

## **EXEMPLAR GROWTH AND INCOME FUND**

### **ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

For the year ended December 31, 2016

This annual Management Report of Fund Performance contains financial highlights but does not contain the complete audited annual financial statements for Exemplar Growth and Income Fund (the "Fund"). If you have not received a copy of the audited annual financial statements with the Management Report of Fund Performance, you may obtain a copy of the audited annual financial statements, at no cost, by calling 877.327.6048, by writing to us at Arrow Capital Management Inc. (the "Manager" or "Arrow"), 36 Toronto Street, Suite 750, Toronto, Ontario M5C 2C5 or by visiting our website at [www.arrow-capital.com](http://www.arrow-capital.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

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

#### **Forward-Looking Information**

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

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

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

## **Management Discussion on Fund Performance**

### **Investment Objective and Strategies**

The investment objective of the Fund is to achieve long term growth and preservation of capital. The Fund may invest up to all of its assets in a diversified mix of other mutual funds (in order to gain indirect exposure to securities that the Fund would otherwise directly invest in), and may also invest in common shares, preferred shares, treasury bills, short-term notes, debentures, and bonds. The Fund invests primarily in Canadian securities.

To achieve the investment objective, the Manager utilizes the following allocation guidelines: 30-90% equity securities, 10-50% fixed income securities and 0-50% money market instruments. Fixed income securities may include investment grade, non-investment grade and distressed fixed income securities, issued by Canadian or non-Canadian corporations, trusts and international agencies and governments. The Fund is also permitted to invest in convertible bonds and debentures, loans, preferred shares, exchange traded funds and equities. The Fund may also hold cash. To achieve these target ranges, the Fund may invest in either individual securities or the Manager may invest up to 100% of the assets of the Fund in underlying funds.

The Fund may invest in foreign securities to an extent that will vary from time to time but is not typically expected to exceed 40% of its assets at the time that foreign securities are purchased, however, as the Fund intends to invest certain of its assets in securities of other investment funds that may themselves invest in foreign securities, the actual exposure of the Fund to investments in foreign securities may exceed this amount. The Fund may enter into securities lending, repurchase and reverse repurchase transactions to generate additional income or as a short-term cash management tool.

### **Investment Risk**

The risks of investing in the Fund remain as stated in the Fund's simplified prospectus. There were no material changes to the Fund over the period that affected the overall level or risk.

This Fund is suitable for investors who are able to accept a medium degree of risk and are prepared to invest for medium to long periods of time.

### **Results of Operations**

For the year ended December 31, 2016, Series F units of the Fund posted a gain of 10.7% while its benchmark (80% S&P/TSX, 20% FTSE/TMX Canada Universe Bond Index) gained 17.0% over the same period. Since inception, the Fund is up 8.0% versus a return of 3.9% for the benchmark. We have achieved positive returns with less than half the volatility of the benchmark. In 2016, the Fund's assets increased by approximately 40% therefore, the turnover in the Fund was unusually high due to the Fund directly purchasing individual equities and trading of government bonds instead of owning individual funds. As of December 31, 2016, 43.2% of the Fund's net assets (where short positions are netted against long positions in each category) were invested in equities, 44.7% in underlying funds and 11.8% in cash and other net assets.

Please refer to the "Past Performance" section for performance information of the other series. The performance of the other series of the Fund differs from Series F units due largely to a varying level of expenses charged to each series, as explained in the Management Fees section.

### **Equities**

2016 proved an exceptional year for Canadian equities as commodities staged a rally from the beginning of the year. The S&P/TSX Index, heavily weighted toward the energy and materials sectors, was a major beneficiary. Many resource stocks recorded triple digit gains as they recovered from deeply depressed valuations. The magnitude of the rebound caught us by surprise, given the prevailing lackluster global economic backdrop, depressed business confidence and relatively fragile consumer. On the plus side, we were able to take advantage of some select trades in the energy and metals sectors which helped boost the performance of the Fund. Having correctly predicted that the Brexit outcome would be a shock to the investment community, we missed the opportunity presented by the ensuing volatility in financial markets to deploy the Fund's excessive cash position. Despite Brexit's serious economic implications for the UK and potentially for the European Community, investors seemed to take solace in the 'lower for longer' interest rate outlook rather than dwelling on the negative implications. The result was a surprisingly swift stock market recovery.

The reality is unlikely to live up to Mr. Trump's hyperbole. Disagreements among the various factions within the Republican Party might delay and dilute the benefits of any policy changes. The post-election rally has resulted in valuations too rich to

be able to withstand disappointments. There are certainly more serious risks facing investors currently than during past government transitions. Among the most onerous would be foreign policy missteps and escalating trade tensions. Even though China and Mexico appear to be President Trump's primary targets, Canada will not escape unscathed. Prospective NAFTA renegotiations could have serious repercussions for our country, leading to weak Canadian currency and potential turmoil in the Canadian equity market.

Overall, despite holding higher than normal cash levels throughout 2016, which was instrumental in lowering the Fund's volatility in the difficult market the previous year, we were able to make solid returns in equities. We will use our maximum foreign content exposure to buy U.S. stocks and actively hedge the USD/CAD foreign exchange.

### **Fixed Income**

The year had some significant events that caught the markets off guard and the U.S. election seemed to solidify that markets may have seen the bottom of interest rates. Traditional, long-only fixed income investors started to see the pain as rates began rising across the globe in October. While it has been a strong-performing year for credit, we believe investment grade credit remains the best investment opportunity on a risk-adjusted return basis.

For the first half of 2016, the U.S. high-yield market saw strong demand, pushing prices up and leading to returns in excess of the coupon earned. A growing U.S. economy, low global yields and a rally in key commodity prices attributed to the market's return. The best returns this year came from the riskiest subsectors of the market, especially those that were among the poorest performers last year. Prices for CCC rated and distressed securities as well as struggling commodity-related industries such as energy and metals/mining all generated outsized returns. The high-yield market also benefitted from considerably lower treasury yields and spread narrowing. The Bank of America Merrill Lynch BB-B US Cash Pay Non-Distressed High Yield Index (the Cash Pay Index) returned 6.25%, outperforming the Barclays US Aggregate Bond Index that returned 5.31%, intermediate treasuries which returned 5.59% and the S&P 500 Index which returned 3.82%. The investment grade corporate sector outperformed and returned 7.56%.

Over the second half of 2016, U.S. high-yield market spreads narrowed by about 200 basis points (bps) to 414 bps over Treasuries. This impressive narrowing came as intermediate Treasury yields increased modestly. High-yield fund flows were positive, as investors injected a rather large \$4.1 billion into the market. New high-yield bond issuance remained strong in the U.S. market with \$130 billion coming to market since June. U.S. high-yield market spreads narrowed by about 73 basis points (bps) during the quarter to 414 bps over Treasuries. This spread narrowing came as intermediate Treasury yields increased by a rather large 81 bps. Rating wise, the CCC sector narrowed significantly by 213 bps to 932 bps and the B sector narrowed by 92 bps to 410 bps. The BB sector, which improved the least of the rating sectors at 52 bps, now stands at 271 bps over treasuries. The Standard & Poor's US speculative-grade trailing 12-month issuer default rate was 5.1% as of December 31, 2016, up from 2.8% in December 2015.

As was the case with the last quarter and 2016 as a whole, the highest returns came from the riskiest subsectors of the market. Distressed securities returned 9.15% while CCC rated securities were once again the highest performing rating subsector. Also, several commodity-related industries such as energy and to a lesser extent, metals/mining, solidly outperformed as the commodity backdrop improved. The bullishness witnessed in most commodities, (cyclical) equities, credit spreads, and a record low VIX suggests to us that potential fiscal stimulus is reflected in market prices. In our view, the risk of a modest correction in coming months may be underappreciated. Our fixed income allocations are well positioned to potentially profit from an increase in market and single name volatility.

### **Summary**

Overall, we are quite pleased with the performance of the Exemplar Growth & Income Fund since it was launched in March 2015. We are quite confident in how the Fund is presently invested and with the tools we have at our disposal to make tactical shifts quickly based upon changing market conditions. We will strive to continue to outperform our benchmark with solid security selection and nimble tactical asset allocation which we believe will be a significant advantage versus traditional balanced funds. With disciplined risk management, a more hedged approach to fixed income markets and foreign currency hedging, the Fund is a great addition to any diversified portfolio.

### **Recent Developments**

On February 21, 2017, the unitholders of Exemplar U.S. High Yield Fund (the "Terminating Fund") voted to merge the Terminating Fund into Exemplar Growth and Income Fund. On February 28, 2017, the Terminating Fund was merged into the Exemplar Growth and Income Fund on a tax-deferred basis.

## Related Party Transactions

As of December 31, 2016, the Manager owns 246,782 Series FN units with a market value of \$2,618,357. This represents 20.1% of the total net assets of the Fund.

The Fund invests in units of Exemplar Performance Fund, Exemplar Tactical Corporate Bond Fund and Exemplar U.S. High Yield Fund. The number of units owned by the Fund as of December 31, 2016 is summarized as follows:

Fund	Number of units	Amount (\$)	% of net assets attributable to holders of redeemable units
Exemplar Performance Fund – Series I	227,887	2,458,746	18.9
Exemplar Tactical Corporate Bond Fund – Series I	96,477	950,792	7.3
Exemplar U.S. High Yield Fund – Series I	224,768	2,382,137	18.3

## Management Fees

Arrow receives a monthly management fee (the “Management Fee”), subject to HST (and any other applicable sales taxes), calculated as a percentage of the Fund’s net asset value as of the close of business on each business day. The Management Fee rate applicable to Series A units and Series AN units is equal to 2.0% per annum. The Management Fee rate applicable to Series F units and Series FN units is equal to 1.0% per annum. The Management Fee rate applicable to Series L units and Series LN units is equal to 2.30% per annum. The Fund is also authorized to issue Series I units, for which the Management Fee is negotiable between Arrow and the dealer.

For the year ended December 31, 2016, Management Fees charged to the Fund equaled \$158,391 (\$34,871 in 2015). The Management Fee is paid in consideration of investment management and administration services. No breakdown of such services was specified in the management agreement. From this Management Fee, the Manager pays fees to the investment advisor (Arrow, in its capacity as such) who provides portfolio management services to the Fund. A portion of the Management Fee paid by the Fund is for trailer fees paid to dealers whose clients hold units of the Fund. The trailer fees are a percentage of the net asset value of the Fund, calculated and payable monthly. The table below outlines the Fund’s annual Management Fees and trailer fees.

ANNUAL RATE (%)	Series A, AN	Series F, FN	Series L, LN	Series I
Management Fees <i>(Annual Rate)</i>	2.0%	1.0%	2.3%	Negotiable
Trailer Fees <i>(as a % of Management Fees)</i>	29.0%	-	0.2%	-

The Manager incurs operating expenses on behalf of the Fund and charges these expenses to the Fund. For the year ended December 31, 2016, the Manager has, in its discretion, agreed to absorb \$121,606 (\$101,161 in 2015) of operating expenses associated with the Fund.

## Financial Highlights

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

<b>SERIES A - NET ASSETS PER UNIT</b>			
<b>For the year/period ended December 31,</b>			
		<b>2016</b>	<b>2015<sup>†</sup></b>
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$</b>	<b>10.05</b>	<b>\$ 10.00</b>
Increase (decrease) from operations:			
Total revenue		0.15	(0.16)
Total expenses		(0.34)	0.61
Realized gains (loss)		0.75	(0.95)
Unrealized gains (loss)		0.39	0.28
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$</b>	<b>0.95</b>	<b>\$ (0.22)</b>
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)		-	-
From capital gain		(0.57)	(0.19)
Return of capital		-	(0.04)
<b>Total distributions</b>	<b>\$</b>	<b>(0.57)</b>	<b>\$ (0.23)</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$</b>	<b>10.43</b>	<b>\$ 10.05</b>

<b>SERIES A - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
<b>For the year/period ended December 31,</b>			
		<b>2016</b>	<b>2015<sup>†</sup></b>
Net Asset Value ("NAV") (000s) <sup>1</sup>		\$3,850	\$3,822
Number of units outstanding		369,276	380,417
Management expense ratio <sup>3</sup>		2.88%	3.08%*
Management expense ratio before waivers or absorptions <sup>4</sup>		4.05%	7.92%*
Portfolio turnover rate <sup>5</sup>		1,048.66%	741.03%
Trading expense ratio <sup>6</sup>		0.92%	0.73%*
Net asset value per unit		\$10.43	\$10.05

<b>SERIES AN - NET ASSETS PER UNIT</b>			
<b>For the year/period ended December 31,</b>			
		<b>2016</b>	<b>2015<sup>†</sup></b>
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$</b>	<b>10.11</b>	<b>\$ 10.00</b>
Increase (decrease) from operations:			
Total revenue		0.14	0.03
Total expenses		(0.35)	(0.08)
Realized gains (loss)		0.87	0.12
Unrealized gains (loss)		0.43	(0.04)
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$</b>	<b>1.09</b>	<b>\$ 0.03</b>
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)		-	-
From capital gain		(0.61)	(0.04)
Return of capital		-	-
<b>Total distributions</b>	<b>\$</b>	<b>(0.61)</b>	<b>\$ (0.04)</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$</b>	<b>10.45</b>	<b>\$ 10.11</b>

<b>SERIES AN - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
<b>For the year/period ended December 31,</b>			
		<b>2016</b>	<b>2015<sup>†</sup></b>
Net Asset Value ("NAV") (000s) <sup>1</sup>		\$1,757	\$389
Number of units outstanding		168,085	38,453
Management expense ratio <sup>3</sup>		2.96%	3.12%*
Management expense ratio before waivers or absorptions <sup>4</sup>		4.13%	8.02%*
Portfolio turnover rate <sup>5</sup>		1,048.66%	741.03%
Trading expense ratio <sup>6</sup>		0.92%	0.73%*
Net asset value per unit		\$10.45	\$10.11

<b>SERIES F - NET ASSETS PER UNIT</b>			
<b>For the year/period ended December 31,</b>			
	<b>2016</b>	<b>2015<sup>†</sup></b>	
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$ 9.96</b>	<b>\$ 10.00</b>	
Increase (decrease) from operations:			
Total revenue	0.17	0.22	
Total expenses	(0.24)	(0.83)	
Realized gains (loss)	0.75	1.28	
Unrealized gains (loss)	0.41	(0.38)	
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ 1.09</b>	<b>\$ 0.29</b>	
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)	-	-	
From capital gain	(0.68)	(0.36)	
Return of capital	-	(0.04)	
<b>Total distributions</b>	<b>\$ (0.68)</b>	<b>\$ (0.40)</b>	
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$ 10.32</b>	<b>\$ 9.96</b>	

<b>SERIES F - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
<b>For the year/period ended December 31,</b>			
	<b>2016</b>	<b>2015<sup>†</sup></b>	
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$919	\$1,180	
Number of units outstanding	88,998	118,491	
Management expense ratio <sup>3</sup>	1.92%	1.97%*	
Management expense ratio before waivers or absorptions <sup>4</sup>	3.09%	5.23%*	
Portfolio turnover rate <sup>5</sup>	1,048.66%	741.03%	
Trading expense ratio <sup>6</sup>	0.92%	0.73%*	
Net asset value per unit	\$10.32	\$9.96	

<b>SERIES FN - NET ASSETS PER UNIT</b>			
<b>For the year/period ended December 31,</b>			
	<b>2016</b>	<b>2015<sup>†</sup></b>	
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$ 10.25</b>	<b>\$ 10.00</b>	
Increase (decrease) from operations:			
Total revenue	0.16	0.08	
Total expenses	(0.26)	(0.28)	
Realized gains (loss)	0.81	0.43	
Unrealized gains (loss)	0.39	(0.13)	
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ 1.10</b>	<b>\$ 0.10</b>	
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)	-	-	
From capital gain	(0.73)	(0.08)	
Return of capital	-	-	
<b>Total distributions</b>	<b>\$ (0.73)</b>	<b>\$ (0.08)</b>	
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$ 10.61</b>	<b>\$ 10.25</b>	

<b>SERIES FN - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
<b>For the year/period ended December 31,</b>			
	<b>2016</b>	<b>2015<sup>†</sup></b>	
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$5,196	\$3,225	
Number of units outstanding	489,600	314,537	
Management expense ratio <sup>3</sup>	1.92%	1.99%*	
Management expense ratio before waivers or absorptions <sup>4</sup>	3.09%	5.29%*	
Portfolio turnover rate <sup>5</sup>	1,048.66%	741.03%	
Trading expense ratio <sup>6</sup>	0.92%	0.73%*	
Net asset value per unit	\$10.61	\$10.25	

<b>SERIES I - NET ASSETS PER UNIT</b>			
<b>For the year/period ended December 31,</b>			
	<b>2016</b>		<b>2015<sup>†</sup></b>
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$</b>	<b>9.90</b>	<b>\$ 10.00</b>
Increase (decrease) from operations:			
Total revenue		0.15	(0.03)
Total expenses		(0.12)	0.08
Realized gains (loss)		0.75	(0.12)
Unrealized gains (loss)		0.38	0.04
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$</b>	<b>1.16</b>	<b>\$ (0.03)</b>
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)		-	-
From capital gain		(0.79)	(0.04)
Return of capital		-	(0.04)
<b>Total distributions</b>	<b>\$</b>	<b>(0.79)</b>	<b>\$ (0.08)</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$</b>	<b>10.26</b>	<b>\$ 9.90</b>

<b>SERIES I - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
<b>For the year/period ended December 31,</b>			
	<b>2016</b>		<b>2015<sup>†</sup></b>
Net Asset Value ("NAV") (000s) <sup>1</sup>		\$927	\$836
Number of units outstanding		90,330	84,458
Management expense ratio <sup>3</sup>		0.80%	0.86%*
Management expense ratio before waivers or absorptions <sup>4</sup>		1.97%	2.54%*
Portfolio turnover rate <sup>5</sup>		1,048.66%	741.03%
Trading expense ratio <sup>6</sup>		0.92%	0.73%*
Net asset value per unit		\$10.26	\$9.90

<b>SERIES L - NET ASSETS PER UNIT</b>			
<b>For the year/period ended December 31,</b>			
	<b>2016</b>		<b>2015<sup>†</sup></b>
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$</b>	<b>9.82</b>	<b>\$ 10.00</b>
Increase (decrease) from operations:			
Total revenue		0.16	-
Total expenses		(0.36)	(0.02)
Realized gains (loss)		0.80	0.03
Unrealized gains (loss)		0.42	(0.01)
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$</b>	<b>1.02</b>	<b>\$ 0.00</b>
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)		-	-
From capital gain		(0.54)	(0.19)
Return of capital		-	(0.04)
<b>Total distributions</b>	<b>\$</b>	<b>(0.54)</b>	<b>\$ (0.23)</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$</b>	<b>10.21</b>	<b>\$ 9.82</b>

<b>SERIES L - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
<b>For the year/period ended December 31,</b>			
	<b>2016</b>		<b>2015<sup>†</sup></b>
Net Asset Value ("NAV") (000s) <sup>1</sup>		\$266	\$85
Number of units outstanding		26,060	8,642
Management expense ratio <sup>3</sup>		3.18%	3.46%*
Management expense ratio before waivers or absorptions <sup>4</sup>		4.35%	8.84%*
Portfolio turnover rate <sup>5</sup>		1,048.66%	741.03%
Trading expense ratio <sup>6</sup>		0.92%	0.73%*
Net asset value per unit		\$10.21	\$9.82

<b>SERIES LN - NET ASSETS PER UNIT</b>			
<b>For the year/period ended December 31,</b>		<b>2016</b>	<b>2015<sup>†</sup></b>
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$</b>	<b>10.11</b>	<b>\$ 10.00</b>
Increase (decrease) from operations:			
Total revenue		0.16	0.06
Total expenses		(0.40)	(0.22)
Realized gains (loss)		0.87	0.34
Unrealized gains (loss)		0.41	(0.10)
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$</b>	<b>1.04</b>	<b>\$ 0.08</b>
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)		-	-
From capital gain		(0.57)	(0.04)
Return of capital		-	-
<b>Total distributions</b>	<b>\$</b>	<b>(0.57)</b>	<b>\$ (0.04)</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$</b>	<b>10.45</b>	<b>\$ 10.11</b>

<b>SERIES LN - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
<b>For the year/period ended December 31,</b>		<b>2016</b>	<b>2015<sup>†</sup></b>
Net Asset Value ("NAV") (000s) <sup>1</sup>		\$113	\$51
Number of units outstanding		10,852	5,062
Management expense ratio <sup>3</sup>		3.37%	3.57%*
Management expense ratio before waivers or absorptions <sup>4</sup>		4.55%	9.12%*
Portfolio turnover rate <sup>5</sup>		1,048.66%	741.03%
Trading expense ratio <sup>6</sup>		0.92%	0.73%*
Net asset value per unit		\$10.45	\$10.11

<sup>†</sup>The Fund was launched on March 16, 2015. Series A and F units began operations on March 24, 2015. Series AN units began operations on April 8, 2015. Series FN units began operations on April 2, 2015. Series L units began operations on April 13, 2015. Series LN units began operations on May 14, 2015. Series I units began operations on November 30, 2015.

\*Ratios have been annualized.

1. The net assets per unit shown are referenced to net assets attributable to holders of redeemable units determined in accordance with International Financial Reporting Standards ("IFRS") and are derived from the Fund's financial statements. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.
2. Distributions, if any, were reinvested in additional units of the Fund at the discretion of the underlying unitholders.
3. Management expense ratio is based on total expenses (excluding certain taxes, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.
4. The Manager has absorbed certain expenses or waived certain fees otherwise payable by the Fund. The amount of expenses absorbed or waived is determined annually at the discretion of the Manager and the Manager can terminate the absorption or waiver at any time.
5. The Fund's portfolio turnover rate can indicate how actively the investment advisor manages the portfolio of investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of its securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.
6. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
7. Ratios and supplemental data, where applicable, are computed using the net asset value of the Fund.



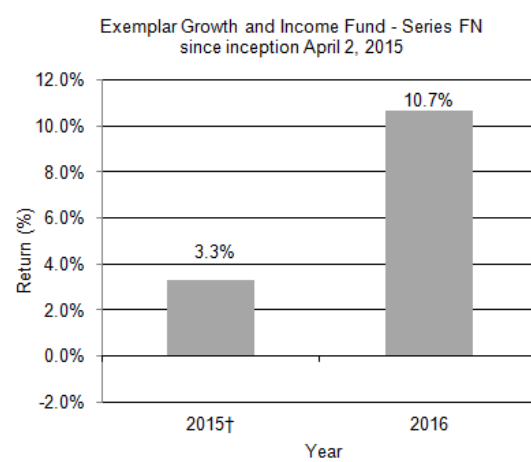
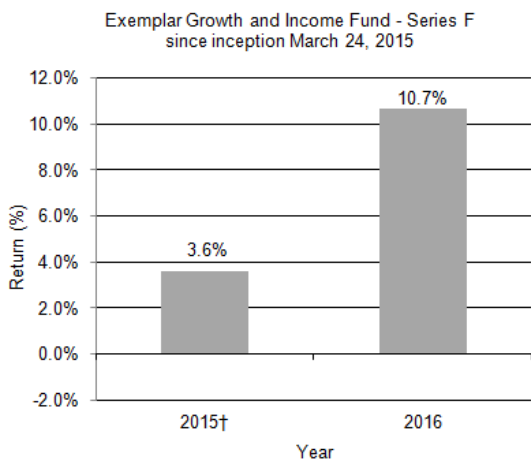
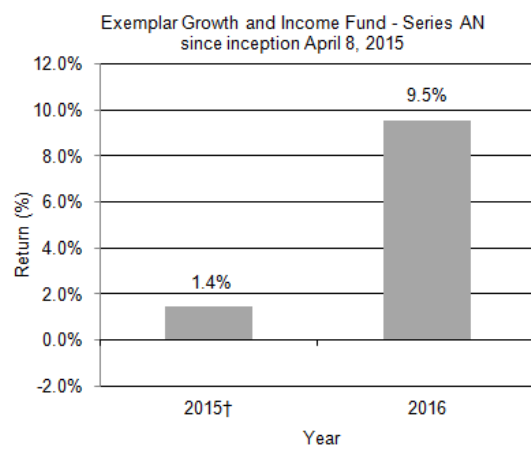
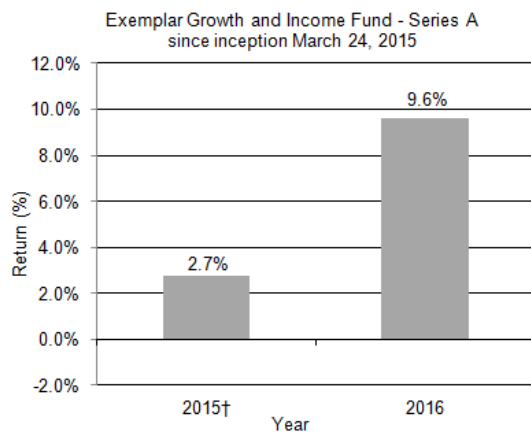
## Past Performance

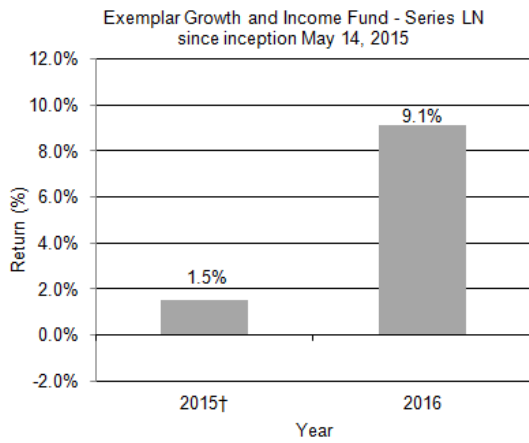
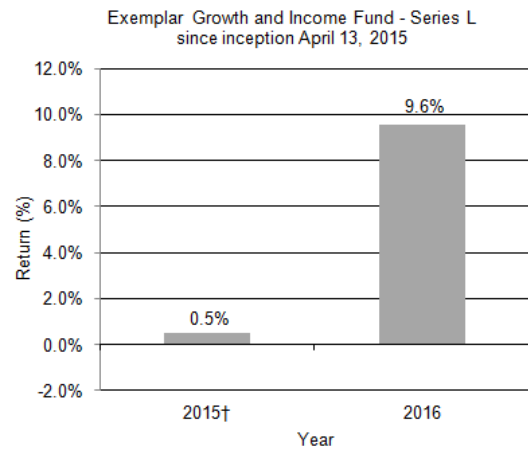
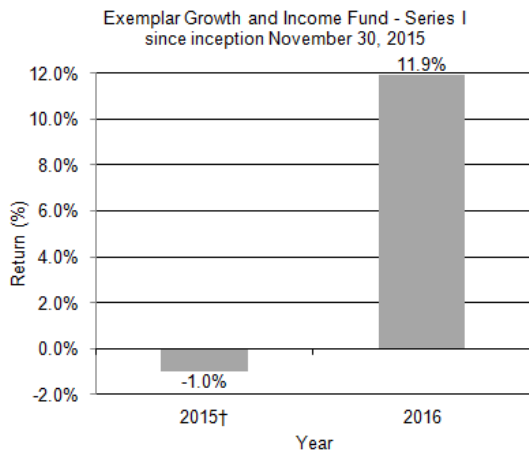
The performance information shown below assumes that all distributions, if any, made by the Fund in the period shown were reinvested in additional units of the Fund. If you hold the Fund outside a registered plan, you will be taxed on distributions. Distributions of income the Fund earns and capital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

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

## Year-By-Year Returns

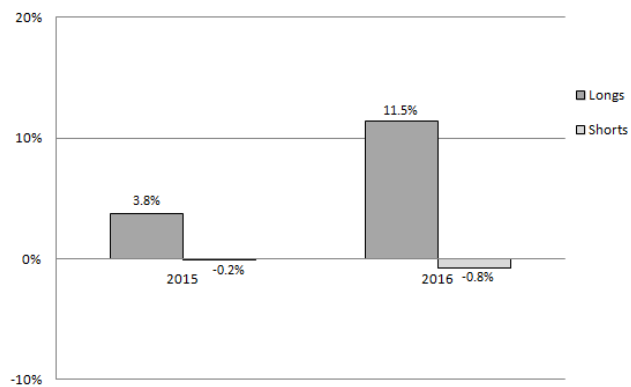
The bar chart below illustrates the Fund's performance for the years shown. It shows, in percentage terms, how much an investment made on the first day of each financial year (or since inception) would have grown or decreased.





†Returns shown represent a partial year.

The chart below illustrates the Fund's annual returns for the Series F units by long and short holdings:



## Annual Compound Returns (Compound Performance)

The following table shows the annual compound total returns of the Fund and for its blended benchmark (80% S&P/TSX, 20% FTSE TMX Canada Universe Bond Index, rebalanced monthly) for the years shown ended December 31, 2016. The Relative Performance returns show the performance of the Fund as compared to the benchmark.

	1 Year	Annualized Since Inception
Series A	9.6%	6.9%
Series AN	9.5%	6.3%
Series F	10.7%	8.0%
Series FN	10.7%	7.9%
Series I	11.9%	9.9%
Series L	9.6%	5.7%
Series LN	9.1%	6.4%
Blended benchmark	17.0%	3.9%

## Summary of Investment Portfolio as at December 31, 2016

The summary of investment portfolio below includes information regarding the Fund as a whole. This summary may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by contacting Arrow at 877.327.6048 or by visiting Arrow's website at [www.arrow-capital.com](http://www.arrow-capital.com).

Industry Sector	Exposure (%)		Top 25 Holdings	%
	Long	Short		
Consumer Discretionary	3.9	-	Exemplar Performance Fund Class 'I' Units	18.9
Consumer Staples	4.3	-	Exemplar U.S. High Yield Fund Class 'I' Units	18.3
Energy	7.0	-	Cash and Cash Equivalents	11.2
Funds	44.7	-	Exemplar Tactical Corporate Bond Fund Class 'I' Units	7.3
Financials	2.8	(0.4)	Emblem Corp.	1.7
Health Care	2.6	(0.1)	TransCanada Corporation	1.2
Industrials	5.3	-	Brookfield Asset Management Inc.	1.0
Information Technology	4.9	-	Franco-Nevada Corporation	0.9
Materials	7.4	-	Altria Group, Inc.	0.9
Real Estate	3.0	-	Brookfield Infrastructure Partners L.P.	0.9
Telecommunication Services	0.2	-	Tourmaline Oil Corp.	0.8
Utilities	2.6	-	Alphabet Inc.	0.8
Cash and Cash Equivalents	11.2	-	Campbell Soup Company	0.8
Other Net Assets	0.6	-	Lithium Americas Corp.	0.8
	<b>100.5</b>	<b>(0.5)</b>	Diversified Royalty Corp.	0.8
			Lockheed Martin Corporation	0.8
			PrairieSky Royalty Ltd.	0.8
			Brookfield Business Partners L.P.	0.7
			Agrium Inc.	0.7
			TransAlta Corporation	0.7
			AltaGas Ltd.	0.7
			Sociedad Quimica y Minera de Chile S.A.	0.6
			Spartan Energy Corp.	0.6
			Shaw Communications Inc.	0.6
			CCL Industries Inc.	0.6
			<b>Total (%)</b>	<b>73.1</b>
			<b>Total Net Asset Value (in \$ millions)</b>	<b>13.0</b>