EXEMPLAR
PORTFOLIOS

EXEMPLAR DIVERSIFIED PORTFOLIO

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2012

This annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements for Exemplar Diversified Portfolio (the "Portfolio"). If you have not received a copy of the annual financial statements with the Management Report of Fund Performance, you may obtain a copy of the annual financial statements, at no cost, by calling 866.473.7376, by writing to us at BluMont Capital Corporation, 70 University Avenue, Suite 1200, P.O. Box 16, Toronto, Ontario M5J 2M4 or by visiting our website at www.blumontcapital.com or SEDAR at www.sedar.com.

Security holders may also contact us using one of these methods to request a copy of the Portfolio's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure relating to the Portfolio.

Forward-Looking Information

This Management Report of Fund Performance contains forward-looking information and statements relating, but not limited to, anticipated or prospective financial performance and results of operations of the Portfolio. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. For this purpose, any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking information. Without limiting the foregoing, the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "projects", and similar expressions are intended to identify forward-looking information.

Although the Portfolio believes it has a reasonable basis for making the forecasts or projections included in this Management Report of Fund Performance, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, the forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, those associated with the performance of the equity securities market, expectations about interest rates and factors incorporated by reference herein as risk factors.

The above list of important factors affecting forward-looking information is not exhaustive, and reference should be made to the other risks discussed in the Portfolio's filings with Canadian securities regulatory authorities. The forward looking information is given as of the date of this Management Report of Fund Performance, and the Portfolio undertakes no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Management Discussion on Fund Performance

Investment Objective and Strategies

The investment objective of 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.

The core investment strategy of Integrated Managed Futures Corp. ("IMFC"), the Investment Sub-Advisor 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. IMFC utilizes a fixed risk budget that targets long-term average annualized downside deviation of less than 13%. Downside deviation is a risk measure that focuses on returns that fall below a minimum acceptable return. This risk budget is then equally allocated across over 60 markets, adjusted by their volatilities and correlations. 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 degree to which a market's allocated risk budget is utilized is then determined by the net position of multiple trading strategies or algorithms that sample market prices in order to capture persistent risk premiums and changes in risk premiums over time. Unutilized risk budgets that result from conflicting underlying signals are not re-allocated to other markets but go to cash. In addition to the core investment strategy, the Investment Sub-Advisor may utilize trading strategies based on other persistent anomalies or structural biases identified in market data.

The Investment Sub-Advisor 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, the Eurex Deutschland (EUREX), The International Petroleum Exchange of London Limited (IPE), the Singapore International Monetary Exchange (SIMEX), the Sydney Futures Exchange Ltd. and The Tokyo Commodities Exchange (TCE).

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

Investment Risk

The risks of investing in the Portfolio remain as stated in the Portfolio's prospectus dated April 24, 2012 (please see "Risk Factors" pages 31 – 40). The principal risks associated with the Portfolio are stock market risk, specific issuer risk, short selling risk, foreign security risk, currency risk and liquidity risk.

The Portfolio is suitable for clients seeking medium to long-term growth (through capital appreciation) who have a moderate risk tolerance level.

Results of Operations

For the year ended December 31, 2012 Series A Shares of the Portfolio delivered a loss of 14.3%. Its benchmark, the Newedge CTA Index, posted a loss of 3.1% over the same period. Please refer to the Past Performance section for the performance of the other series. The performance of the other series offered by the Fund differs from Series A due largely to varying level of expenses charged to each series, as explained in the Management Fees section.

As at December 31, 2012, the Portfolio held approximately 76.7% of its assets in cash and the remainder in margin requirements for futures contracts held in the Portfolio.

The Portfolio began the second half of 2012 with a collection of long and short positions that evolved in the first half as individual market fundamentals began to dominate macro risk-on/risk-off concerns. As a result, the Portfolio was long US equities, while short Asian and commodity equity indices and effectively flat European equity indices. The portfolio was, additionally, long the USD against most currencies, short the Euro against most currencies and, with the exception of Canola, short most commodities. Lastly, the Portfolio started the second half with a generally long exposure to fixed income markets. This collection of positions reflected a view of relative strength in the US economy within a fragile global recovery, and more balanced commodity supply/demand fundamentals than those that drove prices to the higher levels of recent years.

The dominant factor to performance in the second half was the continued impact of the long-term refinancing operation announced by the ECB late in Q2. The deterioration of performance that began in June, 2012 continued in the second half as commodities and the Euro continued to rebound off of June lows established on the ECB announcement, and a clearly defined trading range emerged for the remainder of the year. At the same time, and based off of the same news, bond markets peaked and also began to consolidate into a trading range for the remainder of the year. Directionless markets and trading ranges are the nemesis of trend-following strategies that seek to exploit directional bull and bear markets.

Looking at the year as a whole, 2012 was a poor year for managed futures because there were very few sustained trends. Historically, managed futures underperform in such environments. Furthermore, these periods of underperformance often occur immediately after periods of market stress in which managed futures outperform.

Initial periods of recovery from periods of stress – the transition from crisis to recovery – often see conflicting economic data, high risk-on / risk-off inter-market correlations and truncated or false new trends. Only when either economic directionality appears or, at the very least, inter-market correlations break down (reflecting a dissipation of fear) do managed futures start to perform. What makes 2012 - and really the entire period since the end of 2008 - unique is that 2008 was not a normal monetary policy-driven stress to markets, but rather a major structural stress born out of excess leverage. Accordingly, we have been experiencing a much longer transition from crisis to recovery (or to double-dip) than is typical in normal business cycles. In 2012 specifically, markets were generally range bound, with central bank action providing support, and resistance coming from the deleveraging process and some cyclical deceleration in global economic growth.

Looking forward, it is our opinion that it is more likely that trends will emerge from the consolidations that characterized 2012, and that managed futures performance should rebound to at least historical average rates of return. Underpinning this view is the significant breakdown of inter-market correlations and dramatic fall in volatility that occurred in 2012. From a purely statistical perspective, regardless broad macro developments, an environment of low inter-market correlations and volatility leads to a greater probability that some markets will trend and/or increase in volatility going forward.

In terms of which way trends may develop, from a bullish perspective, the reduction in market correlations and volatility indicate that the fear bubble that has permeated markets since 2008 may have popped. And this step is typically the first stage of an economic healing process … fear has to dissipate before consumption and investment decisions are made and a broad bullish directionality appears. Under this scenario, forward-looking trends would be based more on market fundamentals than on broad macro events, resulting in a collection of long and short positions as that which characterized the start of the first half of 2012.

From a bearish perspective, the economy is not out of the woods and there are events and outcomes that could plunge markets into renewed stress. While markets always climb walls of worry, the wall is particularly high presently as the last recession had structural underpinnings in leverage that still exist today. A major bear market, were it to develop from some future black cygnet, would likely be good for managed futures based on the long volatility profile of trend-following strategies, the ability to quickly react and go short markets, and the track record of managed futures performance in almost every other major stress since 1980.

In summary, 2012 punctuated a poor performance period for managed futures that began in 2009. The extended transition from major crisis to recovery, and existence of a fear bubble during the transition, explain much of this under performance. Coordinated central bank action has as a first step provided a floor to markets that has managed to remove this fear bubble, as evidenced by lower correlations and volatilities in 2012. Certainly the longer term goal of central bank QE policies is more than just stabilization though; economic and market stasis is not an option as there is a clear trend in government deficits and debt that is unsustainable. The longer term goal of QE is to generate private sector - led growth and revenues to pay back the debts racked up from deficit spending during the period of QE. Looking forward, this either has to work or it won't work .... and either outcome results in market trends.

Recent Developments

On January 6, 2012, Exemplar Portfolios Ltd. received approval from the Ontario Securities Commission to begin issuing Series L Shares of the Portfolios. Series L Shares are intended for individual investors purchasing under the low-load sales charge option, whereby no sales commission is charged at the time of purchase, however, a redemption fee may be applicable at the time of redemption. For more information, please refer to the prospectus dated April 24, 2012.

Related Party Transactions

On April 24, 2009, BluMont Capital seeded the Portfolio with capital of $5,000 in Class A Shares and $45,000 in Class F Shares. As of December 31, 2012, BluMont Capital held 500 Series A Shares and 4,500 Series F Shares of the Portfolio.

Management Fees

BluMont Capital Corporation (the "Manager") receives a monthly management fee (the "Management Fee"), calculated as a percentage of the Portfolio's net asset value as of the close of business accrued each business day and payable monthly. The Management Fee rate applicable to the Portfolio is 2.00% per annum in respect of Series A Shares, 1.00% per annum in respect of Series F Shares and 2.30% per annum in respect of Series L Shares. Shareholders of Series I Shares of the Portfolio pay a negotiated management fee. For the year ended December 31, 2012, the total Management Fee equaled $736,619 (2011 - $634,756). The Management Fee is paid in consideration of investment management and administration services. No breakdown of such services was specified in the Management Agreement dated January 10, 2012. From this Management Fee, the Manager pays fees to the Investment Sub-Advisor (IMFC, in its capacity as such) who provides portfolio management services to the Portfolio. All fees and expenses payable to the Investment Sub-Advisor for its services will be borne by BluMont Capital and not by the Portfolio. A portion of the Management Fee paid by the Portfolio is for trailer fees paid to dealers whose clients hold Shares of the Portfolio. The trailer fees are a percentage of the net asset value of the Portfolio, calculated and payable monthly. The table below outlines the Portfolio's annual Management Fees and the trailer fees.

	Series A Shares	Series F Shares	Series I Shares	Series L Shares
Management Fees *(Annual Rate (%))*	2.00%	1.00%	Negotiable	2.30%
Trailer Fees *(rate as % of Management Fees)*	33.40%	-%	-%	-%

In addition, the Portfolio pays BluMont Capital performance fees ("Performance Fees") equal to 20% of the amount by which the Portfolio return in a year is in excess of the high water mark (the "High Water Mark"), and no Performance Fee is payable unless an annual hurdle rate of 6% is achieved in that year. Performance Fees will be payable in all circumstances where the performance of the Portfolio exceeds that of its High Water Mark and its hurdle rate. Please refer to the Portfolio's long form prospectus dated April 24, 2012 for further details relating to Performance Fees. The High Water Mark set as of December 31, 2011 was $12.0880 for Series A and $12.2882 for Series F. Since Series I and Series L Shares are newly created, the High Water Mark is $10. For the year ended December 31, 2012, the Portfolio did not accrue any Performance Fees. Performance Fees are calculated and accrued daily such that, to the extent possible, the share price each day will reflect any Performance Fees payable as at the end of such day. Performance Fees for the Portfolio will be calculated and accrued each day, but will only be payable following the end of the fiscal year of the Portfolio based on the actual annual performance of the Portfolio.

The Manager incurs operating expenses on behalf of the Portfolio and charges these expenses to the Portfolio. For the year ended December 31, 2012, the Manager has, in its discretion, agreed to absorb $43,094 (2011 - $81,085) of operating expenses associated with the Portfolio.

Financial Highlights

The following tables show selected key financial information about the Portfolio and are intended to help the reader understand the Portfolio's historical financial performance. This information is derived from the Portfolio's financial statements, and is represented net of expenses which have been charged to the Portfolio.

SERIES A - NET ASSETS PER SHARE

For the years ended December 31,

	2012	2011	2010	2009†
Net Assets, beginning of year[1]	**$ 11.72**	**$ 12.02**	**$ 10.72**	**$ 10.00**
Increase from operations:				
Total revenue	(1.33)	(0.16)	2.12	0.52
Total expenses	(0.31)	(0.34)	(0.65)	(0.34)
Realized gains (losses) for the year	-	-	(0.01)	-
Unrealized gains for the year	-	-	-	-
Total increase (decrease) from operations[1]:	**$ (1.64)**	**$ (0.50)**	**$ 1.46**	**$ 0.18**
Distributions[2]:				
From income (excluding dividends)	-	-	-	-
From dividends	-	-	-	-
Total distributions	**-**	**-**	**-**	**-**
Net Assets, end of year[1]	**$ 10.06**	**$ 11.72**	**$ 12.02**	**$ 10.72**

SERIES A - RATIOS AND SUPPLEMENTAL DATA[7]

For the years ended December 31,

	2012	2011	2010	2009†
Net Asset Value ("NAV") (000s)[1]	$20,896	$26,572	$15,252	$3,715
Number of shares outstanding	2,084,878	2,272,995	1,261,728	343,949
Management expense ratio[3]	2.79%	2.77%	5.07%	5.88%*
Management expense ratio before waivers or absorptions[4]	2.88%	3.00%	5.85%	12.00%*
Portfolio turnover rate[5]	n/a	n/a	n/a	n/a
Trading expense ratio[6]	n/a	n/a	n/a	n/a

SERIES F - NET ASSETS PER SHARE

For the years ended December 31,

	2012	2011	2010	2009†
Net Assets, beginning of year[1]	**$ 12.06**	**$ 12.22**	**$ 10.80**	**$ 10.00**
Increase from operations:				
Total revenue	(1.51)	(0.06)	1.94	0.72
Total expenses	(0.20)	(0.21)	(0.53)	(0.20)
Realized gains (losses) for the year	-	-	(0.02)	-
Unrealized gains for the year	-	-	-	-
Total increase (decrease) from operations[1]:	**$ (1.71)**	**$ (0.27)**	**$ 1.39**	**$ 0.52**
Distributions[2]:				
From income (excluding dividends)	-	-	-	-
From dividends	-	-	-	-
Total distributions	**-**	**-**	**-**	**-**
Net Assets, end of year[1]	**$ 10.46**	**$ 12.06**	**$ 12.22**	**$ 10.80**

SERIES F - RATIOS AND SUPPLEMENTAL DATA[7]

For the years ended December 31,

	2012	2011	2010	2009†
Net Asset Value ("NAV") (000s)[1]	$15,843	$16,957	$11,057	$5,152
Number of shares outstanding	1,522,164	1,410,527	899,810	473,389
Management expense ratio[3]	1.74%	1.71%	5.07%	5.88%*
Management expense ratio before waivers or absorptions[4]	1.84%	1.94%	5.85%	12.00%*
Portfolio turnover rate[5]	n/a	n/a	n/a	n/a
Trading expense ratio[6]	n/a	n/a	n/a	n/a

SERIES I - NET ASSETS PER SHARE

For the period since inception to December 31,

	2012†
Net Assets, beginning of period[1]	**$ 10.00**
Increase from operations:	
Total revenue	(0.55)
Total expenses	(0.03)
Realized gains for the period	-
Unrealized gains for the period	-
Total decrease from operations[1]:	**$ (0.58)**
Distributions[2]:	
From income (excluding dividends)	-
From dividends	-
Total distributions	**-**
Net Assets, end of period[1]	**$ 9.30**

SERIES I - RATIOS AND SUPPLEMENTAL DATA[7]

For the period since inception to December 31,

	2012†
Net Asset Value ("NAV") (000s)[1]	$3,770
Number of shares outstanding	406,869
Management expense ratio[3]	0.93%*
Management expense ratio before waivers or absorptions[4]	1.24%*
Portfolio turnover rate[5]	n/a
Trading expense ratio[6]	n/a

SERIES L - NET ASSETS PER SHARE

For the period since inception to December 31,

	2012†
Net Assets, beginning of period[1]	**$ 10.00**
Increase from operations:	
Total revenue	(1.29)
Total expenses	(0.28)
Realized gains for the period	-
Unrealized gains for the period	-
Total decrease from operations[1]:	**$ (1.57)**
Distributions[2]:	
From income (excluding dividends)	-
From dividends	-
Total distributions	**-**
Net Assets, end of period[1]	**$ 8.93**

SERIES L - RATIOS AND SUPPLEMENTAL DATA[7]	
For the period since inception to December 31,	
	2012†
Net Asset Value ("NAV") (000s)[1]	$1,251
Number of shares outstanding	140,658
Management expense ratio[3]	3.24%*
Management expense ratio before waivers or absorptions[4]	3.34%*
Portfolio turnover rate[5]	n/a
Trading expense ratio[6]	n/a

†Series A and F Shares commenced operations on May 1, 2009. Series L Shares commenced operations on February 7, 2012. Series I Shares commenced operations on September 13, 2012.

*Ratios have been annualized.

1. The net assets per share shown are referenced to Net Assets determined in accordance with Canadian generally accepted accounting principles ("GAAP") and are derived from the Portfolio's financial statements. The Net Assets presented in the financial statements may differ from the Net Asset Value ("NAV") calculated for the Portfolio pricing purposes. NAV is calculated using fair value measures as defined by National Instrument 81-106 ("NI 81-106") whereas, Net Assets are calculated in accordance with Canadian GAAP. An explanation of these differences can be found in the notes to the financial statements. Net Assets are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial year. This table is not intended to be a reconciliation of beginning to ending Net Assets per share.
2. Distributions were reinvested in additional shares of the Portfolio.
3. Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average Net Asset Value during the year. The management expense ratio is calculated in accordance with Part 15 of NI 81-106 and therefore includes performance fees, which were previously reported separately as dollar amounts.
4. The Manager has absorbed certain expenses or waived certain fees otherwise payable by the Portfolio. The amount of expenses absorbed or waived is determined annually at the discretion of the Manager and the Manager can terminate the absorption or waiver at any time.
5. The portfolio turnover rate can indicate how actively the investment advisor manages the portfolio of investments. A portfolio turnover rate of 100% is equivalent to the Portfolio buying and selling all of its securities in its portfolio once in the course of the year. The higher the portfolio turnover rate in a year, the greater the trading costs payable by the Portfolio in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Portfolio.
6. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Value during the year.
7. Ratios and supplemental data, where applicable, are computed using the Net Asset Value of the Portfolio.

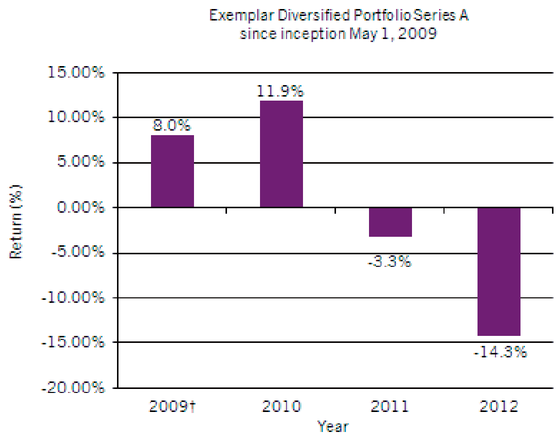
Past Performance

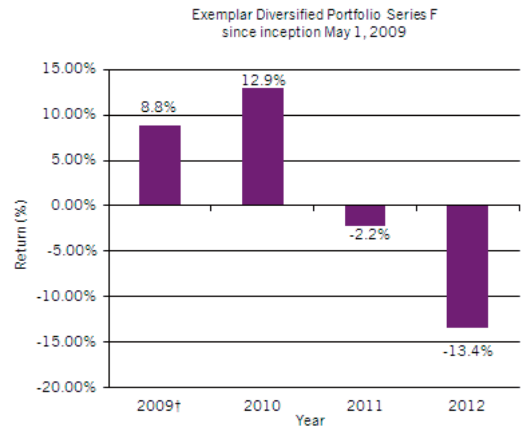
The performance information shown below assumes that all distributions, if any, made by the Portfolio in the years shown were reinvested in additional shares of the Portfolio. If you hold the Portfolio outside a registered plan, you will be taxed on distributions. Distributions of income the Portfolio earns and capital gains it realizes are taxable in the year received whether received in cash or reinvested in additional shares. No adjustment for potential tax consequences to an investor has been made to the performance information.

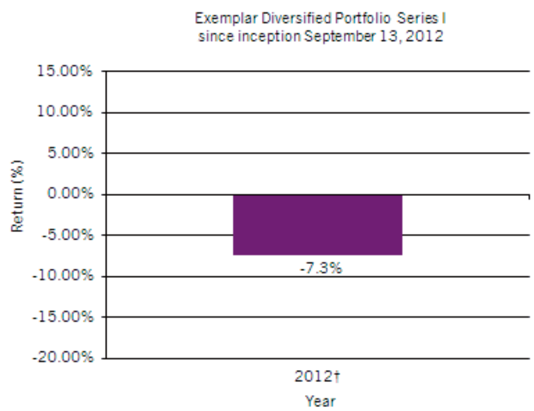
The indicated rates of return are historical annual compounded total returns including changes in share value and do not take into account sale, redemption, distribution or other optional charges, that, if applicable, would have reduced returns or performance. An investment in the Portfolio is not guaranteed. Its value changes frequently and how the Portfolio has performed in the past does not necessarily indicate how it will perform in the future.

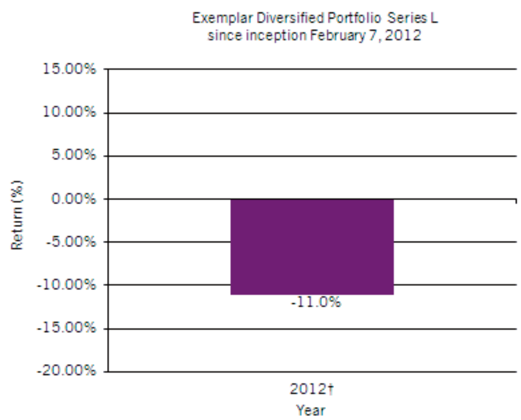
Year-By-Year Returns

The bar chart below illustrates the Portfolio's annual performance for each year shown, and indicates how the Portfolio's performance has changed from year to year. It shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of the year.









† Returns shown represent a partial year.

Annual Compound Returns (Compound Performance)

The following table shows the annual compound total returns of the Portfolio, and for the Newedge CTA Index (the Newedge CTA Index is an equal weighted, daily calculated annually re-balanced, return index for a pool of CTAs selected from the larger managers that are open to new investment) for the years shown ended December 31, 2012. The Relative Performance returns show the performance of the Portfolio as compared to the benchmark Newedge CTA Index.

	1 Month	3 Month	6 Month	1 Year	3 Year	Annualized Since Inception	Cumulative Total Return
Series A	0.5%	-5.9%	-10.7%	-14.3%	-2.5%	0.1%	0.2%
Series F	0.6%	-5.7%	-10.2%	-13.4%	-1.5%	1.1%	4.1%
Series I	0.7%	-5.5%	n/a	n/a	n/a	n/a	-7.3%
Series L	0.5%	-6.0%	-11.7%	n/a	n/a	n/a	-11.0%
Newedge CTA	-0.1%	-3.3%	-2.4%	-3.1%	0.4%	-0.1%	-0.5%

Summary of Investment Portfolio as at December 31, 2012

The summary of investment portfolio below includes information regarding the Portfolio as a whole. This summary may change due to ongoing portfolio transactions of the Portfolio and a quarterly update is available by contacting BluMont Capital at 866.473.7376 or by visiting BluMont Capital's website at www.blumontcapital.com.

Top 25 Holdings	% of Net Assets
Long Positions	
Japanese Yen Currency Futures March 2013	1.3%
Nikkei 225 (SGX) Futures March 2013	0.3%
Coffee 'C' Futures March 2013	0.3%
90 Day Bank Bill Futures March 2013	0.2%
SPI 200 Futures March 2013	0.2%
Coffee Robusta 10 Tonne Futures March 2013	0.2%
Euro - Bobl Futures March 2013	0.2%
Euro - Bund Futures March 2013	0.2%
Euro/Japanese Yen Futures March 2013	0.2%
S&P/TSX 60 Index Futures March 2013	0.1%
S&P500 E-Mini Futures March 2013	0.1%
Brent Crude Futures February 2013	0.1%
Short Positions	
Mexican Peso Futures March 2013	(0.1)%
US 5 Year Note (CBT) Futures March 2013	(0.1)%
Corn Futures March 2013	(0.1)%
Lean Hogs Futures February 2013	(0.1)%
US 10 Year Note (CBT) Futures March 2013	(0.1)%
US Long Bond (CBT) Futures March 2013	(0.1)%
Canada 10 Year Bond Futures March 2013	(0.1)%
Sugar #11 (World) Futures March 2013	(0.1)%
Gold 100 Oz Futures February 2013	(0.2)%
Canadian Dollar Futures March 2013	(0.2)%
WTI Crude Futures February 2013	(0.3)%
Crude Palm Oil Futures March 2013	(0.3)%
Australian Dollar Futures March 2013	(0.4)%
Total Net Assets	**$41,935,339**

Sector Weightings	% of Net Assets
Long Positions	
Commodity Futures	(0.3)%
Currency Futures	(0.5)%
Index Futures	0.8%
Bond Futures	-%
Short Positions	
Commodity Futures	(0.4)%
Currency Futures	1.4%
Bond Futures	-%