

A N N U A L F I N A N C I A L S T A T E M E N T S



**AUDITED ANNUAL FINANCIAL STATEMENTS**

**DECEMBER 2015**

EXEMPLAR CANADIAN FOCUS PORTFOLIO | EXEMPLAR DIVERSIFIED PORTFOLIO



# EXEMPLAR CANADIAN FOCUS PORTFOLIO

Statements of Financial Position  
As at December 31,

	2015	2014
<b>ASSETS</b>		
<b>Current assets</b>		
Financial assets designated at fair value through profit and loss	\$68,808,046	\$64,937,024
Cash	53,030,235	14,777,266
Margin deposits	1,150,937	2,487,499
Accrued interest receivable	11,760	19,574
Accrued dividends receivable	82,208	72,447
Due from manager (Note 9)	297,576	-
Receivable for securities sold	171,912	328,458
Receivable for redeemable shares issued	490,635	106,604
	<b>124,043,309</b>	<b>82,728,872</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Financial liabilities held for trading		
Investments sold short	920,418	2,111,734
Payable for securities purchased	-	15,237
Accrued dividends payable	147	5,395
Payable for redeemable shares redeemed	56,253	159,029
Distributions payable	195,577	-
Other liabilities (Note 9)	67,838	151,571
	<b>1,240,233</b>	<b>2,442,966</b>
<b>Net assets attributable to holders of redeemable shares</b>	<b>\$122,803,076</b>	<b>\$80,285,906</b>
Net assets attributable to holders of redeemable shares		
Series A	\$53,659,760	\$43,776,926
Series F	\$60,500,812	\$30,891,999
Series L	\$8,642,504	\$5,616,981
Number of redeemable shares outstanding (Note 8)		
Series A	2,702,715	2,302,938
Series F	2,859,550	1,531,517
Series L	619,909	419,395
Net assets attributable to holders of redeemable shares per share		
Series A	\$19.85	\$19.01
Series F	\$21.16	\$20.17
Series L	\$13.94	\$13.39

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  
For the years ended December 31,

	2015 \$	2014 \$
<b>INCOME</b>		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	79,816	157,856
Dividend income	1,446,478	957,595
Dividend expense on short sales	(19,493)	(20,804)
Net realized gain (loss) on investments and derivatives	4,123,282	7,055,108
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	1,410,508	3,883,437
Net gains on investments and derivatives	7,040,591	12,033,192
Other income items:		
Interest on cash	42,068	32,954
Foreign exchange gain (loss)	746,904	98,134
Net change in unrealized foreign exchange gain (loss)	(114,715)	182,720
<b>Total income (net)</b>	7,714,848	12,347,000
<b>EXPENSES</b>		
Securityholder reporting fees	426,488	401,968
Management fees (Note 9)	1,188,555	1,041,511
Performance fees (Note 9)	481,669	1,897,371
Interest expense	1,739	14
Audit fees	28,197	25,091
Independent Review Committee fees	4,536	6,259
Legal fees	12,960	19,168
Custodial fees	14,042	13,500
Security borrowing expenses	7,520	14,284
Commissions and other portfolio transaction costs (Note 9)	22,039	85,909
Withholding tax expense	38,439	5,677
Harmonized sales tax	226,092	364,258
Income tax	3,697	22,009
<b>Total expenses</b>	2,455,973	3,897,019
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	5,258,875	8,449,981
<b>Increase (decrease) in net assets attributable to holders of redeemable shares (Note 11)</b>		
Series A	2,650,622	5,175,655
Series F	2,262,176	2,766,705
Series L	346,077	507,621
<b>Increase (decrease) in net assets attributable to holders of redeemable shares per share (Note 11)</b>		
Series A	1.12	2.01
Series F	1.17	2.20
Series L	0.65	1.35

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  
For the years ended December 31,

		2015 \$	2014 \$
<b>Net assets attributable to holders of redeemable shares at beginning of year</b>	Series A	43,776,926	50,885,858
	Series F	30,891,999	16,981,360
	Series L	5,616,981	4,055,613
		<u>80,285,906</u>	<u>71,922,831</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	Series A	2,650,622	5,175,655
	Series F	2,262,176	2,766,705
	Series L	346,077	507,621
		<u>5,258,875</u>	<u>8,449,981</u>
<b>Distributions to holders of redeemable shares</b>			
From net investment income	Series A	(303,591)	(485,898)
	Series F	(341,373)	(342,184)
	Series L	(49,563)	(62,326)
		<u>(694,527)</u>	<u>(890,408)</u>
From net realized gains on investments and derivatives	Series A	(503,322)	-
	Series F	(567,074)	-
	Series L	(81,381)	-
		<u>(1,151,777)</u>	<u>-</u>
<b>Total distributions to holders of redeemable shares</b>		<u>(1,846,304)</u>	<u>(890,408)</u>
<b>Redeemable share transactions</b>			
Proceeds from redeemable shares issued	Series A	15,642,379	6,347,064
	Series F	31,481,245	14,353,028
	Series L	3,492,519	1,466,329
Reinvestments of distributions to holders of redeemable shares	Series A	769,018	471,046
	Series F	770,624	309,591
	Series L	111,764	53,714
Redemption of redeemable shares	Series A	(8,372,272)	(18,616,799)
	Series F	(3,996,785)	(3,176,501)
	Series L	(793,893)	(403,970)
<b>Net increase (decrease) from redeemable share transactions</b>		<u>39,104,599</u>	<u>803,502</u>
<b>Net increase (decrease) in net assets attributable to holders of redeemable shares</b>		<u>42,517,170</u>	<u>8,363,075</u>
<b>Net assets attributable to holders of redeemable shares at end of year</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
		<u>122,803,076</u>	<u>80,285,906</u>

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

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

Statements of Cash Flows  
For the years ended December 31,

	2015 \$	2014 \$
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares	5,258,875	8,449,981
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	67,841	182,711
Net realized (gain) loss on investments and derivatives	(4,123,282)	(7,055,108)
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	(1,410,508)	(3,883,437)
Purchase of investments	(36,676,602)	(34,299,237)
Proceeds on sale of investments	37,289,363	46,702,529
Decrease (increase) in accrued interest receivable	7,814	10,208
Decrease (increase) in accrued dividends receivable	(9,761)	32,660
Decrease (increase) in accrued income tax receivable	-	21,162
Decrease (increase) in due from manager	(297,576)	-
Increase (decrease) in accrued dividends payable	(5,248)	694
Increase (decrease) in other liabilities	(83,733)	(3,434,240)
Decrease (increase) in margin deposits	1,336,562	6,984,813
<b>Net cash from (used in) operating activities</b>	<b>1,353,745</b>	<b>13,712,736</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from redeemable shares issued	50,232,791	22,148,437
Redemption of redeemable shares	(13,265,726)	(22,126,910)
Distributions paid to holders of redeemable shares, net of reinvested distributions	-	(113,647)
<b>Net cash from (used in) financing activities</b>	<b>36,967,065</b>	<b>(92,120)</b>
<b>Net Increase (decrease) in cash</b>	<b>38,320,810</b>	<b>13,620,616</b>
<b>Cash at beginning of the year</b>	<b>14,777,266</b>	<b>1,339,361</b>
Net change in unrealized foreign exchange gain (loss) on cash	(67,841)	(182,711)
<b>Cash at end of the year</b>	<b>53,030,235</b>	<b>14,777,266</b>
Interest received*	129,698	201,018
Dividends received, net of withholding tax*	1,398,278	984,578
Income tax paid*	(3,697)	(22,009)
Interest paid*	(1,739)	(14)
Dividend paid*	(24,741)	(20,110)

\*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 December 31, 2015

Equity Positions - Long		55.0%			
Security Name	Currency		Quantity	Average Cost \$	Fair Value \$
<b>Basic Materials</b>		<b>0.6%</b>			
Agrium Inc.	CAD		400	52,585	49,468
AirBoss of America Corp.	CAD		5,000	99,009	87,350
Canam Group Inc.	CAD		33,400	462,983	463,926
Detour Gold Corporation	CAD		8,400	129,172	121,044
				<u>743,749</u>	<u>721,788</u>
<b>Communications</b>		<b>4.3%</b>			
Alphabet Inc.	USD		1,400	1,303,099	1,470,407
BCE Inc.	CAD		8,000	454,648	427,680
COM DEV International Ltd.	CAD		24,600	138,120	148,830
Expedia, Inc.	USD		600	104,648	103,219
Facebook, Inc.	USD		500	69,067	72,425
The Intertain Group Limited	CAD		33,500	245,135	333,660
Manitoba Telecom Services Inc.	CAD		4,200	118,087	125,034
Palo Alto Networks, Inc.	USD		400	96,878	97,511
The Priceline Group Inc.	USD		800	1,418,497	1,411,625
Shopify Inc.	USD		200	7,314	7,141
UrtheCast Corp.	CAD		103,750	270,555	156,663
The Walt Disney Company	USD		6,300	879,233	916,214
				<u>5,105,281</u>	<u>5,270,409</u>
<b>Consumer, Cyclical</b>		<b>15.1%</b>			
Advance Auto Parts, Inc.	USD		900	187,069	187,475
Alimentation Couche-Tard Inc.	CAD		85,500	1,410,021	5,207,805
Canadian Tire Corporation, Limited	CAD		7,800	717,189	921,648
Chipotle Mexican Grill, Inc.	USD		200	148,157	132,823
Cineplex Inc.	CAD		18,500	627,411	879,675
DHX Media Ltd.	CAD		506,000	1,164,761	4,285,820
Dollarama Inc.	CAD		1,900	143,894	151,886
Domino's Pizza, Inc.	USD		1,400	201,902	215,558
Gildan Activewear Inc.	CAD		13,700	336,787	538,958
The Home Depot, Inc.	USD		900	118,256	164,731
Hudson's Bay Company	CAD		18,200	479,627	329,420
The Keg Royalties Income Fund	CAD		4,900	90,869	87,269
Lennar Corporation	USD		600	35,479	40,615
Linamar Corporation	CAD		18,400	1,062,228	1,375,032
Michael Kors Holdings Limited	USD		7,500	406,886	415,823
Mohawk Industries, Inc.	USD		600	149,635	157,270
New Flyer Industries Inc.	CAD		5,000	126,909	141,600
NIKE, Inc.	USD		12,000	680,575	1,038,001
Restaurant Brands International Inc.	USD		6,800	325,469	351,603
Ross Stores, Inc.	USD		4,500	251,595	335,129
Sleep Country Canada Holdings Inc.	CAD		28,600	508,556	493,064
Starbucks Corporation	USD		300	24,529	24,924
Starwood Hotels & Resorts Worldwide, Inc.	USD		3,000	305,229	287,651
Uni-Select Inc.	CAD		12,000	451,574	822,120
				<u>9,954,607</u>	<u>18,585,900</u>

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

Schedule of Investment Portfolio – As at December 31, 2015

Equity Positions - Long		55.0%			
Security Name	Currency		Quantity	Average Cost \$	Fair Value \$
<b>Consumer, Non-Cyclical</b>		<b>12.0%</b>			
AGT Food and Ingredients Inc.	CAD		23,800	643,256	808,962
Boyd Group Income Fund	CAD		108,100	1,470,710	7,145,410
Cimpres N.V.	USD		500	51,049	56,149
The Clorox Company	USD		1,800	175,756	315,959
Colliers International Group Inc.	CAD		6,500	304,212	401,245
Constellation Brands, Inc.	USD		2,100	222,613	413,988
Diageo plc	USD		2,100	313,975	317,001
High Liner Foods Incorporated	CAD		5,300	115,898	82,415
K-Bro Linen Inc.	CAD		10,600	388,772	540,070
The Kroger Co.	USD		2,800	89,522	162,100
Loblaw Companies Limited	CAD		7,400	405,975	483,516
MacDonald, Dettwiler and Associates Ltd.	CAD		20,200	1,157,354	1,681,852
Mondelez International, Inc.	USD		10,200	334,478	632,998
Morneau Shepell Inc.	CAD		19,700	327,119	285,256
Patient Home Monitoring Corp.	CAD		192,800	286,456	125,320
PayPal Holdings, Inc.	USD		400	17,937	20,040
Reynolds American Inc.	USD		200	12,179	12,774
Sysco Corporation	USD		800	41,942	45,395
The WhiteWave Foods Company	USD		9,800	565,631	527,744
Zoetix Inc.	USD		10,825	610,861	717,928
				<u>7,535,695</u>	<u>14,776,122</u>
<b>Energy</b>		<b>1.8%</b>			
Enbridge Inc.	CAD		4,700	277,190	216,200
Keyera Corp.	CAD		49,600	1,095,871	1,996,896
				<u>1,373,061</u>	<u>2,213,096</u>
<b>Financial</b>		<b>3.6%</b>			
Blackhawk Network Holdings, Inc.	USD		4,900	213,705	299,815
Boston Private Financial Holdings, Inc.	USD		9,100	140,975	142,821
CI Financial Corp.	CAD		51,300	1,340,890	1,569,780
Element Financial Corporation	CAD		38,900	461,507	649,630
FirstService Corporation	CAD		5,800	168,282	324,220
Manulife Financial Corporation	CAD		13,200	293,087	273,768
Tricon Capital Group Inc.	CAD		78,000	633,038	706,680
Visa Inc.	USD		3,800	308,233	407,851
				<u>3,559,717</u>	<u>4,374,565</u>
<b>Funds</b>		<b>0.1%</b>			
SPDR S&P Homebuilders ETF	USD		1,400	66,246	66,227
<b>Industrial</b>		<b>11.2%</b>			
Avigilon Corporation	CAD		50,700	1,132,936	694,590
Badger Daylighting Ltd.	CAD		1,900	15,810	46,398
CAE Inc.	CAD		13,400	206,507	205,690
Canadian National Railway Company	CAD		23,100	855,225	1,786,785
CCL Industries Inc.	CAD		17,200	1,632,226	3,859,164



# EXEMPLAR CANADIAN FOCUS PORTFOLIO

Schedule of Investment Portfolio – As at December 31, 2015

Equity Positions - Long		55.0%		
Security Name	Currency	Quantity	Average Cost \$	Fair Value \$
DIRTT Environmental Solutions Ltd.	CAD	105,200	309,732	730,088
Energizer Holdings, Inc.	USD	3,400	146,978	160,273
General Electric Company	USD	2,400	82,185	103,468
Honeywell International Inc.	USD	3,600	393,945	516,027
Stantec Inc.	CAD	13,700	240,846	470,184
Stella-Jones Inc.	CAD	62,400	782,138	3,276,624
Student Transportation Inc.	CAD	95,500	681,347	488,960
Toromont Industries Ltd.	CAD	5,900	188,047	186,145
WSP Global Inc.	CAD	30,300	1,083,629	1,288,053
			<u>7,751,551</u>	<u>13,812,449</u>

## Technology

6.3%

Avago Technologies Limited	USD	400	78,982	80,355
CGI Group Inc.	CAD	11,800	424,567	653,720
Computer Sciences Corporation	USD	10,600	907,384	479,429
Constellation Software Inc.	CAD	4,800	886,923	2,769,024
The Descartes Systems Group Inc.	CAD	80,000	492,675	2,227,200
DH Corporation	CAD	4,300	154,672	135,966
Enghouse Systems Limited	CAD	1,900	97,390	141,246
Espial Group Inc.	CAD	26,500	102,708	61,480
Kinaxis Inc.	CAD	21,400	431,318	1,004,088
Microsoft Corporation	USD	100	7,619	7,678
salesforce.com, inc.	USD	1,400	125,505	151,908
			<u>3,709,743</u>	<u>7,712,094</u>
			<u>39,799,650</u>	<u>67,532,650</u>

Equity Positions - Short		(0.7%)		
Security Name	Currency	Quantity	Proceeds \$	Fair Value \$
<b>Basic Materials</b>		<b>(0.0%)</b>		
Major Drilling Group International Inc.	CAD	(7,300)	(35,719)	(31,974)
<b>Consumer, Cyclical</b>		<b>(0.3%)</b>		
Coach, Inc.	USD	(6,300)	(267,080)	(285,380)
Ferrari NV	USD	(400)	(27,048)	(26,573)
Magna International Inc.	CAD	(200)	(11,248)	(11,224)
			<u>(305,376)</u>	<u>(323,177)</u>
<b>Consumer, Non-Cyclical</b>		<b>(0.0%)</b>		
Empire Company Limited	CAD	(1,200)	(32,442)	(30,888)
<b>Energy</b>		<b>(0.2%)</b>		
HNZ Group Inc.	CAD	(1,600)	(31,847)	(18,560)
Suncor Energy Inc.	CAD	(5,700)	(202,467)	(203,604)
			<u>(234,314)</u>	<u>(222,164)</u>

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

Schedule of Investment Portfolio – As at December 31, 2015

Equity Positions - Short		(0.7%)			
Security Name	Currency		Quantity	Proceeds \$	Fair Value \$
<b>Financial</b>		<b>0.0%</b>			
Berkshire Hathaway Inc.	USD		(200)	(36,778)	(36,549)
Lazard Ltd	USD		(800)	(50,400)	(49,835)
				(87,178)	(86,384)
<b>Funds</b>		<b>(0.1%)</b>			
iShares MSCI Emerging Markets	USD		(1,500)	(68,146)	(66,826)
Market Vectors Russia ETF	USD		(1,900)	(38,987)	(38,524)
				(107,133)	(105,350)
<b>Industrial</b>		<b>(0.1%)</b>			
Caterpillar Inc.	USD		(800)	(76,960)	(75,245)
Finning International Inc.	CAD		(1,200)	(28,701)	(22,416)
Progressive Waste Solutions Ltd.	CAD		(700)	(23,218)	(22,820)
				(128,879)	(120,481)
				(931,041)	(920,418)

Fixed Income Positions - Long		1.0%					
Security Name	Currency	Coupon Rate %	Maturity Date	Par Value	Average Cost \$	Fair Value \$	
Boyd Group Income Fund	CAD	5.75	12-31-17	250,000	250,000	706,146	
Epsilon Energy Ltd.	CAD	7.75	03-31-17	600,000	600,000	569,250	
					850,000	1,275,396	

Warrant Positions - Long		0.0%					
Security Name	Currency	Strike Price	Maturity Date	Quantity	Average Cost \$	Fair Value \$	
Patient Home Monitoring Corp.	CAD	1.8	05-01-18	135,000	270	-	
					270	-	

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

Schedule of Investment Portfolio – As at December 31, 2015

Investment Portfolio Summary	%	Average Cost/ (Proceeds) \$	Fair Value \$
Equity Positions - Long	55.0	39,799,650	67,532,650
Equity Positions - Short	(0.7)	(931,041)	(920,418)
Fixed Income Positions - Long	1.0	850,000	1,275,396
Warrant Positions - Long	-	270	-
Total Investments	<u>55.3</u>	<u>39,718,879</u>	<u>67,887,628</u>
Total Other Net Assets	<u>44.7</u>	<u>-</u>	<u>54,915,448</u>
Total Net Assets	<u>100.0</u>	<u>39,718,879</u>	<u>122,803,076</u>

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the years ended December 31, 2015 and 2014

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 December 31, 2015 and 2014.

Credit Rating*	Percentage of total debt securities	
	As at December 31, 2015	As at December 31, 2014
	\$	\$
Not Rated	100.0	100.0
Total	100.0	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, 2014: 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 Aa3 (December 31, 2014: A1).

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, 2014: 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

For the years ended December 31, 2015 and 2014

### 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 to USD as at December 31, 2015 and 2014 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 USD, 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.

December 31, 2015	Exposure			Impact on net assets attributable to holders of redeemable shares		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency	\$	\$	\$	\$	\$	\$
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%

December 31, 2014	Exposure			Impact on net assets attributable to holders of redeemable shares		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency	\$	\$	\$	\$	\$	\$
United States Dollar - Long	5,716,252	5,007,974	10,724,226	571,625	500,797	1,072,422
United States Dollar - Short	-	(2,111,734)	(2,111,734)	-	(211,173)	(211,173)
<b>Total</b>	<b>5,716,252</b>	<b>2,896,240</b>	<b>8,612,492</b>	<b>571,625</b>	<b>289,624</b>	<b>861,249</b>
% of net assets attributable to holders of redeemable shares	7.1%	3.6%	10.7%	0.7%	0.4%	1.1%

#### (b) Interest Rate Risk

The table below summarizes the Portfolio's exposure to interest rate risk as at December 31, 2015 and 2014. 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	
	December 31, 2015	December 31, 2014
Less than 1 year	\$ -	\$ -
1-3 years	1,275,396	1,040,000
3-5 years	-	512,500
Greater than 5 years	-	-
<b>Total</b>	<b>\$ 1,275,396</b>	<b>\$ 1,552,500</b>
Sensitivity:		
Total \$ sensitivity	+/- 2,856	+/- 272
Total % sensitivity	0.0%	0.0%

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the years ended December 31, 2015 and 2014

### (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 and warrants with all other variables held constant, is presented in the following table.

	Impact on net assets attributable to holders of redeemable shares	
	December 31, 2015	December 31, 2014
	\$	\$
5% Increase	3,330,612	3,063,640
5% Decrease	(3,330,612)	(3,063,640)

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.

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the years ended December 31, 2015 and 2014

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			
	December 31, 2015		December 31, 2014	
	Long %	Short %	Long %	Short %
Basic Materials	0.6	(0.0)	0.7	-
Communications	4.3	-	2.2	-
Consumer, Cyclical	15.1	(0.3)	25.6	-
Consumer, Non-Cyclical	12.6	(0.0)	17.9	-
Energy	2.2	(0.2)	3.8	-
Financial	3.6	0.0	6.0	-
Funds	0.1	(0.1)	0.3	(2.2)
Industrial	11.2	(0.1)	14.9	(0.4)
Technology	6.3	-	6.6	-
Utilities	-	-	2.9	-
	56.0	(0.7)	80.9	(2.6)

### 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 December 31, 2015 and 2014.

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
<b>Total</b>	<b>67,532,650</b>	<b>1,275,396</b>	<b>-</b>	<b>68,808,046</b>
<b>Financial liabilities</b>				
Equities sold short	(920,418)	-	-	(920,418)
<b>Total</b>	<b>(920,418)</b>	<b>-</b>	<b>-</b>	<b>(920,418)</b>

December 31, 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Equities	63,384,524	-	-	63,384,524
Fixed income	-	1,552,500	-	1,552,500
<b>Total</b>	<b>63,384,524</b>	<b>1,552,500</b>	<b>-</b>	<b>64,937,024</b>
<b>Financial liabilities</b>				
Equities sold short	(2,111,734)	-	-	(2,111,734)
<b>Total</b>	<b>(2,111,734)</b>	<b>-</b>	<b>-</b>	<b>(2,111,734)</b>

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the years ended December 31, 2015 and 2014

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 December 31, 2015, the Portfolio did not hold any Level 3 financial instruments. There were no transfers between Levels 1, 2, and 3 during the years ending December 31, 2015 and 2014.

### 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) 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.

### c) 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 years ended December 31, 2015 and 2014.

	Net realized gains / (losses)	Net change in unrealized gains / (losses)	Interest income	Interest expense	Dividend income	Dividend expense	Total
December 31, 2015	\$	\$	\$	\$	\$	\$	\$
Financial asset at FVTPL:							
Designated as FVTPL	4,411,221	1,206,423	79,816	-	1,446,478	-	7,143,938
Financial liabilities at FVTPL:							
HFT	(287,939)	204,085	-	-	-	(19,493)	(103,347)
<b>Total</b>	<b>4,123,282</b>	<b>1,410,508</b>	<b>79,816</b>	<b>-</b>	<b>1,446,478</b>	<b>(19,493)</b>	<b>7,040,591</b>



# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the years ended December 31, 2015 and 2014

December 31, 2014	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	7,130,355	4,026,651	157,856	-	957,595	-	12,272,457
Financial liabilities at FVTPL:							
Designated as FVTPL	-	-	-	-	-	-	-
HFT	(75,247)	(143,214)	-	-	-	(20,804)	(239,265)
<b>Total</b>	<b>7,055,108</b>	<b>3,883,437</b>	<b>157,856</b>	<b>-</b>	<b>957,595</b>	<b>(20,804)</b>	<b>12,033,192</b>

# EXEMPLAR DIVERSIFIED PORTFOLIO

## Statements of Financial Position

As at December 31,

	2015	2014
<b>ASSETS</b>		
<b>Current assets</b>		
Financial assets held for trading		
Unrealized gain on futures - long	\$219,227	\$489,079
Unrealized gain on futures - short	603,263	1,887,618
Unrealized gain on options - long	243,521	40,281
Cash	23,670,352	20,761,142
Margin deposits	27,797,731	20,897,100
Due from manager (Note 9)	75,649	-
Receivable for redeemable shares issued	298,118	145,430
	<b>52,907,861</b>	<b>44,220,650</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Financial liabilities held for trading		
Unrealized loss on futures - long	142,419	206,816
Unrealized loss on futures - short	631,822	224,043
Unrealized loss on options - short	-	100,855
Payable for redeemable shares redeemed	6,143	36,596
Other liabilities (Note 9)	28,182	208,666
	<b>808,566</b>	<b>776,976</b>
<b>Net assets attributable to holders of redeemable shares</b>	<b>\$52,099,295</b>	<b>\$43,443,674</b>
Net assets attributable to holders of redeemable shares		
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	-
Number of redeemable shares outstanding (Note 8)		
Series A	415,011	570,704
Series F	1,554,720	1,990,816
Series I	705,240	657,665
Series L	133,351	161,645
Series R	1,327,895	-
Net assets attributable to holders of redeemable shares per share		
Series A	\$13.63	\$12.69
Series F	\$14.44	\$13.35
Series I	\$13.03	\$11.92
Series L	\$11.81	\$11.04
Series R	\$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  
For the years ended December 31,

	2015 \$	2014 \$
<b>INCOME</b>		
Net gains (losses) on investments and derivatives		
Net realized gain (loss) on futures	6,842,210	7,287,569
Net change in unrealized appreciation (depreciation) in value of futures	(1,897,588)	578,971
Net realized gain (loss) on investments and derivatives	(283,442)	27,758
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	(409,948)	(183,606)
Net gains (losses) on investments and derivatives	4,251,232	7,710,692
Other income items:		
Interest on cash	181,937	197,279
Foreign exchange gain (loss)	1,114,099	160,774
Net change in unrealized foreign exchange gain (loss)	363,183	110,316
<b>Total income (net)</b>	5,910,451	8,179,061
<b>EXPENSES</b>		
Management fees (Note 9)	482,593	413,718
Performance fees (Note 9)	889,742	1,001,382
Securityholder reporting fees	175,388	210,620
Interest expense	-	210
Independent Review Committee fees	4,495	5,515
Audit fees	28,199	20,576
Legal fees	33,355	16,781
Commissions and other portfolio transaction costs (Note 9)	440,527	384,988
Harmonized sales tax	209,555	214,584
Total expenses before manager absorption	2,263,854	2,268,374
Less: expenses absorbed by manager (Note 9)	-	(53,565)
Total expenses after manager absorption	2,263,854	2,214,809
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	3,646,597	5,964,252
<b>Increase (decrease) in net assets attributable to holders of redeemable shares (Note 11)</b>		
Series A	533,062	807,434
Series F	2,291,047	3,785,442
Series I	743,725	1,145,652
Series L	135,438	225,724
Series R	(56,675)	-
<b>Increase (decrease) in net assets attributable to holders of redeemable shares per share (Note 11)</b>		
Series A	1.14	0.97
Series F	1.08	2.15
Series I	1.06	1.83
Series L	0.83	1.53
Series R	(0.04)	-

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  
For the years ended December 31,

		2015 \$	2014 \$
<b>Net assets attributable to holders of redeemable shares at beginning of year</b>	Series A	7,245,031	12,977,312
	Series F	26,578,556	15,529,710
	Series I	7,836,247	5,130,434
	Series L	1,783,840	1,330,034
	Series R	-	-
		<b>43,443,674</b>	<b>34,967,490</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	Series A	533,062	807,434
	Series F	2,291,047	3,785,442
	Series I	743,725	1,145,652
	Series L	135,438	225,724
	Series R	(56,675)	-
		<b>3,646,597</b>	<b>5,964,252</b>
<b>Redeemable share transactions</b>			
Proceeds from redeemable shares issued	Series A	1,719,472	488,477
	Series F	12,744,251	14,158,835
	Series I	1,001,772	1,867,361
	Series L	427,500	293,500
	Series R	13,523,057	-
Redemption of redeemable shares	Series A	(3,842,801)	(7,028,192)
	Series F	(19,158,240)	(6,895,431)
	Series I	(391,492)	(307,200)
	Series L	(772,249)	(65,418)
	Series R	(242,246)	-
<b>Net increase (decrease) from redeemable share transactions</b>		<b>5,009,024</b>	<b>2,511,932</b>
<b>Net increase (decrease) in net assets attributable to holders of redeemable shares</b>		<b>8,655,621</b>	<b>8,476,184</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	-
<b>Net assets attributable to holders of redeemable shares at end of year</b>		<b>52,099,295</b>	<b>43,443,674</b>

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

# EXEMPLAR DIVERSIFIED PORTFOLIO

Statements of Cash Flows  
For the years ended December 31,

	2015 \$	2014 \$
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares	3,646,597	5,964,252
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	(363,183)	(115,714)
Net realized loss (gain) on investments and derivatives	283,442	(27,758)
Net change in unrealized depreciation (appreciation) in value of investments and derivatives	409,948	183,606
Net change in unrealized depreciation (appreciation) in value of futures	1,897,588	(578,971)
Purchase of investments and derivatives	(3,858,004)	(264,836)
Proceeds from sale of investments and derivatives	2,860,520	169,562
(Increase) decrease in margin deposits	(6,900,631)	(5,480,514)
(Increase) decrease in due from manager	(75,649)	-
(Decrease) increase in other liabilities	(180,484)	146,344
<b>Net cash from (used in) operating activities</b>	<b>(2,279,856)</b>	<b>(4,029)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from redeemable shares issued	29,263,364	16,745,494
Redemption of redeemable shares	(24,437,481)	(14,302,336)
<b>Net cash from (used in) financing activities</b>	<b>4,825,883</b>	<b>2,443,158</b>
<b>Net Increase (decrease) in cash</b>	<b>2,546,027</b>	<b>2,439,129</b>
<b>Cash at beginning of the year</b>	<b>20,761,142</b>	<b>18,206,299</b>
Net change in unrealized foreign exchange gain (loss) on cash	363,183	115,714
<b>Cash at end of the year</b>	<b>23,670,352</b>	<b>20,761,142</b>
Interest received*	181,937	197,279
Interest paid*	-	(210)
*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 December 31, 2015

Futures Contracts - Short Security Name	Currency	(0.1%) Contracts	Contract Size	Expiry Date	Notional Value	Unrealized Gain / Loss \$
<b>Commodity Futures</b>		<b>(0.6%)</b>				
BRENT CRUDE OIL (ICE)	USD	(25)	1,000	01-29-16	(941,750)	(6,173)
CANOLA FUTURE (WCE)	CAD	(64)	20	03-14-16	(622,720)	(9,484)
COFFEE 'C' FUTURE (NYB)	USD	(13)	375	03-18-16	(617,663)	(54,028)
COFFEE ROBUSTA 10TN FUT (LIF)	USD	(117)	10	03-31-16	(1,790,100)	(25,964)
COPPER FUTURE (CMX)	USD	(25)	250	03-29-16	(1,334,375)	(44,894)
CORN FUTURE (CBT)	USD	(111)	50	03-14-16	(1,991,063)	48,924
COTTON NO 2 FUTURE (NYB)	USD	(20)	500	03-08-16	(632,800)	519
CRUDE OIL FUTURE (NYM)	USD	(22)	1,000	01-20-16	(814,880)	(2,284)
GAS OIL FUTURE (ICE)	USD	(16)	100	02-11-16	(534,800)	14,947
GASOLINE RBOB FUTURE (NYM)	USD	(9)	420	01-29-16	(480,438)	(11,847)
GOLD 100 OZ FUTURE (CMX)	USD	(25)	100	02-25-16	(2,650,500)	18,684
LEAN HOGS FUTURE (CME)	USD	(38)	400	02-12-16	(908,960)	(61,436)
LIVE CATTLE FUTURE (CME)	USD	(6)	400	02-29-16	(328,320)	(39,029)
NATURAL GAS FUTURE (NYM)	USD	(20)	10,000	02-25-16	(472,600)	(107,232)
NATURAL GAS FUTURE (NYM)	USD	(35)	10,000	09-28-16	(890,750)	(15,985)
NICKEL FUTURE (LME)	USD	(13)	6	03-16-16	(687,414)	9,500
NY HARB ULSD FUTURE (NYM)	USD	(16)	420	01-29-16	(755,261)	50,577
PALLADIUM FUTURE (NYM)	USD	(19)	100	03-29-16	(1,067,800)	(47,658)
PLATINUM FUTURE (NYM)	USD	(23)	50	04-27-16	(1,027,180)	(30,718)
RUBBER FUTURE (TCM)	JPY	(85)	5,000	05-24-16	(67,022,500)	16,172
SILVER FUTURE (CMX)	USD	(16)	5,000	03-29-16	(1,104,240)	28,344
SOYBEAN FUTURE (CBT)	USD	(22)	50	03-14-16	(950,675)	11,193
SOYBEAN OIL FUTURE (CBT)	USD	(4)	600	03-14-16	(73,800)	(141)
WHEAT FUTURE (CBT)	USD	(61)	50	03-14-16	(1,433,500)	10,951
ZINC FUTURE (LME)	USD	(26)	25	03-16-16	(1,045,753)	(72,490)
						<u>(319,552)</u>
<b>Currency Futures</b>		<b>0.5%</b>				
AUSTRALIAN DOLLAR CCY FUT(CME)	USD	(16)	1,000	03-14-16	(1,162,560)	(17,342)
BRITISH POUND CURRENCY FUT (CME)	USD	(47)	625	03-14-16	(4,328,113)	66,320
CANADIAN DOLLAR CCY FUT (CME)	USD	(124)	1,000	03-15-16	(8,968,920)	185,041
EURO FX CURR FUTURE (CME)	USD	(10)	125,000	03-14-16	(1,360,750)	5,164
EURO/JPY FUTURE (CME)	JPY	(6)	125,000	03-14-16	(97,987,500)	15,481
MEXICAN PESO FUTURE (CME)	USD	(112)	5,000	03-14-16	(3,236,800)	14,407
						<u>269,071</u>
<b>Index Futures</b>		<b>(0.0%)</b>				
HANG SENG INDEX FUTURE (HKG)	HKD	(4)	50	01-28-16	(4,382,000)	(233)
S&P/TSE 60 INDEX FUTURES (MSE)	CAD	(9)	200	03-17-16	(1,369,620)	(16,816)
						<u>(17,049)</u>
<b>Interest Rate Futures</b>		<b>0.2%</b>				
90DAY EURODOLLAR FUTURE (CME)	USD	(152)	2,500	03-14-16	(37,720,700)	19,895
EURO - BOBL FUTURE (EUX)	EUR	(67)	1,000	03-08-16	(8,754,890)	82,964
3MO EURO EURIBOR FUTURE (LIF)	EUR	(160)	2,500	03-14-16	(40,066,000)	(8,922)
						<u>93,937</u>
						<u><b>(28,559)</b></u>

# EXEMPLAR DIVERSIFIED PORTFOLIO

Schedule of Investment Portfolio – As at December 31, 2015

Option Positions - Long Security Name	Currency	0.5% Strike Price	Expiry Date	Contracts	Average Cost \$	Fair Value \$
90DAY EURODOLLAR FUTURE CALL	USD	99	03-14-16	155	26,598	6,704
90DAY STERLING LIBOR FUTURE PUT	GBP	99	06-15-16	201	15,230	7,716
CORN FUTURE CALL	USD	410	02-19-16	125	30,974	8,650
CRUDE OIL FUTURE CALL	USD	41	01-14-16	61	77,697	16,041
CRUDE OIL FUTURE CALL	USD	47	02-17-16	83	304,521	33,313
GOLD 100 OZ FUTURE CALL	USD	1,100	01-26-16	76	103,134	27,348
NATURAL GAS FUTURE CALL	USD	3	02-24-16	74	64,228	23,556
S & P 500 EMINI IND FUTURE PUT	USD	2,000	01-15-16	35	51,455	35,725
S & P 500 EMINI INDEX FUTURE PUT	USD	1,875	01-15-16	164	107,469	23,832
SOYBEAN FUTURE CALL	USD	960	02-19-16	59	17,569	7,655
US TREAS BD FUTURE PUT	USD	153	01-22-16	35	38,199	52,981
					<u>837,074</u>	<u>243,521</u>

Investment Portfolio Summary	%	Average Cost / (Proceeds) \$	Fair Value \$
Futures Contracts - Long	0.2	-	76,808
Futures Contracts - Short	(0.1)	-	(28,559)
Option Positions - Long	<u>0.5</u>	<u>837,074</u>	<u>243,521</u>
Total Investments	0.6	837,074	291,770
Total Other Net Assets	<u>99.4</u>	-	<u>51,807,525</u>
Total Net Assets	<u>100.0</u>	<u>837,074</u>	<u>52,099,295</u>



# EXEMPLAR DIVERSIFIED PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the years ended December 31, 2015 and 2014

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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 December 31, 2015 and 2014, 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, 2014: 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 Aa3 (December 31, 2014: A1).

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, 2014: 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 DIVERSIFIED PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the years ended December 31, 2015 and 2014

### 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 December 31, 2015 and 2014, 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.

December 31, 2015 Currency	Exposure			Impact on net assets attributable to holders of redeemable shares		
	Monetary \$	Non-Monetary \$	Total \$	Monetary \$	Non-Monetary \$	Total \$
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)
Australian Dollar - Long	(6,999)	-	(6,999)	(700)	-	(700)
Australian Dollar - Short	(414)	-	(414)	(41)	-	(41)
British Pound - 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 - Long	178,261	-	178,261	17,826	-	17,826
Swiss Franc - Long	13,146	-	13,146	1,315	-	1,315
<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%

# EXEMPLAR DIVERSIFIED PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the years ended December 31, 2015 and 2014

December 31, 2014	Exposure			Impact on net assets attributable to holders of redeemable shares		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency	\$	\$	\$	\$	\$	\$
Australian Dollar - Long	155,633	-	155,633	15,563	-	15,563
Australian Dollar - Short	(18,199)	-	(18,199)	(1,820)	-	(1,820)
British Pound Sterling - Long	136,641	-	136,641	13,664	-	13,664
British Pound Sterling - Short	88,088	-	88,088	8,809	-	8,809
Euro Currency - Long	63,087	-	63,087	6,309	-	6,309
Euro Currency - Short	(191,997)	-	(191,997)	(19,200)	-	(19,200)
Hong Kong Dollar - Short	(36,718)	-	(36,718)	(3,672)	-	(3,672)
Japanese Yen - Long	(145,506)	-	(145,506)	(14,551)	-	(14,551)
Japanese Yen - Short	(111,059)	-	(111,059)	(11,106)	-	(11,106)
Malaysian Ringgit - Short	(94,514)	-	(94,514)	(9,451)	-	(9,451)
Swiss Franc - Long	(2,521)	-	(2,521)	(252)	-	(252)
Swiss Franc - Short	1,331	-	1,331	133	-	133
United States Dollar - Long	7,488,082	-	7,488,082	748,808	-	748,808
United States Dollar - Short	1,669,090	-	1,669,090	166,909	-	166,909
<b>Total</b>	<b>9,001,438</b>	<b>-</b>	<b>9,001,438</b>	<b>900,143</b>	<b>-</b>	<b>900,143</b>
% of net assets attributable to holders of redeemable shares	20.7%	0.0%	20.7%	2.1%	0.0%	2.1%

### (b) Interest Rate Risk

As at December 31, 2015 and 2014 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 December 31, 2015 and 2014, 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 \$6,517,778 (2014: 5,365,878).

# EXEMPLAR DIVERSIFIED PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the years ended December 31, 2015 and 2014

Benchmark	Impact on net assets attributable to holders of redeemable shares	
	December 31, 2015	December 31, 2014
	%	%
Societe Generale Commodity Trading Index	12.5	12.4

### 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			
	December 31, 2015		December 31, 2014	
	Long Positions	Short Positions	Long Positions	Short Positions
	%	%	%	%
Bond Futures	0.0	(0.1)	0.1	(0.0)
Interest Rate Futures	(0.0)	0.2	0.0	0.0
Index Futures	0.0	(0.0)	0.1	(0.0)
Commodity Futures	0.2	(0.6)	(0.1)	3.0
Currency Futures	0.0	0.5	0.5	0.9
Options	0.5	-	0.1	(0.2)
Total	0.7	(0.1)	0.7	3.7

### 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 FVTLP 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 December 31, 2015 and 2014, 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 years ended December 31, 2015 and 2014.

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

# EXEMPLAR DIVERSIFIED PORTFOLIO

## DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the years ended December 31, 2015 and 2014

### Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2015 and 2014.

December 31, 2015	Net realized gains / (losses)	Net unrealized gains / (losses)	Total
	\$	\$	\$
Financial asset at FVTPL:			
HFT	6,842,210	(618,549)	6,223,661
Financial liabilities at FVTPL:			
HFT	(283,442)	(1,688,987)	(1,972,429)
Total	6,558,768	(2,307,536)	4,251,232

December 31, 2014	Net realized gains / (losses)	Net unrealized gains / (losses)	Total
	\$	\$	\$
Financial asset at FVTPL:			
HFT	7,315,327	449,510	7,764,837
Financial liabilities at FVTPL:			
HFT	-	(54,145)	(54,145)
Total	7,315,327	395,365	7,710,692

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

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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.

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

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.

Arrow Capital Management Inc. is the manager ("Arrow" or the "Manager") of the Portfolios. Prior to December 2, 2013, the manager of the Portfolios was BluMont Capital Corporation ("BluMont"). On December 2, 2013, Arrow acquired all the outstanding shares of BluMont, resulting in a change of control of BluMont. On April 1, 2014, Arrow and BluMont amalgamated, continuing under the name "Arrow Capital Management Inc.". At a special meeting of shareholders on November 27, 2013, the shareholders of the Portfolios approved a change of manager from BluMont to Arrow.

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 December 31, 2015 and 2014, and for the years ending December 31, 2015 and 2014.

### 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 March 28, 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 December 31, 2015 or 2014.

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.

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

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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.

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 assets 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.

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

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### **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'.

### **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 year. Refer to Note 11 for the calculation.



# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

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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 December 31, 2015 and December 31, 2014, 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 year 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.

#### *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.

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

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### 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.

##### **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.

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

### 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 December 31, 2015 and 2014. The "Net" column displays what the net impact would be on the Portfolio's Statement of Financial Position if all amounts were set off.

	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
December 31, 2015	\$	\$	\$	\$	\$	\$
<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	-	-

	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
December 31, 2014	\$	\$	\$	\$	\$	\$
<b>Financial assets:</b>						
Counterparty 1	702,164	-	702,164	(233,476)	-	468,688
<b>Financial liabilities:</b>						
Counterparty 1	(233,476)	-	(233,476)	233,476	-	-

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

### 7. INVESTMENT IN STRUCTURED ENTITIES

Information related to investments in Structured Entities is as follows:

#### 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

#### Canadian Focus Portfolio – December 31, 2014

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	5,778,640	7.2	0.9
SPDR Gold Shares	52,706	0.1	0.0
Health Care Select Sector SPDR Fund	158,655	0.2	0.0

### 8. REDEEMABLE SHARES

During the years ended December 31, 2015 and 2014, the number of shares issued, redeemed and outstanding was as follows:

#### Canadian Focus Portfolio - for the year ended December 31, 2015

	Redeemable shares outstanding at beginning of year	Redeemable shares issued	Redeemable shares issued on reinvestment of distributions	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of year
Series A	2,302,938	783,723	38,734	(422,680)	2,702,715
Series F	1,531,517	1,480,363	36,425	(188,755)	2,859,550
Series L	419,395	249,474	8,017	(56,977)	619,909

#### Canadian Focus Portfolio - for the year ended December 31, 2014

	Redeemable shares outstanding at beginning of year	Redeemable shares issued	Redeemable shares issued on reinvestment of distributions	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of year
Series A	2,946,850	344,605	24,777	(1,013,294)	2,302,938
Series F	937,084	742,137	15,346	(163,050)	1,531,517
Series L	333,295	113,160	4,010	(31,070)	419,395

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

### Diversified Portfolio - for the year ended December 31, 2015

	Redeemable shares outstanding at beginning of year	Redeemable shares issued	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of year
Series A	570,704	125,398	(281,091)	415,011
Series F	1,990,816	884,883	(1,320,979)	1,554,720
Series I	657,665	77,303	(29,728)	705,240
Series L	161,645	35,970	(64,264)	133,351
Series R	0	1,351,895	(24,000)	1,327,895

### Diversified Portfolio - for the year ended December 31, 2014

	Redeemable shares outstanding at beginning of year	Redeemable shares issued	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of year
Series A	1,196,227	46,144	(671,667)	570,704
Series F	1,362,244	1,242,376	(613,804)	1,990,816
Series I	498,211	187,615	(28,161)	657,665
Series L	138,538	30,025	(6,918)	161,645

## 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
		\$	
December 31, 2015	65,931	951,395	1.8
December 31, 2014	52,306	698,285	1.6

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

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

As of December 31, 2014, 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	535	10,170	0.0
Canadian Focus Portfolio - Series F	4,821	97,240	0.2
Diversified Portfolio - Series A	500	6,345	0.0
Diversified Portfolio - Series F	4,500	60,075	0.1

In September 2014, the Manager identified that certain commission expenses on futures transactions, and foreign exchange gains and losses on related broker trust accounts, had not been accurately recorded in the accounting records of the Diversified Portfolio, such that net expenses of the Diversified Portfolio were understated. The Manager quantified the cumulative amount of the differences as well as their impact on previously paid Management Fees and Performance Fees. In November 2014, the Manager calculated the resulting shortfall in the underlying trust accounts, and settled the difference by contributing \$1,333,612 to the Diversified Portfolio. Such settlement did not impact the Net Asset Value Per Share of the Diversified Portfolio and the Diversified Portfolio did not bear any of the costs of the investigation or its resolution. The Manager did not benefit from the discrepancies and has reviewed the adjustment with the Independent Review Committee. Commissions and foreign exchange amounts have subsequently been appropriately recorded in the accounting records of the Diversified Portfolio.

### 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 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 December 31, 2015, the Canadian Focus Portfolio due from the manager was \$297,576 (2014: \$nil). 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.

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

As at December 31, 2015, the Diversified Portfolio due from the Manager was \$75,649 (2014: \$nil). 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:

	December 31, 2015		December 31, 2014	
	Management Fees	Performance Fees	Management Fees	Performance Fees
	\$	\$	\$	\$
Canadian Focus Portfolio	-	-	93,776	-
Diversified Portfolio	-	-	41,866	1,382

### Brokerage Commissions

Total commissions paid to dealers for the years ended December 31, 2015 and 2014 in connection with portfolio transactions are as follows:

	December 31, 2015	December 31, 2014
Canadian Focus Portfolio	\$22,039	\$85,909
Diversified Portfolio	\$440,527	\$384,988

For the year ended December 31, 2015, \$23,023 was used for market data services by the Canadian Focus Portfolio (2014: \$26,852).

## 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 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**
\$3,554,668	\$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.

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

### 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 years ended December 31, 2015 and 2014 is calculated as follows:

December 31, 2015	Increase (decrease) in net assets attributable to holders of redeemable shares (\$)	Weighted average redeemable shares outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable shares per share (\$)
Canadian Focus Portfolio - Series A	2,650,622	2,368,495	1.12
Canadian Focus Portfolio - Series F	2,262,176	1,937,303	1.17
Canadian Focus Portfolio - Series L	346,077	529,147	0.65
Diversified Portfolio - Series A	533,062	467,205	1.14
Diversified Portfolio - Series F	2,291,047	2,119,541	1.08
Diversified Portfolio - Series I	743,725	699,462	1.06
Diversified Portfolio - Series L	135,438	164,020	0.83
Diversified Portfolio - Series R	(56,675)	1,308,440	(0.04)

December 31, 2014	Increase (decrease) in net assets attributable to holders of redeemable shares (\$)	Weighted average redeemable shares outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable shares per share (\$)
Canadian Focus Portfolio - Series A	5,175,655	2,581,181	2.01
Canadian Focus Portfolio - Series F	2,766,705	1,256,144	2.20
Canadian Focus Portfolio - Series L	507,621	374,668	1.35
Diversified Portfolio - Series A	807,434	828,197	0.97
Diversified Portfolio - Series F	3,785,442	1,757,680	2.15
Diversified Portfolio - Series I	1,145,652	626,021	1.83
Diversified Portfolio - Series L	225,724	147,235	1.53

### 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

March 28, 2016

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

The accompanying audited 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.

PricewaterhouseCoopers LLP is the external auditor of the Funds, appointed by the shareholders. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out on the following page.

"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.

## **Independent Auditor's Report**

### **To the Shareholders of Exemplar Canadian Focus Portfolio and Exemplar Diversified Portfolio, classes of Exemplar Portfolios Ltd. (collectively the Portfolios)**

We have audited the accompanying financial statements of each of the Portfolios, which comprise the statements of financial position as at December 31, 2015 and 2014 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements of each of the Portfolios based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in each of our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Portfolios as at December 31, 2015 and 2014 and the financial performance and cash flows of each of the Portfolios for the years then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

Toronto, Ontario

March 28, 2016

## **PORTFOLIO INFORMATION**

### **MANAGER AND PRINCIPAL DISTRIBUTOR**

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### **AUDITOR**

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