

## EXEMPLAR LEADERS FUND

### SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2015

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

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

#### Forward-Looking Information

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

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

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

## **Management Discussion on Fund Performance**

### **Investment Objective and Strategies**

The investment objective of the Fund is to 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 as well as across 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.

To achieve the investment objectives 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.

In selecting investments for the Fund, the Manager primarily focuses on the securities (equity and equity derivatives) of companies which the Manager believes trade at a discount to their intrinsic value. The Fund is invested according to the following guidelines: the assets of the Fund are allocated at the discretion of the Manager to those investment strategies that balance risk, return and liquidity. The portfolio will be positioned in accordance with the Manager's market view. Geographic and sector allocations will vary significantly over time.

The Fund may follow a more concentrated investment approach and, from time to time, over weight certain geographic regions, including North America, and industry sectors such as energy or financial 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). The Fund may use specified derivatives, such as calls and puts, warrants, index futures and exchange traded funds.

The Fund may also engage in short selling as a result of relief it obtained from the Canadian securities regulatory authorities. The Fund will engage in short selling only within certain limits and conditions including: (i) the Fund will short sell only liquid securities that are traded on a stock exchange or certain government bonds, (ii) the Fund will limit its short sale exposure to any single issuer to 5% of the Fund's net assets and its aggregate short exposure to 20% of its net assets, (iii) the Fund will hold cash cover in an amount (including the Fund's assets deposited with lenders) that is at least 150% of the aggregate market value of all securities sold short, and (iv) the Fund will deposit collateral only with lenders which are regulated financial institutions or registered dealers in Canada.

The Fund may hold all or a portion of its assets in cash or money market securities while seeking investment opportunities or for defensive purposes.

### **Investment Risk**

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

The Fund is suitable for clients seeking long-term capital appreciation who have a medium risk tolerance level.

### **Results of Operations**

For the six month period ending June 30, 2015, Series A units of the Fund returned 6.6% (4.3% - 2014) while the S&P/TSX Composite Total Return Index posted a gain of 0.9% (12.9% - 2014). Please refer to the "Past Performance" section for performance information of the other series. The performance of the other series of the Fund differs from Series A units due largely to a varying level of expenses charged to each series, as explained in the management fees section.

The first half of 2015 was a solid period of positive performance for the Fund in the midst of relatively directionless equity markets. The first half continued to see a significant divergence with resource and cyclical sectors significantly underperforming almost every other sector.

While most holdings in the Fund rose in the first half, there were a few drags on performance. The most significant detractors from fund performance were FLYHT Aerospace, Neptune Technologies, DirectCash, RMP, and WestJet, all of which fell by double digits.

Positive contributors were plentiful in the first half, as the majority of holdings rose. Most notable were gains of over 30% from Anthem, Element Financial, Espial, Webtech Wireless, Polaris Infrastructure, Kinaxis, and Silicon Image.

The single largest contributor to fund performance in the last 6 months was Anthem Inc. Anthem is one of the largest health insurance providers in the United States. Anthem has been a long-time holding in the Fund and the Fund has been well rewarded for its investment. The first half was no different, with the stock rising 31%. Anthem continues to build a growing stream of free cash flows for shareholders, while doing a great job of providing better health care and costs for its customers. This company has reduced its share count by over 50% in the last 8 years. We anticipate more good returns to come from this leading company.

We were able to find a number of attractive new positions for the portfolio. The most important new positions that we added were Praxair, United Parcel Service, Polaris Infrastructure, Apple Inc., and Immersion Corp.

A number of holdings were sold during the first half of 2015, due to either reaching our price objectives, takeovers, or to shortfalls in their performance. Positions sold include Norfolk Southern, NetApp Inc., Silicon Image (takeover), Global Eagle Entertainment, Cortex Business Solutions, GuestLogix, Vicwest (takeover), OneRoof Energy, Symbility Solutions, Mapan Energy, and Eguana Technologies.

Overall, the portfolio structure is designed to take advantage of a continued slow recovery from the recession of 2008-2009 and is invested in undervalued equities. The top 10 holdings in the portfolio represent over 40% of the portfolio assets and the portfolio remains well diversified. The largest sector weightings are Technology, Financials, and Healthcare.

The first half of 2015 saw a continuation of the slow global recovery from the "great recession" of 2008-2009. We are seeing a stronger performance from the world's largest economy in the U.S. despite some cutbacks starting to occur by governments. The world's second largest economy in China has recently shown some signs of weakness, but continues to grow at rates that other countries envy. Meanwhile, the European Union continues to reluctantly show signs of recovery, while being held back by the ongoing Greek negotiations.

The second half of 2015 will see a continuation of the slow economic recovery we have witnessed over the last several years, but we may see some positive surprises as the world's largest economy, the U.S., is showing some very positive signs. The U.S. economy is now firmly leading the global economy forward with continuing strong economic signals.

These positive economic signals are providing an encouraging outlook for the coming year. However, we expect some fiscal and economic concerns will cause at least one correction, scaring investors out of the market at the wrong time. Large volatility and diverging individual stock performance will provide another year of opportunity for those disciplined investors willing to focus on buying fundamentally strong and inexpensive businesses. In this environment, we look for the Fund to perform very well.

### **Recent Developments**

On December 2, 2013, Arrow Capital Management Inc. ("Arrow" or the "Manager") acquired all the outstanding shares of BluMont Capital Corporation ("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 Fund approved a change of manager from BluMont to Arrow.

### **Related Party Transactions**

There are no related party transactions to report for the period ended June 30, 2015 other than the management and related fees as discussed below.

## Management Fees

Arrow receives a monthly management fee (the "Management Fee") subject to HST (and any other applicable sales taxes), calculated as a percentage of the Fund's net asset value as of the close of business on each business day. The Management Fee rate applicable to the Fund is 1.80% per annum for Series A units and 0.80% per annum for Series F units. For the period ended June 30, 2015, Management Fees charged to the Fund equaled \$302,013 (2014: \$274,630). The Management Fee is paid in consideration of investment management and administration services. No breakdown of such services was specified in the management agreement. From this Management Fee, the Manager pays fees to the investment advisor (Arrow, in its capacity as such) who provides portfolio management services to the Fund. A portion of the Management Fee paid by the Fund is for trailer fees paid to dealers whose clients hold units of the Fund. The trailer fees are a percentage of the net asset value of the Fund, calculated and payable monthly. The table below outlines the Fund's annual Management Fees and trailer fees.

ANNUAL RATE (%)	Series A	Series F
Management Fees <i>(Annual Rate)</i>	1.80%	0.80%
Trailer Fees <i>(as a % of Management Fees)</i>	42.8%	-

In addition, the Fund will pay the Manager annually a performance fee (the "Performance Fee"), subject to HST (and any other applicable sales taxes), 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 of the Fund 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. If the performance of a Series of the Fund in any year is less than the performance of the applicable index described above (the "Deficiency"), then no Performance Fee will be payable in any subsequent year until the performance of the applicable Series of the Fund, on a cumulative basis calculated from the first of such subsequent years has exceeded the amount of the Deficiency. For the period ended June 30, 2015, the Fund did not accrue any performance fees (2014: nil).

The Manager incurs operating expenses on behalf of the Fund and charges these expenses to the Fund.

## Financial Highlights

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

SERIES A - NET ASSETS PER UNIT						
For the period ended June 30, 2015 and for the years ended December 31,						
	2015	2014	2013	2012	2011	
<b>Net Assets, beginning of period<sup>1</sup></b>	\$ 40.31	\$ 39.34	\$ 30.57	\$ 27.85	\$ 27.95	
Increase (decrease) from operations:						
Total revenue	0.60	0.87	0.90	0.88	0.61	
Total expenses	(0.58)	(1.04)	(1.86)	(0.91)	(0.86)	
Realized gains (losses) for the period	2.52	2.77	1.90	(0.07)	0.29	
Unrealized gains (losses) for the period	0.12	(1.64)	7.84	2.52	(0.09)	
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ 2.66</b>	<b>\$ 0.96</b>	<b>\$ 8.78</b>	<b>\$ 2.42</b>	<b>\$ (0.05)</b>	
<b>Distributions<sup>2</sup>:</b>						
From income (excluding dividends)	-	-	-	-	-	
From dividends	-	-	-	-	-	
From capital gains	-	-	-	-	-	
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$ 42.99</b>	<b>\$ 40.31</b>	<b>\$ 39.34</b>	<b>\$ 30.43</b>	<b>\$ 27.85</b>	

**SERIES A - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup>**

For the period ended June 30, 2015 and for the years ended December 31,

	2015	2014	2013	2012	2011
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$29,988	\$28,010	\$25,525	\$19,605	\$16,990
Number of units outstanding	697,601	694,810	648,874	640,599	608,002
Management expense ratio <sup>3</sup>	2.68%*	2.81%	5.21%	2.95%	2.97%
Management expense ratio before waivers or absorptions <sup>4</sup>	2.68%*	2.81%	5.29%	3.20%	3.74%
Portfolio turnover rate <sup>5</sup>	28.7%	47.97%	46.04%	54.93%	73.67%
Trading expense ratio <sup>6</sup>	0.10%*	0.11%	0.08%	0.14%	0.21%

**SERIES F - NET ASSETS PER UNIT**

For the period ended June 30, 2015 and for the years ended December 31,

	2015	2014	2013	2012	2011
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$ 41.64</b>	<b>\$ 40.22</b>	<b>\$ 31.18</b>	<b>\$ 28.15</b>	<b>\$ 27.96</b>
Increase (decrease) from operations:					
Total revenue	0.63	1.21	0.92	0.89	0.63
Total expenses	(0.37)	(1.45)	(1.90)	(0.60)	(0.55)
Realized gains (losses) for the period	2.63	3.87	1.95	(0.11)	0.25
Unrealized gains (losses) for the period	0.02	(2.29)	8.03	2.71	(0.20)
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ 2.91</b>	<b>\$ 1.34</b>	<b>\$ 9.00</b>	<b>\$ 2.89</b>	<b>\$ 0.13</b>
<b>Distributions<sup>2</sup>:</b>					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$ 44.63</b>	<b>\$ 41.64</b>	<b>\$ 40.22</b>	<b>\$ 31.04</b>	<b>\$ 28.15</b>

**SERIES F - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup>**

For the period ended June 30, 2015 and for the years ended December 31,

	2015	2014	2013	2012	2011
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$9,240	\$8,144	\$7,300	\$5,133	\$4,380
Number of units outstanding	207,022	195,600	181,509	164,685	155,153
Management expense ratio <sup>3</sup>	1.62%*	1.79%	4.87%	1.92%	1.89%
Management expense ratio before waivers or absorptions <sup>4</sup>	1.62%*	1.79%	4.95%	2.17%	2.66%
Portfolio turnover rate <sup>5</sup>	28.7%	47.97%	46.04%	54.93%	73.67%
Trading expense ratio <sup>6</sup>	0.10%*	0.11%	0.08%	0.14%	0.21%

\* Ratios have been annualized.

1. The net assets per unit shown for June 30, 2015, December 31, 2014 and December 31, 2013 are referenced to net assets attributable to holders of redeemable units determined in accordance with International Financial Reporting Standards ("IFRS") and are derived from the Fund's financial statements. The net assets per unit shown for prior periods are referenced to Net Assets determined in accordance with Canadian generally accepted accounting principles ("GAAP") and are derived from the Fund's financial statements. The Net Assets presented in the financial statements may differ from the NAV calculated for fund pricing purposes. NAV is calculated using fair value measures as defined by National Instrument 81-106 ("NI 81-106"), where as Net Assets are calculated in accordance with IFRS/GAAP. An explanation of these differences can be found in the notes to the financial statements. Net Assets are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.
2. Distributions were reinvested in additional units of the Fund.
3. Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average net asset value during the year. The

management expense ratio is calculated in accordance with Part 15 of NI 81-106 and therefore includes performance fees, which were previously reported separately as dollar amounts.

4. The Manager has absorbed certain expenses or waived certain fees otherwise payable by the Fund. The amount of expenses absorbed or waived is determined annually at the discretion of the Manager and the Manager can terminate the absorption or waiver at any time.
5. The Fund's portfolio turnover rate can indicate how actively the investment advisor manages the portfolio of investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of its securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.
6. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
7. Ratios and supplemental data, where applicable, are computed using the net asset value of the Fund.

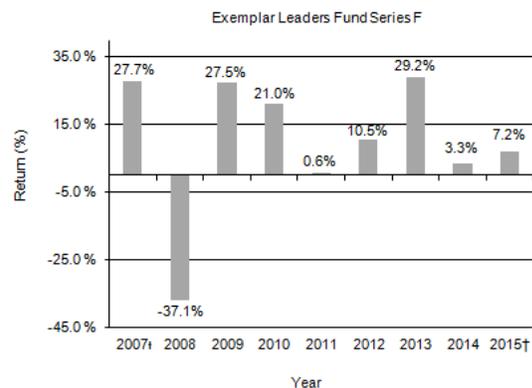
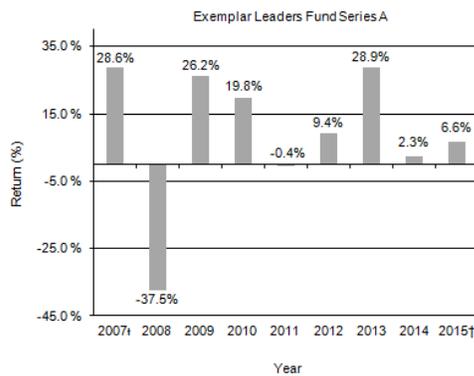
### Past Performance

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

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

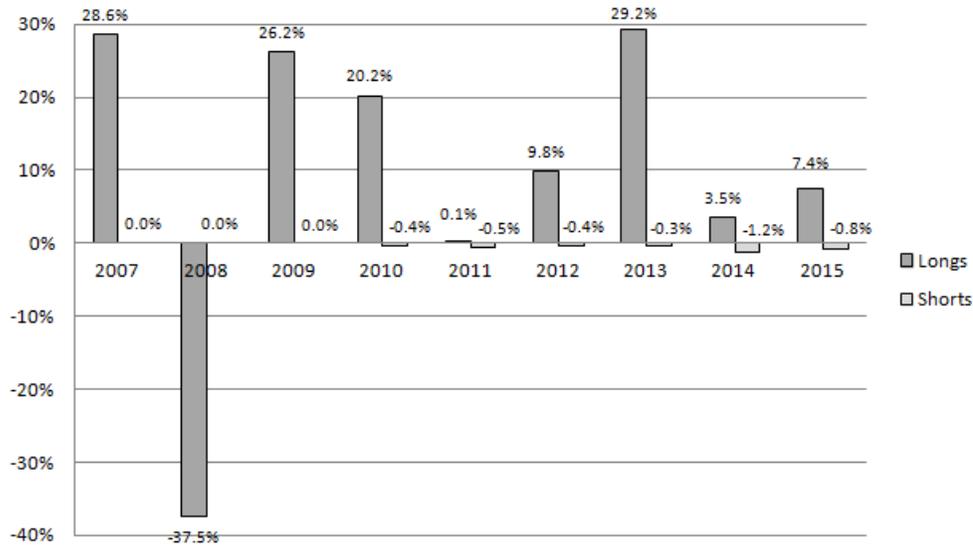
### Year-By-Year Returns

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



†Represents a partial year.

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



#### Annual Compound Returns (Compound Performance)

The following table shows the annual compound total returns of the Fund, and for the S&P/TSX Composite Total Return Index (a price weighted index of 300 of the largest, most widely-held stocks traded on the Toronto Stock Exchange) for the years shown ended June 30, 2015. The Relative Performance returns show the performance of the Fund as compared to the benchmark S&P/TSX Composite Total Return Index.

	1 Year	3 Years	5 Years	Annualized Since Inception
Series A	4.5%	12.2%	14.2%	8.1%
Series F	5.6%	12.9%	15.2%	8.9%
S&P/TSX Composite TR Index	(1.2)%	11.1%	8.3%	3.8%

## Summary of Investment Portfolio as at June 30, 2015

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

Top 25 Holdings	% of Net Assets	Sector Weight	Long	Short
Cash	15.3			
Magna International Inc.	9.1			
Alaris Royalty Corp.	5.4	Basic Materials	4.1	-
Element Financial Corp.	4.4	Communications	8.2	-
Gilead Sciences Inc.	4.3	Consumer, Cyclical	11.0	(2.8)
Microsoft Corp.	3.7	Consumer, Non-Cyclical	15.9	-
Anthem Inc.	3.1	Energy	5.5	(0.3)
BCE Inc.	3.1	Diversified	-	-
Praxair Inc.	2.8	Financial	16.7	-
United Parcel Service Inc.	2.2	Funds	-	(0.3)
Inovalis REIT	2.1	Industrial	8.9	-
Martinrea International Inc.	2.0	Technology	11.1	-
Directcash Payments Inc.	2.0	Utilities	1.2	-
Neptune Technology & Bioresources Inc.	1.9	Warrants	0.6	-
Webtech Wireless Inc.	1.9			
Verizon Communications Inc.	1.8			
Espial Group Inc.	1.6			
Flyht Aerospace Solutions Ltd.	1.6			
Hexcel Corp.	1.5			
Polaris Infrastructure Inc.	1.4			
Transglobe Energy Corp.	1.4			
Boyd Group Income Fund	1.4			
Apple Inc.	1.3	Canada	56.1	(0.6)
Westjet Airlines Ltd.	1.3	US	27.1	(2.8)
Philip Morris International Inc.	1.3			
<b>Total</b>	<b>77.9</b>			
<b>Total Net Assets</b>	<b>\$39,227,916</b>			

Regional Weightings	Long	Short
Canada	56.1	(0.6)
US	27.1	(2.8)