

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 LEADERS FUND| EXEMPLAR PERFORMANCE FUND| EXEMPLAR INVESTMENT GRADE FUND|
EXEMPLAR TACTICAL CORPORATE BOND FUND| EXEMPLAR GROWTH AND INCOME FUND

EXEMPLAR LEADERS FUND

Statements of Financial Position As at December 31,

	2015	2014
ASSETS		
Current assets		
Financial assets designated at fair value through profit and loss	\$35,056,792	\$30,745,099
Financial assets held for trading		
Warrants	201,876	170,764
Cash	1,708,963	5,956,804
Margin deposits	1,588,442	1,404,480
Accrued dividends receivable	91,986	66,595
Receivable for securities sold	113,995	-
Receivable for redeemable units issued	996	641
	38,763,050	38,344,383
LIABILITIES		
Current liabilities		
Financial liabilities held for trading		
Investments sold short	974,809	1,105,865
Payable for securities purchased	289,178	948,069
Accrued dividends payable	3,289	386
Payable for redeemable units redeemed	101,243	52,560
Other liabilities (Note 8)	35,469	82,927
	1,403,988	2,189,807
Net assets attributable to holders of redeemable units	\$37,359,062	\$36,154,576
Net assets attributable to holders of redeemable units		
Series A	\$28,508,038	\$28,010,297
Series F	\$8,851,024	\$8,144,279
Number of redeemable units outstanding (Note 7)		
Series A	738,188	694,810
Series F	223,338	195,600
Net assets attributable to holders of redeemable units per unit		
Series A	\$38.62	\$40.31
Series F	\$39.63	\$41.64

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

"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 LEADERS FUND

Statements of Comprehensive Income
For the years ended December 31,

	2015 \$	2014 \$
INCOME		
Net gains on investments and derivatives		
Dividend income	790,886	823,464
Dividend expense on short sales	(9,577)	(3,021)
Net realized gain (loss) on investments and derivatives	2,235,206	2,571,527
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	(1,604,235)	(1,594,491)
Net gains on investments and derivatives	1,412,280	1,797,479
Other income items:		
Interest on cash	6,562	11,560
Foreign exchange gain (loss)	751,742	65,682
Net change in unrealized foreign exchange gain (loss)	66,872	31,546
Total income (net)	2,237,456	1,906,267
EXPENSES		
Securityholder reporting fees	204,027	231,370
Management fees (Note 8)	602,942	567,902
Performance fees (Note 8)	218,528	-
Interest expense	617	394
Audit fees	17,001	23,453
Legal fees	10,004	19,080
Independent Review Committee fees	4,495	5,511
Custodial fees	7,521	9,100
Security borrowing expenses	17,061	9,375
Commissions and other portfolio transaction costs (Note 8)	32,552	31,801
Withholding tax expense	40,514	20,152
Harmonized sales tax	95,211	72,451
Total expenses	1,250,473	990,589
Increase (decrease) in net assets attributable to holders of redeemable units	986,983	915,678
Increase (decrease) in net assets attributable to holders of redeemable units (Note 10)		
Series A	727,243	656,204
Series F	259,740	259,474
Increase (decrease) in net assets attributable to holders of redeemable units per unit (Note 10)		
Series A	1.04	0.96
Series F	1.27	1.34

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

EXEMPLAR LEADERS FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
For the years ended December 31,

		2015 \$	2014 \$
Net assets attributable to holders of redeemable units at beginning of year			
	Series A	28,010,297	25,525,178
	Series F	8,144,279	7,300,068
		<u>36,154,576</u>	<u>32,825,246</u>
Increase (decrease) in net assets attributable to holders of redeemable units			
	Series A	727,243	656,204
	Series F	259,740	259,474
		<u>986,983</u>	<u>915,678</u>
Distributions to holders of redeemable units			
From net realized gains on investments and derivatives	Series A	(1,882,030)	-
	Series F	(715,032)	-
Total distributions to holders of redeemable units		<u>(2,597,062)</u>	<u>-</u>
Redeemable unit transactions			
Proceeds from redeemable units issued	Series A	3,833,750	5,783,612
	Series F	1,179,106	1,214,443
Reinvestments of distributions to holders of redeemable units	Series A	1,860,569	-
	Series F	639,240	-
Redemption of redeemable units	Series A	(4,041,791)	(3,954,697)
	Series F	(656,309)	(629,706)
Net increase (decrease) from redeemable unit transactions		<u>2,814,565</u>	<u>2,413,652</u>
Net increase (decrease) in net assets attributable to holders of redeemable units		<u>1,204,486</u>	<u>3,329,330</u>
Net assets attributable to holders of redeemable units at end of year			
	Series A	28,508,038	28,010,297
	Series F	8,851,024	8,144,279
		<u>37,359,062</u>	<u>36,154,576</u>

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

EXEMPLAR LEADERS FUND

Statements of Cash Flows
For the years ended December 31,

	2015 \$	2014 \$
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	986,983	915,678
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	(97,512)	(31,526)
Net realized (gain) loss on investments and derivatives	(2,235,206)	(2,571,527)
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	1,604,235	1,594,491
Purchase of investments	(23,036,248)	(16,241,011)
Proceeds on sale of investments	18,420,472	18,468,069
Decrease (increase) in accrued dividends receivable	(25,391)	20,024
Increase (decrease) in accrued dividends payable	2,903	(3,694)
Increase (decrease) in other liabilities	(47,458)	(654,046)
Decrease (increase) in margin deposits	(183,962)	841,744
Net cash from (used in) operating activities	(4,611,184)	2,338,202
Cash flows from (used in) financing activities		
Proceeds from redeemable units issued	5,012,501	7,024,111
Redemption of redeemable units	(4,649,417)	(4,538,843)
Distributions paid to holders of redeemable units, net of reinvested distributions	(97,253)	-
Net cash from (used in) financing activities	265,831	2,485,268
Net Increase (decrease) in cash	(4,345,353)	4,823,470
Cash at beginning of the year	5,956,804	1,101,808
Net change in unrealized foreign exchange gain (loss) on cash	97,512	31,526
Cash at end of the year	1,708,963	5,956,804
Interest received*	6,562	11,560
Dividends received, net of withholding tax*	724,981	823,336
Interest paid*	(617)	(394)
Dividends paid*	(6,674)	(6,715)

*Included as part of cash flows from operating activities

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

EXEMPLAR LEADERS FUND

Schedule of Investment Portfolio – As at December 31, 2015

Equity Positions - Long		93.9%			
Security Name	Currency		Quantity	Average Cost \$	Fair Value \$
Basic Materials		1.0%			
Noranda Income Fund	CAD		159,700	584,989	372,101
Communications		9.5%			
AcuityAds Holding Inc.	CAD		33,000	23,100	31,020
BCE Inc.	CAD		23,000	818,024	1,229,580
BSM Technologies Inc.	CAD		633,000	422,536	550,710
Cisco Systems, Inc.	USD		10,500	380,435	394,617
eBay Inc.	USD		2,600	75,791	98,884
Quebecor Inc.	CAD		4,000	113,096	135,520
Sierra Wireless, Inc.	CAD		14,800	378,605	322,196
Verizon Communications Inc.	USD		12,200	676,835	780,416
				2,888,422	3,542,943
Consumer, Cyclical		9.1%			
CanWel Building Materials Group Ltd.	CAD		43,000	215,000	205,540
Magna International Inc.	CAD		42,400	1,013,663	2,379,488
Sleep Country Canada Holdings Inc.	CAD		22,100	373,301	381,004
WestJet Airlines Ltd.	CAD		20,400	394,212	415,344
				1,996,176	3,381,376
Consumer, Non-Cyclical		22.3%			
Acasti Pharma Inc.	CAD		56,500	598,768	197,185
Anthem, Inc.	USD		8,000	804,404	1,543,880
Baxalta Incorporated	USD		2,700	103,895	145,847
Boyd Group Income Fund	CAD		11,200	247,403	740,320
Cigna Corporation	USD		3,000	561,005	607,562
DirectCash Payments Inc.	CAD		79,600	1,272,636	990,224
Fresenius Medical Care AG & Co. KGaA	USD		1,700	88,223	98,441
Gilead Sciences, Inc.	USD		15,600	1,227,865	2,184,734
Humana Inc.	USD		1,300	299,280	321,175
Neptune Technologies & Bioresources Inc.	CAD		377,200	876,276	558,256
PayPal Holdings, Inc.	USD		2,600	94,939	130,262
Philip Morris International Inc.	USD		5,100	322,610	620,504
Varian Medical Systems, Inc.	USD		1,700	128,856	190,106
				6,626,160	8,328,496
Energy		6.2%			
Enbridge Income Fund Holdings Inc.	CAD		2,000	61,068	56,060
Freehold Royalties Ltd.	CAD		28,100	571,737	305,166
Pembina Pipeline Corporation	CAD		9,300	279,977	280,395
Polaris Infrastructure Inc.	CAD		41,720	333,765	335,846
RMP Energy Inc.	CAD		120,100	248,470	183,753
TransAlta Renewables Inc.	CAD		29,700	289,575	306,801
TransCanada Corporation	CAD		4,000	179,647	180,760
TransGlobe Energy Corporation	CAD		182,500	602,693	458,075
Veresen Inc.	CAD		3,700	39,511	32,782

EXEMPLAR LEADERS FUND

Schedule of Investment Portfolio – As at December 31, 2015

Equity Positions - Long		93.9%			
Security Name	Currency		Quantity	Average Cost \$	Fair Value \$
ZCL Composites Inc.	CAD		26,200	85,967	189,426
				2,692,410	2,329,064
Financial		18.0%			
Alaris Royalty Corp.	CAD		83,100	1,614,775	1,952,850
American Hotel Income Properties REIT LP	CAD		48,000	486,114	511,200
CI Financial Corp.	CAD		3,400	100,765	104,040
Currency Exchange International, Corp.	CAD		3,300	88,275	63,195
Element Financial Corporation	CAD		98,200	1,238,578	1,639,940
InnVest Real Estate Investment Trust	CAD		39,400	196,105	202,122
Inovalis Real Estate Investment Trust	CAD		89,300	781,753	836,741
NorthWest Healthcare Properties Real Estate Investment Trust	CAD		21,632	183,243	193,174
Plum Creek Timber Company, Inc.	USD		2,900	138,067	191,529
Pure Multi-Family REIT LP	CAD		40,900	265,166	293,662
Slate Retail REIT	CAD		7,300	92,404	105,558
Tricon Capital Group Inc.	CAD		34,400	250,134	311,664
VersaPay Corporation	CAD		82,500	99,000	98,175
The Westaim Corporation	CAD		81,000	222,184	221,130
				5,756,563	6,724,980
Industrial		13.2%			
The Boeing Company	USD		2,800	507,487	560,315
DIRTT Environmental Solutions Ltd.	CAD		36,100	213,146	250,534
Diversified Royalty Corp.	CAD		115,900	312,930	280,478
Electrovaya Inc.	CAD		66,200	47,909	47,002
FLYHT Aerospace Solutions Ltd.	CAD		1,519,000	523,208	349,370
Headwaters Incorporated	USD		8,300	167,841	193,789
Hexcel Corporation	USD		17,500	955,123	1,125,020
Martinrea International Inc.	CAD		59,100	510,527	621,141
Opsens Inc.	CAD		358,800	272,892	308,568
United Parcel Service, Inc.	USD		8,800	1,098,340	1,172,005
				4,609,403	4,908,222
Technology		13.6%			
Apple Inc.	USD		4,000	588,980	582,720
The Descartes Systems Group Inc.	CAD		12,000	178,342	334,080
Espial Group Inc.	CAD		203,700	181,310	472,584
Immersion Corporation	USD		23,800	267,868	384,071
Kinaxis Inc.	CAD		9,100	129,269	426,972
Microsoft Corporation	USD		27,000	1,075,704	2,073,178
Sandvine Corporation	CAD		36,900	115,913	130,626
Wi-LAN Inc.	CAD		368,000	957,566	680,800
				3,494,952	5,085,031

EXEMPLAR LEADERS FUND

Schedule of Investment Portfolio – As at December 31, 2015

Equity Positions - Long		93.9%			
Security Name	Currency		Quantity	Proceeds \$	Fair Value \$
Utilities		1.0%			
National Fuel Gas Company	USD		6,500	420,092	384,579
				29,069,167	35,056,792

Equity Positions - Short		(2.6%)			
Security Name			Quantity	Proceeds \$	Fair Value \$
Consumer, Cyclical		(1.1%)			
Tesla Motors, Inc.	USD		(1,200)	(304,580)	(398,609)
Energy		(0.7%)			
Imperial Oil Limited	CAD		(2,800)	(145,576)	(126,224)
Suncor Energy Inc.	CAD		(3,300)	(120,163)	(117,876)
				(265,739)	(244,100)
Funds		(0.9%)			
iShares S&P/TSX Capped Energy	CAD		(32,400)	(376,997)	(332,100)
				(947,316)	(974,809)

Warrant Positions - Long		0.5%					
Security Name	Currency	Strike Price	Maturity Date	Quantity	Average Cost \$	Fair Value \$	
Acasti Pharma Inc.	CAD	1.5	12-03-18	205,000	-	-	
Cortex Business Solutions Inc.	CAD	0.23	04-04-16	12,000	24,000	-	
Cynapsus Therapeutics Inc.	CAD	0.81	04-15-19	18,125	73,950	169,974	
Eguana Technologies Inc.	CAD	0.39	12-22-19	84,000	-	-	
IBC Advanced Alloys Corp.	CAD	0.18	06-10-17	200,000	-	-	
Imperus Technologies Corp.	CAD	0.55	01-28-18	72,000	-	-	
Kane Biotech Inc.	CAD	0.06	06-08-16	1,300,000	-	5,968	
Opsens Inc.	CAD	1.2	06-22-17	36,400	-	2,048	
Opsens Inc.	CAD	1.05	02-18-16	120,000	-	667	
Telesta Therapeutics Inc.	CAD	0.3	09-23-19	100,000	12,000	23,189	
Versapay Corp.	CAD	1.5	02-04-16	68,000	-	30	
					109,950	201,876	

EXEMPLAR LEADERS FUND

Schedule of Investment Portfolio – As at December 31, 2015

Investment Portfolio Summary	%	Average Cost / (Proceeds) \$	Fair Value \$
Equity Positions - Long	93.9	29,069,167	35,056,792
Equity Positions - Short	(2.6)	(947,316)	(974,809)
Warrant Positions - Long	0.5	109,950	201,876
Total Investments	91.8	28,231,801	34,283,859
Total Other Net Assets	8.2	-	3,075,203
Total Net Assets	100.0	28,231,801	37,359,062

EXEMPLAR LEADERS FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the years ended December 31, 2015 and 2014

The investment objective of the Exemplar Leaders Fund is to maximize absolute returns on investments through securities selection and asset allocation. The Fund focuses on achieving growth of capital through superior securities selection and pursues a long-term investment program with the aim of generating capital gains. The Fund attempts to reduce volatility through diversifying the portfolio across both economic sectors and market capitalizations (company size and liquidity). The Fund invests primarily in equity and equity-related securities of North American companies. The Fund may also invest in international companies.

RISK MANAGEMENT

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

The management of these risks is carried out by the Manager in accordance with Fund's Declaration of Trust.

A general discussion of financial risk management for the Exemplar Funds appears as Note 4: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

Credit Risk

As at December 31, 2015 and 2014 the Fund had no investments in debt instruments and therefore was not subject to related credit risk.

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 Fund. Therefore, the Fund 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 Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

The Fund is exposed to counterparty credit risk on margin on deposit and receivables for securities sold. The Fund's brokerage agreement requires cash collateral up to 150% of the fair value of securities sold short. The Fund'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.

The Fund is exposed to counterparty credit risk on cash and other receivable balances. The Fund'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 Fund is 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 Fund's liabilities are typically due in less than 3 months except for performance fees which are accrued daily and payable annually on December 31 (if applicable). Redeemable units are redeemable on demand at the holder's option. However, holders of these instruments typically retain them for a longer period.

Market Risk

The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units 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 Fund'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 units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Non-monetary items include equities and warrants. Monetary items include cash and other current receivables and payables.

EXEMPLAR LEADERS FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the years ended December 31, 2015 and 2014

December 31, 2015			Impact on net assets attributable to holders of redeemable units			
Currency	Monetary	Exposure Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$	\$	\$	\$	\$	\$
United States Dollar - Long	1,747,619	13,793,807	15,541,426	174,762	1,379,381	1,554,143
United States Dollar - Short	(224,462)	(398,609)	(623,071)	(22,446)	(39,861)	(62,307)
Total	1,523,157	13,395,198	14,918,355	152,316	1,339,520	1,491,836
% of net assets attributable to holders of redeemable units	4.1%	35.9%	39.9%	0.4%	3.6%	4.0%

December 31, 2014			Impact on net assets attributable to holders of redeemable shares			
Currency	Monetary	Exposure Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$	\$	\$	\$	\$	\$
United States Dollar - Long	4,099,806	10,724,368	14,824,174	409,981	1,072,437	1,482,418
United States Dollar - Short	(301,770)	(748,251)	(1,050,021)	(30,177)	(74,825)	(105,002)
Total	3,798,036	9,976,117	13,774,153	379,804	997,612	1,377,416
% of net assets attributable to holders of redeemable units	10.5%	27.6%	38.1%	1.0%	2.8%	3.8%

(b) Interest Rate Risk

As at December 31, 2015 and 2014 the Fund did not hold any interest-bearing securities, and therefore was not subject to significant interest rate risk.

(c) Price Risk

The Fund'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.

To achieve the investment objective of the Fund, the Manager: (i) makes long term investments of securities of issuers which the Manager believes present the greatest opportunity for capital appreciation; and (ii) manages the portfolio's sector allocation, increasing and decreasing exposure to different sectors of the market as appropriate.

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

	Impact on net assets attributable to holders of redeemable units	
	December 31, 2015	December 31, 2014
	\$	\$
5% Increase	1,714,193	1,490,500
5% Decrease	(1,714,193)	(1,490,500)

The Fund has the ability to take short positions, in total not exceeding 20% of the Net Asset Value of the Fund. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold short at prices which may be significantly higher than the fair value reflected on the financial statements.

Concentration Risk

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

The following is a summary of the Fund's concentration risk:

EXEMPLAR LEADERS FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the years ended December 31, 2015 and 2014

Market Segment	% of net assets attributable to holders of redeemable units			
	December 31, 2015		December 31, 2014	
	Long %	Short %	Long %	Short %
Basic Materials	1.0	-	-	-
Communications	9.5	-	7.8	-
Consumer, Cyclical	9.1	(1.1)	10.9	(2.1)
Consumer, Non-Cyclical	22.3	-	24.9	-
Energy	6.2	(0.7)	3.9	(0.5)
Financial	18.0	-	15.9	-
Funds	-	(0.9)	-	(0.5)
Industrial	13.2	-	9.6	-
Technology	13.6	-	10.8	-
Utilities	1.0	-	1.2	-
Warrants	0.5	-	0.5	-
Total	94.4	(2.6)	85.5	(3.1)

FAIR VALUE MEASUREMENT

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

The following table illustrates the classification of the Fund'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 \$
Financial assets				
Equities	35,056,792	-	-	35,056,792
Warrants	-	201,876	-	201,876
Total	35,056,792	201,876	-	35,258,668
Financial liabilities				
Equities sold short	(974,809)	-	-	(974,809)
Warrants	-	-	-	-
Total	(974,809)	-	-	(974,809)

December 31, 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities	30,717,452	26,307	1,340	30,745,099
Warrants	-	170,764	-	170,764
Total	30,717,452	197,071	1,340	30,915,863
Financial liabilities				
Equities sold short	(1,105,865)	-	-	(1,105,865)
Warrants	-	-	-	-
Total	(1,105,865)	-	-	(1,105,865)

EXEMPLAR LEADERS FUND

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 Fund'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 Fund, 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. In addition, at each financial reporting date, the Manager reviews and approves all Level 3 fair value measurements.

The following table presents the movement in Level 3 instruments for the years ended December 31, 2015 and 2014 by class of financial instrument:

	Equities	
	December 31, 2015	December 31, 2014
	\$	\$
Opening balance, beginning of year	1,340	1,340
Net purchases and sales	-	-
Net transfers in (out)	(1,340)	-
Realized gain (loss)	-	-
Unrealized gain (loss)	-	-
Closing balance, end of year	0	1,340

During the year ended December 31, 2015, the Fund transferred equity securities with a fair value of \$26,307 from Level 2 to Level 1 due to resale restrictions being lifted (2014: none).

Most of the Fund'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.

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. Warrants that have significant unobservable inputs are classified as Level 3.

As at December 31, 2014, the Fund held 13,395 Class A shares of NeuroBiopharm Inc. ("Neuro") and 26,790 NeuroBiopharm Inc. warrants which it received by a way of a dividend-in-kind from the parent company of Neuro, Neptune Technologies & Bioresources Inc. ("Neptune"). On January 13, 2015, Neptune announced that it will acquire all outstanding shares of Neuro in exchange for shares of Neptune. As such, on February 26, 2015 the Fund received 620 shares of Neptune with a value of \$1,426. Neptune is a publically traded company and the securities have been classified as Level 1.

EXEMPLAR LEADERS FUND

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 change in unrealized gains / (losses) \$	Interest income \$	Interest expense \$	Dividend income \$	Dividend expense \$	Total \$
Financial assets at FVTPL:							
Designated as FVTPL	2,241,453	(1,454,812)	-	-	790,886	-	1,577,527
HFT	-	31,112	-	-	-	-	31,112
	2,241,453	(1,423,700)	-	-	790,886	-	1,608,639
Financial liabilities at FVTPL:							
HFT	(6,247)	(180,535)	-	-	-	(9,577)	(196,359)
Total	2,235,206	(1,604,235)	-	-	790,886	(9,577)	1,412,280

December 31, 2014	Net realized gains / (losses) \$	Net change in unrealized gains / (losses) \$	Interest income \$	Interest expense \$	Dividend income \$	Dividend expense \$	Total \$
Financial assets at FVTPL:							
Designated as FVTPL	3,061,168	(1,743,836)	-	-	823,464	-	2,140,796
HFT	-	60,814	-	-	-	-	60,814
	3,061,168	(1,683,022)	-	-	823,464	-	2,201,610
Financial liabilities at FVTPL:							
HFT	(489,641)	88,531	-	-	-	(3,021)	(404,131)
Total	2,571,527	(1,594,491)	-	-	823,464	(3,021)	1,797,479

EXEMPLAR PERFORMANCE FUND

Statements of Financial Position As at December 31,

	2015	2014
ASSETS		
Current assets		
Financial assets designated at fair value through profit and loss	\$13,287,562	\$5,224,552
Cash	13,543,597	2,273,461
Margin deposits	763,627	172,310
Accrued dividends receivable	18,823	7,690
Accrued interest receivable	7	-
Receivable for securities sold	44,680	63,813
Receivable for redeemable units issued	89,903	100
	27,748,199	7,741,926
LIABILITIES		
Current liabilities		
Financial liabilities held for trading		
Investments sold short	548,171	124,959
Payable for securities purchased	176,268	81,495
Payable for redeemable units redeemed	36,855	-
Accrued dividends payable	962	269
Other liabilities (<i>Note 8</i>)	22,691	13,413
	784,947	220,136
Net assets attributable to holders of redeemable units	\$26,963,252	\$7,521,790
Net assets attributable to holders of redeemable units		
Series A	\$7,664,351	\$2,357,412
Series AD	\$225,063	-
Series F	\$10,828,387	\$4,960,263
Series FD	\$335,525	-
Series I	\$4,875,100	-
Series L	\$2,934,980	\$204,115
Series LD	\$99,846	-

Continued on next page.

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

EXEMPLAR PERFORMANCE FUND

Statements of Financial Position

As at December 31,

2015

2014

Continued from previous page.

Number of redeemable units outstanding (Note 7)

Series A	657,788	216,367
Series AD	23,041	-
Series F	919,575	453,629
Series FD	33,506	-
Series I	474,210	-
Series L	272,741	20,124
Series LD	10,010	-

Net assets attributable to holders of redeemable units per unit

Series A	\$11.65	\$10.90
Series AD	\$9.77	-
Series F	\$11.78	\$10.93
Series FD	\$10.01	-
Series I	\$10.28	-
Series L	\$10.76	\$10.14
Series LD	\$9.97	-

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

"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 PERFORMANCE FUND

Statements of Comprehensive Income

For the year ended December 31, 2015 and for the period from March 24, 2014 (date of commencement of operations) to December 31, 2014

	2015 \$	2014 \$
INCOME		
Net gains (losses) on investments and derivatives		
Dividend income	253,349	31,837
Dividend expense on short sales	(11,013)	(1,004)
Net realized gain (loss) on investments and derivatives	(222,770)	(16,118)
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	999,362	327,526
Net gains (losses) on investments and derivatives	1,018,928	342,241
Other income items:		
Interest on cash	23,512	3,038
Foreign exchange gain (loss)	38,659	1,880
Net change in unrealized foreign exchange gain (loss)	38,062	(308)
Total income (net)	1,119,161	346,851
EXPENSES		
Securityholder reporting fees	136,229	47,418
Management fees (Note 8)	201,799	40,967
Performance fees (Note 8)	148,314	44,240
Interest expense	110	102
Audit fees	17,002	21,502
Legal fees	11,504	1,651
Independent Review Committee fees	4,458	4,653
Custodial fees	7,956	9,000
Security borrowing expenses	7,921	601
Commissions and other portfolio transaction costs (Note 8)	8,748	1,982
Withholding tax expense	8,168	575
Harmonized sales tax	53,465	13,571
Total expenses before manager absorption	605,674	186,262
Less: expenses absorbed by manager (Note 8)	(86,146)	(65,055)
Total expenses after manager absorption	519,528	121,207
Increase (decrease) in net assets attributable to holders of redeemable units	599,633	225,644
Increase (decrease) in net assets attributable to holders of redeemable units (Note 10)		
Series A	180,683	63,195
Series AD	(1,850)	-
Series F	419,895	160,113
Series FD	(2,045)	-
Series I	8,141	-
Series L	(4,015)	2,336
Series LD	(1,176)	-
Increase (decrease) in net assets attributable to holders of redeemable units per unit (Note 10)		
Series A	0.46	0.64
Series AD	(0.11)	-
Series F	0.63	0.58
Series FD	(0.09)	-
Series I	0.04	-
Series L	(0.03)	0.19
Series LD	(0.16)	-

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

EXEMPLAR PERFORMANCE FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

For the year ended December 31, 2015 and for the period from March 24, 2014 (date of commencement of operations) to December 31, 2014

		2015	2014
		\$	\$
Net assets attributable to holders of redeemable units at beginning of year / period			
	Series A	2,357,412	-
	Series AD	-	-
	Series F	4,960,263	-
	Series FD	-	-
	Series I	-	-
	Series L	204,115	-
	Series LD	-	-
		7,521,790	-
Increase (decrease) in net assets attributable to holders of redeemable units			
	Series A	180,683	63,195
	Series AD	(1,850)	-
	Series F	419,895	160,113
	Series FD	(2,045)	-
	Series I	8,141	-
	Series L	(4,015)	2,336
	Series LD	(1,176)	-
		599,633	225,644
Distributions to holders of redeemable units			
From return of capital			
	Series A	-	-
	Series AD	(2,186)	-
	Series F	-	-
	Series FD	(3,412)	-
	Series I	-	-
	Series L	-	-
	Series LD	(1,248)	-
		(6,846)	-
Total distributions to holders of redeemable units			
Redeemable unit transactions			
Proceeds from redeemable units issued			
	Series A	6,558,121	2,413,406
	Series AD	303,354	-
	Series F	6,064,838	5,347,861
	Series FD	343,617	-
	Series I	5,281,459	-
	Series L	2,887,758	338,509
	Series LD	101,022	-
Reinvestments of distributions to holders of redeemable units			
	Series A	-	-
	Series AD	1,045	-
	Series F	-	-
	Series FD	1,365	-
	Series I	-	-
	Series L	-	-
	Series LD	1,248	-

Continued on next page.

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

EXEMPLAR PERFORMANCE FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

For the year ended December 31, 2015 and for the period from March 24, 2014 (date of commencement of operations) to December 31, 2014

		2015 \$	2014 \$
<i>Continued from previous page.</i>			
Redemption of redeemable units	Series A	(1,431,865)	(119,189)
	Series AD	(75,300)	-
	Series F	(616,609)	(547,711)
	Series FD	(4,000)	-
	Series I	(414,500)	-
	Series L	(152,878)	(136,730)
	Series LD	-	-
Net increase (decrease) from redeemable unit transactions		18,848,675	7,296,146
Net increase (decrease) in net assets attributable to holders of redeemable units		19,441,462	7,521,790
	Series A	7,664,351	2,357,412
	Series AD	225,063	-
	Series F	10,828,387	4,960,263
	Series FD	335,525	-
	Series I	4,875,100	-
	Series L	2,934,980	204,115
	Series LD	99,846	-
Net assets attributable to holders of redeemable units at end of year / period		26,963,252	7,521,790

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

EXEMPLAR PERFORMANCE FUND

Statements of Cash Flows

For the year ended December 31, 2015 and for the period from March 24, 2014 (date of commencement of operations) to December 31, 2014

	2015 \$	2014 \$
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	599,633	225,644
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	(37,687)	309
Net realized (gain) loss on investments and derivatives	222,770	16,118
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	(999,362)	(327,526)
Purchase of investments	(16,930,180)	(9,380,755)
Proceeds on sale of investments	10,180,880	4,610,252
Decrease (increase) in accrued dividends receivable	(11,133)	(7,690)
Decrease (increase) in accrued interest receivable	(7)	-
Increase (decrease) in accrued dividends payable	693	269
Increase (decrease) in other liabilities	9,278	13,413
Decrease (increase) in margin deposits	(591,317)	(172,310)
Net cash from (used in) operating activities	(7,556,432)	(5,022,276)
Cash flows from (used in) financing activities		
Proceeds from redeemable units issued	21,450,366	8,099,676
Redemption of redeemable units	(2,658,297)	(803,630)
Distributions paid to holders of redeemable units, net of reinvested distributions	(3,188)	-
Net cash from (used in) financing activities	18,788,881	7,296,046
Net Increase (decrease) in cash	11,232,449	2,273,770
Cash at beginning of the year / period	2,273,461	-
Net change in unrealized foreign exchange gain (loss) on cash	37,687	(309)
Cash at end of the year / period	13,543,597	2,273,461
Interest received*	23,505	3,038
Dividends received, net of withholding tax*	234,048	23,572
Interest paid*	(110)	(102)
Dividends paid*	(10,320)	(735)

*Included as part of cash flows from operating activities

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

EXEMPLAR PERFORMANCE FUND

Schedule of Investment Portfolio – As at December 31, 2015

Equity Positions - Long		49.0%			
Security Name	Currency		Quantity	Average Cost \$	Fair Value \$
Basic Materials		1.0%			
Agrium Inc.	CAD		500	68,230	61,835
AirBoss of America Corp.	CAD		5,100	92,629	89,097
Detour Gold Corporation	CAD		2,800	39,305	40,348
Freeport-McMoRan Inc.	USD		900	11,704	8,433
Klondex Mines Ltd.	CAD		22,200	44,400	62,826
				256,268	262,539
Communications		4.5%			
Alphabet Inc.	USD		200	185,939	210,058
Alphabet Inc.	USD		200	190,539	215,353
BCE Inc.	CAD		1,800	100,035	96,228
COM DEV International Ltd.	CAD		8,900	50,825	53,845
Facebook, Inc.	USD		300	35,967	43,455
Manitoba Telecom Services Inc.	CAD		2,600	73,082	77,402
Nielsen Holdings PLC	USD		1,000	51,129	64,494
Palo Alto Networks, Inc.	USD		100	23,956	24,378
Stingray Digital Group Inc.	CAD		27,900	188,564	172,143
UrtheCast Corp.	CAD		42,200	129,880	63,722
The Walt Disney Company	USD		1,400	194,382	203,603
				1,224,298	1,224,681
Consumer, Cyclical		13.9%			
A&W Revenue Royalties Income Fund	CAD		10,800	301,056	311,040
Alimentation Couche-Tard Inc.	CAD		6,400	278,329	389,824
Canadian Tire Corporation, Limited	CAD		2,700	322,966	319,032
Cara Operations Limited	CAD		1,000	25,010	30,730
Cineplex Inc.	CAD		3,600	172,444	171,180
CVS Health Corporation	USD		1,000	128,874	135,314
DHX Media Ltd.	CAD		12,400	96,393	105,028
Dollarama Inc.	CAD		1,100	68,519	87,934
Foot Locker, Inc.	USD		1,400	119,046	126,118
The Home Depot, Inc.	USD		200	20,118	36,607
Hudson's Bay Company	CAD		5,600	149,555	101,360
Lennar Corporation	USD		800	50,172	54,153
Linamar Corporation	CAD		4,200	293,859	313,866
Michael Kors Holdings Limited	USD		600	30,982	33,266
Mohawk Industries, Inc.	USD		1,100	279,149	288,327
New Flyer Industries Inc.	CAD		1,000	24,783	28,320
New Look Vision Group Inc.	CAD		4,400	133,704	134,200
NIKE, Inc.	USD		1,800	96,719	155,700
Performance Sports Group Ltd.	USD		1,600	37,683	21,325
Restaurant Brands International Inc.	USD		1,500	69,982	77,559
Richelieu Hardware Ltd.	CAD		2,200	136,165	149,292
Ross Stores, Inc.	USD		3,400	215,732	253,208
Sleep Country Canada Holdings Inc.	CAD		6,900	120,895	118,956
Starwood Hotels & Resorts Worldwide, Inc.	USD		1,200	122,416	115,060

EXEMPLAR PERFORMANCE FUND

Schedule of Investment Portfolio – As at December 31, 2015

Equity Positions - Long		49.0%			
Security Name	Currency		Quantity	Average Cost \$	Fair Value \$
Uni-Select Inc.	CAD		2,600	116,671	178,126
				3,411,222	3,735,525
Consumer, Non-Cyclical		9.7%			
AGT Food and Ingredients Inc.	CAD		6,300	172,525	214,137
Allergan Public Limited Company	USD		100	42,121	43,250
Boyd Group Income Fund	CAD		10,400	541,255	687,440
Cimpress N.V.	USD		500	52,203	56,149
Colliers International Group Inc.	USD		600	30,849	36,994
Colliers International Group Inc.	CAD		1,900	89,652	117,287
Constellation Brands, Inc.	USD		400	69,268	78,855
The Kroger Co.	USD		1,900	75,136	109,996
Loblaw Companies Limited	CAD		3,000	202,985	196,020
MacDonald, Dettwiler and Associates Ltd.	CAD		1,600	138,385	133,216
METRO INC.	CAD		3,100	106,545	120,094
Mondelez International, Inc.	USD		2,700	153,079	167,558
Morneau Shepell Inc.	CAD		8,300	139,375	120,184
Pinnacle Foods Inc.	USD		400	14,096	23,506
Premium Brands Holdings Corporation	CAD		1,200	38,388	45,828
Reynolds American Inc.	USD		2,300	129,003	146,905
The WhiteWave Foods Company	USD		3,500	203,655	188,480
Zoetix Inc.	USD		2,000	103,854	132,643
				2,302,374	2,618,542
Energy		2.4%			
Canadian Natural Resources Limited	CAD		900	28,403	27,198
Enbridge Income Fund Holdings Inc.	CAD		1,900	69,419	53,257
Keyera Corp.	CAD		8,000	314,418	322,080
PrairieSky Royalty Ltd.	CAD		9,700	258,440	212,624
Raging River Exploration Inc.	CAD		2,500	19,697	20,925
				690,377	636,084
Financial		3.9%			
Aston Hill Financial Inc.	CAD		32,500	21,291	9,425
Blackhawk Network Holdings, Inc.	USD		1,500	56,923	91,780
CI Financial Corp.	CAD		11,300	355,948	345,780
Element Financial Corporation	CAD		12,100	205,492	202,070
FirstService Corporation	CAD		1,000	21,729	55,900
Manulife Financial Corporation	CAD		5,000	110,198	103,700
Tricon Capital Group Inc.	CAD		14,900	119,314	134,994
Visa Inc.	USD		1,100	101,986	118,062
				992,881	1,061,711
Funds		0.2%			
iShares S&P/TSX Capped Financials Index ETF	CAD		300	8,935	8,874
SPDR S&P Homebuilders ETF	USD		1,100	52,203	52,036
				61,138	60,910

EXEMPLAR PERFORMANCE FUND

Schedule of Investment Portfolio – As at December 31, 2015

Equity Positions - Long		49.0%			
Security Name	Currency		Quantity	Average Cost	Fair Value
				\$	\$
Industrial		8.2%			
Badger Daylighting Ltd.	CAD		1,200	36,277	29,304
Canadian National Railway Company	CAD		3,200	251,857	247,520
Canadian Pacific Railway Limited	CAD		200	36,929	35,346
CCL Industries Inc.	CAD		4,000	559,224	897,480
DIRTT Environmental Solutions Ltd.	CAD		7,600	35,101	52,744
Diversified Royalty Corp.	CAD		88,500	234,610	214,170
Energizer Holdings, Inc.	USD		200	8,668	9,428
General Electric Company	USD		800	27,571	34,489
Honeywell International Inc.	USD		1,300	162,751	186,343
Norfolk Southern Corporation	USD		200	23,004	23,415
Pure Technologies Ltd.	CAD		21,100	139,262	98,537
Stella-Jones Inc.	CAD		4,400	171,910	231,044
Toromont Industries Ltd.	CAD		3,900	125,386	123,045
WSP Global Inc.	CAD		1,000	34,038	42,510
				1,846,588	2,225,375
Technology		5.0%			
CGI Group Inc.	CAD		1,700	89,211	94,180
Computer Sciences Corporation	USD		2,200	189,343	99,504
Constellation Software Inc.	CAD		1,200	523,387	692,256
The Descartes Systems Group Inc.	USD		6,100	96,956	169,523
Enghouse Systems Limited	CAD		300	14,278	22,302
Kinaxis Inc.	CAD		5,300	157,310	248,676
salesforce.com, inc.	USD		200	21,466	21,701
Sandvine Corporation	CAD		700	2,211	2,478
				1,094,162	1,350,620
Utilities		0.2%			
American Water Works Company, Inc.	USD		600	40,933	49,616
				11,920,241	13,225,603

Equity Positions - Short		(2.0%)			
Security Name			Quantity	Proceeds	Fair Value
				\$	\$
Basic Materials		(0.2%)			
Major Drilling Group International Inc.	CAD		(14,200)	(66,535)	(62,196)
Communications		(0.1%)			
Rogers Communications Inc.	CAD		(600)	(29,086)	(28,632)
Consumer, Cyclical		(0.5%)			
Wynn Resorts, Limited	USD		(1,400)	(119,012)	(134,063)

EXEMPLAR PERFORMANCE FUND

Schedule of Investment Portfolio – As at December 31, 2015

Equity Positions - Short		(2.0%)			
Security Name			Quantity	Proceeds \$	Fair Value \$
Financial		(0.1%)			
TMX Group Limited	CAD		(800)	(29,875)	(28,632)
Funds		(1.0%)			
iShares MSCI Emerging Markets	USD		(900)	(41,079)	(40,096)
iShares S&P/TSX 60 Index ETF	CAD		(4,000)	(81,389)	(76,880)
iShares S&P/TSX Completion Index ETF	CAD		(7,100)	(169,086)	(149,455)
				(291,554)	(266,431)
Industrial		(0.1%)			
Caterpillar Inc.	USD		(300)	(27,848)	(28,217)
				(563,910)	(548,171)

Fixed Income Positions - Long		0.2%					
Security Name	Currency	Coupon Rate %	Maturity Date	Par Value	Average Cost \$	Fair Value \$	
Element Financial Corporation	CAD	4.25	06-30-20	60,000	60,000	61,959	

Investment Portfolio Summary			Average Cost / (Proceeds) \$	Fair Value \$
	%			
Equity Positions - Long	49.0		11,920,241	13,225,603
Equity Positions - Short	(2.0)		(563,910)	(548,171)
Fixed Income Positions - Long	0.2		60,000	61,959
Total Investments	47.2		11,416,331	12,739,391
Total Other Net Assets	52.8		-	14,223,861
Total Net Assets	100.0		11,416,331	26,963,252

EXEMPLAR PERFORMANCE FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the periods ended December 31, 2015 and 2014

The investment objective of the Exemplar Performance Fund is to achieve capital appreciation over both short and long term horizons primarily through the selection and management of shares of Canadian equity securities.

RISK MANAGEMENT

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund'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.

The management of these risks is carried out by the Manager in accordance with the Fund's Declaration of Trust.

A general discussion of financial risk management for the Exemplar Funds appears as Note 4: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

Credit Risk

The analysis below summarizes the credit quality of the Fund'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	-
Total	100.0	-

* Credit ratings are obtained from Standard & Poor's, Moody's and / or Dominion Bond Rating Service.

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 Fund. Therefore, the Fund 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 Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

The Fund is exposed to counterparty credit risk on margin on deposit, cash held at the broker and receivables for securities sold. The Fund's brokerage agreement requires cash collateral up to 150% of the fair value of securities sold short. The Fund's prime brokerage services are provided by BMO Nesbitt Burns which has a credit rating of Aa3 as rated by Moody's bond rating services (December 31, 2014: Aa3).

The Fund is exposed to counterparty credit risk on cash and other receivable balances. The Fund's broker and 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 Fund is 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 Fund's liabilities are typically due in less than 3 months except for performance fees which are accrued daily and payable annually on December 31 (if applicable). Redeemable units are redeemable on demand at the holder's option. However, holders of these instruments typically retain them for a longer period.

Market Risk

The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units 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 Fund's exposure to USD as 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 units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Non-monetary items include equities. Monetary items include fixed income, cash and other current

EXEMPLAR PERFORMANCE FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the periods ended December 31, 2015 and 2014

receivables and payables.

December 31, 2015	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency	\$	\$	\$	\$	\$	\$
United States Dollar - Long	1,271,682	3,910,633	5,182,315	127,168	391,063	518,231
United States Dollar - Short	(16,793)	(202,376)	(219,169)	(1,679)	(20,238)	(21,917)
Total	1,254,889	3,708,257	4,963,146	125,489	370,825	496,314
% of net assets attributable to holders of redeemable units	4.7%	13.8%	18.4%	0.5%	1.4%	1.8%

December 31, 2014	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency	\$	\$	\$	\$	\$	\$
United States Dollar - Long	197,160	1,292,266	1,489,426	19,716	129,227	148,943
United States Dollar - Short	(45,058)	(5,553)	(50,611)	(4,506)	(555)	(5,061)
Total	152,102	1,286,713	1,438,815	15,210	128,672	143,882
% of net assets attributable to holders of redeemable units	2.0%	17.1%	19.1%	0.2%	1.7%	1.9%

(b) Interest Rate Risk

The table below summarizes the Fund'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 units 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
3-5 years	61,959	-
Total	\$ 61,959	\$ -
Sensitivity:		
Total \$ sensitivity to net assets attributable to holders of redeemable units	+/- \$ 2,528	+/- \$ -
Total % sensitivity to net assets attributable to holders of redeemable units	0.0%	0.0%

(c) Price Risk

The Fund'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.

To achieve the investment objective, the Fund will invest predominantly in large and mid capitalization Canadian companies. Generally, no more than 20% of the Fund is expected to be invested outside of this investment focus. The Fund may also invest in bonds and other debt instruments if warranted by financial conditions. The Fund will 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 Fund may follow a more concentrated investment approach and, from time to time, over weight certain geographic regions and industry sectors when deemed appropriate by the Manager. This may result in the Fund's portfolio weightings being substantially different from the weightings of the S&P/TSX Composite Total Return Index (or its successor index).

EXEMPLAR PERFORMANCE FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the periods ended December 31, 2015 and 2014

The Fund may hold cash or invest 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 Fund may also invest in foreign securities of the same type and characteristics as described above.

The Fund engages in short selling activities, wherein it borrows securities and sells them to third parties. Until the Fund 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.

As at December 31, 2015, the impact on net assets of the Fund due to a 5% change in market prices of equity securities is \$636,970 (all other variables held constant) (December 31, 2014: \$254,980).

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 Fund's concentration risk as of December 31, 2015 and 2014:

Market Segment	% of net assets attributable to holders of redeemable units					
	December 31, 2015			December 31, 2014		
	Long Positions	Short Positions		Long Positions	Short Positions	
	%	%	%	%	%	%
Basic Materials	1.0	(0.2)		3.2	-	
Communications	4.5	(0.1)		4.5	-	
Consumer, Cyclical	13.9	(0.5)		16.9	-	
Consumer, Non-Cyclical	9.7	-		14.5	-	
Energy	2.4	(0.0)		3.1	(0.3)	
Financial	4.1	(0.1)		6.2	(0.7)	
Funds	0.2	(1.0)		1.6	(0.6)	
Industrial	8.2	(0.1)		12.0	-	
Technology	5.0	-		5.2	-	
Utilities	0.2	-		2.2	-	
Total	49.2	(2.0)		69.4	(1.60)	

FAIR VALUE MEASUREMENT

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

The following table illustrates the classification of the Fund'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
	\$	\$	\$	\$
Financial assets				
Equities	13,225,603	-	-	13,225,603
Fixed income	-	61,959	-	61,959
Total	13,225,603	61,959	-	13,287,562
Financial liabilities				
Equities sold short	(548,171)	-	-	(548,171)
Fixed income sold short	-	-	-	-
Total	(548,171)	-	-	(548,171)

EXEMPLAR PERFORMANCE FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the periods ended December 31, 2015 and 2014

December 31, 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities	5,224,552	-	-	5,224,552
Total	5,224,552	-	-	5,224,552
Financial liabilities				
Equities sold short	(124,959)	-	-	(124,959)
Total	(124,959)	-	-	(124,959)

All fair value measurements above are recurring. The carrying values of all of the Fund'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 Fund, 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. In addition, at each financial reporting date, the Manager reviews and approves all Level 3 fair value measurements, if applicable.

The Fund's equity positions (long and short) are all classified as Level 1 as each security is actively traded on a recognized exchange and a quoted price is available.

The Fund's bond 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 Fund's bonds have been classified as Level 2.

As at December 31, 2015 and 2014, the Fund 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.

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 change in unrealized gains / (losses) \$	Interest income \$	Interest expense \$	Dividend income \$	Dividend expense \$	Total \$
Financial assets at FVTPL:							
Designated as FVTPL	(275,741)	979,529	-	-	253,349	-	957,137
Financial liabilities at FVTPL:							
HFT	52,971	19,833	-	-	-	(11,013)	61,791
Total	(222,770)	999,362	-	-	253,349	(11,013)	1,018,928

EXEMPLAR PERFORMANCE FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the periods 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 assets at FVTPL:							
Designated as FVTPL	(15,310)	332,448	-	-	31,837	-	348,975
Financial liabilities at FVTPL:							
HFT	(808)	(4,922)	-	-	-	(1,004)	(6,734)
Total	(16,118)	327,526	-	-	31,837	(1,004)	342,241

EXEMPLAR INVESTMENT GRADE FUND

Statements of Financial Position
As at December 31,

	2015	2014
ASSETS		
Current assets		
Financial assets designated at fair value through profit and loss	\$53,339,712	\$35,806,314
Financial assets held for trading		
Options at fair value - long	256,208	1,430
Unrealized gain on swap contracts	-	522,799
Unrealized gain on futures contracts - long	7,700	-
Unrealized gain on futures contracts - short	7,569	-
Unrealized gain on forward currency contracts	2,070	-
Cash	1,103,829	3,668,409
Margin deposits	2,823,987	655,250
Accrued dividends receivable	11,900	-
Accrued interest receivable	407,184	330,827
Receivable for securities sold	-	2,889,584
Receivable for redeemable units issued	56,138	322,924
	58,016,297	44,197,537
LIABILITIES		
Current liabilities		
Financial liabilities held for trading		
Unrealized loss on swap contracts	775,410	53,737
Unrealized loss on futures contracts - long	100,164	2,738
Unrealized loss on futures contracts - short	418,757	66,633
Margin loan	286,042	92,251
Payable for securities purchased	189,073	5,985,514
Accrued interest payable	14,848	-
Payable for redeemable units redeemed	34,764	7,317
Other liabilities (Note 8)	60,181	45,461
	1,879,239	6,253,651
Net assets attributable to holders of redeemable units	\$56,137,058	\$37,943,886
Net assets attributable to holders of redeemable units		
Series A	\$14,295,352	\$13,673,397
Series AI	\$1,801,322	\$1,935,980
Series AN	\$1,990,671	-
Series F	\$34,249,772	\$20,079,021
Series FI	\$2,308,105	\$2,115,804
Series FN	\$1,429,487	\$139,684
Series G	\$62,349	-

Continued on next page

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

EXEMPLAR INVESTMENT GRADE FUND

Statements of Financial Position
As at December 31,

2015

2014

Continued from previous page.

Number of redeemable units outstanding (Note 7)

Series A	1,526,674	1,380,046
Series AI	197,676	196,748
Series AN	205,057	-
Series F	3,627,975	2,021,822
Series FI	251,235	214,531
Series FN	147,719	14,000
Series G	4,691	-

Net assets attributable to holders of redeemable units per unit

Series A	\$9.36	\$9.91
Series AI	\$9.11	\$9.84
Series AN	\$9.71	-
Series F	\$9.44	\$9.93
Series FI	\$9.19	\$9.86
Series FN	\$9.68	\$9.98
Series G USD	\$9.60	-

USD/CAD Foreign Exchange Rate

0.7225

-

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

"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 INVESTMENT GRADE FUND

Statements of Comprehensive Income

For the year ended December 31, 2015 and for the period from July 28, 2014 (date of commencement of operations) to December 31, 2014

	2015 \$	2014 \$
INCOME		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	2,235,739	212,008
Interest expense on short sales	(8,521)	-
Dividend income	11,900	-
Net realized gain (loss) on investments and derivatives	(1,437,047)	(108,933)
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	(1,659,270)	15,667
Net gains (losses) on investments and derivatives	(857,199)	118,742
Other income items:		
Interest on cash	2,721	-
Foreign exchange gain (loss)	77,765	30,627
Net change in unrealized foreign exchange gain (loss)	42,847	1,575
Total income (net)	(733,866)	150,944
EXPENSES		
Securityholder reporting fees	165,168	49,359
Management fees (Note 8)	563,315	84,211
Interest expense	1,317	263
Audit fees	16,999	14,730
Legal fees	16,574	4,983
Independent Review Committee fees	4,458	2,091
Custodial fees	13,778	7,500
Commissions and other portfolio transaction costs (Note 8)	8,286	843
Commissions on Futures (Note 8)	15,028	-
Harmonized sales tax	58,081	14,126
Total expense before manager absorption	863,004	178,106
Less: expenses absorbed by manager (Note 8)	(98,183)	(59,654)
Total expenses after manager absorption	764,821	118,452
Increase (decrease) in net assets attributable to holders of redeemable units	(1,498,687)	32,492
Increase (decrease) in net assets attributable to holders of redeemable units (Note 10)		
Series A	(382,139)	(1,650)
Series AI	(53,988)	1,332
Series AN	(61,973)	-
Series F	(901,010)	30,232
Series FI	(46,146)	2,894
Series FN	(55,355)	(316)
Series G	1,924	-
Increase (decrease) in net assets attributable to holders of redeemable units per unit (Note 10)		
Series A	(0.26)	-
Series AI	(0.25)	0.01
Series AN	(0.48)	-
Series F	(0.23)	0.03
Series FI	(0.20)	0.02
Series FN	(0.49)	(0.02)
Series G	0.58	-

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

EXEMPLAR INVESTMENT GRADE FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

For the year ended December 31, 2015 and for the period from July 28, 2014 (date of commencement of operations) to December 31, 2014

		2015 \$	2014 \$
Net assets attributable to holders of redeemable units at beginning of year / period			
	Series A	13,673,397	-
	Series AI	1,935,980	-
	Series AN	-	-
	Series F	20,079,021	-
	Series FI	2,115,804	-
	Series FN	139,684	-
	Series G	-	-
		37,943,886	-
Increase (decrease) in net assets attributable to holders of redeemable units			
	Series A	(382,139)	(1,650)
	Series AI	(53,988)	1,332
	Series AN	(61,973)	-
	Series F	(901,010)	30,232
	Series FI	(46,146)	2,894
	Series FN	(55,355)	(316)
	Series G	1,924	-
		(1,498,687)	32,492
Distributions to holders of redeemable units			
From net investment income			
	Series A	(118,335)	(108,697)
	Series AI	(19,228)	(27,128)
	Series AN	(12,121)	-
	Series F	(674,931)	(131,351)
	Series FI	(31,554)	(23,013)
	Series FN	(14,621)	-
	Series G	(443)	-
		(871,233)	(290,189)
From net realized gains on investments and derivatives			
	Series A	-	-
	Series AI	-	-
	Series AN	-	-
	Series F	-	-
	Series FI	-	-
	Series FN	-	-
	Series G	-	-
		-	-
Return of capital			
	Series A	(325,421)	-
	Series AI	(85,885)	-
	Series F	(516,124)	-
	Series FI	(79,336)	-
	Series G	(111)	-
		(1,006,877)	-
		(1,878,110)	(290,189)
Total distributions to holders of redeemable units			
Redeemable unit transactions			
Proceeds from redeemable units issued			
	Series A	7,076,992	16,204,843
	Series AI	929,078	2,073,927
	Series AN	2,127,803	-
	Series F	33,609,854	21,079,297
	Series FI	1,004,993	2,242,139
	Series FN	2,596,979	140,000
	Series G	60,481	-

Continued on next page.

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

EXEMPLAR INVESTMENT GRADE FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

For the year ended December 31, 2015 and for the period from July 28, 2014 (date of commencement of operations) to December 31, 2014

		2015 \$	2014 \$
<i>Continued from previous page.</i>			
Reinvestments of distributions to holders of redeemable units	Series A	305,200	88,104
	Series AI	41,828	13,882
	Series AN	11,907	-
	Series F	568,654	73,701
	Series FI	53,362	12,754
	Series FN	14,545	-
	Series G	498	-
Redemption of redeemable units	Series A	(5,934,342)	(2,509,203)
	Series AI	(946,463)	(126,033)
	Series AN	(74,945)	-
	Series F	(17,915,692)	(972,858)
	Series FI	(709,018)	(118,970)
	Series FN	(1,251,745)	-
	Series G	-	-
Net increase (decrease) from redeemable unit transactions		21,569,969	38,201,583
Net increase (decrease) in net assets attributable to holders of redeemable units		18,193,172	37,943,886
	Series A	14,295,352	13,673,397
	Series AI	1,801,322	1,935,980
	Series AN	1,990,671	-
	Series F	34,249,772	20,079,021
	Series FI	2,308,105	2,115,804
	Series FN	1,429,487	139,684
	Series G	62,349	-
Net assets attributable to holders of redeemable units at end of year / period		56,137,058	37,943,886

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

EXEMPLAR INVESTMENT GRADE FUND

Statements of Cash Flows

For the year ended December 31, 2015 and for the period from July 28, 2014 (date of commencement of operations) to December 31, 2014

	2015 \$	2014 \$
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	(1,498,687)	32,492
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	(60,386)	(1,693)
Net realized (gain) loss on investments and derivatives	1,437,047	108,933
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	1,659,270	(15,667)
Purchase of investments	(206,848,928)	(87,424,815)
Proceeds on sale of investments and derivatives	184,734,261	54,220,044
Decrease (increase) in accrued interest receivable	(76,357)	(330,827)
Decrease (increase) in accrued dividend receivable	(11,900)	-
Increase (decrease) in accrued interest payable	14,848	-
Increase (decrease) in other liabilities	14,720	45,461
Decrease (increase) in margin deposits	(2,168,737)	(655,250)
Net cash from (used in) operating activities	(22,804,849)	(34,021,322)
Cash flows from (used in) financing activities		
Proceeds from redeemable units issued	47,672,966	41,417,282
Redemption of redeemable units	(26,804,758)	(3,719,747)
Distributions paid to holders of redeemable units, net of reinvested distributions	(882,116)	(101,748)
Increase (decrease) in margin loan	193,791	92,251
Net cash from (used in) financing activities	20,179,883	37,688,038
Net Increase (decrease) in cash	(2,624,966)	3,666,716
Cash at beginning of the year / period	3,668,409	-
Net change in unrealized foreign exchange gain (loss) on cash	60,386	1,693
Cash at end of the year / period	1,103,829	3,668,409
Interest received*	2,162,103	40,611
Dividends received*	-	-
Interest paid*	13,531	(263)

*Included as part of cash flows from operating activities

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

EXEMPLAR INVESTMENT GRADE FUND

Schedule of Investment Portfolio – As at December 31, 2015

Equity Positions - Long		5.1%			
Security Name	Currency		Quantity	Average Cost \$	Fair Value \$
Energy		1.5%			
Enbridge Inc.	CAD		21,273	330,395	329,732
Enbridge Inc.	USD		19,746	501,779	491,913
				832,174	821,645
Financial		2.7%			
Bank of Montreal	CAD		30,000	636,480	654,600
The Bank of Nova Scotia	CAD		40,000	812,314	836,800
				1,448,794	1,491,400
Funds		1.0%			
BMO Laddered Preferred Share Index ETF	CAD		53,000	525,230	562,860
				2,806,198	2,875,905

Fixed Income Positions - Long		89.9%				
Security Name	Currency	Coupon Rate %	Maturity Date	Par Value	Average Cost \$	Fair Value \$
Aon Finance N.S. 1, ULC	CAD	4.76	03-08-18	1,800,000	1,930,212	1,904,886
Artis Real Estate Investment Trust	CAD	3.75	03-27-19	570,000	578,869	574,058
Bank of America Corporation	CAD	3.23	06-22-22	3,369,000	3,369,000	3,452,383
The Bank of Nova Scotia	CAD	1.80	05-09-16	3,100,000	3,118,461	3,109,486
Bell Canada	CAD	4.70	09-11-23	1,124,000	1,268,444	1,240,233
Citigroup Inc.	CAD	3.39	11-18-21	1,481,000	1,501,388	1,540,773
Cominar Real Estate Investment Trust	CAD	4.16	06-01-22	755,000	755,000	746,944
Cominar Real Estate Investment Trust	CAD	4.27	06-15-17	598,000	621,342	612,824
Cominar Real Estate Investment Trust	CAD	1.94	09-22-16	139,000	139,000	138,406
Enbridge Inc.	USD	4.50	06-10-44	4,000,000	4,076,178	3,788,575
The Export-Import Bank of Korea	CAD	2.71	12-05-19	241,000	241,000	248,787
Ford Credit Canada Limited	CAD	2.45	05-07-20	1,350,000	1,340,618	1,333,355
Ford Credit Canada Limited	CAD	2.92	09-16-20	2,000,000	1,992,000	2,006,740
Ford Credit Canada Limited	CAD	3.28	07-02-21	1,350,000	1,374,530	1,366,727
General Motors Financial of Canada, Ltd.	CAD	3.08	05-22-20	3,112,000	3,100,268	3,107,737
Home Trust Company	CAD	2.35	05-24-17	420,000	418,908	417,543
KRCX North Holdings, LLC	CAD	3.86	08-04-20	886,000	944,131	935,802
KRCX North Holdings, LLC	CAD	5.99	04-13-18	1,232,000	1,387,338	1,339,455
Leisureworld Senior Care LP	CAD	3.47	02-03-21	478,000	486,835	507,367
Loblaw Companies Limited	CAD	4.86	09-12-23	2,000,000	2,221,260	2,247,700
Manitoba Telecom Services Inc.	CAD	4.59	10-01-18	1,000,000	1,085,178	1,068,130
Navient Corporation	USD	5.63	08-01-33	390,000	366,804	364,338
Penske Truck Leasing Canada Inc.	CAD	3.65	02-01-18	1,000,000	1,038,100	1,028,020
Shaw Communications Inc.	CAD	4.35	01-31-24	871,000	920,500	906,197
TELUS Corporation	CAD	4.40	01-29-46	1,536,000	1,535,570	1,385,580
Thomson Reuters Corporation	CAD	3.31	11-12-21	1,542,000	1,568,373	1,578,915
Thomson Reuters Corporation	CAD	4.35	09-30-20	800,000	861,808	862,312
TransCanada PipeLines Limited	CAD	9.45	03-20-18	1,467,000	1,799,598	1,705,784

EXEMPLAR INVESTMENT GRADE FUND

Schedule of Investment Portfolio – As at December 31, 2015

Fixed Income Positions - Long							89.9%
Security Name	Currency	Coupon Rate %	Maturity Date	Par Value	Average Cost \$	Fair Value \$	
TransCanada PipeLines Limited	USD	6.35	05-15-67	730,000	802,778	765,318	
TransCanada PipeLines Limited	CAD	3.65	11-15-21	1,750,000	1,869,525	1,867,618	
Ventas Canada Finance Limited (f/k/a 3280986 Nova Scotia Limited)	CAD	3.00	09-30-19	552,000	550,416	562,411	
Ventas Canada Finance Limited (f/k/a 3280986 Nova Scotia Limited)	CAD	4.13	09-30-24	487,000	485,062	507,050	
Videotron Ltd.	CAD	6.88	07-15-21	2,170,000	2,322,137	2,292,063	
Videotron Ltd.	CAD	5.63	06-15-25	2,000,000	2,057,500	2,000,000	
WTH Car Rental, ULC	CAD	1.91	07-20-20	3,000,000	3,000,000	2,950,290	
					51,128,131	50,463,807	

Option Positions - Long							0.5%
Security Name	Currency	Strike Price	Expiry Date	Contracts	Average Cost \$	Fair Value \$	
BMO S&P/TSX EQUAL WEIGHT BANKS PUT	CAD	\$18	01-20-17	1,613	148,396	116,943	
S&P 500 EMINI INDEX FUTURE PUT	USD	\$1,900	09-16-16	25	165,519	139,265	
					313,915	256,208	

Futures Contracts - Long							(0.2%)
Security Name	Currency	Contracts	Contract Size	Expiry Date	Notional Value	Unrealized Gain / Loss \$	
Canadian Currency		(0.2%)					
CANADIAN DOLLAR CCY FUT (CME)	USD	65	1,000	03-15-16	4,701,450	(100,164)	
Canadian Money Market		0.0%					
90DAY BANK ACCEPT FUTURE (MSE)	CAD	88	2,500	03-14-16	21,825,100	7,700	
						(92,464)	

Futures Contracts - Short							(0.7%)
Security Name	Currency	Contracts	Contract Size	Expiry Date	Notional Value	Unrealized Gain / Loss \$	
Canadian Bond		(0.7%)					
CANADA 10YR BOND FUTURE (MSE)	CAD	(87)	1,000	03-21-16	(12,266,130)	(213,320)	
CANADA 5YR BOND FUTURE (MSE)	CAD	(167)	1,000	03-21-16	(20,983,550)	(205,437)	
						(418,757)	
US Bond		0.0%					
US TREAS BD FUTURE (CBT)	USD	(20)	1,000	03-21-16	(3,075,000)	7,569	
						(411,188)	

EXEMPLAR INVESTMENT GRADE FUND

Schedule of Investment Portfolio – As at December 31, 2015

Swap Positions		(1.4%)			
Security Name	Currency	Notional Value	Average Cost / (Proceeds)	Unrealized Gain / (Loss)	
				\$	\$
CDS SP ENBRIDGE INC	USD	Credit Default Swap	1,937,000	(140,692)	(351,353)
CDS SP ENBRIDGE INC	USD	Credit Default Swap	1,178,000	(168,689)	(227,535)
CDS SP NAVIENT CORP	USD	Credit Default Swap	1,000,000	8,203	(81,050)
IRS R CDOR03 P 1.657	CAD	Interest Rate Swap	2,000,000	-	(35,178)
IRS R CDOR03 P1.5925	CAD	Interest Rate Swap	5,596,000	-	(80,294)
				(301,178)	(775,410)

Forward Currency Contracts		0.0%						
Currency Purchased	Notional Value	Currency Sold	Notional Value	Contract Rate	Maturity Date	Counterparty	Credit Rating	Fair Value \$
USD	36,000	CAD	(48,024)	0.74963	01-06-16	BNY Mellon	A1	1,800
USD	10,000	CAD	(13,570)	0.73692	01-06-16	BNY Mellon	A1	270
								2,070

Investment Portfolio Summary	%	Average Cost / (Proceeds)	Fair Value
		\$	\$
Equity Positions - Long	5.1	2,806,198	2,875,905
Fixed Income Positions - Long	89.9	51,128,131	50,463,807
Option Positions - Long	0.5	313,915	256,208
Futures Contracts - Long	(0.2)	-	(92,464)
Futures Contracts - Short	(0.7)	-	(411,188)
Swap Positions	(1.4)	(301,178)	(775,410)
Forward Currency Contracts	0.0	-	2,070
Total Investments	93.2	53,947,066	52,318,928
Total Other Net Assets	6.8	-	3,818,130
Total Net Assets	100.0	53,947,066	56,137,058

EXEMPLAR INVESTMENT GRADE FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the periods ended December 31, 2015 and 2014

The investment objective of the Exemplar Investment Grade Fund is to generate income and capital preservation by investing in a diversified portfolio of primarily North American investment grade corporate bonds.

RISK MANAGEMENT

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments present a risk of loss of capital. The maximum loss of capital on long equity, options, interest rate swaps, credit default swaps 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 Fund's Declaration of Trust.

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn can also increase the potential returns the Fund can achieve. The Portfolio Sub-Advisor uses leverage against assets with satisfactory liquidity characteristics in order to increase return on capital subject to market conditions.

A general discussion of financial risk management for the Exemplar Funds appears as Note 4: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

Credit Risk

The analysis below summarizes the credit quality of the Fund'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
	%	%
AA	6.7	4.0
A	7.1	10.6
BBB	59.9	81.1
Below BBB	15.4	4.3
Not Rated	11.0	-
Total	100.0	100.0

* Credit ratings are obtained from Standard & Poor's, Moody's and / or Dominion Bond Rating Service.

The Fund is exposed to counterparty credit risk on swaps and futures contracts. The counterparties to the Fund's swaps are Bank of America and JP Morgan Chase & Co. which have credit ratings as rated by Moody's bond rating services of Baa1 and A3, respectively (December 31, 2014: Baa2 and A3, respectively). Futures contracts are exchange traded. Cash collateral has been provided to JP Morgan Chase & Co. in accordance with terms of derivative transaction agreements.

The Fund is exposed to counterparty credit risk on cash, margin deposits and other receivable balances. The Fund's broker and 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 Fund is 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).

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 Fund. Therefore, the Fund 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 Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

Liquidity Risk

All of the Fund's liabilities are typically due in less than 3 months. Redeemable units are redeemable on demand at the holder's option. However, holders of these instruments typically retain them for a longer period.

From time to time, the Fund may use margin borrowings in one or more of its brokerage accounts. For the year ending December 31, 2015, the minimum margin borrowings used was \$405,090 and the maximum margin borrowings used was \$2,230,479. (2014: min: \$0, max: \$478,093).

EXEMPLAR INVESTMENT GRADE FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the periods ended December 31, 2015 and 2014

Market Risk

The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units 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 Fund's exposure to USD as 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 units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Non-monetary items include non-financial options. Monetary items include futures, bonds, cash, swaps, financial options and other current receivables and payables.

December 31, 2015	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency	\$	\$	\$	\$	\$	\$
United States Dollar - Long	5,713,896	631,178	6,345,074	571,390	63,118	634,508
United States Dollar - Short	(34,237)	-	(34,237)	(3,424)	-	(3,424)
Total	5,679,659	631,178	6,310,837	567,966	63,118	631,084
% of net assets attributable to holders of redeemable units	10.1%	1.1%	11.2%	1.0%	0.1%	1.1%

December 31, 2014	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency	\$	\$	\$	\$	\$	\$
United States Dollar - Long	924,908	-	924,908	92,490	-	92,490
United States Dollar - Short	(43,489)	-	(43,489)	(4,349)	-	(4,349)
Total	881,419	-	881,419	88,141	-	88,141
% of net assets attributable to holders of redeemable units	2.3%	-	2.3%	0.2%	-	0.2%

(b) Interest Rate Risk

The table below summarizes the Fund'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 units 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	\$ 3,247,892	\$ 500,070
1-3 years	8,076,642	8,927,904
3-5 years	12,581,492	12,942,717
Greater than 5 years	26,557,781	13,435,623
Total	\$ 50,463,807	\$ 35,806,314
Sensitivity:		
Total \$ sensitivity to net assets attributable to holders of redeemable units	+/- \$ 2,697,671	+/- \$ 1,497,539
Total % sensitivity to net assets attributable to holders of redeemable units	4.8%	3.9%

EXEMPLAR INVESTMENT GRADE FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the periods ended December 31, 2015 and 2014

(c) Price Risk

The Fund's policy is to manage price risk through pursuit of a diversified investment program that focuses on investment-grade fixed income securities while utilizing other assets such as options and credit default swaps, to extract relative value and to manage credit exposure.

The Fund engages in short selling activities, wherein it borrows securities and sells them to third parties. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold, not yet purchased, at prices which may be significantly higher than the fair value reflected on the financial statements.

As at December 31, 2015, if the Fund's relevant benchmark index, FTSE TMX Canada Universe Bond Index, had increased or decreased by 5%, with all other variables held constant, the net assets attributable to holders of redeemable units of the Fund would have increased or decreased by \$84,206 (2014: \$117,161).

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 Fund's concentration risk as of December 31, 2015 and 2014:

Market Segment	% of net assets attributable to holders of redeemable units	
	December 31, 2015	December 31, 2014
	%	%
Communications	20.2	24.0
Consumer, Cyclical	13.9	2.9
Consumer, Non-Cyclical	6.7	12.1
Energy	15.9	9.3
Financial	36.8	31.6
Funds	1.0	-
Government	0.4	0.6
Utilities	-	13.9
Options	0.5	-
Total	95.5	94.4

FAIR VALUE MEASUREMENT

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

The following table illustrates the classification of the Fund'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
	\$	\$	\$	\$
Financial assets				
Equities	2,875,905	-	-	2,875,905
Fixed income	-	50,463,807	-	50,463,807
Derivatives	271,477	2,070	-	273,547
Total	3,147,382	50,465,877	-	53,613,259
Financial liabilities				
Equities sold short	-	-	-	-
Fixed income sold short	-	-	-	-
Derivatives	(518,921)	(775,410)	-	(1,294,331)
Total	(518,921)	(775,410)	-	(1,294,331)

EXEMPLAR INVESTMENT GRADE FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the periods ended December 31, 2015 and 2014

December 31, 2014	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Fixed income	-	35,806,314	-	35,806,314
Derivatives	1,430	522,799	-	524,229
Total	1,430	36,329,113	-	36,330,543
Financial liabilities				
Fixed income sold short	-	-	-	-
Derivatives	(69,371)	(53,737)	-	(123,108)
Total	(69,371)	(53,737)	-	(123,108)

All fair value measurements above are recurring. The carrying values of all of the Fund'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 Fund, 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. In addition, at each financial reporting date, the Manager reviews and approves all Level 3 fair value measurements, if applicable.

As at December 31, 2015 and 2014, the Fund 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) Bonds

The Fund's bond holdings are comprised of Canadian and US 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 Fund's bonds have been classified as Level 2.

b) Derivatives

Derivative assets and liabilities consist of futures contracts, options, interest rate swaps and credit default swaps. Long and short futures contracts and options are exchange traded and are classified as Level 1 as they are actively traded on a recognized exchange and a quoted price is available. Interest rate swaps are valued using indicative bid/ask prices from third party broker dealers while credit default swaps are valued based upon quotations from independent security pricing sources. The inputs that are significant to valuation are generally observable and therefore both interest rate swaps and credit default swaps have been 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.

December 31, 2015	Net realized gains / (losses)	Net change in unrealized gains / (losses)	Interest income	Interest expense	Dividend income	Dividend expense	Total
	\$	\$	\$	\$	\$	\$	\$
Financial assets at FVTPL:							
Designated as FVTPL	237,975	(675,252)	1,972,973	-	11,900	-	1,547,596
HFT	-	-	262,766	-	-	-	262,766
	237,975	(675,252)	2,235,739	-	11,900	-	1,810,362
Financial liabilities at FVTPL:							
HFT	(1,675,022)	(984,018)	-	(8,521)	-	-	(2,667,561)
Total	(1,437,047)	(1,659,270)	2,235,739	(8,521)	11,900	-	(857,199)

EXEMPLAR INVESTMENT GRADE FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the periods 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	(2,796)	131,737	212,008	-	-	-	340,949
HFT	67,187	(46,699)	-	-	-	-	20,488
	64,391	85,038	212,008	-	-	-	361,437
Financial liabilities at FVTPL:							
HFT	(173,324)	(69,371)	-	-	-	-	(242,695)
Total	(108,933)	15,667	212,008	-	-	-	118,742

EXEMPLAR TACTICAL CORPORATE BOND FUND

Statements of Financial Position

As at December 31,

	2015	2014
ASSETS		
Current assets		
Financial assets designated at fair value through profit and loss	\$28,766,846	\$20,307,526
Financial assets held for trading		
Unrealized gain on futures contracts - short	21,430	363
Unrealized gain on forward currency contracts	2,125	-
Warrants at fair value	4	-
Cash	6,530,132	3,693,981
Margin deposits	969,293	142,623
Accrued interest receivable	419,256	185,395
Receivable for redeemable units issued	113,115	17,081
	<hr/>	<hr/>
	36,822,201	24,346,969
LIABILITIES		
Current liabilities		
Financial liabilities held for trading		
Unrealized loss on futures contracts - long	189,540	-
Unrealized loss on futures contracts - short	-	28,672
Unrealized loss on swap contracts	30,760	23,379
Payable for securities purchased	-	2,110,340
Payable for redeemable units redeemed	63,609	78,959
Other liabilities (Note 8)	52,583	32,956
	336,492	2,274,306
	<hr/>	<hr/>
Net assets attributable to holders of redeemable units	\$36,485,709	\$22,072,663
Net assets attributable to holders of redeemable units		
Series A	\$4,369,884	\$3,448,110
Series AI	\$257,213	\$265,651
Series AN	\$10,313,894	\$5,346,433
Series F	\$11,641,816	\$9,797,932
Series FI	\$1,112,189	\$1,730,145
Series FN	\$6,653,587	\$1,100,299
Series I	\$1,131,199	-
Series L	\$939,352	\$384,093
Series LI	\$9,658	-
Series U	\$40,013	-
Series M	\$16,904	-

Continued on next page.

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

EXEMPLAR TACTICAL CORPORATE BOND FUND

Statements of Financial Position
As at December 31,

2015

2014

Continued from previous page.

Number of redeemable units outstanding (Note 7)		
Series A	478,057	353,365
Series AI	28,942	27,429
Series AN	1,048,750	535,963
Series F	1,257,444	1,000,466
Series FI	123,815	178,174
Series FN	671,979	110,483
Series I	115,268	-
Series L	102,488	39,212
Series LI	1,031	-
Series U	2,940	-
Series M	1,250	-
Net assets attributable to holders of redeemable units per unit		
Series A	\$9.14	\$9.76
Series AI	\$8.89	\$9.69
Series AN	\$9.83	\$9.98
Series F	\$9.26	\$9.79
Series FI	\$8.98	\$9.71
Series FN	\$9.90	\$9.96
Series I	\$9.81	-
Series L	\$9.17	\$9.80
Series LI	\$9.37	-
Series U USD	\$9.83	-
Series M USD	\$9.77	-
USD/CAD Foreign Exchange Rate	0.7225	

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

"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 TACTICAL CORPORATE BOND FUND

Statements of Comprehensive Income

For the year ended December 31, 2015 and for the period from July 28, 2014 (date of commencement of operations) to December 31, 2014

	2015 \$	2014 \$
INCOME		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	1,340,039	188,306
Net realized gain (loss) on investments and derivatives	(824,810)	(190,234)
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	(627,842)	(30,598)
Net gains (losses) on investments and derivatives	(112,613)	(32,526)
Other income items:		
Interest on cash	2,352	-
Foreign exchange gain (loss)	3,750	(4,012)
Net change in unrealized foreign exchange gain (loss)	35,774	940
Total income (net)	(70,737)	(35,598)
EXPENSES		
Securityholder reporting fees	98,991	44,123
Management fees (Note 8)	382,355	66,475
Interest expense	1,601	101
Audit fees	16,999	14,730
Legal fees	16,574	4,983
Independent Review Committee fees	4,458	2,091
Custodial fees	7,965	7,500
Commissions and other portfolio transaction costs (Note 8)	2,667	753
Commissions on Futures (Note 8)	6,807	-
Harmonized sales tax	48,481	10,441
Total expense before manager absorption	586,898	151,197
Less: expenses absorbed by manager (Note 8)	(87,113)	(62,285)
Total expenses after manager absorption	499,785	88,912
Increase (decrease) in net assets attributable to holders of redeemable units	(570,522)	(124,510)
Increase (decrease) in net assets attributable to holders of redeemable units (Note 10)		
Series A	(88,346)	(64,021)
Series AI	(2,594)	(354)
Series AN	(185,752)	(4,574)
Series F	(144,123)	(46,203)
Series FI	8,071	(5,763)
Series FN	(121,301)	(3,540)
Series I	(16,781)	-
Series L	(22,030)	(55)
Series LI	(341)	-
Series U	2,203	-
Series M	472	-
Increase (decrease) in net assets attributable to holders of redeemable units per unit (Note 10)		
Series A	(0.22)	(0.11)
Series AI	(0.08)	(0.05)
Series AN	(0.24)	(0.02)
Series F	(0.14)	(0.07)
Series FI	0.05	(0.06)
Series FN	(0.30)	(0.04)
Series I	(0.30)	-
Series L	(0.26)	(0.01)
Series LI	(0.34)	-
Series U	0.75	-
Series M	0.38	-

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

EXEMPLAR TACTICAL CORPORATE BOND FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

For the year ended December 31, 2015 and for the period from July 28, 2014 (date of commencement of operations) to December 31, 2014

		2015 \$	2014 \$
Net assets attributable to holders of redeemable units at beginning of year / period	Series A	3,448,110	-
	Series AI	265,651	-
	Series AN	5,346,433	-
	Series F	9,797,932	-
	Series FI	1,730,145	-
	Series FN	1,100,299	-
	Series I	-	-
	Series L	384,093	-
	Series LI	-	-
	Series U	-	-
	Series M	-	-
		22,072,663	-
Increase (decrease) in net assets attributable to holders of redeemable units	Series A	(88,346)	(64,021)
	Series AI	(2,594)	(354)
	Series AN	(185,752)	(4,574)
	Series F	(144,123)	(46,203)
	Series FI	8,071	(5,763)
	Series FN	(121,301)	(3,540)
	Series I	(16,781)	-
	Series L	(22,030)	(55)
	Series LI	(341)	-
	Series U	2,203	-
	Series M	472	-
		(570,522)	(124,510)
Distributions to holders of redeemable units			
From return of capital	Series A	(195,560)	(124,727)
	Series AI	(22,103)	(1,122)
	Series AN	-	-
	Series F	(514,738)	(122,679)
	Series FI	(111,203)	(20,078)
	Series FN	-	-
	Series I	(546)	-
	Series L	(42,243)	(315)
	Series LI	(294)	-
	Series U	(334)	-
	Series M	(142)	-
		(887,163)	(268,921)
Redeemable unit transactions			
Proceeds from redeemable units issued	Series A	3,448,786	9,138,605
	Series AI	73,000	266,005
	Series AN	6,951,588	5,351,007
	Series F	9,602,093	10,789,936
	Series FI	398,505	1,736,258
	Series FN	7,010,864	1,103,839
	Series I	1,149,980	-
	Series L	584,457	384,463
	Series LI	10,000	-
	Series U	38,144	-
	Series M	16,574	-

Continued on next page.

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

EXEMPLAR TACTICAL CORPORATE BOND FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

For the year ended December 31, 2015 and for the period from July 28, 2014 (date of commencement of operations) to December 31, 2014

		2015	2014
		\$	\$
<i>Continued from previous page.</i>			
Reinvestments of distributions to holders of redeemable units	Series A	117,271	114,627
	Series AI	22,103	1,122
	Series AN	-	-
	Series F	312,334	89,387
	Series FI	109,653	19,728
	Series FN	-	-
	Series I	546	-
	Series L	35,110	-
	Series LI	293	-
	Series U	-	-
	Series M	-	-
Redemption of redeemable units	Series A	(2,360,377)	(5,616,374)
	Series AI	(78,844)	-
	Series AN	(1,798,375)	-
	Series F	(7,411,682)	(912,509)
	Series FI	(1,022,982)	-
	Series FN	(1,336,275)	-
	Series I	(2,000)	-
	Series L	(35)	-
	Series LI	-	-
	Series U	-	-
	Series M	-	-
Net increase (decrease) from redeemable unit transactions		15,870,731	22,466,094
Net increase (decrease) in net assets attributable to holders of redeemable units		14,413,046	22,072,663
	Series A	4,369,884	3,448,110
	Series AI	257,213	265,651
	Series AN	10,313,894	5,346,433
	Series F	11,641,816	9,797,932
	Series FI	1,112,189	1,730,145
	Series FN	6,653,587	1,100,299
	Series I	1,131,199	-
	Series L	939,352	384,093
	Series LI	9,658	-
	Series U	40,013	-
	Series M	16,904	-
Net assets attributable to holders of redeemable units at end of year / period		36,485,709	22,072,663

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

EXEMPLAR TACTICAL CORPORATE BOND FUND

Statements of Cash Flows

For the year ended December 31, 2015 and for the period from July 28, 2014 (date of commencement of operations) to December 31, 2014

	2015 \$	2014 \$
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	(570,522)	(124,510)
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	(67,476)	26
Net realized (gain) loss on investments and derivatives	824,810	190,234
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	627,842	30,598
Purchase of investments	(57,401,848)	(32,106,340)
Proceeds on sale of investments and derivatives	45,524,589	13,740,010
Decrease (increase) in accrued interest receivable	(233,861)	(185,395)
Increase (decrease) in other liabilities	19,627	32,956
Decrease (increase) in margin deposits	(826,670)	(142,623)
Net cash from (used in) operating activities	(12,103,509)	(18,565,044)
Cash flows from (used in) financing activities		
Proceeds from redeemable units issued	29,187,957	28,753,032
Redemption of redeemable units	(14,025,920)	(6,449,924)
Distributions paid to holders of redeemable units, net of reinvested distributions	(289,853)	(44,057)
Net cash from (used in) financing activities	14,872,184	22,259,051
Net increase (decrease) in cash	2,768,675	3,694,007
Cash at beginning of the year / period	3,693,981	-
Net change in unrealized foreign exchange gain (loss) on cash	67,476	(26)
Cash at end of the year / period	6,530,132	3,693,981
Interest received*	1,108,530	63,385
Interest paid*	(1,601)	(101)

*Included as part of cash flows from operating activities

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

EXEMPLAR TACTICAL CORPORATE BOND FUND

Schedule of Investment Portfolio – As at December 31, 2015

Equity Positions - Long		2.3%			
Security Name	Currency		Quantity	Average Cost	Fair Value
				\$	\$
Energy		2.3%			
Enbridge Inc.	USD		33,090	838,217	824,338

Fixed Income Positions - Long		76.6%				
Security Name	Currency	Coupon Rate	Maturity Date	Par Value	Average Cost	Fair Value
		%			\$	\$
Ag Growth International Inc.	CAD	5.25	12-31-19	710,000	745,189	685,150
Aon Finance N.S. 1, ULC	CAD	4.76	03-08-18	500,000	537,008	529,135
Bombardier Inc.	USD	7.50	03-15-25	2,070,000	2,130,381	2,019,741
CCO Safari II, LLC	USD	4.91	07-23-25	990,000	1,292,373	1,370,896
Commerzbank Aktiengesellschaft	USD	8.13	09-19-23	970,000	1,496,515	1,545,813
Enbridge Inc.	USD	4.50	06-10-44	1,960,000	2,086,409	1,856,402
Enbridge Inc.	CAD	3.94	06-30-23	1,170,000	1,206,211	1,163,624
Frontier Communications Corporation	USD	11.00	09-15-25	1,560,000	2,113,188	2,142,848
The Goldman Sachs Group, Inc.	CAD	5.00	05-03-18	1,000,000	1,082,780	1,074,580
Kraft Canada Inc.	CAD	2.70	07-06-20	958,000	972,456	968,385
Loblaw Companies Limited	CAD	3.75	03-12-19	500,000	522,095	528,925
Loblaw Companies Limited	CAD	4.86	09-12-23	275,000	302,132	309,059
McGraw-Hill Global Education	USD	9.75	04-01-21	990,000	1,457,805	1,459,221
Medavie Inc.	CAD	6.00	05-21-24	220,000	221,122	227,150
Morgan Stanley	CAD	4.90	02-23-17	680,000	724,080	706,772
Navient Corporation	USD	5.63	08-01-33	1,400,000	1,340,454	1,307,881
Navient Corporation	USD	8.00	03-25-20	900,000	1,226,142	1,233,767
NHA MBS MCAP Service Corp.	CAD	1.20	02-01-20	942,991	938,926	932,316
Postmedia Network Inc.	CAD	8.25	08-16-17	275,144	284,086	265,388
Quebecor Media Inc.	CAD	7.38	01-15-21	1,530,000	1,606,500	1,585,463
The Royal Bank of Scotland plc	CAD	5.37	11-29-49	40,000	39,700	39,600
The Royal Bank of Scotland Group Public Limited Company	CAD	6.67	12-31-49	640,000	714,689	717,761
The Royal Bank of Scotland plc	CAD	10.50	03-16-22	480,000	552,288	523,181
TransCanada PipeLines Limited	USD	6.35	05-15-67	1,040,000	1,143,683	1,090,316
Videotron Ltd.	CAD	6.88	07-15-21	600,000	647,250	633,750
WTH Car Rental, ULC	CAD	1.91	07-20-20	1,000,000	1,000,000	983,430
Xplornet Communications Inc.	CAD	13.00	05-15-17	433,281	452,779	461,444
Yellow Pages Digital & Media Solutions Limited	CAD	9.25	11-30-18	1,498,114	1,581,085	1,580,510
					<u>28,417,326</u>	<u>27,942,508</u>

EXEMPLAR TACTICAL CORPORATE BOND FUND

Schedule of Investment Portfolio – As at December 31, 2015

Futures Contracts - Long		(0.5%)				Unrealized
Security Name	Currency	Contracts	Contract Size	Expiry Date	Notional Value	Gain / Loss \$
Canadian Currency		(0.5%)				
CANADIAN DOLLAR CCY FUT (CME)	USD	123	1,000	03-15-16	8,896,590	(189,540)

Futures Contracts - Short		0.1%				Unrealized
Security Name	Currency	Contracts	Contract Size	Expiry Date	Notional Value	Gain / Loss \$
US Bond		0.1%				
US 10YR TREAS NTS FUTURE (CBT)	USD	(27)	1,000	03-21-16	(3,399,469)	15,375
US TREAS BD FUTURE (CBT)	USD	(16)	1,000	03-21-16	(2,460,000)	6,055
						21,430

Swap Positions - Short		(0.1%)			Unrealized	
Security Name	Currency			Notional Value	Proceeds \$	Gain / (Loss) \$
CDX BP NA HY S24 5Y	USD	Credit Default Swap Index		600,000	(26,616)	(30,760)

Warrant Positions - Long		0.0%					Fair Value
Security Name	Currency	Strike Price	Maturity Date	Quantity	Average Cost \$	Fair Value \$	
Xplornet Communications Inc.	CAD	0.01	05-15-17	370	4	4	

Forward Currency Contracts		0.0%				Credit	Fair Value	
Currency Purchased	Notional Value	Currency Sold	Notional Value	Contract Rate	Maturity Date	Counterparty	Rating	Fair Value \$
USD	30,000	CAD	(40,020)	0.749625	01-06-16	BNY Mellon	A1	1,500
USD	12,500	CAD	(16,675)	0.749625	01-06-16	BNY Mellon	A1	625
								2,125

EXEMPLAR TACTICAL CORPORATE BOND FUND

Schedule of Investment Portfolio – As at December 31, 2015

Investment Portfolio Summary	%	Average Cost / (Proceeds) \$	Fair Value \$
Equity Positions - Long	2.3	838,217	824,338
Fixed Income Positions - Long	76.6	28,417,326	27,942,508
Futures Contracts - Long	(0.5)	-	(189,540)
Futures Contracts - Short	0.1	-	21,430
Swap Positions	(0.1)	(26,616)	(30,760)
Warrant Positions - Long	0.0	4	4
Forward Currency Contracts	0.0	-	2,125
Total Investments	<u>78.3</u>	<u>29,228,931</u>	<u>28,570,105</u>
Total Other Net Assets	<u>21.7</u>	<u>-</u>	<u>7,915,604</u>
Total Net Assets	<u>100.0</u>	<u>29,228,931</u>	<u>36,485,709</u>

EXEMPLAR TACTICAL CORPORATE BOND FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the periods ended December 31, 2015 and 2014

The investment objective of the Exemplar Tactical Corporate Bond Fund is to generate income and capital appreciation by primarily investing in a diversified portfolio of corporate bonds.

RISK MANAGEMENT

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments present a risk of loss of capital. The maximum loss of capital on long equity, options, interest rate swaps, credit default swaps 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 Fund's Declaration of Trust.

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn can also increase the potential returns the Fund can achieve. The Portfolio Sub-Advisor uses leverage against assets with satisfactory liquidity characteristics in order to increase return on capital subject to market conditions.

A general discussion of financial risk management for the Exemplar Funds appears as Note 4: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

Credit Risk

The analysis below summarizes the credit quality of the Fund'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
	%	%
AAA	-	1.5
AA	-	18.4
A	6.4	5.1
BBB	23.1	42.9
Below BBB	58.8	24.1
Not Rated	11.8	8.0
Total	100.0	100.0

* Credit ratings are obtained from Standard & Poor's, Moody's and / or Dominion Bond Rating Service.

The Fund is exposed to counterparty credit risk on swaps and futures contracts. The counterparties to the Fund's swaps are Bank of America and JP Morgan Chase & Co. which have credit ratings as rated by Moody's bond rating services of Baa1 and A3, respectively (December 31, 2014: Baa2 and A3, respectively). Futures contracts are exchange traded. Cash collateral has been provided to Bank of America in accordance with terms of derivative transaction agreements.

The Fund is exposed to counterparty credit risk on cash and other receivable balances. The Fund's broker and 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 Fund 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).

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 Fund. Therefore, the Fund 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 Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

Liquidity Risk

All of the Fund's liabilities are typically due in less than 3 months. Redeemable units are redeemable on demand at the holder's option. However, holders of these instruments typically retain them for a longer period.

From time to time, the Fund may use margin borrowings in one or more of its brokerage accounts. For the year ending December 31, 2015, the minimum margin borrowings used was \$220,954 and the maximum margin borrowings used was \$955,213 (2014: min: \$0, max: \$0).

EXEMPLAR TACTICAL CORPORATE BOND FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the periods ended December 31, 2015 and 2014

Market Risk

The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units 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 Fund's exposure to USD as 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 units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Monetary items include bonds, futures, swaps, cash and other current receivables and payables.

December 31, 2015	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency	\$	\$	\$	\$	\$	\$
United States Dollar - Long	16,000,817	824,338	16,825,155	1,600,082	82,434	1,682,516
United States Dollar - Short	10,738	-	10,738	1,074	-	1,074
Total	16,011,555	824,338	16,835,893	1,601,156	82,434	1,683,590
% of net assets attributable to holders of redeemable units	43.9%	2.3%	46.1%	4.4%	0.2%	4.6%

December 31, 2014	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency	\$	\$	\$	\$	\$	\$
United States Dollar - Long	1,831,988	-	1,831,988	183,199	-	183,199
United States Dollar - Short	(32,246)	-	(32,246)	(3,225)	-	(3,225)
Total	1,799,742	-	1,799,742	179,974	-	179,974
% of net assets attributable to holders of redeemable units	8.2%	-	8.2%	0.8%	-	0.8%

(b) Interest Rate Risk

The table below summarizes the Fund'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 units 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	\$ -	\$ 350,049
1-3 years	4,617,829	7,050,320
3-5 years	5,331,973	6,696,801
Greater than 5 years	17,992,706	6,210,356
Total	\$ 27,942,508	\$ 20,307,526
Sensitivity:		
Total \$ sensitivity to net assets attributable to holders of redeemable units	+/- \$ 1,608,619	+/- \$ 650,077
Total % sensitivity to net assets attributable to holders of redeemable units	4.4%	2.9%

EXEMPLAR TACTICAL CORPORATE BOND FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the periods ended December 31, 2015 and 2014

(c) Price Risk

The Fund's policy is to manage price risk through pursuit of a diversified investment program that focuses on fixed income securities while utilizing other assets such as options and credit default swaps, to extract relative value and to manage credit exposure.

The Fund engages in short selling activities, wherein it borrows securities and sells them to third parties. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold, not yet purchased, at prices which may be significantly higher than the fair value reflected on the financial statements.

As at December 31, 2015, if the Fund's relevant benchmark index, FTSE TMX Canada All Corporate Bond Index, had increased or decreased by 5%, with all other variables held constant, the net assets attributable to holders of redeemable units of the Fund would have increased or decreased by \$273,643 (2014: \$14,262).

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 Fund's concentration risk as of December 31, 2015 and 2014:

Market Segment	December 31, 2015	December 31, 2014
	\$	\$
Communications	26.0	22.5
Consumer, Cyclical	-	0.1
Consumer, Non-Cyclical	5.6	8.0
Energy	13.5	2.0
Financial	23.7	51.2
Industrial	7.4	2.3
Utilities	-	5.9
Mortgage Securities	2.6	5.9
Total	78.8	97.9

FAIR VALUE MEASUREMENT

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

The following table illustrates the classification of the Fund'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
	\$	\$	\$	\$
Financial assets				
Equities	824,338	-	-	824,338
Fixed Income	-	27,942,508	-	27,942,508
Derivatives	21,430	2,129	-	23,559
Total	845,768	27,944,637	-	28,790,405
Financial liabilities				
Equities sold short	-	-	-	-
Fixed income sold short	-	-	-	-
Derivatives	(189,540)	(30,760)	-	(220,300)
Total	(189,540)	(30,760)	-	(220,300)

EXEMPLAR TACTICAL CORPORATE BOND FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the periods ended December 31, 2015 and 2014

December 31, 2014	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Fixed income	-	20,307,526	-	20,307,526
Derivatives	363	-	-	363
Total	363	20,307,526	-	20,307,889
Financial liabilities				
Fixed income sold short	-	-	-	-
Derivatives	(28,672)	(23,379)	-	(52,051)
Total	(28,672)	(23,379)	-	(52,051)

All fair value measurements above are recurring. The carrying values of all of the Fund'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 Fund, 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. In addition, at each financial reporting date, the Manager reviews and approves all Level 3 fair value measurements, if applicable.

The Fund's equity positions (long and short) are all classified as Level 1 as each security is actively traded on a recognized exchange and a quoted price is available.

As at December 31, 2015 and 2014, the Fund 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) Bonds

The Fund's bond holdings are comprised of Canadian and US 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 Fund's bonds have been classified as Level 2.

b) Derivatives

Derivative assets and liabilities consist of futures contracts and credit default index swaps. Futures contracts are exchange traded and are classified as Level 1 as they are actively traded on a recognized exchange and a quoted price is available. Credit default index swaps are valued based upon quotations from independent security pricing sources. The inputs that are significant to valuation are generally observable and therefore credit default index swaps have been classified as Level 2.

c) Warrants

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. Warrants that have significant unobservable inputs are classified as Level 3.

EXEMPLAR TACTICAL CORPORATE BOND FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the periods 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 change in unrealized gains / (losses) \$	Interest income \$	Interest expense \$	Dividend income \$	Dividend expense \$	Total \$
Financial assets at FVTPL:							
Designated as FVTPL	228,273	(500,122)	1,354,645	-	-	-	1,082,796
Financial liabilities at FVTPL:							
HFT	(1,053,083)	(127,720)	(14,606)	-	-	-	(1,195,409)
Total	(824,810)	(627,842)	1,340,039	-	-	-	(112,613)

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	16,886	11,811	188,306	-	-	-	217,003
Financial liabilities at FVTPL:							
HFT	(207,120)	(42,409)	-	-	-	-	(249,529)
Total	(190,234)	(30,598)	188,306	-	-	-	(32,526)

EXEMPLAR GROWTH AND INCOME FUND

Statement of Financial Position
As at December 31,

2015

ASSETS

Current assets

Financial assets designated at fair value through profit and loss	\$8,761,937
Financial assets held for trading	
Unrealized gain on forward currency contracts	7,771
Cash	1,042,162
Accrued dividends receivable	10,512
Receivable for securities sold	368,859
	10,191,241

LIABILITIES

Current liabilities

Financial liabilities held for trading	
Unrealized loss on forward currency contracts	22,648
Payable for securities purchased	556,057
Payable for units redeemed	9,467
Other liabilities (Note 8)	15,124
	603,296

Net assets attributable to holders of redeemable units

\$9,587,945

Net assets attributable to holders of redeemable units

Series A	\$3,822,151
Series AN	\$388,601
Series F	\$1,179,853
Series FN	\$3,225,373
Series I	\$835,903
Series L	\$84,886
Series LN	\$51,178

Number of redeemable units outstanding (Note 7)

Series A	380,417
Series AN	38,453
Series F	118,491
Series FN	314,537
Series I	84,458
Series L	8,642
Series LN	5,062

Net assets attributable to holders of redeemable units per unit

Series A	\$10.05
Series AN	\$10.11
Series F	\$9.96
Series FN	\$10.25
Series I	\$9.90
Series L	\$9.82
Series LN	\$10.11

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

"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 GROWTH AND INCOME FUND

Statement of Comprehensive Income

For the period from March 24, 2015 (date of commencement of operations) to December 31, 2015

2015
\$

INCOME

Net gains (losses) on investments and derivatives	
Interest for distribution purposes	3,265
Dividend income	14,182
Net realized gain (loss) on investments and derivatives	118,043
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	(32,840)
Net gains (losses) on investments and derivatives	102,650

Other income items:

Interest on cash	679
Foreign exchange gain (loss)	(7,972)
Net change in unrealized foreign exchange gain (loss)	239

Total income (net)

95,596

EXPENSES

Securityholder reporting fees	55,094
Management fees (Note 8)	34,871
Audit fees	16,001
Legal fees	11,118
Independent Review Committee fees	3,136
Custodial fees	24,245
Commissions and other portfolio transaction costs (Note 8)	20,631
Withholding tax expense	1,320
Harmonized sales tax	5,630
Total expenses before manager absorption	172,046
Less: expenses absorbed by manager (Note 8)	(101,161)

Total expenses after manager absorption

70,885

Increase (decrease) in net assets attributable to holders of redeemable units

24,711

Increase (decrease) in net assets attributable to holders of redeemable units (Note 10)

Series A	(13,573)
Series AN	726
Series F	21,994
Series FN	17,676
Series I	(2,266)
Series L	37
Series LN	117

Increase (decrease) in net assets attributable to holders of redeemable units per unit (Note 10)

Series A	(0.22)
Series AN	0.03
Series F	0.29
Series FN	0.10
Series I	(0.03)
Series L	0.00
Series LN	0.08

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

EXEMPLAR GROWTH AND INCOME FUND

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units
For the period from March 24, 2015 (date of commencement of operations) to December 31,

2015
\$

Net assets attributable to holders of redeemable units at beginning of period		
	Series A	-
	Series AN	-
	Series F	-
	Series FN	-
	Series I	-
	Series L	-
	Series LN	-
		-
Increase (decrease) in net assets attributable to holders of redeemable units		
	Series A	(13,573)
	Series AN	726
	Series F	21,994
	Series FN	17,676
	Series I	(2,266)
	Series L	37
	Series LN	117
		24,711
Distributions to holders of redeemable units		
From net investment income	Series A	(1,125)
	Series AN	(115)
	Series F	(383)
	Series FN	(938)
	Series I	(251)
	Series L	(26)
	Series LN	(8)
		(2,846)
From net realized gains on investments and derivatives	Series A	(17,342)
	Series AN	(1,341)
	Series F	(28,987)
	Series FN	(23,318)
	Series I	(2,934)
	Series L	(1,294)
	Series LN	(88)
		(75,304)
Return of capital	Series A	(13,875)
	Series AN	-
	Series F	(4,721)
	Series FN	-
	Series I	(3,101)
	Series L	(318)
	Series LN	-
		(22,015)
Total distributions to holders of redeemable units		(100,165)

Continued on next page.

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

EXEMPLAR GROWTH AND INCOME FUND

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units
For the period from March 24, 2015 (date of commencement of operations) to December 31,

2015
\$

Continued from previous page.

Proceeds from redeemable units issued	Series A	3,973,277
	Series AN	415,142
	Series F	1,259,194
	Series FN	3,210,165
	Series I	838,169
	Series L	97,500
	Series LN	51,061
Reinvestments of distributions to holders of redeemable units	Series A	26,166
	Series AN	1,410
	Series F	32,756
	Series FN	24,060
	Series I	6,286
	Series L	963
	Series LN	96
Redemption of redeemable units	Series A	(131,377)
	Series AN	(27,221)
	Series F	(100,000)
	Series FN	(2,272)
	Series I	-
	Series L	(11,976)
	Series LN	-
Net increase (decrease) from redeemable unit transactions		9,663,399
Net increase (decrease) in net assets attributable to holders of redeemable units		9,587,945
	Series A	3,822,151
	Series AN	388,601
	Series F	1,179,853
	Series FN	3,225,373
	Series I	835,903
	Series L	84,886
	Series LN	51,178
Net assets attributable to holders of redeemable units at end of period		9,587,945

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

EXEMPLAR GROWTH AND INCOME FUND

Statement of Cash Flows

For the period from March 24, 2015 (date of commencement of operations) to December 31,

2015
\$

Cash flows from (used in) operating activities

Increase (decrease) in net assets attributable to holders of redeemable units	24,711
Adjustment for:	
Net change in unrealized foreign exchange (gain) loss on cash	(239)
Net realized (gain) loss on investments and derivatives	(118,043)
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	32,840
Purchase of investments	(31,968,621)
Proceeds on sale of investments	23,493,962
Decrease (increase) in accrued dividends receivable	(10,512)
Increase (decrease) in other liabilities	15,124
Net cash from (used in) operating activities	(8,530,778)

Cash flows from (used in) financing activities

Proceeds from redeemable units issued	9,844,508
Redemption of redeemable units	(263,379)
Distributions paid to holders of redeemable units, net of reinvested distributions	(8,428)
Net cash from (used in) financing activities	9,572,701

Net Increase (decrease) in cash

1,041,923

Cash at beginning of the period

-

Net change in unrealized foreign exchange gain (loss) on cash

239

Cash at end of the period

1,042,162

Interest received*

3,944

Dividends received, net of withholding tax*

2,350

*Included as part of cash flows from operating activities

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

EXEMPLAR GROWTH AND INCOME FUND

Schedule of Investment Portfolio – As at December 31, 2015

Equity Positions - Long		27.6%			
Security Name	Currency		Quantity	Average Cost \$	Fair Value \$
Basic Materials		1.2%			
Alcoa Inc.	USD		2,800	34,458	38,248
Detour Gold Corporation	CAD		1,000	14,369	14,410
Lundin Mining Corporation	CAD		9,400	37,662	35,720
Mandalay Resources Corporation	CAD		26,500	20,503	16,960
Tahoe Resources Inc.	CAD		800	9,485	9,576
				116,477	114,914
Communications		2.4%			
Alphabet Inc.	USD		60	64,368	64,606
Facebook, Inc.	USD		475	69,590	68,804
Manitoba Telecom Services Inc.	CAD		2,000	57,858	59,540
Palo Alto Networks, Inc.	USD		60	14,783	14,627
Telecom Argentina S.A.	USD		1,100	26,120	24,465
				232,719	232,042
Consumer, Cyclical		5.3%			
A&W Revenue Royalties Income Fund	CAD		600	16,085	17,280
Advance Auto Parts, Inc.	USD		90	18,745	18,748
Alimentation Couche-Tard Inc.	CAD		1,400	87,502	85,274
Costco Wholesale Corporation	USD		200	45,068	44,703
Del Frisco's Restaurant Group, Inc.	USD		2,000	44,906	44,343
Ford Motor Company	USD		1,600	31,703	31,201
The Home Depot, Inc.	USD		100	18,517	18,303
Hudson's Bay Company	CAD		2,100	42,109	38,010
Innova Gaming Group Inc.	CAD		200	344	352
McDonald's Corporation	USD		225	35,246	36,789
Michael Kors Holdings Limited	USD		900	50,778	49,899
New Flyer Industries Inc.	CAD		400	10,724	11,328
Starbucks Corporation	USD		400	32,993	33,233
Under Armour, Inc.	USD		135	15,108	15,061
Wal-Mart Stores, Inc.	USD		500	41,341	42,420
Zoe's Kitchen, Inc.	USD		600	26,058	23,235
				517,227	510,179
Consumer, Non-Cyclical		4.3%			
Clearwater Seafoods Incorporated	CAD		1,200	15,595	14,388
Concordia Healthcare Corp.	CAD		600	31,294	33,924
Constellation Brands, Inc.	USD		150	27,556	29,571
Corby Spirit and Wine Limited	CAD		1,400	28,322	26,390
The Estee Lauder Companies Inc.	USD		200	24,370	24,375
General Mills, Inc.	USD		300	23,069	23,940
Macquarie Infrastructure Corporation	USD		200	19,616	20,096
Maple Leaf Foods Inc.	CAD		600	14,423	14,256
Mondelez International, Inc.	USD		500	29,651	31,029
Park Lawn Corporation	CAD		2,500	28,750	29,250
PayPal Holdings, Inc.	USD		500	25,699	25,050
Philip Morris International Inc.	USD		400	49,557	48,667

EXEMPLAR GROWTH AND INCOME FUND

Schedule of Investment Portfolio – As at December 31, 2015

Equity Positions - Long		27.6%			
Security Name	Currency		Quantity	Average Cost \$	Fair Value \$
Sienna Senior Living Inc.	CAD		1,600	26,939	25,824
Weight Watchers International, Inc.	USD		500	15,111	15,778
Whole Foods Market, Inc.	USD		1,000	48,541	46,364
				408,493	408,902
Energy		1.3%			
Capstone Infrastructure Corporation	CAD		2,500	9,250	9,075
Freehold Royalties Ltd.	CAD		1,600	18,147	17,376
Inter Pipeline Ltd.	CAD		1,100	25,799	24,431
TransAlta Renewables Inc.	CAD		1,000	10,506	10,370
Vermilion Energy Inc.	CAD		500	18,615	18,805
Whitecap Resources Inc.	CAD		5,300	52,624	48,071
				134,941	128,128
Financial		5.7%			
American Hotel Income Properties REIT LP	CAD		5,900	62,150	62,835
Bank of America Corporation	USD		3,800	90,423	88,512
Burford Capital Limited	GBP		4,700	17,093	18,788
Canadian Imperial Bank of Commerce	CAD		300	27,751	27,357
Chartwell Retirement Residences	CAD		1,500	19,036	19,050
Citigroup Inc.	USD		1,000	73,360	71,622
Cubesmart	USD		1,000	39,989	42,378
Federated Investors, Inc.	USD		1,000	40,623	39,652
Milestone Apartments Real Estate Investment Trust	CAD		2,300	36,608	34,615
Slate Retail REIT	CAD		1,700	24,140	24,582
Smart Real Estate Investment Trust	CAD		700	22,143	21,133
Sun Life Financial Inc.	CAD		1,300	56,925	56,095
T. Rowe Price Group, Inc.	USD		100	10,124	9,894
Visa Inc.	USD		300	31,811	32,199
				552,176	548,712
Funds		3.8%			
iShares 20+ Year Treasury Bond	USD		1,620	270,942	270,440
ProShares UltraShort S&P500	USD		2,100	56,924	57,925
Technology Select Sector SPDR	USD		600	36,308	35,566
				364,174	363,931
Industrial		1.7%			
Diversified Royalty Corp.	CAD		7,600	20,644	18,392
General Electric Company	USD		1,800	75,116	77,601
Norbord Inc.	CAD		1,000	25,926	26,950
Waste Management, Inc.	USD		500	36,111	36,932
				157,797	159,875
Technology		1.7%			
BlackBerry Limited	CAD		3,000	37,247	38,520
Microsoft Corporation	USD		900	68,126	69,106

EXEMPLAR GROWTH AND INCOME FUND

Schedule of Investment Portfolio – As at December 31, 2015

Investment Portfolio Summary	%	Average Cost \$	Fair Value \$
Funds	62.6	6,012,716	6,006,299
Equity Positions - Long	27.6	2,660,502	2,646,790
Fixed Income Positions - Long	1.1	109,901	108,848
Forward Currency Contracts	<u>(0.2)</u>	-	<u>(14,877)</u>
Total Investments	91.2	<u>8,783,119</u>	<u>8,747,060</u>
Total Other Net Assets	<u>8.8</u>	-	<u>840,885</u>
Total Net Assets	<u>100.0</u>	<u>8,783,119</u>	<u>9,587,945</u>

EXEMPLAR GROWTH AND INCOME FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the period ended December 31, 2015

The investment objective of the Exemplar Growth and Income Fund is to achieve long term growth and preservation of capital. The Fund will 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.

RISK MANAGEMENT

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

The management of these risks is carried out by the Manager in accordance with the Fund's Declaration of Trust.

A general discussion of financial risk management for the Exemplar Funds appears as Note 4: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

Credit Risk

The analysis below summarizes the credit quality of the Fund's debt portfolio at December 31, 2015.

Credit Rating*	Percentage of total debt securities	
	As at December 31, 2015	
		%
Below BBB		4.8
Not Rated		95.2
Total		100.0

* Credit ratings are obtained from Standard & Poor's, Moody's and / or Dominion Bond Rating Service.

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 Fund. Therefore, the Fund 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 Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

The Fund is exposed to counterparty credit risk on margin on deposit, cash held at the broker and receivables for securities sold. The Fund's brokerage agreement requires cash collateral up to 150% of the fair value of securities sold short. The Fund's prime brokerage services are provided by BMO Nesbitt Burns which has a credit rating of Aa3 as rated by Moody's bond rating services.

The Fund is exposed to counterparty credit risk on cash and other receivable balances. The Fund's broker and custodial services are provided by CIBC Mellon Trust Company which has a credit rating as rated by Moody's bond rating services of Aa3.

The Fund is 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.

Liquidity Risk

All of the Fund's liabilities are typically due in less than 3 months. Redeemable units are redeemable on demand at the holder's option. However, holders of these instruments typically retain them for a longer period.

Market Risk

The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units 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 Fund's exposure to USD as at December 31, 2015 in Canadian dollar terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all

EXEMPLAR GROWTH AND INCOME FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the period ended December 31, 2015

other variables held constant. Non-monetary items include equities and warrants. Monetary items include cash and other current receivables and payables.

December 31, 2015	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency	\$	\$	\$	\$	\$	\$
United States Dollar - Long	421,278	1,730,479	2,151,757	42,128	173,048	215,176
United States Dollar - Short	(2,044,939)	-	(2,044,939)	(204,494)	-	(204,494)
Great Britain Pound - Long	837	18,788	19,625	84	1,879	1,963
Total	(1,622,824)	1,749,267	126,443	(162,282)	174,927	12,645
% of net assets attributable to holders of redeemable units	(16.9%)	18.2%	1.3%	(1.7%)	1.8%	0.1%

(b) Interest Rate Risk

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2015. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable units 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
Less than 1 year	\$ -
1-3 years	72,848
3-5 years	-
Greater than 5 years	36,000
Total	\$ 108,848
Sensitivity:	
Total \$ sensitivity to net assets attributable to holders of redeemable units	+/- \$ 2,870
Total % sensitivity to net assets attributable to holders of redeemable units	0.0%

(c) Price Risk

The Fund'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.

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 30% 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 investments funds that may themselves invest in foreign securities, the actual exposure of the Fund to investments in foreign securities may exceed this amount.

As at December 31, 2015, the impact on net assets of the Fund due to a 5% change in market prices of equity securities is \$432,654 (all other variables held constant).

EXEMPLAR GROWTH AND INCOME FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the period ended December 31, 2015

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 Fund's concentration risk as of December 31, 2015:

December 31, 2015	% of net assets attributable to holders of redeemable units Long Positions
Market Segment	%
Basic Materials	2.0
Communications	2.5
Consumer, Cyclical	5.3
Consumer, Non-Cyclical	4.6
Energy	1.3
Financial	5.7
Funds	66.4
Industrial	1.7
Technology	1.7
Utilities	0.2
Total	91.4

FAIR VALUE MEASUREMENT

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

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2015:

December 31, 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities	2,646,790	-	-	2,646,790
Fixed income	-	108,848	-	108,848
Funds	6,006,299	-	-	6,006,299
Derivatives	-	7,771	-	7,771
Total	8,653,089	116,619	-	8,769,708
Financial liabilities				
Equities sold short	-	-	-	-
Fixed income sold short	-	-	-	-
Funds	-	-	-	-
Derivatives	-	(22,648)	-	(22,648)
Total	-	(22,648)	-	(22,648)

All fair value measurements above are recurring. The carrying values of all of the Fund'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.

EXEMPLAR GROWTH AND INCOME FUND

DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS

For the period ended December 31, 2015

The Manager is responsible for performing the fair value measurements included in the financial statements of the Fund, 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. In addition, at each financial reporting date, the Manager reviews and approves all Level 3 fair value measurements, if applicable.

The Fund's equity positions are classified as Level 1 as the securities are actively traded on a recognized exchange and a quoted price is available.

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.

As at December 31, 2015, the Fund did not hold any Level 3 financial instruments. There were no transfers between levels 1, 2 and 3 during the period ending December 31, 2015.

Financial Instruments by Category

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

December 31, 2015	Net realized gains / (losses) \$	Net change in unrealized gains / (losses) \$	Interest income \$	Interest expense \$	Dividend income \$	Dividend expense \$	Total \$
Financial assets at FVTPL:							
Designated as FVTPL	111,151	(17,963)	3,265	-	14,182	-	110,635
HFT	6,892	(14,877)	-	-	-	-	(7,985)
	118,043	(32,840)	3,265	-	14,182	-	102,650

EXEMPLAR FUNDS

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended December 31, 2015 and 2014

1. THE FUNDS

Exemplar Leaders Fund, Exemplar Performance Fund, Exemplar Investment Grade Fund, Exemplar Tactical Corporate Bond Fund and Exemplar Growth and Income Fund (the "Funds") are unincorporated open-ended mutual fund trusts created under the laws of the Province of Ontario pursuant to a declaration of trust (the "Declaration of Trust") dated August 27, 2007, as last amended on June 29, 2015.

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

East Coast Fund Management Inc. is the portfolio sub-advisor "Portfolio Sub-advisor" of the Exemplar Investment Grade Fund and Exemplar Tactical Corporate Bond Fund.

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 unitholders on November 27, 2013, the unitholders of the Exemplar Leaders Fund approved a change of manager from BluMont to Arrow.

The financial statements for Exemplar Leaders Fund are as at December 31, 2015 and 2014 and for the years then ended.

On March 6, 2014, Arrow launched the Exemplar Performance Fund which commenced operations on March 24, 2014. The financial statements are as at December 31, 2015 and 2014 and for the year then ended December 31, 2015 and from March 24, 2014 (commencement of operations) to December 31, 2014.

On June 27, 2014, Arrow launched the Exemplar Investment Grade Fund and Exemplar Tactical Corporate Bond Fund which commenced operations July 28, 2014. The financial statements are as at December 31, 2015 and 2014 and for the year then ended December 31, 2015 and from July 28, 2014 (commencement of operations) to December 31, 2014.

On March 16, 2015, Arrow launched the Exemplar Growth and Income Fund which commenced operations March 24, 2015. The financial statements are as at December 31, 2015 and for the period since commencement of operations to December 31, 2015.

Fund Merger

Effective November 30, 2015, Exemplar Yield Fund (the "Terminating Fund") merged into Exemplar Growth and Income Fund (the "Continuing Fund"). Unitholders of the Terminating Fund received units of the Continuing Fund in exchange for their units of the Terminating Fund on a tax-deferred basis.

Details relating to the merger are as follows:

	Net Assets acquired by the Continuing Fund	Units issued by the Continuing Fund	Conversion Ratios (Terminating Fund)			
			Series A	Series F	Series I	Series L
Series A	3,392,472	333,599	0.9888	-	-	0.9835
Series F	444,693	44,161	-	1.0516	-	-
Series I	838,168	83,817	-	-	1.0737	-

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.

EXEMPLAR FUNDS

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended December 31, 2015 and 2014

b) Financial Instruments

The Funds 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 Funds' long equity positions are designated at FVTPL. The Funds' short investment positions, warrants, futures, swaps and options, if applicable, are classified as held for trading ("HFT") and are measured at FVTPL. The Funds' obligation for net assets attributable to holders of redeemable units 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 Funds' accounting policies for measuring the fair value of its investments and derivatives are the same as those used in measuring its net asset value ("NAV") for transactions with unitholders. There were no differences between the net assets attributable to holders of redeemable units used for reporting purposes under IFRS and that used for transactions with unitholders 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.

Interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by a Fund accounted for on an accrual basis. The Funds 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 Funds 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 Funds 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. Gains and losses arising from changes in the fair value of financial assets or liabilities are presented in the statement of comprehensive income. The Funds' 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 Funds 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 Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of future cash flows discounted using the asset's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

EXEMPLAR FUNDS

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended December 31, 2015 and 2014

e) **Foreign Currency Translation**

The Funds' 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 investments and derivatives are presented within 'Net realized gain (loss) on investments and derivatives' and 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income.

f) **Cash**

Cash is comprised of deposits with financial institutions.

g) **Margin Deposit**

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

h) **Margin Loan**

Margin loan represents cash amounts borrowed under a margin agreement with a Fund's broker and is payable upon demand (if applicable).

i) **Forward Currency Contracts**

The Funds 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 Fund 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) **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 Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When a Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. Options held by a Fund 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'.

k) **Futures Contracts**

The Funds 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 'Change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. When futures contracts are closed out, the gain or loss is presented in the statement of comprehensive income within 'Net realized gain (loss) on investments and derivatives'.

l) **Credit Default Swap Contracts**

A credit default swap contract is an agreement to transfer credit risk from one party, a buyer of protection, to another party, a seller of protection. The Fund as a seller of protection would be required to pay a notional or other agreed upon value to the buyer of protection in

EXEMPLAR FUNDS

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended December 31, 2015 and 2014

the event of a default by a third party. In return, the Fund would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs. If no default occurs, the Fund would keep the stream of payments and would have no payment obligations.

The Fund as a buyer of protection would receive a notional or other agreed upon value from the seller of protection in the event of a default by a third party. In return, the Fund would be required to pay to the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs.

Premiums received or paid for entering into a credit default swap are included in the statement of financial position as either an asset or liability. Credit default swap contracts are fair valued on each valuation day based upon quotations from independent security pricing sources. The change in the difference between the premium and the fair value is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. Upon closing or expiry of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the statement of comprehensive income.

m) Interest Rate Swap Contracts

An interest swap contract is a contractual agreement entered into between the Fund and a counterparty under which each party agrees to exchange periodic fixed or variable payments, based upon a stated notional amount, over the stated life of the agreement. The net differential paid or received is recognized over the life of the agreement as a realized gain or loss on investments. Interest rate swap contracts are fair valued on each valuation day using indicative bid/ask prices from third party broker dealers. The change in fair value is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. Upon closing or expiry of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the statement of comprehensive income.

n) 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.

o) Income and Expense Allocation

The net assets of each series of each Fund are computed by calculating the value of that series' proportionate share of that Fund's assets less that series' proportionate share of that Fund'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 Funds or the number of unitholders in the Funds or other methodology the Manager determines is fair.

p) Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to the series divided by the weighted average number of redeemable units outstanding in that series during the period. Refer to Note 10 for the calculation.

q) Classification of Redeemable Units

The Funds' redeemable units contain multiple contractual obligations and multiple series of units have been issued which do not have identical features. Consequently, the units do not meet the conditions in IAS 32 to be classified as equity. As a result, the Funds' obligations for net assets attributable to holders of redeemable units are presented at the redemption amounts.

r) Investments in Structured Entities

The Funds may invest in underlying investment vehicles ("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 fund's net assets. The Funds' interest in Structured Entities as at December 31, 2015 and 2014, held the

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form of redeemable units, which are included at their fair value in the Statements of Financial Position which represents the Funds' maximum exposure in these Structured Entities. The Funds 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 periods 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 Funds 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 Fund 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 Funds 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 Fund's financial instruments.

As at December 31, 2015, the investments in the Underlying Funds represented 62.6% (50.8% Exemplar Performance Fund – Series I, 11.8% Exemplar Tactical Corporate Bond Fund – Series I) of net assets attributable to holders of redeemable units of Exemplar Growth and Income Fund. The fair values of the Underlying Funds are determined primarily by reference to the latest available net asset value per unit of the Underlying Funds' units as reported by the respective administrators of the Underlying Funds. The Fund may make adjustments to the values based on considerations such as; liquidity of the Underlying Funds or their underlying investments, the value date of the net asset values provided, any restrictions on redemptions and the basis of accounting. Redemptions can only be made on the redemption dates and subject to the required notice periods specified in the respective offering documents. As a result, the carrying values of the Underlying Funds may not be indicative of the values ultimately realized on redemption. Series I unitholders of the Underlying Funds have the right to redeem any or all of their Series I shares effective each business day of each month.

Refer to Note 5 for further information about the fair value measurement of the Fund'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 Funds, the Manager is required to make significant judgments about whether or not the business of the Funds 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.

Assessment as Investment Entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. Each Fund meets the definition of investment entity as it obtains funds from one or more investors for the purpose of providing those investors with professional investment management services and commit to their investors that their business purpose is to invest

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funds solely for returns from capital appreciation, investment income or both. Each Fund measures and evaluates the performance of substantially all of its investments on a fair value basis.

Determination if Underlying Funds Meet the Structured Entity Definition

The Funds have concluded that their investments in the Underlying Funds are investments in unconsolidated structured entities. This represents a significant judgment by the Funds 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 Funds and other investors.

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

In the normal course of business, each Fund 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 Note 4: Financial Instruments – Risk Management for each Fund's specific risk disclosure.

Credit Risk

The Funds 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 Fund invests in debt instruments and derivatives, this represents the main concentration of credit risk. The Funds are also exposed to counterparty credit risk on cash, margin deposits and other receivable balances.

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 Fund's rights to its assets in the case of an insolvency of any such party.

Liquidity Risk

Liquidity risk is the risk that a Fund will encounter difficulty in meeting obligations associated with financial liabilities. Each Fund is exposed to daily cash redemptions and as such, retains sufficient cash to fund anticipated redemptions. Each Fund aims to retain sufficient cash to maintain adequate liquidity including coverage of obligations related to short sales (if applicable) and all current liabilities. In addition, each Fund 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 Funds' 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 Funds invest in financial instruments and enter into transactions that are denominated in currencies other than the Canadian dollar. Consequently, the Funds 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 Funds 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 Fund may hold securities with fixed interest rates that expose that Fund to fair value interest rate risk.

c) Price Risk

The Funds 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 Funds' investments are subject to the risk of changes in the prices of equity securities, bonds and derivatives.

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Concentration Risk

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

Capital Risk Management

Units issued and outstanding are considered to be the capital of the Funds. The Funds do not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit of a Fund for all or any of the units of such unitholder 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 units are to be redeemed (a "Redemption Date"). The redeeming unitholder will receive payment in respect of any units 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 Fund 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 Note 5: Financial Instruments – Fair Value Measurement for each Fund'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 a 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. INVESTMENT IN STRUCTURED ENTITIES

Information related to investments in Structured Entities is as follows:

Exemplar Leaders Fund – December 31, 2015

	Fair Value of Fund's Investment in Underlying Fund	Net Assets Attributable to Holders of Redeemable Units	Ownership of Underlying Fund
	\$	%	%
American Hotel Income Properties REIT LP	511,200	1.4	0.1
Boyd Group Income Fund	740,320	2.0	0.1
Enbridge Income Fund Holdings Inc.	56,060	0.2	0.0
Innvest Real Estate Investment Trust	202,122	0.5	0.0
Inovalis Real Estate Investment Trust	836,741	2.2	0.6
Noranda Income Fund	372,101	1.0	0.4
NorthWest Healthcare Properties REIT	193,174	0.5	0.0
Pure Multi-Family REIT LP	293,662	0.8	0.1
Slate Retail REIT	105,558	0.3	0.0

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Exemplar Leaders Fund – December 31, 2014

Fund	Fair Value of Fund's Investment in Underlying Fund	Net Assets Attributable to Holders of Redeemable Units	Ownership of Underlying Fund
	\$	%	%
Boyd Group Income Fund	452,200	1.3	0.1
Noranda Income Fund	479,915	1.3	0.7
Inovalis REIT	798,312	2.2	0.6
Northwest International Healthcare Properties REIT	184,000	0.5	0.1

Exemplar Performance Fund – December 31, 2015

Fund	Fair Value of Fund's Investment in Underlying Fund	Net Assets Attributable to Holders of Redeemable Units	Ownership of Underlying Fund
	\$	%	%
Boyd Group Income Fund	687,440	2.5	0.1
A&W Revenue Royalties Income Fund	311,040	1.2	0.1
Enbridge Income Fund Holdings Inc.	53,257	0.2	0.0
iShares S&P/TSX Capped Financials Index ETF	8,874	0.0	0.0
SPDR S&P Homebuilders ETF	52,036	0.2	0.0

Exemplar Performance Fund – December 31, 2014

Fund	Fair Value of Fund's Investment in Underlying Fund	Net Assets Attributable to Holders of Redeemable Units	Ownership of Underlying Fund
	\$	%	%
Boyd Group Income Fund	266,560	3.5	0.0
Health Care Select Sector SPDR Fund	111,058	1.5	0.0

Exemplar Investment Grade Fund – December 31, 2015

Fund	Fair Value of Fund's Investment in Underlying Fund	Net Assets Attributable to Holders of Redeemable Units	Ownership of Underlying Fund
	\$	%	%
BMO Laddered Preferred Share Index ETF	562,860	1.0	0.0

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Exemplar Growth and Income Fund – December 31, 2015

Fund	Fair Value of Fund's Investment in Underlying Fund	Net Assets Attributable to Holders of Redeemable Units	
		Ownership of Underlying Fund	
	\$	%	%
A&W Revenue Royalties Income Fund	17,280	0.2	0.0
American Hotel Income Properties REIT LP	62,835	0.7	0.0
Exemplar Performance Fund - Class I	4,875,100	50.8	18.1
Exemplar Tactical Corporate Bond Fund - Class I	1,131,199	11.8	3.1
iShares 20+ Year Treasury Bond	270,440	2.8	0.0
Milestone Apartments Real Estate Investment Trust	34,615	0.4	0.0
ProShares UltraShort S&P500	57,925	0.6	0.0
Slate Retail REIT	24,582	0.3	0.0
Smart Real Estate Investment Trust	21,133	0.2	0.0
Technology Select Sector SPDR	35,566	0.4	0.0

7. REDEEMABLE UNITS

The number of units issued and redeemed at the Net Asset Value is summarized as follows:

Exemplar Leaders Fund - for the year ended December 31, 2015

	Redeemable units outstanding at beginning of year	Redeemable units issued	Redeemable units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of year
Series A	694,810	89,926	48,642	(95,190)	738,188
Series F	195,600	26,711	16,290	(15,263)	223,338

Exemplar Leaders Fund - for the year ended December 31, 2014

	Redeemable units outstanding at beginning of year	Redeemable units issued	Redeemable units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of year
Series A	648,874	142,775	-	(96,839)	694,810
Series F	181,509	29,047	-	(14,956)	195,600

Exemplar Performance Fund - for the year ended December 31, 2015

	Redeemable units outstanding at beginning of year	Redeemable units issued	Redeemable units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of year
Series A	216,367	566,263	-	(124,842)	657,788
Series AD	-	30,694	107	(7,760)	23,041
Series F	453,629	518,519	-	(52,573)	919,575
Series FD	-	33,769	137	(400)	33,506
Series I	-	515,088	-	(40,878)	474,210
Series L	20,124	266,902	-	(14,285)	272,741
Series LD	-	9,885	125	-	10,010

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Exemplar Performance Fund - for the period ended December 31, 2014

	Redeemable units outstanding at beginning of period	Redeemable units issued	Redeemable units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of period
Series A	-	227,331	-	(10,964)	216,367
Series F	-	504,847	-	(51,218)	453,629
Series L	-	33,748	-	(13,624)	20,124

Exemplar Investment Grade Fund - for the year ended December 31, 2015

	Redeemable units outstanding at beginning of year	Redeemable units issued	Redeemable units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of year
Series A	1,380,046	723,979	31,390	(608,741)	1,526,674
Series AI	196,748	95,638	4,371	(99,081)	197,676
Series AN	-	211,435	1,230	(7,608)	205,057
Series F	2,021,822	3,397,975	58,190	(1,850,012)	3,627,975
Series FI	214,531	104,269	5,551	(73,116)	251,235
Series FN	14,000	259,100	1,508	(126,889)	147,719
Series G	-	4,652	39	-	4,691

Exemplar Investment Grade Fund - for the period ended December 31, 2014

	Redeemable units outstanding at beginning of period	Redeemable units issued	Redeemable units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of period
Series A	-	1,623,506	8,867	(252,327)	1,380,046
Series AI	-	208,084	1,404	(12,740)	196,748
Series F	-	2,112,094	7,410	(97,682)	2,021,822
Series FI	-	225,217	1,291	(11,977)	214,531
Series FN	-	14,000	-	-	14,000

Exemplar Tactical Corporate Bond Fund - for the year ended December 31, 2015

	Redeemable units outstanding at beginning of year	Redeemable units issued	Redeemable units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of year
Series A	353,365	359,027	12,258	(246,593)	478,057
Series AI	27,429	7,541	2,349	(8,377)	28,942
Series AN	535,963	693,057	-	(180,270)	1,048,750
Series F	1,000,466	996,594	32,310	(771,926)	1,257,444
Series FI	178,174	41,215	11,557	(107,131)	123,815
Series FN	110,483	694,757	-	(133,261)	671,979
Series I	-	115,415	55	(202)	115,268
Series L	39,212	59,607	3,673	(4)	102,488
Series LI	-	1,000	31	-	1,031
Series U	-	2,940	-	-	2,940
Series M	-	1,250	-	-	1,250

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Exemplar Tactical Corporate Bond Fund - for the period ended December 31, 2014

	Redeemable units outstanding at beginning of period	Redeemable units issued	Redeemable units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of period
Series A	-	916,425	11,629	(574,689)	353,365
Series AI	-	27,314	115	-	27,429
Series AN	-	535,963	-	-	535,963
Series F	-	1,083,081	9,058	(91,673)	1,000,466
Series FI	-	176,164	2,010	-	178,174
Series FN	-	110,483	-	-	110,483
Series L	-	39,212	-	-	39,212

Exemplar Growth and Income Fund - for the period ended December 31, 2015

	Redeemable units outstanding at beginning of period	Redeemable units issued	Redeemable units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of period
Series A	-	390,777	2,623	(12,983)	380,417
Series AN	-	41,001	140	(2,688)	38,453
Series F	-	125,281	3,262	(10,052)	118,491
Series FN	-	312,416	2,342	(221)	314,537
Series I	-	83,817	641	-	84,458
Series L	-	9,759	98	(1,215)	8,642
Series LN	-	5,052	10	0	5,062

8. RELATED PARTY TRANSACTIONS

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

The Arrow Diversified Fund invests in Series FN Units of the Exemplar Growth and Income Fund. The number of units owned by the Arrow Diversified Fund is summarized as follows:

Fund	Number of units	Fair Value	% of net assets attributable to holders of redeemable units
		\$	
December 31, 2015	105,813	1,081,123	11.3

The Exemplar Growth and Income Fund invest in units of Exemplar Performance Fund and Exemplar Tactical Corporate Bond Fund. The number of units owned by Exemplar Growth and Income Fund as of December 31, 2015 is summarized as follows:

Fund	Number of units	Fair Value	% of net assets attributable to holders of redeemable units
		\$	
Exemplar Performance Fund – Series I	474,210	4,875,100	50.8
Exemplar Tactical Corporate Bond Fund – Series I	115,268	1,131,199	11.8

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As of December 31, 2015, the number of units owned by the Manager of each Fund is summarized as follows:

Fund	Number of units	Fair Value \$	% of net assets attributable to holders of redeemable units
Exemplar Performance Fund – Series AD	1,015	9,918	0.0
Exemplar Performance Fund – Series F	1,692	19,929	0.1
Exemplar Performance Fund – Series LD	1,015	10,125	0.0
Exemplar Investment Grade Fund – Series A	521	4,877	0.0
Exemplar Tactical Corporate Bond Fund – Series AI	551	4,898	0.0
Exemplar Tactical Corporate Bond Fund – Series LI	1,031	9,658	0.0
Exemplar Growth and Income Fund – A	511	5,137	0.1
Exemplar Growth and Income Fund – F	67,100	668,131	7.0
Exemplar Growth and Income Fund – FN	87,029	892,422	9.3
Exemplar Growth and Income Fund – LN	1,004	10,149	0.1

As of December 31, 2014, the number of units owned by the Manager of each Fund is summarized as follows:

Fund	Number of units	Amount \$	% of net assets attributable to holders of redeemable units
Exemplar Performance Fund – Series A	500	5,450	0
Exemplar Performance Fund – Series F	16,192	176,984	2.3
Exemplar Investment Grade Fund – Series A	505	5,005	0
Exemplar Tactical Corporate Bond Fund – Series AI	512	4,961	0
Exemplar Tactical Corporate Bond Fund – Series FI	66,164	642,452	2.9

Management and Performance Fees

Management fees are calculated and accrued daily and paid monthly and are subject to HST (and any other applicable taxes). The management fee rates are as follows:

Fund	Series														
	A %	AD %	AI %	AN %	U %	F %	FD %	FI %	FN %	G %	L %	LD %	LI %	LN %	M %
Exemplar Leaders Fund	1.80	n/a	n/a	n/a	n/a	0.80	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Exemplar Performance Fund	2.00	2.00	n/a	n/a	n/a	1.00	1.00	n/a	n/a	n/a	2.30	2.30	n/a	n/a	n/a
Exemplar Investment Grade Fund	1.30	n/a	1.30	1.30	1.30	0.80	n/a	0.80	0.80	0.80	n/a	n/a	n/a	n/a	n/a
Exemplar Tactical Corporate Bond Fund	1.75	n/a	1.75	1.75	1.75	1.00	n/a	1.00	1.00	1.00	2.00	n/a	2.00	n/a	2.00
Exemplar Growth and Income Fund	2.00	n/a	n/a	2.00	n/a	1.00	n/a	n/a	1.00	n/a	2.30	n/a	n/a	2.30	2.30

A holder of Series I units of a Fund, if applicable, pays a negotiated management fee directly to Arrow. The management fee in respect of Series I units will be different for each investor, and will not exceed 2.50% per year.

In addition, Exemplar Leaders Fund and Exemplar Performance Fund pay the Manager an annual performance fee (the "Performance Fee"), equal to 20% of the amount by which the Funds outperform their respective indices. The Performance Fee is calculated and accrued daily and paid annually on a calendar year basis and is subject to HST (and any other applicable taxes). If the performance of a series of a Fund in any year is less than the performance of the indices described below (the "Return Deficiency"), then no Performance Fee will be payable in any subsequent year until the

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performance of the applicable series, on a cumulative basis calculated from the first of such subsequent years, has exceeded the amount of the Return Deficiency.

Exemplar Leaders Fund

The Exemplar Leaders Fund will pay Arrow an annual Performance Fee equal to a percentage of the average net asset value of Series A units and Series F units of the Fund. Such percentage will be equal to 20% of the difference by which the return in the net asset value per unit of the applicable series from January 1 to December 31 exceeds the greater of: (i) 0%; and (ii) the percentage return of the S&P/TSX Composite Total Return Index for the same period.

Exemplar Performance Fund

A Performance Fee will be payable in all circumstances where the performance of the Fund exceeds that of the S&P/TSX Composite Total Return Index, even in circumstances where the overall performance of the Fund has declined in a particular year, but as long as the performance of the Fund is positive since the last date that a performance fee was paid by the Fund. The S&P/TSX Composite Total Return Index is comprised of most of the largest companies on the Toronto Stock Exchange as measured by market capitalization with any distributions reinvested.

Exemplar Growth and Income Fund does not charge a performance fee directly, although funds it invests in may be charged a performance fee.

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

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

	December 31, 2015		December 31, 2014	
	Management Fees	Performance Fees	Management Fees	Performance Fees
	\$	\$	\$	\$
Exemplar Leaders Fund	10,703	-	50,662	-
Exemplar Performance Fund	3,841	-	8,101	-
Exemplar Investment Grade Fund	45,955	n/a	33,567	n/a
Exemplar Tactical Corporate Bond Fund	41,007	n/a	25,136	n/a
Exemplar Growth and Income Fund	10,972	n/a	n/a	n/a

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
	\$	\$
Exemplar Leaders Fund	32,552	31,801
Exemplar Performance Fund	8,748	1,982
Exemplar Investment Grade Fund	23,314	843
Exemplar Tactical Corporate Bond Fund	9,474	753
Exemplar Growth and Income Fund	20,631	n/a

EXEMPLAR FUNDS

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended December 31, 2015 and 2014

Soft Dollar Commissions

Total commissions used to purchase market data services by the Funds for the years ended December 31, 2015 and 2014 are as follows:

	December 31, 2015	December 31, 2014
	\$	\$
Exemplar Leaders Fund	7,004	12,571
Exemplar Performance Fund	5,055	1,451
Exemplar Investment Grade Fund	-	-
Exemplar Tactical Corporate Bond Fund	-	-
Exemplar Growth and Income Fund	-	-

9. TAXATION

The Funds qualify as mutual fund trusts under the Income Tax Act (Canada) ("Tax Act"). All of the Funds' net income for tax purposes and sufficient net capital gains realized in any year are required to be distributed to unitholders such that no income tax is payable by the Funds. As a result, the Funds do not record income taxes. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses would not be reflected in the statements of financial position as a deferred income tax asset.

	Non-Capital Loss*	Capital Loss**
	\$	\$
Exemplar Leaders Fund	-	-
Exemplar Performance Fund	130,577	226,731
Exemplar Investment Grade Fund	23,569	464,683
Exemplar Tactical Corporate Bond Fund	131,368	-
Exemplar Growth and Income Fund	-	-

* 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 FUNDS

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended December 31, 2015 and 2014

10. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The increase (decrease) in net assets attributable to holders of redeemable units per unit 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 units \$	Weighted average redeemable units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit \$
Exemplar Leaders Fund – Series A	727,243	696,737	1.04
Exemplar Leaders Fund – Series F	259,740	204,868	1.27
Exemplar Performance Fund – Series A	180,683	393,351	0.46
Exemplar Performance Fund – Series AD	(1,850)	16,108	(0.11)
Exemplar Performance Fund – Series F	419,895	671,062	0.63
Exemplar Performance Fund – Series FD	(2,045)	21,883	(0.09)
Exemplar Performance Fund – Series I	8,141	197,440	0.04
Exemplar Performance Fund – Series L	(4,015)	115,674	(0.03)
Exemplar Performance Fund – Series LD	(1,176)	7,296	(0.16)
Exemplar Investment Grade Fund – Series A	(382,139)	1,481,505	(0.26)
Exemplar Investment Grade Fund – Series AI	(53,988)	214,575	(0.25)
Exemplar Investment Grade Fund – Series AN	(61,973)	128,491	(0.48)
Exemplar Investment Grade Fund – Series F	(901,010)	3,940,653	(0.23)
Exemplar Investment Grade Fund – Series FI	(46,146)	227,010	(0.20)
Exemplar Investment Grade Fund – Series FN	(55,355)	112,401	(0.49)
Exemplar Investment Grade Fund – Series G	1,924	3,306	0.58
Exemplar Tactical Corporate Bond Fund – Series A	(88,346)	401,904	(0.22)
Exemplar Tactical Corporate Bond Fund – Series AI	(2,594)	32,133	(0.08)
Exemplar Tactical Corporate Bond Fund – Series AN	(185,752)	770,757	(0.24)
Exemplar Tactical Corporate Bond Fund – Series F	(144,123)	1,059,486	(0.14)
Exemplar Tactical Corporate Bond Fund – Series FI	8,071	163,260	0.05
Exemplar Tactical Corporate Bond Fund – Series FN	(121,301)	407,062	(0.30)
Exemplar Tactical Corporate Bond Fund – Series I	(16,781)	55,528	(0.30)
Exemplar Tactical Corporate Bond Fund – Series L	(22,030)	85,979	(0.26)
Exemplar Tactical Corporate Bond Fund – Series LI	(341)	1,010	(0.34)
Exemplar Tactical Corporate Bond Fund – Series U	2,203	2,941	0.75
Exemplar Tactical Corporate Bond Fund – Series M	472	1,250	0.38
Exemplar Growth and Income Fund – Series A	(13,573)	62,181	(0.22)
Exemplar Growth and Income Fund – Series AN	726	26,505	0.03
Exemplar Growth and Income Fund – Series F	21,994	74,774	0.29
Exemplar Growth and Income Fund – Series FN	17,676	182,789	0.10
Exemplar Growth and Income Fund – Series I	(2,266)	84,189	(0.03)
Exemplar Growth and Income Fund – Series L	37	6,725	0.00
Exemplar Growth and Income Fund – Series LN	117	1,549	0.08

EXEMPLAR FUNDS

NOTES TO THE FINANCIAL STATEMENTS

For the periods ended December 31, 2015 and 2014

December 31, 2014	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average redeemable units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
	\$		\$
Exemplar Leaders Fund – Series A	656,204	682,585	0.96
Exemplar Leaders Fund – Series F	259,474	193,145	1.34
Exemplar Performance Fund – Series A	63,195	99,233	0.64
Exemplar Performance Fund – Series F	160,113	275,158	0.58
Exemplar Performance Fund – Series L	2,336	12,115	0.19
Exemplar Investment Grade Fund – Series A	(1,650)	907,159	(0.00)
Exemplar Investment Grade Fund – Series AI	1,332	135,653	0.01
Exemplar Investment Grade Fund – Series F	30,232	1,092,328	0.03
Exemplar Investment Grade Fund – Series FI	2,894	129,860	0.02
Exemplar Investment Grade Fund – Series FN	(316)	14,000	(0.02)
Exemplar Tactical Corporate Bond Fund – Series A	(64,021)	583,867	(0.11)
Exemplar Tactical Corporate Bond Fund – Series AI	(354)	7,525	(0.05)
Exemplar Tactical Corporate Bond Fund – Series AN	(4,574)	254,230	(0.02)
Exemplar Tactical Corporate Bond Fund – Series F	(46,203)	622,915	(0.07)
Exemplar Tactical Corporate Bond Fund – Series FI	(5,763)	95,342	(0.06)
Exemplar Tactical Corporate Bond Fund – Series FN	(3,540)	95,753	(0.04)
Exemplar Tactical Corporate Bond Fund – Series L	(55)	7,350	(0.01)

11. 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 Funds 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 UNITHOLDERS AND TRUSTEE OF EXEMPLAR LEADERS FUND, EXEMPLAR PERFORMANCE FUND, EXEMPLAR INVESTMENT GRADE FUND, EXEMPLAR TACTICAL CORPORATE BOND FUND AND EXEMPLAR GROWTH AND INCOME FUND (COLLECTIVELY THE "FUNDS")

The accompanying financial statements have been prepared by Arrow Capital Management Inc. ("Arrow" or the "Manager" of the Funds), 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 Funds are described in Note 2 to the financial statements.

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

"James L. McGovern"

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

"Robert W. Maxwell"

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

Independent Auditor's Report

To the Unitholders of Exemplar Leaders Fund, Exemplar Performance Fund, Exemplar Investment Grade Fund, Exemplar Tactical Corporate Bond Fund and Exemplar Growth & Income Fund (collectively the Funds)

We have audited the accompanying financial statements of each of the Funds, which comprise the statements of financial position, comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows as at and for the periods indicated in Note 1, 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 the financial statements of each of the Funds 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 Funds 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, financial performance and cash flows of each of the Funds as at and for the periods indicated in Note 1 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 28, 2016

FUND INFORMATION

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