager on August 29, 2016.

#### b) Financial Instruments

The Portfolios recognize financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit and loss ("FVTPL"). Regular way purchases and sales of financial assets are recognized at their trade date. The Portfolios' long investment positions are designated at FVTPL. The Portfolios' short investment positions, futures contracts and options are classified as held for trading ("HFT") and are measured at FVTPL. The Portfolios' obligation for net assets attributable to holders of redeemable shares is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Portfolios' accounting policies for measuring the fair value of their investments and derivatives are the same as those used in measuring its net asset value ("NAV") for transactions with shareholders. There were no differences between the net assets attributable to holders of redeemable shares used for reporting purposes under IFRS and that used for transactions with shareholders as at June 30, 2016 or December 31, 2015.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined on an average cost basis. Realized gains and losses on securities sold short and unrealized appreciation or depreciation on securities sold short are calculated with reference to the average proceeds of the related securities. Average cost does not include amortization of premiums or discounts on fixed income securities.

Interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by a Portfolio accounted for on an accrual basis. The Portfolios do not amortize premiums or discounts received on the purchase of fixed income securities.

Dividend income and expense is recognized in the statement of comprehensive income on the ex-dividend date.

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2016

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Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Portfolios enter into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

### c) **Financial Instruments - Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Portfolios use the last traded market price for securities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The fair value of bonds is determined using mid-market pricing derived from bid and ask prices provided by independent security pricing services or recognized investment dealers. The fair value of futures contracts is based on the settlement price assigned by the exchange. Gains and losses arising from changes in the fair value of financial assets or liabilities are presented in the statement of comprehensive income. The Portfolios' policy is to recognize transfers into and out of the fair value hierarchy levels at the beginning of each period.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Portfolios may use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same and other commonly used methods by market participants which make the maximum use of observable inputs.

### d) **Impairment of Financial Assets**

At each reporting date, each Portfolio assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Portfolio recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of future cash flows discounted using the asset's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

### e) **Foreign Currency Translation**

The Portfolios' functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as 'Foreign exchange gain (loss)' and those relating to other investments and derivatives are presented within 'Net realized gain (loss) on investments and derivatives' and 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income.

### f) **Cash**

Cash is comprised of deposits with financial institutions.

### g) **Margin Deposit**

Cash collateral provided by each Portfolio to brokers for securities sold short and counterparties to derivative transactions is identified in that Portfolio's statement of financial position as 'Margin deposit'.

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2016

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### **h) Options**

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. When a Portfolio purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When a Portfolio writes an option, an amount equal to fair value which is based on the premium received by the Portfolio is recorded as a liability. Options held by a Portfolio are exchange-traded. Subsequent to initial recognition, changes in fair value, the difference between the premium paid or received, and fair value, are presented in 'Change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a gain or loss and is presented in the statement of comprehensive income within 'Net realized gain (loss) on investments and derivatives'.

### **i) Forward Currency Contracts**

Each Portfolio may enter into forward currency contracts for purposes of minimizing currency exposure or to establish an exposure to a particular currency. The value of forward currency contracts entered into by a Portfolio is recorded as the difference between the contract rate and the current forward rates at the measurement date, applied to the contract's notional amount and adjusted for counterparty risk. The change in the fair value of forward currency contracts is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. Upon closing of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the statement of comprehensive income.

### **j) Futures Contracts**

The Portfolios may purchase or sell exchange traded futures contracts. Futures contracts are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price established in an organized market. Subsequent to initial recognition, changes in fair value are presented in 'Net change in unrealized appreciation (depreciation) in value of futures' in the statement of comprehensive income. When futures contracts are closed out, the gain or loss is included in 'Net realized gain (loss) on futures' in the statement of comprehensive income.

### **k) Commissions and Other Portfolio Transaction Costs**

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers. Such costs are expensed when incurred.

### **l) Income and Expense Allocation**

The net assets of each series of each Portfolio are computed by calculating the value of that series' proportionate share of that Portfolio's assets less that series' proportionate share of that Portfolio's common liabilities less series specific liabilities, if any. Expenses directly attributable to a series are charged to that series. Other income, expenses and gains/losses are allocated based on a reasonable allocation methodology which will include allocations based on the assets of the Portfolios or the number of shareholders in the Portfolios or other methodology the Manager determines is fair.

### **m) Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares per Share**

The increase (decrease) in net assets attributable to holders of redeemable shares per share is calculated by dividing the increase (decrease) in net assets attributable to the series divided by the weighted average number of redeemable shares outstanding in that series during the period. Refer to Note 11 for the calculation.

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2016

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### n) **Classification of Redeemable Shares issued by the Portfolios**

The features of each series of each Portfolio's redeemable shares are not identical and consequently the shares, do not meet the conditions to be classified as equity. As a result, the Portfolios obligations for net assets attributable to holders of redeemable shares are financial liabilities under IFRS, presented at the redemption amounts.

### o) **Investments in Structured Entities**

The Portfolios may invest in underlying funds ("Structured Entities") that are managed by their respective Investment Advisors and whose investment objectives may range from achieving short-term to long-term income and capital growth. Structured Entities may use leverage in a manner consistent with their respective objectives and as permitted by their respective governing regulatory authorities. Structured Entities finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportionate stake in the respective Structured Entity's net assets. The Portfolios' interest in Structured Entities as at June 30, 2016 and December 31, 2015, held the form of redeemable units, which are included at their fair value in the Statements of Financial Position which represents the Portfolios' maximum exposure in these Structured Entities. The Portfolios do not provide, and have not committed to provide, any additional significant financial or other support to the Structured Entities. The change in fair value of each of the Structured Entities during the period is included in 'Change in unrealized appreciation (depreciation) of value of investments and derivatives' and 'Net gains (losses) on investments and derivatives' in the Statements of Comprehensive Income.

## 3. **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Manager has made in preparing the financial statements:

### **Use of Estimates**

#### *Fair Value measurement of derivatives and securities not quoted in an active market*

The Portfolios may hold financial instruments that are not quoted in active markets, including derivatives. Fair value of such instruments is determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, a Portfolio may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Portfolios consider observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 5 for further information about the fair value measurement of the Portfolio's financial instruments.

### **Use of Judgments**

#### *Classification and Measurement of Investments and Application of the Fair Value Option*

In classifying and measuring financial instruments held by the Portfolios, the Manager is required to make significant judgments about whether or not the business of the Portfolios is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, *Financial Instruments - Recognition and Measurement* (IAS 39). The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2016

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### *Determination if Underlying Funds Meet the Structured Entity Definition*

The Portfolios have concluded that their investments in the Underlying Funds are investments in unconsolidated structured entities. This represents a significant judgment by the Portfolios that is based generally on the fact that the decision making about the Underlying Funds investing activities is not governed by voting rights held by the Portfolios and other investors.

#### **4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT**

In the normal course of business, each Portfolio is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). Please refer to Discussion of Financial Instruments – Risk Management for each Portfolio's specific risk disclosure.

##### **Credit Risk**

The Portfolios may be exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Where a Portfolio invests in debt instruments and derivatives, this represents the main concentration of credit risk.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The credit risk related to the associated receivables is considered limited, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing a Portfolio's rights to its assets in the case of an insolvency of any such party. The Portfolios are also exposed to counterparty credit risk on cash, margin deposits and other receivable balances.

##### **Liquidity Risk**

Liquidity risk is the risk that a Portfolio will encounter difficulty in meeting obligations associated with financial liabilities. Each Portfolio is exposed to daily cash redemptions and as such, retains sufficient cash to fund anticipated redemptions. The Portfolios aim to retain sufficient cash to maintain adequate liquidity including coverage of obligations related to short sales and all current liabilities. In addition, each Portfolio generally invests in securities that are highly liquid and where there is an observable market price that is quoted by multiple dealers.

##### **Market Risk**

The Portfolios' investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

##### **a) Currency Risk**

The Portfolios invest in financial instruments and enter into transactions that are denominated in currencies other than the Canadian dollar. Consequently, the Portfolios are exposed to currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Portfolios may enter into foreign exchange currency contracts to reduce their foreign currency exposure.

##### **b) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. A Portfolio may hold securities with fixed interest rates that expose that Portfolio to fair value interest rate risk.



# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2016

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### c) Price Risk

The Portfolios are exposed to price risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Portfolios' investments are subject to the risk of changes in the prices of equity securities, bonds and derivatives.

### Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

### Capital Risk Management

Shares issued and outstanding are considered to be the capital of the Portfolios. The Portfolios do not have any specific capital requirements on the subscription and redemption of shares, other than certain minimum subscription requirements. Shareholders are entitled to require payment of the net asset value per share of a Portfolio for all or any of the shares of such shareholder by giving written notice to the Manager. The written notice is irrevocable and must be received no later than 4:00 p.m., EST, on the valuation day upon which the shares are to be redeemed (a "Redemption Date"). The redeeming shareholder will receive payment in respect of any shares surrendered for redemption on or before the 3rd business day immediately following a Redemption Date, subject to the Manager's right to suspend redemptions in certain circumstances.

## 5. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

Each Portfolio classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Please refer to Discussion of Financial Instruments – Fair Value Measurement for each Portfolio's specific risk disclosure. The three levels of the fair value hierarchy are:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

## 6. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the Diversified Portfolio enters into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the Statement of Financial Position, but still allow for the related amounts to set off in certain circumstances, such as bankruptcy or termination of the contracts. The following table shows financial instruments that may be eligible for offset, if such conditions were to arise, as at June 30, 2016 and December 31, 2015. The "Net" column displays what the net impact would be on the Portfolio's Statement of Financial Position if all amounts were set off.

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2016

June 30, 2016	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position		
				Financial instruments	Cash collateral	Net amount
	\$	\$	\$	\$	\$	\$
<b>Financial assets:</b>						
Counterparty 1	1,284,857	-	1,284,857	(508,357)		776,500
<b>Financial liabilities:</b>						
Counterparty 1	(508,357)	-	(508,357)	508,357	-	-

December 31, 2015	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position		
				Financial instruments	Cash collateral	Net amount
	\$	\$	\$	\$	\$	\$
<b>Financial assets:</b>						
Counterparty 1	297,432	-	297,432	(206,486)	-	90,946
<b>Financial liabilities:</b>						
Counterparty 1	(206,486)	-	(206,486)	206,486	-	-

### 7. INVESTMENT IN STRUCTURED ENTITIES

Information related to investments in Structured Entities is as follows:

#### Canadian Focus Portfolio – June 30, 2016

Fund	Fair Value of Portfolio's Investment in Underlying Fund	Net Assets Attributable to Holders of Redeemable Shares	Ownership of Underlying Fund	
	\$	%		%
BMO S&P/TSX Equal Weight Banks Index ETF	117,572	0.1		0.0
Boyd Group Income Fund	8,820,826	5.5		0.7
iShares 20+ year Treasury Bond	325,251	0.2		0.0
iShares S&P/TSX Capped Energy	956,400	0.6		0.1
iShares S&P/TSX Global Gold Index ETF	1,068,746	0.7		0.1
PowerShares DB Agriculture Fund	91,875	0.1		0.0
SPDR Dow Jones Global Real Estate ETF	659,784	0.4		0.0
SPDR Gold Shares	1,399,013	0.9		0.0
VanEck Vectors Junior Gold Miners ETF	759,587	0.5		0.0

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2016

### Canadian Focus Portfolio – December 31, 2015

Fund	Fair Value of Portfolio's Investment in Underlying Fund	Net Assets Attributable to Holders of Redeemable Shares	Ownership of Underlying Fund
	\$	%	%
Boyd Group Income Fund	7,145,410	5.8	0.7
The Keg Royalties Income Fund	87,269	0.1	0.0
SPDR S&P Homebuilders ETF	66,227	0.1	0.0

### 8. REDEEMABLE SHARES

During the periods ended June 30, 2016 and 2015, the number of shares issued, redeemed and outstanding was as follows:

#### Canadian Focus Portfolio - for the period ended June 30, 2016

	Redeemable shares outstanding at beginning of period	Redeemable shares issued	Redeemable shares issued on reinvestment of distributions	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of period
Series A	2,702,715	627,851	-	(253,360)	3,077,206
Series F	2,859,550	1,746,420	-	(248,020)	4,357,950
Series L	619,909	224,108	-	(60,209)	783,808

#### Canadian Focus Portfolio - for the period ended June 30, 2015

	Redeemable shares outstanding at beginning of period	Redeemable shares issued	Redeemable shares issued on reinvestment of distributions	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of period
Series A	2,302,938	263,363	-	(264,574)	2,301,727
Series F	1,531,517	348,369	-	(77,250)	1,802,636
Series L	419,395	168,956	-	(37,838)	550,513

#### Diversified Portfolio - for the period ended June 30, 2016

	Redeemable shares outstanding at beginning of period	Redeemable shares issued	Redeemable shares issued on reinvestment of distributions	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of period
Series A	415,011	26,076	-	(46,813)	394,274
Series F	1,554,720	357,826	-	(120,873)	1,791,673
Series I	705,240	19,030	-	(40,684)	683,586
Series L	133,351	12,829	-	(10,446)	135,734
Series R	1,327,895	614,359	-	(371,222)	1,571,032

#### Diversified Portfolio - for the period ended June 30, 2015

	Redeemable shares outstanding at beginning of period	Redeemable shares issued	Redeemable shares issued on reinvestment of distributions	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of period
Series A	570,704	83,684	-	(211,262)	443,126
Series F	1,990,816	531,089	-	(250,897)	2,271,008
Series I	657,665	63,356	-	(17,186)	703,835
Series L	161,645	34,324	-	(14,119)	181,850

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2016

### 9. RELATED PARTY TRANSACTIONS

The Manager is responsible for making decisions relating to the investment of the Portfolios' assets and providing key management personnel.

The Arrow Diversified Fund invests in Series F Shares of the Diversified Portfolio. The number of shares owned by the Arrow Diversified Fund is summarized as follows:

	Number of shares	Amount \$	% of net assets attributable to holders of redeemable shares
June 30, 2016	75,346	1,065,275	1.9
December 31, 2015	65,931	951,395	1.8

As of June 30, 2016, the number of shares owned by Arrow for each Portfolio is summarized as follows:

	Number of shares	Amount \$	% of net assets attributable to holders of redeemable shares
Canadian Focus Portfolio - Series A	543	10,511	0.0
Canadian Focus Portfolio - Series F	4,895	101,397	0.1
Diversified Portfolio - Series A	500	6,643	0.0
Diversified Portfolio - Series F	4,500	63,622	0.1

As of December 31, 2015, the number of shares owned by Arrow for each Portfolio is summarized as follows:

	Number of shares	Amount \$	% of net assets attributable to holders of redeemable shares
Canadian Focus Portfolio - Series A	543	10,789	0.0
Canadian Focus Portfolio - Series F	4,895	103,562	0.1
Diversified Portfolio - Series A	500	6,813	0.0
Diversified Portfolio - Series F	4,500	64,996	0.1

### Management Fee and Performance Bonus

The management fee paid to the Manager by the Canadian Focus Portfolio is 1.65% per annum on Series A, 0.65% per annum on Series F Shares and 1.95% on Series L Shares. The management fee paid to the Manager by the Diversified Portfolio is 2.00% per annum on Series A Shares, 1.00% per annum on Series F Shares and 2.30% on Series L Shares. Holders of Series R Shares of the Diversified Portfolio pay a negotiated management fee to the Manager based on tiers ranging from 1.0% to 0.6% per annum.

No portion of the management fee charged to a Portfolio is borne by Series I Shares of the Portfolios. A holder of Series I Shares of a Portfolio pays a negotiated management fee directly to the Manager.

Each Portfolio will pay to the Manager in respect of each fiscal year of the Portfolio ended December 31 a performance bonus per Share (the "Performance Bonus") equal to 20% of the amount by which the Adjusted Net Asset Value per Share at the end of the fiscal year exceeds the highest year end Adjusted Net Asset Value per Share previously achieved. For these purposes, "Adjusted Net Asset Value per Share" of any series of shares of a Portfolio means the Net Asset Value per share of that series at the end of a fiscal year

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2016

without giving effect to the accrual of any Performance Bonus, plus the aggregate amount of all distributions previously declared on a per Share basis in respect of such series of Shares. The Performance Bonus for a Portfolio is calculated and accrued each day the Net Asset Value of the Portfolio is calculated, but is only payable at the end of the fiscal year of the Portfolio based on the actual annual performance of the Portfolio.

Notwithstanding the foregoing, no Performance Bonus is payable with respect to any fiscal year of a Portfolio unless the Adjusted Net Asset Value per Share at the end of such fiscal year exceeds the Net Asset Value per share at the end of the preceding year (or on the date the Shares are first issued), plus the aggregate amount of all distributions previously declared on a per share basis, by a minimum of 6%.

The Performance Bonus is estimated and accrued each Valuation Date, calculated as at the end of each fiscal year-end of the Portfolios and paid within 15 business days thereafter.

Each Portfolio is responsible for all operating expenses incurred by or on behalf of that Portfolio. At the discretion of the Manager, certain fees may be absorbed by the Manager.

The Portfolio Sub-Advisor will be remunerated by the Manager out of the Management Fee and the Performance Bonus.

As at June 30, 2016, the Canadian Focus Portfolio due from the manager was \$Nil (December 31, 2015: \$297,576). The amount is non-interest bearing with no fixed terms of repayment and relates to estimated performance fees paid into a trust account and repaid to Canadian Focus Portfolio on January 4, 2016.

As at June 30, 2016, the Diversified Portfolio due from the Manager was \$Nil (December 31, 2015: \$75,649). The amount is non-interest bearing with no fixed terms of repayment and relates to estimated performance fees paid into a trust account and repaid to Diversified Portfolio on January 4, 2016.

Accrued management fees and performance fees (excluding HST) included in other liabilities on the statement of financial position are as follows:

	June 30, 2016		December 31, 2015	
	Management Fees	Performance Fees	Management Fees	Performance Fees
	\$	\$	\$	\$
Canadian Focus Portfolio	143,052	72,360	-	-
Diversified Portfolio	42,455	28,414	-	-

### Brokerage Commissions

Total commissions paid to dealers for the periods ended June 30, 2016 and 2015 in connection with portfolio transactions are as follows:

	June 30, 2016	June 30, 2015
Canadian Focus Portfolio	\$37,384	\$11,477
Diversified Portfolio	\$262,159	\$218,107

For the period ended June 30, 2016, \$23,216 was used for market data services by the Canadian Focus Portfolio (2015: \$9,362).

### 10. TAXATION

Each Portfolio is a class of shares of the Corporation. Income, expenses and capital gains and losses of each Portfolio are consolidated, as a single entity, in determining the Corporation's taxable income and amount of taxes payable as a whole. Any taxes payable or recoverable by the Corporation are allocated to the Portfolios and their various series'.

The Corporation qualifies as a mutual fund corporation under the Income Tax Act (Canada) (the "Tax Act"). The general income tax rules associated with a public corporation apply to a mutual fund corporation with the exception that taxes payable on net realized capital gains are refundable when its shares are redeemed or when it pays capital gains dividends out of its capital gains dividend

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2016

account to its shareholders, such that in substance the Corporation is not taxable on capital gains. Similarly, the Corporation is subject to Part IV tax on dividends received from Canadian corporations, however, they are refundable once paid to shareholders. As a result, the Corporation does not record income taxes related to capital gains and dividends from Canadian corporations.

Interest and foreign income are taxed at normal corporate rates applicable to mutual fund corporations and can be reduced by permitted deductions for tax purposes. All of the Corporation's expenses including management fees and operating expenses will be taken into account in determining its overall tax liability, if any.

As of December 31, 2015, the Corporation has accumulated the following non-capital losses available for utilization against net income for tax purposes in future years and capital losses available for utilization against capital gains. The tax benefit of the non-capital losses has not been reflected in the financial statements.

Non-Capital Loss*	Capital Loss**
\$4,150,206	\$nil

\* Non-capital losses can be offset against income in future years for up to 20 years.

\*\* Net Capital losses can be carried forward indefinitely for offset against gains in future periods.

### 11. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES PER SHARE

The increase (decrease) in net assets attributable to holders of redeemable shares per share for the periods ended June 30, 2016 and 2015 is calculated as follows:

June 30, 2016	Increase (decrease) in net assets attributable to holders of redeemable shares (\$)	Weighted average redeemable shares outstanding during the period	Increase (decrease) in net assets attributable to holders of redeemable shares per share (\$)
Canadian Focus Portfolio - Series A	(1,282,976)	2,934,586	(0.44)
Canadian Focus Portfolio - Series F	(793,368)	3,748,855	(0.21)
Canadian Focus Portfolio - Series L	(189,127)	742,064	(0.25)
Diversified Portfolio - Series A	(133,929)	406,204	(0.33)
Diversified Portfolio - Series F	(623,746)	1,695,413	(0.37)
Diversified Portfolio - Series I	(126,173)	698,888	(0.18)
Diversified Portfolio - Series L	(45,379)	135,398	(0.34)
Diversified Portfolio - Series R	(207,281)	1,385,823	(0.15)

June 30, 2015	Increase (decrease) in net assets attributable to holders of redeemable shares (\$)	Weighted average redeemable shares outstanding during the period	Increase (decrease) in net assets attributable to holders of redeemable shares per share (\$)
Canadian Focus Portfolio - Series A	2,203,467	2,282,093	0.97
Canadian Focus Portfolio - Series F	1,802,928	1,678,932	1.07
Canadian Focus Portfolio - Series L	285,945	477,305	0.60
Diversified Portfolio - Series A	368,221	509,251	0.72
Diversified Portfolio - Series F	1,161,975	2,118,236	0.55
Diversified Portfolio - Series I	411,154	695,715	0.59
Diversified Portfolio - Series L	68,189	175,436	0.39

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2016

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### 12. FUTURE ACCOUNTING CHANGES

#### IFRS 9, Financial Instruments

The final version of IFRS 9, Financial Instruments, was issued by the International Accounting Standards Board ("IASB") in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Portfolios are in the process of assessing the impact of IFRS 9 and have not yet determined when they will adopt the new standard.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

August 29, 2016

### TO THE SHAREHOLDERS OF EXEMPLAR CANADIAN FOCUS PORTFOLIO AND EXEMPLAR DIVERSIFIED PORTFOLIO (COLLECTIVELY THE "PORTFOLIOS")

The accompanying unaudited financial statements have been prepared by Arrow Capital Management Inc. ("Arrow" or the "Manager" of the Portfolios), and approved by the Board of Directors of the Manager. The Manager is responsible for the information and representations contained in these financial statements.

The Manager maintains appropriate processes to ensure that reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Portfolios are described in Note 2 to the financial statements.

"James L. McGovern"

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JAMES L. MCGOVERN  
Managing Director & CEO  
ARROW CAPITAL MANAGEMENT INC.

"Robert W. Maxwell"

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ROBERT W. MAXWELL  
Managing Director & CFO  
ARROW CAPITAL MANAGEMENT INC.



**NOTICE TO SHAREHOLDERS**

**The auditor of the Portfolios has not reviewed these interim financial statements.**

The Manager of the Portfolios appoints an independent auditor to audit the Portfolios' annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Portfolios' interim financial statements, this must be disclosed in an accompanying notice.

## **PORTFOLIO INFORMATION**

### **MANAGER AND PRINCIPAL DISTRIBUTOR**

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### **REGISTRAR**

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### **CUSTODIAN**

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Toronto, ON M5H 4A6

### **AUDITOR**

PricewaterhouseCoopers LLP  
PwC Tower  
18 York Street, Suite 2600  
Toronto, ON M5J 0B2

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