

EXEMPLAR LEADERS FUND

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2016

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

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

Forward-Looking Information

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

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

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

Management Discussion on Fund Performance

Investment Objective and Strategies

The investment objective of the Fund is to 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) up to 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. The Fund may enter into securities lending, repurchase and reverse repurchase transactions to generate additional income or as a short-term cash management tool.

Investment Risk

The risks of investing in the Fund remain as stated in the Fund's simplified prospectus. There were no material changes to the Fund over the year 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 year ending December 31, 2016, Series F units of the Fund gained 12.2% (3.5% in 2015) while the S&P/TSX Composite Total Return Index posted a gain of 21.1% (loss of 8.3% in 2015). Please refer to the "Past Performance" section for performance information of the other series. The performance of the other series of the Fund differs from Series F units due largely to a varying level of expenses charged to each series, as explained in the management fees section.

2016 turned out to be a positive year for both the Fund and the markets in general. We were able to attain a solid return for the year driven by a combination of generally very solid growth from the majority of our holdings and some larger gains from six takeovers of fund holdings; Baxalta, Cynapsus, DirectCash, Headwaters, InnVest, and Plum Creek.

The Canadian stock market had a relatively solid year, rising in both the first and second halves of the year. Strongest performance came from the Energy and Materials areas, while weak performance came from the Healthcare and Real Estate sectors.

The largest gains during the year came from our holdings in Cynapsus Therapeutics, DirectCash Income Fund, Polaris, BSM Technologies, Sleep Country Canada, Wi-LAN, and UPS. The largest single contribution came from our holding in Cynapsus Therapeutics, a biotechnology developer.

Cynapsus rose 150% during 2016 and ended up being taken over by major pharmaceutical company, Sunovion Pharmaceuticals, for US\$40.50 per share following strong clinical results for their Parkinson's drug, APL-130277 earlier this year. The drug showed clear clinical superiority to current alternatives in the market and looks to supply a major improvement in quality of life for Parkinson's patients. Cynapsus provides a clear example of the type of value-adding early stage companies that the Fund invests in, with the roughly 1/3 allocation we make to small cap companies. We invested in Cynapsus about 2 years ago to help fund development of APL-130277. By investing in the Fund, you have helped build a successful Canadian company and developed a drug which will enhance Parkinson's patients' quality of life.

The Fund saw a solid second half of the year gaining 11.3%. As for the full year, the returns reflected a mix of solid gains across the portfolio, with particularly satisfying gains from takeover of a couple of our holdings.

The largest positive contributors to fund performance in the second half were Cynapsus, DirectCash, BSM Technologies, and Polaris, all of which rose double digit percentages during the second half of 2016.

Performance was only partially held back in the second half of the year by pullbacks from a few holdings, which fell on poor sentiment in a few out of favour sectors such as Healthcare and Auto. The largest detractors in the second half were drops in value from our long positions in Gilead, Neptune, Acasti, and Martinrea.

Throughout 2016, we took advantage of volatility in the markets to increase our holdings in several core positions as well as to add several new positions to the portfolio. The most important new positions are U.S. Concrete, Inter Pipeline, Crius Energy, TransCanada, Theratechnologies, and PrairieSky Royalty. We are very confident about the prospects for these holdings in the Fund, all of which are trading at discounted valuations.

Several holdings were sold during 2016 as the stocks either reached our target prices or fundamentals changed. The most notable sales from the portfolio were BCE, DirectCash, Philip Morris, Apple, Boeing, TransAlta Renewables, InnVest, and Cynapsus Therapeutics.

Portfolio structure changed substantially during the year, as we increased our Energy weighting in the portfolio to almost 14%, making it the 3rd largest sector weighting after Healthcare and Technology. The largest sector weighting is Healthcare at about 14%, so the portfolio remains well diversified.

Following a solid 2016, we look forward to another profitable year for the Exemplar Leaders Fund in 2017. Last year turned out to be another decent economic year. The U.S. economy continued to grow slowly during the year, Europe continued to show signs of revival from its downturn, and China and the emerging world continued to grow, but not as strong as we have seen in prior years. We saw the first tightening in monetary policy from the U.S. Federal Reserve in many years, but the tightening has been at a very wise and measured pace.

The emergence of a business oriented President, Senate, and House in the world's largest economy, the U.S., provides the backdrop for another year of global growth this coming year. While we are likely to experience some ups and downs during the year as the new President's actual policy implementation plays out, the overall control of government by pro-growth individuals is likely to help the U.S. economy to another year of positive growth. Offsetting this will be a slow gradual rise in U.S. interest rates over the course of the year. With prospects for the world's largest economy looking brighter, we will see a knock on demand effect on the rest of the world's economies, resulting in another year of economic expansion for the global economy.

We expect the overall market to be up moderately in 2016 on the back of another year of global economic expansion, combined with relatively low and continuing attractive monetary policy. We do see the U.S. Federal Reserve continuing a very gradual and measured tightening of monetary policy. The tightening in monetary policy will likely lead to some volatility in the stock markets this year. It will be a year of divergent performance from individual companies, so superior security selection will be doubly important for portfolio returns. The Leaders Fund is very well positioned to prosper from the opportunities facing us in 2017. The Fund is invested in leading businesses with superior balance sheets, trading at substantial discounts to their intrinsic values.

Recent Developments

There are no recent developments for the Fund.

Related Party Transactions

As of December 31, 2016, Arrow held 1,037 Series A units and 669 Series F units of the Fund with a market value of \$69,618. This represents 0.2% of the net assets of the Fund.

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 year ended December 31, 2016, Management Fees charged to the Fund equaled \$553,211 (\$602,942 in 2015). The Management Fee is paid in consideration of investment management and administration services. No breakdown of such services was specified in the management agreement. From this Management Fee, the Manager pays fees to the investment advisor (Arrow, in its capacity as such) who provides portfolio management services to the Fund. A portion of the Management Fee paid by the Fund is for trailer fees paid to dealers whose clients hold units of the Fund. The trailer fees are a percentage of the net asset value of the Fund, calculated and payable monthly. The table below outlines the Fund's annual Management Fees and trailer fees.

ANNUAL RATE (%)	Series A	Series F
Management Fees (Annual Rate)	1.80%	0.80%
Trailer Fees (as a % of Management Fees)	44.2%	-

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 year. 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 year ended December 31, 2016, the total Performance Fees equaled \$2,195 (\$218,528 in 2015).

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 years ended December 31,					
	2016	2015	2014	2013	2012
Net Assets, beginning of year¹	\$ 38.62	\$ 40.31	\$ 39.34	\$ 30.57	\$ 27.85
Increase (decrease) from operations:					
Total revenue	1.09	0.83	0.87	0.90	0.88
Total expenses	(1.16)	(1.32)	(1.04)	(1.86)	(0.91)
Realized gains (losses)	2.75	3.16	2.77	1.90	(0.07)
Unrealized gains (losses)	1.26	(1.63)	(1.64)	7.84	2.52
Total increase (decrease) from operations¹:	\$ 3.94	\$ 1.04	\$ 0.96	\$ 8.78	\$ 2.42
Distributions²:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	(2.39)	(2.72)	-	-	-
Total distributions	\$ (2.39)	\$ (2.72)	\$ -	\$ -	\$ -
Net Assets, end of year¹	\$ 40.49	\$ 38.62	\$ 40.31	\$ 39.34	\$ 30.43

SERIES A - RATIOS AND SUPPLEMENTAL DATA⁷					
For the years ended December 31,					
	2016	2015	2014	2013	2012
Net Asset Value ("NAV") (000s) ¹	\$27,576	\$28,508	\$28,010	\$25,525	\$19,605
Number of units outstanding	680,983	738,188	694,810	648,874	640,599
Management expense ratio ³	2.60%	3.20%	2.81%	5.21%	2.95%
Management expense ratio before waivers or absorptions ⁴	2.60%	3.20%	2.81%	5.29%	3.20%
Portfolio turnover rate ⁵	52.20%	57.64%	47.97%	46.04%	54.93%
Trading expense ratio ⁶	0.25%	0.13%	0.11%	0.08%	0.14%
Net asset value per unit	\$40.49	\$38.62	\$40.31	\$39.34	\$30.43

SERIES F - NET ASSETS PER UNIT					
For the years ended December 31,					
	2016	2015	2014	2013	2012
Net Assets, beginning of year¹	\$ 39.63	\$ 41.64	\$ 40.22	\$ 31.18	\$ 28.15
Increase (decrease) from operations:					
Total revenue	1.13	1.01	1.21	0.92	0.89
Total expenses	(0.79)	(1.61)	(1.45)	(1.90)	(0.60)
Realized gains (losses)	2.88	3.84	3.87	1.95	(0.11)
Unrealized gains (losses)	1.61	(1.97)	(2.29)	8.03	2.71
Total increase (decrease) from operations¹:	\$ 4.83	\$ 1.27	\$ 1.34	\$ 9.00	\$ 2.89
Distributions²:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	(3.16)	(3.43)	-	-	-
Total distributions	\$ (3.16)	\$ (3.43)	\$ -	\$ -	\$ -
Net Assets, end of year¹	\$ 41.30	\$ 39.63	\$ 41.64	\$ 40.22	\$ 31.04

SERIES F - RATIOS AND SUPPLEMENTAL DATA⁷

For the years ended December 31,

	2016	2015	2014	2013	2012
Net Asset Value ("NAV") (000s) ¹	\$9,666	\$8,851	\$8,144	\$7,300	\$5,133
Number of units outstanding	234,046	223,338	195,600	181,509	164,685
Management expense ratio ³	1.60%	2.39%	1.79%	4.87%	1.92%
Management expense ratio before waivers or absorptions ⁴	1.60%	2.39%	1.79%	4.95%	2.17%
Portfolio turnover rate ⁵	52.20%	57.64%	47.97%	46.04%	54.93%
Trading expense ratio ⁶	0.25%	0.13%	0.11%	0.08%	0.14%
Net asset value per unit	\$41.30	\$39.63	\$41.64	\$40.22	\$31.04

1. The net assets per unit shown for December 31, 2016, December 31, 2015, December 31, 2014, and December 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 years 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 at the discretion of the underlying unitholders.
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 may absorb certain expenses or waive certain fees otherwise payable by the Fund. The amount of expenses absorbed or waived (if applicable) 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

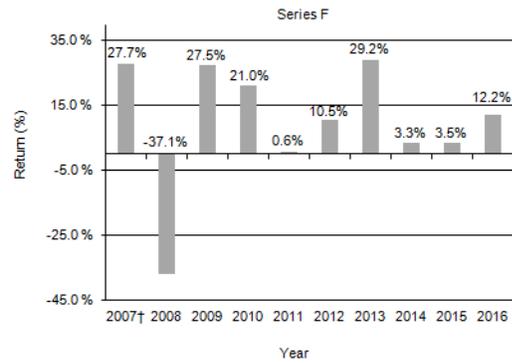
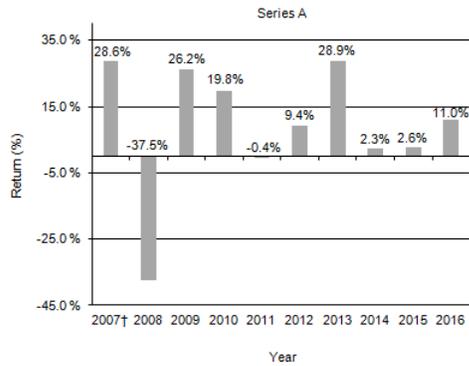
The performance information shown below assumes that all distributions, if any, made by the Fund in the periods shown were reinvested in additional units of the Fund. If you hold the Fund outside a registered plan, you will be taxed on distributions. Distributions of income the Fund earns and capital 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 indicates how it will perform in the future.

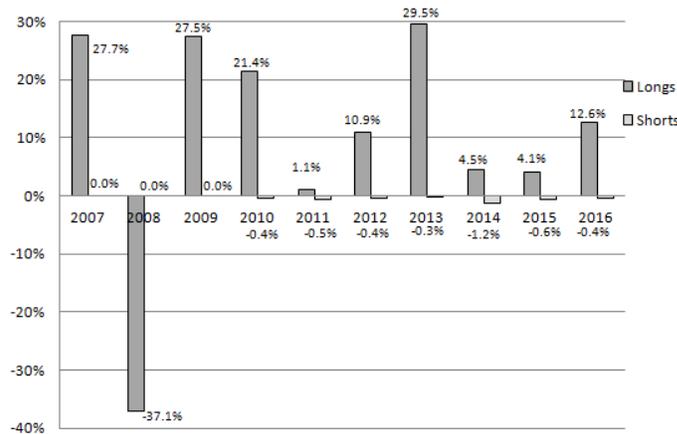
Year-By-Year Returns

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 F units by long and short holdings:



Annual Compound Returns (Compound Performance)

The following table shows the annual compound total returns of the Fund, and for 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 December 31, 2016. 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	11.0%	5.2%	10.4%	7.6%
Series F	12.2%	6.2%	11.3%	8.5%
S&P/TSX Composite TR Index	21.1%	7.1%	8.2%	4.2%

Summary of Investment Portfolio as at December 31, 2016

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

Industry Sector	Exposure (%)		Top 25 Holdings	%
	Long	Short		
Consumer Discretionary	8.7	(1.9)	Long Positions	
Consumer Staples	0.9	-	Cash and Cash Equivalents	6.5
Energy	13.4	-	Alaris Royalty Corp.	5.3
Financials	12.2	-	Anthem, Inc.	5.3
Funds	3.0	-	Freehold Royalties Ltd.	5.0
Health Care	14.2	-	Microsoft Corporation	4.4
Industrials	11.2	-	Magna International Inc.	3.9
Information Technology	16.2	-	Gilead Sciences, Inc.	3.7
Materials	4.6	-	Element Fleet Management Corp.	3.4
Real Estate	5.1	-	United Parcel Service, Inc.	3.3
Telecommunication Services	1.9	-	Polaris Infrastructure Inc.	2.8
Utilities	5.2	-	DirectCash Payments Inc.	2.7
Cash and Cash Equivalents	6.5	-	Hexcel Corporation	2.6
Other Net Assets	-	(1.2)	Boyd Group Income Fund	2.4
	103.1	(3.1)	Wi-LAN Inc.	2.3
			Legg Mason, Inc.	2.0
			Inovalis REIT	1.9
			Verizon Communications Inc.	1.8
			BSM Technologies Inc.	1.8
			Cigna Corporation	1.7
			Sleep Country Canada Holdings Inc.	1.6
			Cisco Systems, Inc.	1.5
			Enercare Inc.	1.4
			U.S. Concrete, Inc.	1.4
			Humana Inc.	1.3
			Top long positions as a percentage of total net asset value	70.0
			Short Positions	
			Tesla Motors, Inc.	(1.9)
			Top short positions as a percentage of total net asset value	(1.9)
			Total Net Asset Value (in \$ millions)	37.2