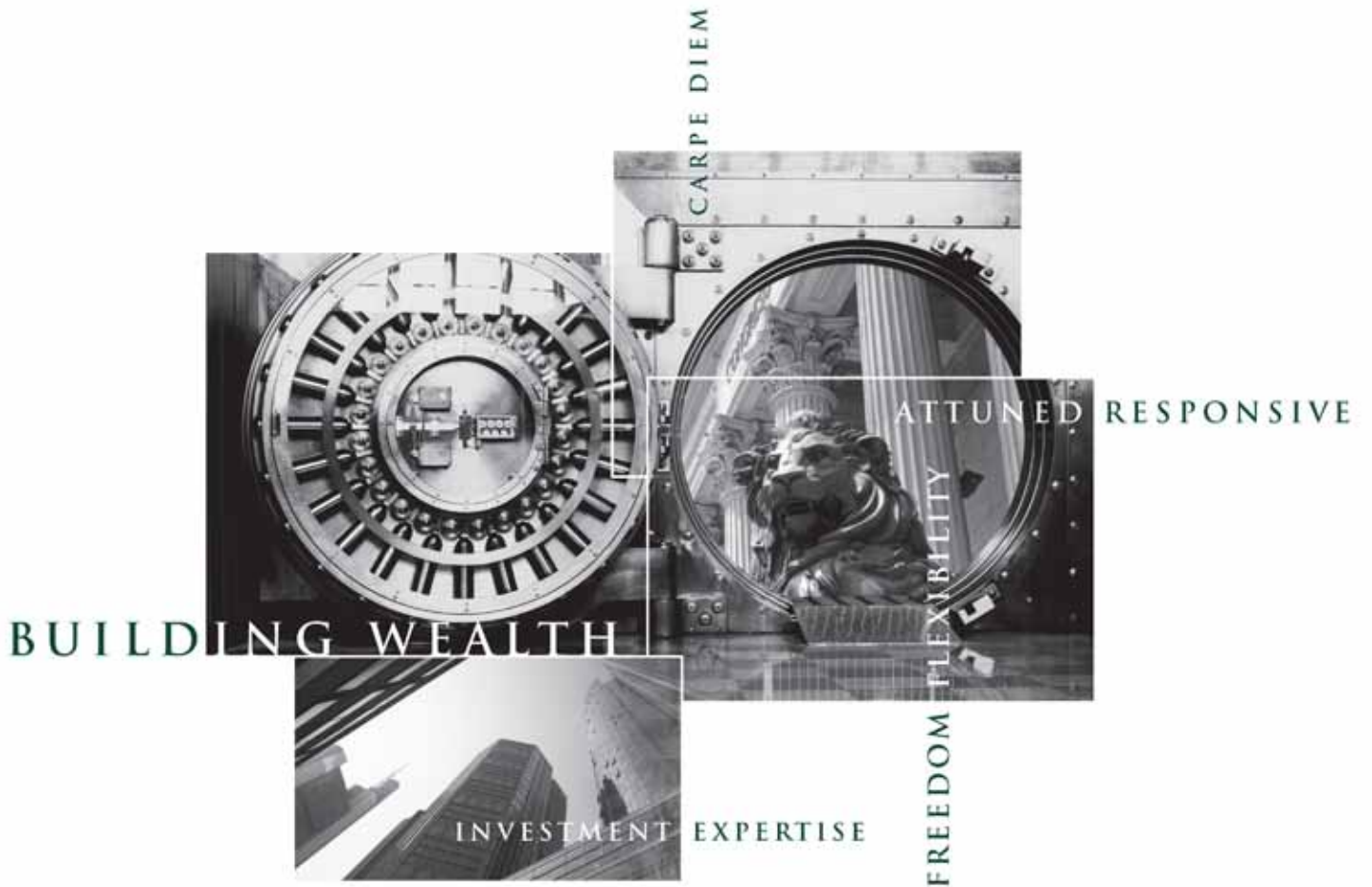


EXEMPLAR FUNDS



INTERIM FINANCIAL STATEMENTS JUNE 2014

EXEMPLAR LEADERS FUND | EXEMPLAR YIELD FUND | EXEMPLAR PERFORMANCE FUND

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

August 25, 2014

TO THE UNITHOLDERS AND TRUSTEE OF EXEMPLAR LEADERS FUND, EXEMPLAR YIELD FUND AND EXEMPLAR PERFORMANCE FUND (COLLECTIVELY THE "FUNDS")

The accompanying financial statements have been prepared by Arrow Capital Management Inc. ("Arrow", the "Portfolio Advisor" 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.

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

"James L. McGovern"

James L. McGovern
Managing Director & CEO

"Robert W. Maxwell"

Robert W. Maxwell
Managing Director & CFO

NOTICE TO UNITHOLDERS

The auditor of the Funds has not reviewed these interim financial statements.

The Manager of the Funds appoints an independent auditor to audit the Funds' annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Funds' interim financial statements, this must be disclosed in an accompanying notice.

EXEMPLAR LEADERS FUND
STATEMENTS OF FINANCIAL POSITION
Unaudited

	Note	June 30, 2014	December 31, 2013	January 1, 2013
Assets				
Current assets				
Financial assets designated at fair value through profit or loss		\$ 35,162,986	\$ 31,985,794	\$ 22,576,921
Financial assets held for trading		230,610	36,800	-
Cash		1,246,368	1,101,808	108,080
Margin deposits		914,688	2,246,224	2,956,181
Subscriptions receivable		39,640	26,697	5,500
Receivable for securities sold		379,008	525,322	585,856
Dividends receivable		84,892	86,619	88,380
		<u>38,058,192</u>	<u>36,009,264</u>	<u>26,320,918</u>
Liabilities				
Current liabilities				
Financial liabilities held for trading		730,633	1,247,465	890,909
Accrued liabilities				
Fees and operating expenses payable	6	81,208	73,512	55,277
Performance fees payable	6	-	663,461	7,117
Redemptions payable		77,647	7,000	29,215
Payable for investments purchased		244,375	1,188,500	622,918
Dividends payable		1,575	4,080	237
		<u>1,135,438</u>	<u>3,184,018</u>	<u>1,605,673</u>
Net assets attributable to holders of redeemable units				
Series A		28,691,957	25,525,178	19,580,504
Series F		8,230,797	7,300,068	5,134,741
		<u>\$ 36,922,754</u>	<u>\$ 32,825,246</u>	<u>\$ 24,715,245</u>
Number of units outstanding				
	5			
Series A		697,751	648,874	640,599
Series F		194,798	181,509	164,685
Net assets attributable to holders of redeemable units per unit				
Series A		\$ 41.12	\$ 39.34	\$ 30.57
Series F		<u>\$ 42.25</u>	<u>\$ 40.22</u>	<u>\$ 31.18</u>

Approved by the Board of Directors of Arrow Capital Management Inc.

"James L. McGovern"

James L. McGovern
Managing Director & CEO

"Robert W. Maxwell"

Robert W. Maxwell
Managing Director & CFO

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

EXEMPLAR LEADERS FUND
STATEMENTS OF COMPREHENSIVE INCOME
For the periods ended June 30,
Unaudited

	<i>Note</i>	2014	2013
Income			
Net gains on investments and derivatives			
Interest for distribution purposes		\$ 6,320	\$ 8,900
Dividend income		437,085	346,527
Dividend expense on short sales		(2,416)	(4,967)
Net realized gain on investments and derivatives		985,490	835,538
Net change in unrealized appreciation in value of investments and derivatives		611,216	3,382,198
Net gains on investments and derivatives		<u>2,037,695</u>	<u>4,568,196</u>
Other income items			
Gain on foreign currency		23,497	37,252
Total income (net)		<u>2,061,192</u>	<u>4,605,448</u>
Expenses			
Management fees	6	274,630	206,828
Performance fees	6	-	689,693
Securityholder reporting costs		125,256	109,352
Audit fees		7,535	11,589
Legal fees		6,632	1,673
Independent review committee fees		3,201	4,358
Custodial fees		3,100	733
Withholding taxes		11,808	12,473
Harmonized sales taxes		34,977	94,746
Commissions and other portfolio transaction costs	6	16,375	14,020
Total expense before manager absorption		483,514	1,145,465
Less: expenses absorbed (recovered) by manager		-	(8,297)
Total expense after manager absorption (recovery)		<u>483,514</u>	<u>1,153,762</u>
Increase in net assets attributable to holders of redeemable units		<u>1,577,678</u>	<u>3,451,686</u>
Increase in net assets attributable to holders of redeemable units			
Series A	7	1,190,596	2,736,185
Series F		387,082	715,501
		<u>\$ 1,577,678</u>	<u>\$ 3,451,686</u>
Increase in net assets attributable to holders of redeemable units per unit			
Series A	7	\$ 1.76	\$ 4.28
Series F		<u>\$ 2.05</u>	<u>\$ 4.23</u>

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 periods ended June 30,
Unaudited

	2014	2013
Net assets attributable to holders of redeemable units at beginning of period		
Series A	\$ 25,525,178	\$ 19,580,504
Series F	<u>7,300,068</u>	<u>5,134,741</u>
	<u>32,825,246</u>	<u>24,715,245</u>
Increase in net assets attributable to holders of redeemable units		
Series A	1,190,596	2,736,185
Series F	<u>387,082</u>	<u>715,501</u>
	<u>1,577,678</u>	<u>3,451,686</u>
Redeemable unit transactions		
Proceeds from redeemable units issued		
Series A	3,719,586	1,604,340
Series F	<u>736,468</u>	<u>301,756</u>
	<u>4,456,054</u>	<u>1,906,096</u>
Redemption of redeemable units		
Series A	(1,743,403)	(1,524,866)
Series F	<u>(192,821)</u>	<u>(158,710)</u>
	<u>(1,936,224)</u>	<u>(1,683,576)</u>
Net increase from redeemable units transactions	<u>2,519,830</u>	<u>222,520</u>
Net increase in net assets attributable to holders of redeemable units	<u>4,097,508</u>	<u>3,674,206</u>
Net assets attributable to holders of redeemable units at end of period		
Series A	28,691,957	22,396,163
Series F	<u>8,230,797</u>	<u>5,993,288</u>
	<u>\$ 36,922,754</u>	<u>\$ 28,389,451</u>

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

EXEMPLAR LEADERS FUND
STATEMENTS OF CASH FLOWS
For the periods ended June 30,
Unaudited

	2014	2013
Cash flows used in operating activities		
Increase in net assets attributable to holders of redeemable units	\$ 1,577,678	\$ 3,451,686
Adjustments for:		
Gain on foreign currency	(23,497)	(37,252)
Net realized gain on investments and derivatives	(985,490)	(835,538)
Net change in unrealized appreciation in value of investments and derivatives	(611,216)	(3,382,198)
(Increase) decrease in margin deposits	1,331,536	(581,146)
Decrease in dividends receivable	1,727	4,485
Increase in fees and operating expenses payable	7,696	791
Increase (decrease) in performance fees payable	(663,461)	740,614
Increase (decrease) in dividends payable	(2,505)	3,063
Purchase of investments	(7,209,358)	(7,123,907)
Proceeds from sales of investments	4,120,419	7,567,461
Net cash used in operating activities	<u>(2,456,471)</u>	<u>(191,941)</u>
Cash flows from financing activities		
Proceeds from redeemable units issued	4,443,111	1,891,596
Amounts paid on redemption of redeemable units	<u>(1,865,577)</u>	<u>(1,617,123)</u>
Net cash from financing activities	<u>2,577,534</u>	<u>274,473</u>
Net increase in cash	<u>121,063</u>	<u>82,532</u>
Cash, beginning of period	1,101,808	108,080
Gain on foreign currency	<u>23,497</u>	<u>37,252</u>
Cash, end of period	<u>\$ 1,246,368</u>	<u>\$ 227,864</u>
Interest received*	\$ 6,320	\$ 8,900
Dividends received, net of withholding tax*	\$ 427,004	\$ 338,539
Dividends paid*	\$ (4,921)	\$ (1,904)

*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 June 30, 2014

Unaudited

	Number of Shares		Cost		Carrying Value
LONG POSITIONS					
Canadian Equities					
Energy					
Bellatrix Exploration Limited	9,900	\$	94,050	\$	91,674
Canyon Services Group Inc.	7,100		101,744		134,190
DeeThree Exploration Limited	36,000		231,204		410,400
Enterprise Group Inc., Subscription Receipts	200,000		155,200		180,000
Long Run Exploration Limited	68,000		363,800		384,880
OneRoof Energy Group Inc.	130,000		331,500		188,500
Pan Orient Energy Corporation	63,800		248,591		139,722
RMP Energy Inc.	84,300		243,877		795,792
ZCL Composites Inc.	47,700		156,512		322,452
			1,926,478		2,647,610
Basic Materials					
Noranda Income Fund	136,000		699,737		764,320
Industrials					
Boyd Group Income Fund	8,600		96,586		375,992
CERF Inc.	42,400		114,194		152,640
Flyht Aerospace Solutions Limited	2,994,000		1,059,347		1,017,960
Horizon North Logistics Inc.	126,100		401,365		965,926
Kinaxis Inc.	13,100		170,300		174,885
Rocky Mountain Dealerships Inc.	11,700		135,588		129,402
Vicwest Inc.	7,400		83,888		80,660
WestJet Airlines Limited	27,800		458,231		728,360
			2,519,499		3,625,825
Consumer Discretionary					
Magna International Inc.	26,500		1,225,539		3,043,791
Martinrea International Inc.	29,800		233,516		377,864
Transat A.T. Inc. 'B'	12,200		71,955		115,778
			1,531,010		3,537,433
Health Care					
Acasti Pharma Inc.	551,500		692,217		595,620
Catamaran Corporation	1,200		37,382		56,544
Cynapsus Therapeutics Inc.	182,000		71,890		118,300
Neptune Technologies & Bioresources Inc.	639,400		1,520,467		1,879,836
NeuroBioPharm Inc. Class 'A' ²	13,395		754		1,340
			2,322,710		2,651,640
Financials					
Alaris Royalty Corporation	86,300		1,587,692		2,495,796
American Hotel Income Properties REIT Limited Partnership	8,900		92,115		91,581
DirectCash Payments Inc.	37,100		699,460		558,355

EXEMPLAR LEADERS FUND
SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2014

Unaudited

	Number of Shares		Cost		Carrying Value
Financials - continued					
Element Financial Corporation	30,100	\$	299,104	\$	405,748
Element Financial Corporation, Subscription Receipts	30,600		390,150		410,346
Inovalis REIT	73,000		729,090		712,480
Northwest International Healthcare Property REIT	119,000		240,450		242,760
The Westaim Corporation, Subscription Receipts	100,000		265,000		320,000
Tricon Capital Group Inc.	26,700		175,187		210,129
			4,478,248		5,447,195

Information Technology

Baylin Technologies Inc.	29,000		229,929		113,535
Cortex Business Solutions Inc.	1,840,000		386,000		220,800
Espial Group Inc.	132,500		101,135		371,000
GuestLogix Inc.	145,600		168,540		183,456
Opsens Inc.	240,000		180,000		160,800
Sierra Wireless Inc.	33,400		293,809		721,774
Spectra7 Microsystems Inc.	182,000		100,100		80,080
Symbility Solutions Inc.	355,500		152,849		104,873
The Descartes Systems Group Inc.	6,100		91,653		93,269
VersaPay Corporation	136,000		163,200		149,600
WebTech Wireless Inc.	1,459,950		566,687		525,582
Wi-LAN Inc.	142,500		726,105		483,075
Yangaroo Inc.	334,000		100,200		113,560
			3,260,207		3,321,404

Telecommunication Services

BCE Inc.	25,000		889,157		1,210,000
Total Canadian Equities - Long			17,627,046		23,205,427

U.S. Equities

Industrials

Hexcel Corporation	6,199		279,094		270,667
Norfolk Southern Corporation	6,400		440,564		703,937
			719,658		974,604

Consumer Staples

Philip Morris International Inc.	13,500		819,154		1,215,075
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Health Care

Gilead Sciences Inc.	24,000		1,271,358		2,124,263
Varian Medical Systems Inc.	1,700		128,856		150,886
WellPoint Inc.	28,400		1,721,606		3,262,580
			3,121,820		5,537,729

Financials

Plum Creek Timber Company Inc.	8,200		390,396		394,803
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EXEMPLAR LEADERS FUND
SCHEDULE OF INVESTMENT PORTFOLIO

As at June 30, 2014

Unaudited	Number of Shares	Cost	Carrying Value
Information Technology			
Global Eagle Entertainment Inc.	12,400	\$ 144,781	\$ 164,147
Microsoft Corporation	15,300	447,054	681,111
NetApp Inc.	9,700	388,469	378,175
The Descartes Systems Group Inc.	3,300	47,548	50,519
		1,027,852	1,273,952
Utilities			
National Fuel Gas Company	5,700	347,711	476,460
Total U.S. Equities - Long		6,426,591	9,872,623
Global Equities			
Netherlands			
LyondellBasell Industries NV 'A'	20,000	1,322,449	2,084,936
Total Global Equities - Long		1,322,449	2,084,936
Canadian Warrants			
Acasti Pharma Inc., 12/3/2018	205,000	-	-
CERF Inc., 1/25/2015	41,000	-	18,450
Cortex Business Solutions Inc., 4/4/2016	600,000	24,000	-
Cynampus Therapeutics Inc., 4/15/2019	290,000	73,950	-
Espial Group Inc., 11/15/2014	72,000	-	149,760
Falco Pacific Resources Inc., 11/7/2015	117,000	-	-
NeuroBioPharm Inc., 4/12/2015 ²	26,790	-	-
Opsens Inc., 2/18/2016	120,000	-	-
Sensio Technologies Inc., 9/30/2015	1,040,000	-	62,400
VentriPoint Diagnostics Limited, 7/10/2014	300,000	-	-
VersaPay Corporation, 2/4/2016	68,000	-	-
Total Canadian Warrants		97,950	230,610
Total Long Positions Including Transaction Costs		25,474,036	35,393,596
Transaction Costs		(26,914)	-
Total Long Positions Before Transaction Costs		25,447,122	35,393,596
SHORT POSITIONS			
Canadian Equities			
Energy			
Trican Well Service Limited	(9,400)	(134,489)	(161,962)
Basic Materials			
iShares S&P/TSX Global Gold Index Fund	(21,300)	(327,495)	(261,138)
Total Canadian Equities - Short		(461,984)	(423,100)

EXEMPLAR LEADERS FUND
SCHEDULE OF INVESTMENT PORTFOLIO
As at June 30, 2014
Unaudited

	Number of Shares		Cost		Carrying Value
U.S. Equities					
Consumer Discretionary					
Tesla Motors Inc.	(1,200)	\$	(268,351)	\$	(307,533)
Total Short Positions Including Transaction Costs			(730,335)		(730,633)
Transaction Costs			(500)		-
Total Short Positions Before Transaction Costs			(730,835)		(730,633)
TOTAL INVESTMENT PORTFOLIO		\$	24,716,287	\$	34,662,963

² Private and/or illiquid securities.

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

EXEMPLAR LEADERS FUND
DISCUSSION OF NOTE 4: FINANCIAL INSTRUMENTS
JUNE 30, 2014
Unaudited

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.

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 and Portfolio Advisor 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 on page 40.

CREDIT RISK

As at June 30, 2014, December 31, 2013 and January 1, 2013, the Fund had no investments in debt instruments and therefore was not subject to related credit risk.

LIQUIDITY RISK

All of the Fund's liabilities are typically due in less than 3 months, except performance fees which are accrued daily and payable annually on December 31.

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 June 30, 2014, December 31, 2013 and January 1, 2013, 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 assets are comprised of equities and warrants. Monetary assets include cash and other current receivables and payables.

June 30, 2014	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary
United States Dollar - Long	\$639,703	\$11,957,558	\$12,597,261	\$63,970	\$1,195,756	\$1,259,726
United States Dollar - Short	-	(307,533)	(307,533)	-	(30,753)	(30,753)
Total	\$639,703	\$11,650,025	\$12,289,728	\$63,970	\$1,165,003	\$1,228,973
% of net assets attributable to holders of redeemable units	1.7%	31.6%	33.3%	0.2%	3.2%	3.4%

December 31, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary
United States Dollar - Long	\$1,587,775	\$11,010,810	\$12,598,585	\$158,777	\$1,101,081	\$1,259,858
United States Dollar - Short	-	(735,573)	(735,573)	-	(73,557)	(73,557)
Total	\$1,587,775	\$10,275,237	\$11,863,012	\$158,777	\$1,027,524	\$1,186,301
% of net assets attributable to holders of redeemable units	4.8%	31.3%	36.1%	0.5%	3.1%	3.6%

January 1, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary
United States Dollar - Long	\$574,266	\$5,844,515	\$6,418,781	\$57,427	\$584,451	\$641,878
United States Dollar - Short	-	(346,394)	(346,394)	-	(34,639)	(34,639)
	\$574,266	\$5,498,121	\$6,072,387	\$57,427	\$549,812	\$607,239
% of net assets attributable to holders of redeemable units	2.3%	22.2%	24.5%	0.2%	2.2%	2.4%

B. INTEREST RATE RISK

As at June 30, 2014, December 31, 2013 and January 1, 2013 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		
	June 30, 2014	December 31, 2013	January 1, 2013
5% Increase	\$1,721,618	\$1,536,916	\$1,084,301
5% Decrease	\$(1,721,618)	\$(1,536,916)	\$(1,084,301)

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:

Market Segment	% of net assets attributable to holders of redeemable units		
	June 30, 2014	December 31, 2013	January 1, 2013
Long Positions			
Energy	7.2%	5.9%	10.6%
Basic Materials	7.7%	6.1%	5.4%
Industrials	12.4%	22.6%	17.0%
Consumer Discretionary	9.6%	8.4%	6.2%
Consumer Staples	3.3%	8.8%	5.1%
Health Care	22.2%	14.7%	15.0%
Financials	15.8%	10.1%	9.1%
Information Technology	12.4%	13.3%	16.2%
Telecommunication Services	3.3%	4.4%	4.5%
Utilities	1.3%	3.1%	2.2%
Warrants	0.6%	0.1%	-
Short Positions			
Basic Materials	(0.7)%	(0.6)%	(0.9)%
Energy	(0.4)%	(1.0)%	-
Consumer Discretionary	(0.8)%	(2.2)%	-
Industrials	-	-	(1.3)%
Information Technology	-	-	(1.4)%

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 June 30, 2014, December 31, 2013 and January 1, 2013:

As at June 30, 2014	Level 1	Level 2	Level 3	Total
Financial assets				
Equities	\$34,841,644	\$550,612	\$1,340	\$35,393,596
Financial liabilities				
Equities sold short	\$(730,633)	\$-	\$-	\$(730,633)

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Equities	\$31,253,412	\$767,842	\$1,340	\$32,022,594
Financial liabilities				
Equities sold short	\$(1,247,465)	\$-	\$-	\$(1,247,465)

As at January 1, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Equities	\$22,575,581	\$-	\$1,340	\$22,576,921
Financial liabilities				
Equities sold short	\$(890,909)	\$-	\$-	\$(890,909)

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 Portfolio Advisor is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements if any. The Portfolio Advisor 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.

There were no transfers between levels 1, 2 and 3 during the period.

Most of the Fund's equity positions are classified as level 1 as the securities are actively traded and a reliable price is observable.

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.

The Fund holds 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"). Neuro is a private company thus the investments are classified as Level 3 for a total amount of \$1,340. The Class A shares of Neuro are determined to have a value of \$0.10 per share, as per the conversion that occurred on April 12, 2011. The warrants, with an exercise price of \$0.75 per warrant, are determined to have a negligible value based on the Black Scholes model.

Financial Instruments By Category

The following table presents the net gains (losses) on investments and derivatives at FVTPL by category for the periods ended June 30, 2014 and 2013.

	Net realized gains /(losses)		Net unrealized gains /(losses)	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Financial assets at FVTPL:				
Designated as FVTPL	\$1,383,222	\$962,033	\$445,391	\$3,402,407
HFT	-	-	230,610	-
	1,383,222	962,033	676,001	3,402,407
Financial liabilities at FVTPL:				
HFT	(397,732)	(126,495)	(64,785)	(20,209)
Total:	\$985,490	\$835,538	\$611,216	\$3,382,198

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

EXEMPLAR YIELD FUND
STATEMENTS OF FINANCIAL POSITION
Unaudited

	Note	June 30, 2014	December 31, 2013	January 1, 2013
Assets				
Current assets				
Financial assets designated at fair value through profit or loss		\$ 8,715,767	\$ 9,773,810	\$ 7,303,970
Cash		342,369	573,307	833,556
Subscriptions receivable		-	262,166	-
Receivable for securities sold		128,629	-	89,716
Interest receivable		11,225	11,313	7,491
Dividends receivable		37,558	52,672	35,750
		<u>9,235,548</u>	<u>10,673,268</u>	<u>8,270,483</u>
Liabilities				
Current liabilities				
Accrued liabilities				
Fees and operating expenses payable	6	18,457	17,865	15,685
Redemptions payable		32,109	400,000	1,079
Payable for investments purchased		-	-	26,845
Distributions payable		2,157	1,713	-
		<u>52,723</u>	<u>419,578</u>	<u>43,609</u>
Net assets attributable to holders of redeemable units				
Series A		6,014,077	5,612,966	5,396,367
Series F		1,882,498	2,033,904	531,412
Series I		842,360	2,364,867	2,068,237
Series L		443,890	241,953	230,858
		<u>\$ 9,182,825</u>	<u>\$ 10,253,690</u>	<u>\$ 8,226,874</u>
Number of units outstanding				
Series A	5	550,279	533,469	539,036
Series F		165,937	187,233	52,664
Series I		74,832	220,993	203,495
Series L		40,674	22,998	23,043
		<u>831,722</u>	<u>954,693</u>	<u>818,238</u>
Net assets attributable to holders of redeemable units per unit				
Series A		\$ 10.93	\$ 10.52	\$ 10.01
Series F		\$ 10.34	\$ 10.86	\$ 10.09
Series I		\$ 11.26	\$ 10.70	\$ 10.16
Series L		\$ 10.91	\$ 10.52	\$ 10.02

Approved by the Board of Directors of Arrow Capital Management Inc.

"James L. McGovern"

James L. McGovern
 Managing Director & CEO

"Robert W. Maxwell"

Robert W. Maxwell
 Managing Director & CFO

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

EXEMPLAR YIELD FUND
STATEMENTS OF COMPREHENSIVE INCOME
For the periods ended June 30,
Unaudited

	<i>Note</i>	2014	2013
Income			
Net gains on investments and derivatives			
Interest for distribution purposes		\$ 32,077	\$ 24,202
Dividend income		244,554	189,760
Net realized gain on investments and derivatives		279,184	558,780
Net change in unrealized appreciation in value of investments and derivatives		<u>132,000</u>	<u>131,989</u>
Net gains on investments and derivatives		<u>687,815</u>	<u>904,731</u>
Other income items			
Gain (loss) on foreign currency		<u>(6,740)</u>	<u>31,461</u>
Total income (net)		<u>681,075</u>	<u>936,192</u>
Expenses			
Management fees	6	69,504	57,284
Securityholder reporting costs		87,003	76,182
Audit fees		8,098	23,025
Legal fees		6,158	1,673
Independent review committee fees		2,862	2,173
Custodial fees		3,000	237
Withholding taxes		14,414	19,027
Harmonized sales taxes		8,112	7,346
Commissions and other portfolio transaction costs	6	<u>2,255</u>	<u>27,431</u>
Total expense before manager absorption		201,406	214,378
Less: expenses absorbed by manager		<u>81,181</u>	<u>82,065</u>
Total expense after manager absorption		<u>120,225</u>	<u>132,313</u>
Increase in net assets attributable to holders of redeemable units		<u>560,850</u>	<u>803,879</u>
Increase in net assets attributable to holders of redeemable units			
	7		
Series A		326,908	491,319
Series F		125,630	52,776
Series I		88,106	230,714
Series L		<u>20,206</u>	<u>29,070</u>
		<u>\$ 560,850</u>	<u>\$ 803,879</u>
Increase in net assets attributable to holders of redeemable units per unit			
	7		
Series A		\$ 0.62	\$ 0.99
Series F		\$ 0.68	\$ 1.03
Series I		\$ 0.58	\$ 1.13
Series L		<u>\$ 0.65</u>	<u>\$ 0.93</u>

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

EXEMPLAR YIELD FUND
STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS
For the periods ended June 30,
Unaudited

	2014	2013
Net assets attributable to holders of redeemable units at beginning of period		
Series A	5,612,966	5,396,367
Series F	2,033,904	531,412
Series I	2,364,867	2,068,237
Series L	241,953	230,858
	<u>\$ 10,253,690</u>	<u>\$ 8,226,874</u>
Increase in net assets attributable to holders of redeemable units		
Series A	326,908	491,319
Series F	125,630	52,776
Series I	88,106	230,714
Series L	20,206	29,070
	<u>560,850</u>	<u>803,879</u>
Redeemable unit transactions		
Proceeds from redeemable units issued		
Series A	834,127	213,602
Series F	4,800	101,000
Series I	-	-
Series L	197,097	122,280
	<u>1,036,024</u>	<u>436,882</u>
Redemption of redeemable units		
Series A	(750,206)	(985,901)
Series F	(281,287)	(144,056)
Series I	(1,610,613)	(9,474)
Series L	(13,260)	(16,747)
	<u>(2,655,366)</u>	<u>(1,156,178)</u>
Reinvestment of distributions to holders of redeemable units		
Series A	101,599	94,095
Series F	39,245	9,512
Series I	31,631	41,556
Series L	4,808	2,046
	<u>177,283</u>	<u>147,209</u>
	<u>(1,442,059)</u>	<u>(572,087)</u>
Distributions to holders of redeemable units		
From net investment income		
Series A	(111,317)	(97,726)
Series F	(39,794)	(10,253)
Series I	(31,631)	(41,556)
Series L	(6,914)	(6,524)
	<u>(189,656)</u>	<u>(156,059)</u>
	<u>(1,070,865)</u>	<u>75,733</u>
Net increase (decrease) in net assets attributable to holders of redeemable units		
Net assets attributable to holders of redeemable units at end of period		
Series A	6,014,077	5,111,756
Series F	1,882,498	540,391
Series I	842,360	2,289,477
Series L	443,890	360,983
	<u>\$ 9,182,825</u>	<u>\$ 8,302,607</u>

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

EXEMPLAR YIELD FUND
STATEMENTS OF CASH FLOWS
For the periods ended June 30,
Unaudited

	2014	2013
Cash flows from operating activities		
Increase in net assets attributable to holders of redeemable units	\$ 560,850	\$ 803,879
Adjustments for:		
(Gain) loss on foreign currency	6,740	(31,461)
Net realized gain on investments and derivatives	(279,184)	(558,780)
Net change in unrealized appreciation in value of investments and derivatives	(132,000)	(131,989)
(Increase) decrease in interest receivable	88	(7,144)
Decrease in dividends receivable	15,114	7,418
Increase (decrease) in fees and operating expenses payable	592	(2,580)
Purchase of investments	(2,249,754)	(5,382,220)
Proceeds from sales of investments	<u>3,590,352</u>	<u>5,732,929</u>
Net cash from operating activities	<u>1,512,798</u>	<u>430,052</u>
Cash flows used in financing activities		
Distributions to holders of redeemable units, net of reinvested distributions	(11,929)	(7,336)
Proceeds from redeemable units issued	1,298,190	436,882
Amounts paid on redemption of redeemable units	<u>(3,023,257)</u>	<u>(1,103,768)</u>
Net cash used in financing activities	<u>(1,736,996)</u>	<u>(674,222)</u>
Net decrease in cash	<u>(224,198)</u>	<u>(244,170)</u>
Cash, beginning of period	573,307	833,556
Gain (loss) on foreign currency	<u>(6,740)</u>	<u>31,461</u>
Cash, end of period	<u>\$ 342,369</u>	<u>\$ 620,847</u>
Interest received*	\$ 32,165	\$ 17,058
Dividends received, net of withholding tax*	\$ 245,254	\$ 178,151

*Included as part of cash flows from operating activities

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

EXEMPLAR YIELD FUND
SCHEDULE OF INVESTMENT PORTFOLIO
As at June 30, 2014
Unaudited

	Number of Shares/Par Value	Cost	Carrying Value
Canadian Equities			
Consumer Discretionary			
Temple Hotels Inc.	31,300	\$ 181,790	\$ 179,662
Energy			
Canyon Services Group Inc.	6,000	60,598	113,400
Long Run Exploration Limited	51,000	264,100	288,660
Mart Resources Inc.	151,600	205,595	210,724
Prairiesky Royalty Limited	2,600	72,800	100,880
Surge Energy Inc.	8,500	54,475	66,470
		657,568	780,134
Basic Materials			
Noranda Income Fund	89,000	443,272	500,180
Industrials			
DirectCash Payments Inc.	21,200	443,358	319,060
Horizon North Logistics Inc.	31,400	220,327	240,524
Rocky Mountain Dealerships Inc.	8,500	102,420	94,010
Vicwest Inc.	11,600	109,030	126,440
		875,135	780,034
Health Care			
Regal Lifestyle Communities Inc	13,200	100,980	106,656
Financials			
Alaris Royalty Corporation	19,000	453,009	549,480
American Hotel Income Properties REIT Limited Partnership	12,000	124,200	123,480
Brookfield Property Partners Limited Partnership	1,698	35,492	37,848
Crombie Real Estate Investment Trust	3,600	47,700	48,384
Inovalis Real Estate Investment Trust	60,600	581,468	591,456
Northwest International Healthcare Property Real Estate Investment Trust	96,000	193,550	195,840
Pure Industrial Real Estate Trust	75,500	353,991	345,790
Slate Retail Real Estate Investment Trust	1,600	17,990	20,320
Tricon Capital Group Inc.	21,000	158,697	165,270
		1,966,097	2,077,868
Telecommunication Services			
BCE Inc.	1,000	43,166	48,400

EXEMPLAR YIELD FUND
SCHEDULE OF INVESTMENT PORTFOLIO
As at June 30, 2014
Unaudited

	Number of Shares/Par Value	Cost	Carrying Value
Information Technology			
Wi-LAN Inc.	51,400	\$ 195,890	\$ 174,246
Utilities			
TransAlta Corporation	11,000	169,939	143,880
Total Canadian Equities		4,633,837	4,791,060
Canadian Bonds			
Fairfax Financial Holdings Limited, 7.500%, August 19, 2019	250,000	287,125	294,480
Gibson Energy Inc., 7.000%, July 15, 2020	100,000	98,633	108,500
Kirkland Lake Gold Inc., 6.000%, June 30, 2017 'Convertible Bond'	250,000	226,875	185,000
Element Financial Corporation, 5.125%, June 30, 2019 Convertible	200,000	200,000	217,720
Paramount Resources Limited, 7.625%, December 04, 2019	50,000	50,375	53,422
Videotron Limited, 7.125%, January 15, 2020	212,000	233,200	225,379
Total Canadian Bonds		1,096,208	1,084,501
U.S. Equities			
Energy			
BP Prudhoe Bay Royalty Trust	1,900	148,473	200,685
Kinder Morgan Inc.	3,100	111,356	120,000
MarkWest Energy Partners LP	4,300	257,964	328,587
Tesoro Logistics LP	1,000	44,368	78,359
		562,161	727,631
Industrials			
Norfolk Southern Corporation	500	40,977	54,995
TAL International Group Inc.	5,000	211,152	236,784
		252,129	291,779
Financials			
Education Realty Trust Inc.	24,000	263,741	275,174
Plum Creek Timber Company Inc.	8,500	421,494	409,247
WP Carey Inc.	4,400	298,774	302,502
		984,009	986,923
Information Technology			
Microsoft Corporation	5,000	142,748	222,585

EXEMPLAR YIELD FUND
SCHEDULE OF INVESTMENT PORTFOLIO
As at June 30, 2014
Unaudited

	Number of Shares/Par Value	Cost	Carrying Value
Telecommunication Services			
Verizon Communications Inc.	6,400	\$ 329,735	\$ 334,307
Total U.S. Equities		2,270,782	2,563,225
Global Equities			
Netherlands			
LyondellBasell Industries NV 'A'	1,300	113,660	135,521
Switzerland			
Nestle SA ADR	1,600	115,126	132,667
United Kingdom			
Royal Dutch Shell PLC 'A' - ADR	100	7,075	8,793
Total Global Equities		235,861	276,981
Total Positions Including Transaction Costs		8,236,688	8,715,767
Transaction Costs		(10,609)	-
Total Positions Before Transaction Costs		\$ 8,226,079	\$ 8,715,767

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

EXEMPLAR YIELD FUND
DISCUSSION OF NOTE 4: FINANCIAL INSTRUMENTS
JUNE 30, 2014
Unaudited

The investment objective of the Exemplar Yield Fund is to provide consistent and tax efficient monthly income and capital appreciation by investing in a diversified portfolio primarily consisting of Canadian equity, global equity, Canadian corporate bonds, income trusts and REITs.

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 management of these risks is carried out by the Manager and Portfolio Advisor 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 on page 40.

CREDIT RISK

The analysis below summarizes the credit quality of the Fund's debt portfolio at June 30, 2014, December 31, 2013 and January 1, 2013.

Credit Rating*	Percentage of total debt securities		
	As at June 30, 2014	As at December 31, 2013	As at January 1, 2013
BBB	27.2%	34.4%	44.4%
BB	30.8%	40.3%	55.6%
B	4.9%	6.1%	-
Not Rated	37.1%	19.2%	-
Total	100.0%	100.0%	100.0%

* Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Service. Where multiple ratings were obtained for a security, the lowest rating has been used.

LIQUIDITY RISK

All of the Fund's liabilities are typically due in less than 3 months.

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 June 30, 2014, December 31, 2013 and January 1, 2013, 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 assets are comprised of equities. Monetary assets include cash and other current receivables and payables.

June 30, 2014	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary
United States Dollar	\$205,540	\$2,840,205	\$3,045,745	\$20,554	\$284,020	\$304,574
% of net assets attributable to holders of redeemable units	2.2%	30.9%	33.1%	0.2%	3.1%	3.3%

December 31, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary
United States Dollar	\$10,797	\$3,466,146	\$3,476,943	\$1,080	\$346,614	\$347,694
% of net assets attributable to holders of redeemable units	0.1%	33.8%	33.9%	0.0%	3.4%	3.4%

January 1, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary
United States Dollar	\$132,427	\$2,723,718	\$2,856,145	\$13,243	\$272,372	\$285,615
% of net assets attributable to holders of redeemable units	1.6%	33.1%	34.7%	0.2%	3.3%	3.5%

B. INTEREST RATE RISK

The table below summarizes the Fund's exposure to interest rate risk as at June 30, 2014, December 31, 2013 and January 1, 2013. 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		
	June 30, 2014	December 31, 2013	January 1, 2013
1-3 years	\$185,000	\$-	\$-
3-5 years	217,720	162,500	-
Greater than 5 years	681,781	664,884	517,009
Total	\$1,084,501	\$827,384	\$517,009
Sensitivity:			
Total \$ sensitivity	\$3,539	\$2,178	\$1,204
Total % sensitivity	0.04%	0.02%	0.01%

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 objectives of the Fund, the Portfolio Advisor: (i) will actively manage the asset allocation of the Fund; (ii) will make concentrated investments primarily in Canadian equities, global equities, Canadian corporate bonds, income trusts and REITs; (iii) will invest up to 30% of the assets of the Fund in foreign securities; and (iv) may hold all or a portion of the Fund's assets in cash or money market securities while seeking investment opportunities or for defensive purposes.

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		
	June 30, 2014	December 31, 2013	January 1, 2013
5% Increase	\$381,563	\$447,321	\$339,348
5% Decrease	\$(381,563)	\$(447,321)	\$(339,348)

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:

Market Segment	% of net assets attributable to holders of redeemable units		
	June 30, 2014	December 31, 2013	January 1, 2013
Energy	16.5%	16.2%	6.7%
Basic Materials	6.9%	10.0%	11.9%
Consumer Staples	1.4%	2.0%	-
Consumer Discretionary	2.0%	1.8%	-
Industrials	11.7%	14.7%	16.4%
Financials	33.4%	28.7%	26.0%
Health Care	1.2%	-	-
Information Technology	4.3%	4.9%	9.8%
Telecommunication Services	4.1%	4.0%	6.7%
Utilities	1.6%	5.0%	5.0%
Canadian Bonds	11.8%	8.0%	6.3%

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 June 30, 2014, December 31, 2013 and January 1, 2013:

As at June 30, 2014	Level 1	Level 2	Level 3	Total
Financial assets				
Equities	\$7,631,266	-	-	\$7,631,266
Bonds	-	1,084,501	-	1,084,501
Total	\$7,631,266	\$1,084,501	-	\$8,715,767

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Equities	\$8,946,426	-	-	\$8,946,426
Bonds	-	827,384	-	827,384
Total	\$8,946,426	\$827,384	-	\$9,773,810

As at January 1, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Equities	\$6,786,961	-	-	\$6,786,961
Bonds	-	517,009	-	517,009
Total	\$6,786,961	\$517,009	\$-	\$7,303,970

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 Portfolio Advisor is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements if any. The Portfolio Advisor 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 June 30, 2014, December 31, 2013 and January 1, 2013, the Fund did not hold any level 3 financial instruments. There were no transfers between levels 1, 2 and 3 during the period.

a) Equities

The Fund's equity positions are all classified as Level 1 as each security is actively traded and a reliable price is observable.

b) Bonds

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.

Financial Instruments By Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the periods ended June 30, 2014 and 2013.

	Net realized gains /(losses)		Net unrealized gains /(losses)	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Financial assets at FVTPL:				
Designated as FVTPL	\$279,184	\$558,780	\$132,000	\$131,989

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

**EXEMPLAR PERFORMANCE FUND
STATEMENT OF FINANCIAL POSITION
Unaudited**

	<i>Note</i>	June 30, 2014
Assets		
Current assets		
Financial assets designated at fair value through profit or loss		\$ 1,544,436
Cash		2,548,044
Margin deposits		42,959
Subscriptions receivable		19,166
Receivable for securities sold		14,390
Dividends receivable		<u>1,580</u>
		<u>4,170,575</u>
Liabilities		
Current liabilities		
Financial liabilities held for trading		28,311
Accrued liabilities		
Fees and operating expenses payable	6	5,185
Performance fees payable	6	266
Payable for investments purchased		41,649
Dividends payable		<u>8</u>
		<u>75,419</u>
Net assets attributable to holders of redeemable units		
Series A		1,033,786
Series F		<u>3,061,370</u>
		\$ <u>4,095,156</u>
Number of units outstanding		
	5	
Series A		96,728
Series F		<u>285,900</u>
Net assets attributable to holders of redeemable units per unit		
Series A		\$ 10.69
Series F		<u>\$ 10.71</u>

Approved by the Board of Directors of Arrow Capital Management Inc.

"James L. McGovern"

James L. McGovern
Managing Director & CEO

"Robert W. Maxwell"

Robert W. Maxwell
Managing Director & CFO

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

EXEMPLAR PERFORMANCE FUND
STATEMENT OF COMPREHENSIVE INCOME
For the period from March 25, 2014 (date of commencement of operations) to June 30, 2014
Unaudited

Note

Income

Net gains on investments and derivatives

Interest for distribution purposes		\$	306
Dividend income			2,033
Dividend expense on short sales			(8)
Net realized gain on investments and derivatives			8,836
Net change in unrealized appreciation in value of investments and derivatives			99,167

Net gains on investments and derivatives

110,334

Other income items

Loss on foreign currency			(1,640)
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Total income (net)

108,694

Expenses

Management fees	6		4,364
Performance fees	6		235
Securityholder reporting costs			23,082
Audit fees			4,000
Legal fees			-
Independent review committee fees			2,559
Custodial fees			3,000
Withholding taxes			3
Harmonized sales taxes			867
Commissions and other portfolio transaction costs	6		676
Total expense before manager absorption			38,786
Less: expenses absorbed by manager			30,517

Total expense after manager absorption

8,269

Increase in net assets attributable to holders of redeemable units

100,425

Increase in net assets attributable to holders of redeemable units

7

Series A			24,105
Series F			76,320
		\$	<u>100,425</u>

Increase in net assets attributable to holders of redeemable units per unit

7

Series A		\$	0.75
Series F		\$	<u>0.87</u>

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

EXEMPLAR PERFORMANCE FUND
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS
For the period from March 25, 2014 (date of commencement of operations) to June 30, 2014
Unaudited

Net assets attributable to holders of redeemable units at beginning of period		
Series A		\$ -
Series F		-
		<u>-</u>
Increase in net assets attributable to holders of redeemable units		
Series A		24,105
Series F		76,320
		<u>100,425</u>
Redeemable unit transactions		
Proceeds from redeemable units issued		
Series A		1,009,681
Series F		3,289,796
		<u>4,299,477</u>
Redemption of redeemable units		
Series A		-
Series F		(304,746)
		<u>(304,746)</u>
Net increase from redeemable units transactions		<u>3,994,731</u>
Net increase in net assets attributable to holders of redeemable units		<u>4,095,156</u>
Net assets attributable to holders of redeemable units at end of period		
Series A		1,033,786
Series F		3,061,370
		<u>4,095,156</u>
		\$ <u>4,095,156</u>

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

**EXEMPLAR PERFORMANCE FUND
STATEMENT OF CASH FLOWS**

For the period from March 25, 2014 (date of commencement of operations) to June 30, 2014

Unaudited

Cash flows used in operating activities

Increase in net assets attributable to holders of redeemable units	\$ 100,425
Adjustments for:	
Loss on foreign currency	1,640
Net realized gain on investments	(8,836)
Net change in unrealized appreciation in value of investments and derivatives	(99,167)
(Increase) in margin deposits	(42,959)
(Increase) in dividends receivable	(1,580)
Increase in dividends payable	8
Increase in fees and operating expenses payable	5,185
Increase in performance fees payable	266
Purchase of investments	(1,523,630)
Proceeds from sales of investments	142,767
Net cash used in operating activities	<u>(1,425,881)</u>

Cash flows from financing activities

Proceeds from redeemable units issued	4,280,311
Amounts paid on redemption of redeemable units	(304,746)
Net cash from financing activities	<u>3,975,565</u>

Net increase (decrease) in cash

	<u>2,549,684</u>
Cash, beginning of period	-
Loss on foreign currency	(1,640)
Cash, end of period	<u>\$ 2,548,044</u>

Interest received*	\$ 306
Dividends received, net of withholding tax*	\$ 2,030
Dividends paid*	\$ (8)

*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 June 30, 2014
Unaudited**

	Number of Shares		Cost		Carrying Value
LONG POSITIONS					
Canadian Equities					
Consumer Discretionary					
AutoCanada Inc.	1,600	\$	134,810	\$	126,448
Amaya Gaming Group Inc.	2,600		28,584		60,086
Linamar Corp.	800		48,462		50,360
The Intertain Group Ltd.	7,100		46,359		48,493
easyhome Ltd.	1,000		19,516		19,950
Gildan Activewear Inc.	200		12,302		12,574
Cineplex Inc.	300		12,230		12,435
DHX Media Ltd.	1,400		8,612		9,394
			310,875		339,740
Consumer Staples					
Alimentation Couche Tard Inc.	900		26,447		26,307
High Liner Foods Inc.	900		19,790		21,870
			46,237		48,177
Energy					
Enerflex Ltd.	1,600		31,351		32,512
PrairieSky Royalty Ltd.	700		19,600		27,160
Canadian Natural Resources Ltd.	500		23,695		24,515
Keyera Corp.	310		22,778		24,369
Canadian Energy Services & Technology Corp.	600		19,908		20,052
Gibson Energy Inc.	500		15,440		17,020
Rock Energy Inc.	2,200		15,014		13,772
Bankers Petroleum Ltd.	2,000		13,183		13,640
Canyon Services Group Inc.	700		12,655		13,230
Raging River Exploration Inc.	1,100		11,644		11,935
Canacol Energy Ltd.	1,600		11,843		11,120
AltaGas Ltd.	200		9,056		9,816
Pembina Pipeline Corp.	200		8,787		9,182
RMP Energy Inc.	300		2,706		2,832
			217,660		231,155
Financials					
CI Financial Corp.	3,100		99,328		108,655
Element Financial Corp.	4,000		51,000		53,640
Royal Bank of Canada	500		37,463		38,140
Callidus Capital Corp.	1,200		16,800		21,480
Element Financial Corp.	1,200		15,375		16,176
TMX Group Ltd.	200		11,691		11,770
Tricon Capital Group Inc.	700		5,443		5,509
			237,100		255,370
Health Care					
Merus Labs International Inc.	40,000		68,000		94,000

EXEMPLAR PERFORMANCE FUND
SCHEDULE OF INVESTMENT PORTFOLIO
As at June 30, 2014
Unaudited

	Number of Shares	Cost	Carrying Value
Industrials			
Boyd Group Income Fund	900	\$ 38,702	\$ 39,348
Westjet Airlines Ltd.	1,200	31,230	31,440
MacDonald Dettwiler & Associates Ltd.	300	25,819	26,139
Newalta Corp.	1,000	21,173	21,430
Badger Daylighting Ltd.	600	21,332	21,090
Stantec Inc.	300	19,737	19,824
Canadian Pacific Railway Ltd.	100	19,134	19,331
DIRTT Environmental Solutions	5,000	13,000	17,700
CAE Inc.	200	2,850	2,792
		192,977	199,094
Information Technology			
Constellation Software Inc.	200	49,290	54,392
Avigilon Corp.	1,600	38,514	38,064
CGI Group Inc.	600	22,409	22,692
Sandvine Corp.	1,000	3,777	3,600
The Descartes Systems Group Inc.	100	1,470	1,529
		115,460	120,277
Basic Materials			
CCL Industries Inc.	700	73,375	71,925
Silver Wheaton Corp.	1,300	34,554	36,504
Osisko Gold Royalties Ltd.	700	11,023	11,235
First Quantum Minerals Ltd.	400	8,604	9,128
Canam Group Inc.	600	8,182	8,040
Lundin Mining Corp.	500	2,841	2,935
Primero Mining Corp.	200	1,623	1,710
		140,202	141,477
Telecommunication Services			
BCE Inc.	300	14,809	14,520
TELUS Corp.	200	8,134	7,954
		22,943	22,474
Total Canadian Equities - Long		1,351,454	1,451,764
U.S. Equities			
Consumer Staples			
Colgate-Palmolive Co.	200	14,839	14,525
Pinnacle Foods Inc.	400	14,096	14,017
		28,935	28,542
Financials			
Prudential Financial Inc.	100	9,757	9,455

EXEMPLAR PERFORMANCE FUND
SCHEDULE OF INVESTMENT PORTFOLIO
As at June 30, 2014
Unaudited

	Number of Shares	Cost	Carrying Value
Health Care			
Allergan Inc.	70	\$ 12,109	\$ 12,617
Telecommunication Services			
T-Mobile US Inc.	500	17,982	17,905
Utilities			
American Water Works Co Inc.	100	5,232	5,268
Total U.S. Equities - Long		74,015	73,787
Global Equities			
British Virgin Islands			
Michael Kors Holdings Ltd.	200	19,955	18,885
Total Long Positions Including Transaction Costs		1,445,424	1,544,436
Transaction Costs		(567)	-
Total Long Positions Before Transaction Costs		1,444,857	1,544,436
SHORT POSITIONS			
U.S. Equities			
Index Equivalent			
iShares Russell 2000 ETF	(200)	(25,059)	(25,310)
Powershares QQQ Trust	(30)	(2,837)	(3,001)
		(27,896)	(28,311)
Total Short Positions Including Transaction Costs		(27,896)	(28,311)
Transaction Costs		(3)	-
Total Short Positions Before Transaction Costs		(27,899)	(28,311)
TOTAL INVESTMENT PORTFOLIO		\$ 1,416,958	\$ 1,516,125

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

EXEMPLAR PERFORMANCE FUND
DISCUSSION OF NOTE 4: FINANCIAL INSTRUMENTS
JUNE 30, 2014
Unaudited

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.

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 and Portfolio Advisor 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 on page 40.

CREDIT RISK

As at June 30, 2014 the Fund had no investments in debt instruments and therefore was not subject to related credit risk.

LIQUIDITY RISK

All of the Fund's liabilities are typically due in less than 3 months, except performance fees which are accrued daily and payable annually on December 31.

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 June 30, 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 assets are comprised of equities. Monetary assets include cash and other current receivables and payables.

Currency	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	\$77,980	\$92,672	\$170,652	\$7,798	\$9,267	\$17,065
United States Dollar - Short	-	(28,311)	(28,311)	-	(2,831)	(2,831)
Total	\$77,980	\$64,361	\$142,341	\$7,798	\$6,436	\$14,234
% of net assets attributable to holders of redeemable units	1.9%	1.6%	3.5%	0.2%	0.2%	0.4%

B. INTEREST RATE RISK

As at June 30, 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, 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 Portfolio Advisor. 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 hold cash or invest in short term securities for the purpose of preserving capital and/or maintaining liquidity, based upon the Portfolio Advisor'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.

If market prices changed by 5%, the impact on net assets of the Fund would be an increase or decrease of \$75,806 (all other variables held constant).

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 June 30, 2014:

Market Segment	% of net assets attributable to holders of redeemable units	
	Long Positions	Short Positions
Energy	5.6%	-
Basic Materials	3.5%	-
Industrials	4.9%	-
Consumer Discretionary	8.8%	-
Consumer Staples	1.9%	-
Health Care	2.6%	-
Financials	6.5%	-
Index Equivalents	-	(0.7)%
Information Technology	2.9%	-
Telecommunication Services	1.0%	-

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 June 30, 2014:

	Level 1	Level 2	Level 3	Total
Financial assets				
Equities	\$1,544,436	-	-	\$1,544,436
Total	1,544,436	-	-	1,544,436
Financial liabilities				
Equities sold short	28,311	-	-	28,311
Total	\$28,311	-	-	\$28,311

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 Portfolio Advisor is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements if any. The Portfolio Advisor 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 June 30, 2014, the Fund did not hold any level 2 or level 3 financial instruments. There were no transfers between levels 1, 2 and 3 during the period.

The Fund's equity positions are all classified as Level 1 as each security is actively traded and a reliable price is observable.

Financial Instruments By Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the period ended June 30, 2014.

	Net realized gains/(losses)	Net unrealized gains/(losses)
Financial assets at FVTPL:		
Designated as FVTPL	\$8,836	\$99,579
Financial liabilities at FVTPL:		
HFT	-	(412)
Total	\$8,836	\$99,167

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

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

UNAUDITED

1. THE FUNDS

Exemplar Leaders Fund, Exemplar Yield Fund and Exemplar Performance 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 dated August 27, 2007, as amended from time to time (the "Declaration of Trust").

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

Prior to December 2, 2013, the manager and portfolio advisor of Exemplar Leaders Fund and Exemplar Yield Fund was BluMont Capital Corporation ("BluMont").

On December 2, 2013, Arrow acquired all the outstanding shares of BluMont, resulting in a change of control of BluMont. On April 1, 2014, Arrow and BluMont amalgamated, continuing under the name "Arrow Capital Management Inc.". At a special meeting of unitholders on November 27, 2013, the unitholders of the Funds approved a change of manager from BluMont to Arrow.

On March 6, 2014, Arrow launched the Exemplar Performance Fund which commenced operations on March 25, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation and Adoption of IFRS

These interim financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. The Funds adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Funds prepared their financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Handbook ("Canadian GAAP"). The Funds have consistently applied the accounting policies used in the preparation of their opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. 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.

Note 8 discloses the impact of the transition to IFRS on the Funds' reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Funds' financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of August 25, 2014, which is the date on which the interim financial statements were authorized for issue by the Manager. Any subsequent changes to IFRS that are given effect in the Funds annual financial statements for the year ending December 31, 2014 could result in restatement of these interim financial statements, including the transition adjustments recognized on transition to IFRS.

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 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 substantially similar to 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.

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.

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 as of the date of the event or change in circumstances giving rise to the transfer.

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 periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

e) Foreign Currency Translation

The 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 'Gain (loss) of foreign currency' and those relating to other financial assets and liabilities 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 is identified in that Fund's statement of financial position as 'Margin deposit'.

h) 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.

i) 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.

j) 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.

k) 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 units outstanding in that series during the period. Refer to Note 7 for the calculation.

l) 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 period 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.

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 4 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.

4. FINANCIAL INSTRUMENTS

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 (an addendum to Note 4 on pages 12, 23 and 34 of this report) for each Fund's specific risk disclosure.

(I) 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.

(II) 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 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.

(III) 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.

(IV) 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.

(V) 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.

(VI) 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). 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.

5. REDEEMABLE UNITS

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

Exemplar Leaders Fund – for the period ended June 30, 2014

	Redeemable units outstanding at beginning of the period	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding at end of the period
Series A	648,874	92,404	(43,527)	697,751
Series F	181,509	17,889	(4,600)	194,798

Exemplar Leaders Fund – for the period ended June 30, 2013

	Redeemable units outstanding at beginning of the period	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding at end of the period
Series A	640,599	49,392	(47,012)	642,979
Series F	164,685	9,278	(4,814)	169,149

Exemplar Yield Fund – for the period ended June 30, 2014

	Redeemable units outstanding at beginning of the period	Redeemable units issued	Units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of the period
Series A	533,469	78,138	9,505	(70,833)	550,279
Series F	187,233	441	3,547	(25,284)	165,937
Series I	220,993	-	2,905	(149,066)	74,832
Series L	22,998	18,450	449	(1,223)	40,674

Exemplar Yield Fund – for the period ended June 30, 2013

	Redeemable units outstanding at beginning of the period	Redeemable units issued	Units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of the period
Series A	539,036	20,264	8,901	(94,382)	473,819
Series F	52,664	9,536	890	(13,653)	49,437
Series I	203,495	-	3,842	(909)	206,428
Series L	23,043	11,849	193	(1,620)	33,465

Exemplar Performance Fund – for the period ended June 30, 2014

	Redeemable units outstanding at beginning of the period	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding at end of the period
Series A	-	96,728	-	96,728
Series F	-	314,439	28,539	285,900

6. 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 Yield Fund invests in units of the Exemplar Yield Fund. As of June 30, 2014, the number of units owned by the Arrow Yield Fund is summarized as follows:

Fund	Number of units	Amount (\$)	% of net assets attributable to holders of redeemable units
Exemplar Yield Fund – Series F	128,986	\$1,462,701	15.9%

As of June 30, 2014, the number of units owned by the Manager for each Fund is summarized as follows:

Fund	Number of units	Amount (\$)	% of net assets attributable to holders of redeemable units
Exemplar Yield Fund – Series A	4,451	\$48,649	0.5%
Exemplar Yield Fund – Series F	493	\$5,591	0.1%
Exemplar Performance Fund – Series A	500	\$5,345	0.1%
Exemplar Performance Fund – Series F	14,500	\$155,295	3.4%

As of December 31, 2013, the number of units owned by the Manager for each Fund is summarized as follows:

Fund	Number of units	Amount (\$)	% of net assets attributable to holders of redeemable units
Exemplar Yield Fund – Series A	4,365	\$45,938	0.5%
Exemplar Yield Fund – Series F	483	\$5,252	0.1%

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 Units	Series F Units	Series L Units
Exemplar Leaders Fund	1.80%	0.80%	n/a
Exemplar Yield Fund	2.00%	1.00%	2.25%
Exemplar Performance Fund	2.00%	1.00%	2.30%

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

In addition, the Funds (except in the case of Exemplar Yield 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 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.

Each Fund is responsible for all operating expenses incurred by or on behalf of that Fund. If the Manager provides any of these services, it shall be entitled to fees for such services not exceeding fees charged by arm’s length third parties for the provision of similar services.

Accrued management fees and performance fees (plus HST) included on the statement of financial positions are as follows:

	June 30, 2014		December 31, 2013		January 1, 2013	
	Management Fees	Performance Fees	Management Fees	Performance Fees	Management Fees	Performance Fees
Exemplar Leaders Fund	\$53,819	-	\$48,730	\$663,461	\$36,772	\$7,117
Exemplar Yield Fund	\$13,665	-	\$12,762	-	\$11,567	-
Exemplar Performance Fund	\$3,448	\$266	-	-	-	-

Brokerage Commissions

Total commissions paid to dealers for the period ended June 30, 2014 and 2013 in connection with portfolio transactions were as follows:

	June 30, 2014	June 30, 2013
Exemplar Leaders Fund	\$16,375	\$14,020
Exemplar Yield Fund	\$2,255	\$27,431
Exemplar Performance Fund	\$676	-

7. 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 periods ended June 30, 2014 and 2013 is calculated as follows:

June 30, 2014

	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the period	Increase (decrease) in net assets attributable to holders of redeemable units per unit
Exemplar Leaders Fund – Series A	\$1,190,596	676,818	\$1.76
Exemplar Leaders Fund – Series F	\$387,082	188,568	\$2.05
Exemplar Yield Fund – Series A	\$326,908	527,604	\$0.62
Exemplar Yield Fund – Series F	\$125,630	183,723	\$0.68
Exemplar Yield Fund – Series I	\$88,106	153,176	\$0.58
Exemplar Yield Fund – Series L	\$20,206	30,899	\$0.65
Exemplar Performance Fund – Series A	\$24,105	32,220	\$0.75
Exemplar Performance Fund – Series F	\$76,320	87,806	\$0.87

June 30, 2013

	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the period	Increase (decrease) in net assets attributable to holders of redeemable units per unit
Exemplar Leaders Fund – Series A	\$2,736,185	639,681	\$4.28
Exemplar Leaders Fund – Series F	\$715,501	169,207	\$4.23
Exemplar Yield Fund – Series A	\$491,319	494,726	\$0.99
Exemplar Yield Fund – Series F	\$52,776	51,039	\$1.03
Exemplar Yield Fund – Series I	\$230,714	204,455	\$1.13
Exemplar Yield Fund – Series L	\$29,070	31,289	\$0.93

8. TRANSITION TO IFRS

The effect of the Funds' transition to IFRS is summarized in this note as follows:

Transition Elections

The only voluntary exemption adopted by the Funds upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition (see Note 2) were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, *Investment Companies*.

Revaluation of Investments at FVTPL

Under Canadian GAAP, the Funds measured the fair values of their investments in accordance with Section 3855, Financial Instruments - Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Funds measure the fair values of their investments using the guidance in IFRS 13, Fair Value Measurement (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread.

Reconciliation of Equity and Comprehensive Income as Previously Reported Under Canadian GAAP to IFRS

Exemplar Leaders Fund

Equity	December 31, 2013	June 30, 2013	January 1, 2013
Equity as reported under Canadian GAAP	\$32,708,573	\$28,209,951	\$24,603,900
Revaluation of investments at FVTPL	116,673	179,500	111,345
Net assets attributable to holders of redeemable units	\$32,825,246	\$28,389,451	\$24,715,245

Comprehensive income	For the year ended December 31, 2013	For the 6 months ended June 30, 2013
Comprehensive income as reported under Canadian GAAP	\$7,182,280	\$3,383,531
Revaluation of investments at FVTPL	5,328	68,155
Increase (decrease) in net assets attributable to holders of redeemable units	\$7,187,608	\$3,451,686

Exemplar Yield Fund

Equity	December 31, 2013	June 30, 2013	January 1, 2013
Equity as reported under Canadian GAAP	\$10,236,482	\$8,265,858	\$8,210,845
Revaluation of investments at FVTPL	17,208	36,749	16,029
Net assets attributable to holders of redeemable units	\$10,253,690	\$8,302,607	\$8,226,874

Comprehensive income	For the year ended December 31, 2013	For the 6 months ended June 30, 2013
Comprehensive income as reported under Canadian GAAP	\$1,070,939	\$783,159
Revaluation of investments at FVTPL	1,179	20,720
Increase (decrease) in net assets attributable to holders of redeemable units	\$1,072,118	\$803,879

Classification of redeemable units issued by the Funds

Under Canadian GAAP, the Funds accounted for their redeemable units as equity. The features of each Fund's redeemable units are not identical and consequently the units do not meet the conditions to be classified as equity. As a result, each Fund's obligations for net assets attributable to holders of redeemable units are financial liabilities under IFRS, presented at the redemption amounts.

Statement of cash flows

Under Canadian GAAP, the Funds were exempt from providing a Statement of Cash Flows. IAS 1 requires that a Statement of Cash Flows to be presented as part of a complete set of financial statements. As such, the Funds have presented a Statement of Cash Flows in the interim financial statements for the periods ended June 30, 2014 and June 30, 2013.

9. 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.

FUND INFORMATION

MANAGER AND PRINCIPAL DISTRIBUTOR

Arrow Capital Management Inc.
36 Toronto Street
Suite 750
Toronto, ON M5C 2C5
Telephone: (416) 323-0477
Fax: (416) 323-3199
Toll Free: 1 (877) 327-6048

REGISTRAR

Citigroup Fund Services Canada, Inc.
100-5900 Hurontario Street
Mississauga, ON L5R 0E8

CUSTODIAN

RBC Investor Services Trust
155 Wellington Street West, 2nd Floor
Toronto, ON M5V 3L3

AUDITOR

PricewaterhouseCoopers LLP
PwC Tower
18 York Street, Suite 2600
Toronto, ON M5J 0B2

