



## **AUDITED ANNUAL FINANCIAL STATEMENTS**

**DECEMBER 2016**

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



# EXEMPLAR GROWTH AND INCOME FUND

## Statements of Financial Position

	As at December 31, 2016	As at December 31, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Financial assets designated at fair value through profit and loss	\$11,531,290	\$8,761,937
Financial assets held for trading		
Warrants at fair value	44,381	-
Unrealized gain on forward currency contracts	32,083	7,771
Cash	1,029,568	1,042,162
Margin deposit	419,457	-
Accrued dividends receivable	9,331	10,512
Receivable for securities sold	690,230	368,859
Receivable for units issued	49,760	-
	13,806,100	10,191,241
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Financial liabilities held for trading		
Investments sold short	63,855	-
Unrealized loss on forward currency contracts	-	22,648
Payable for securities purchased	674,127	556,057
Accrued dividends payable	227	-
Payable for units redeemed	18,360	9,467
Other liabilities ( <i>Note 11</i> )	21,043	15,124
	777,612	603,296
<b>Net assets attributable to holders of redeemable units</b>	<b>\$13,028,488</b>	<b>\$9,587,945</b>

*Continued on next page.*

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

# EXEMPLAR GROWTH AND INCOME FUND

## Statements of Financial Position

	As at December 31, 2016	As at December 31, 2015
<i>Continued from previous page.</i>		
Net assets attributable to holders of redeemable units		
Series A	\$3,849,743	\$3,822,151
Series AN	\$1,757,300	\$388,601
Series F	\$918,546	\$1,179,853
Series FN	\$5,196,260	\$3,225,373
Series I	\$927,236	\$835,903
Series L	\$265,948	\$84,886
Series LN	\$113,455	\$51,178
Number of redeemable units outstanding (Note 8)		
Series A	369,276	380,417
Series AN	168,085	38,453
Series F	88,998	118,491
Series FN	489,600	314,537
Series I	90,330	84,458
Series L	26,060	8,642
Series LN	10,852	5,062
Net assets attributable to holders of redeemable units per unit		
Series A	\$10.43	\$10.05
Series AN	\$10.45	\$10.11
Series F	\$10.32	\$9.96
Series FN	\$10.61	\$10.25
Series I	\$10.26	\$9.90
Series L	\$10.21	\$9.82
Series LN	\$10.45	\$10.11

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

“James L. McGovern”

“Robert W. Maxwell”

James L. McGovern, Director

Robert W. Maxwell, Director

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

# EXEMPLAR GROWTH AND INCOME FUND

## Statements of Comprehensive Income

For the year ended December 31, 2016 and for the period from March 24, 2015 (date of commencement of operations) to December 31, 2015

	2016 \$	2015 \$
<b>INCOME</b>		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	2,129	3,265
Dividend income	169,070	14,182
Dividend expense on short sales	(6,778)	-
Securities lending income (net) (Note 10)	693	-
Net realized gain (loss) on investments and derivatives	901,192	118,043
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	445,281	(32,840)
Net gains (losses) on investments and derivatives	1,511,587	102,650
Other income items:		
Interest on cash	3,979	679
Foreign exchange gain (loss)	(29,554)	(7,972)
Net change in unrealized foreign exchange gain (loss)	(868)	239
<b>Total income (net)</b>	<b>1,485,144</b>	<b>95,596</b>
<b>EXPENSES</b>		
Securityholder reporting fees	100,297	55,094
Management fees (Note 11)	158,391	34,871
Interest expense	2,369	-
Audit fees	17,943	16,001
Legal fees	6,468	11,118
Independent Review Committee fees	4,600	3,136
Custodial fees	37,869	24,245
Security borrowing expenses	1,766	-
Commissions and other portfolio transaction costs (Note 11)	88,713	20,631
Withholding tax expense	-	1,320
Harmonized sales tax	17,659	5,630
Total expenses before manager absorption	436,075	172,046
Less: expenses absorbed by manager (Note 11)	(121,606)	(101,161)
<b>Total expenses after manager absorption</b>	<b>314,469</b>	<b>70,885</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>1,170,675</b>	<b>24,711</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units (Note 13)</b>		
Series A	345,830	(13,573)
Series AN	102,596	726
Series F	143,453	21,994
Series FN	449,678	17,676
Series I	99,042	(2,266)
Series L	20,716	37
Series LN	9,360	117
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit (Note 13)</b>		
Series A	0.95	(0.22)
Series AN	1.09	0.03
Series F	1.09	0.29
Series FN	1.10	0.10
Series I	1.16	(0.03)
Series L	1.02	-
Series LN	1.04	0.08

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

# EXEMPLAR GROWTH AND INCOME FUND

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

For the year ended December 31, 2016 and for the period from March 24, 2015 (date of commencement of operations) to December 31, 2015

		2016	2015
		\$	\$
<b>Net assets attributable to holders of redeemable units at beginning of year / period</b>			
	Series A	3,822,151	-
	Series AN	388,601	-
	Series F	1,179,853	-
	Series FN	3,225,373	-
	Series I	835,903	-
	Series L	84,886	-
	Series LN	51,178	-
		<u>9,587,945</u>	<u>-</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>			
	Series A	345,830	(13,573)
	Series AN	102,596	726
	Series F	143,453	21,994
	Series FN	449,678	17,676
	Series I	99,042	(2,266)
	Series L	20,716	37
	Series LN	9,360	117
		<u>1,170,675</u>	<u>24,711</u>
<b>Distributions to holders of redeemable units</b>			
From net investment income	Series A	-	(1,125)
	Series AN	-	(115)
	Series F	-	(383)
	Series FN	-	(938)
	Series I	-	(251)
	Series L	-	(26)
	Series LN	-	(8)
		<u>-</u>	<u>(2,846)</u>
From net realized gains on investments and derivatives	Series A	(206,108)	(17,342)
	Series AN	(96,856)	(1,341)
	Series F	(72,430)	(28,987)
	Series FN	(330,507)	(23,318)
	Series I	(67,706)	(2,934)
	Series L	(12,473)	(1,294)
	Series LN	(5,917)	(88)
		<u>(791,997)</u>	<u>(75,304)</u>
Return of capital	Series A	-	(13,875)
	Series AN	-	-
	Series F	-	(4,721)
	Series FN	-	-
	Series I	-	(3,101)
	Series L	-	(318)
	Series LN	-	-
		<u>-</u>	<u>(22,015)</u>
<b>Total distributions to holders of redeemable units</b>		<u>(791,997)</u>	<u>(100,165)</u>

Continued on next page.

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

# EXEMPLAR GROWTH AND INCOME FUND

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

For the year ended December 31, 2016 and for the period from March 24, 2015 (date of commencement of operations) to December 31, 2015

		2016	2015
		\$	\$
<i>Continued from previous page.</i>			
<b>Redeemable unit transactions</b>			
Proceeds from redeemable units issued	Series A	332,213	3,973,277
	Series AN	1,350,811	415,142
	Series F	566,241	1,259,194
	Series FN	3,354,041	3,210,165
	Series I	-	838,169
	Series L	164,908	97,500
	Series LN	64,300	51,061
Reinvestments of distributions to holders of redeemable units	Series A	178,391	26,166
	Series AN	96,232	1,410
	Series F	65,986	32,756
	Series FN	328,661	24,060
	Series I	67,706	6,286
	Series L	7,911	963
	Series LN	4,862	96
Redemption of redeemable units	Series A	(622,734)	(131,377)
	Series AN	(84,084)	(27,221)
	Series F	(964,557)	(100,000)
	Series FN	(1,830,986)	(2,272)
	Series I	(7,709)	-
	Series L	-	(11,976)
	Series LN	(10,328)	-
<b>Net increase (decrease) from redeemable unit transactions</b>		<b>3,061,865</b>	<b>9,663,399</b>
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>3,440,543</b>	<b>9,587,945</b>
	Series A	3,849,743	3,822,151
	Series AN	1,757,300	388,601
	Series F	918,546	1,179,853
	Series FN	5,196,260	3,225,373
	Series I	927,236	835,903
	Series L	265,948	84,886
	Series LN	113,455	51,178
<b>Net assets attributable to holders of redeemable units at end of year / period</b>		<b>13,028,488</b>	<b>9,587,945</b>

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

# EXEMPLAR GROWTH AND INCOME FUND

## Statements of Cash Flows

For the year ended December 31, 2016 and for the period from March 24, 2015 (date of commencement of operations) to December 31, 2015

	2016	2015
	\$	\$
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	1,170,675	24,711
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	(2,062)	(239)
Net realized (gain) loss on investments and derivatives	(901,192)	(118,043)
Non-cash income from underlying funds	(69,721)	-
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	(445,281)	32,840
Purchase of investments	(106,110,608)	(31,968,621)
Proceeds on sale of investments	104,526,662	23,493,962
Decrease (increase) in accrued dividends receivable	1,181	(10,512)
Decrease (increase) in cash collateral received for securities on loan	-	-
Increase (decrease) in accrued dividends payable	227	-
Increase (decrease) in other liabilities	5,919	15,124
Decrease (increase) in margin deposit	(419,457)	-
<b>Net cash from (used in) operating activities</b>	<b>(2,243,657)</b>	<b>(8,530,778)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from redeemable units issued	5,664,094	9,844,508
Redemption of redeemable units	(3,392,845)	(263,379)
Distributions paid to holders of redeemable units, net of reinvested distributions	(42,248)	(8,428)
<b>Net cash from (used in) financing activities</b>	<b>2,229,001</b>	<b>9,572,701</b>
<b>Net Increase (decrease) in cash</b>	<b>(14,656)</b>	<b>1,041,923</b>
<b>Cash at beginning of the year / period</b>	<b>1,042,162</b>	<b>-</b>
Net change in unrealized foreign exchange gain (loss) on cash	2,062	239
<b>Cash at end of the year / period</b>	<b>1,029,568</b>	<b>1,042,162</b>
<b>Supplemental information:</b>		
Interest received*	6,108	3,944
Dividends received, net of withholding tax*	170,251	2,350
Interest paid*	2,369	-
*Included as part of cash flows from operating activities		

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



# EXEMPLAR GROWTH AND INCOME FUND

Schedule of Investment Portfolio – As at December 31, 2016

Equity Positions - Long		43.7%			
Security Name	Currency		Quantity	Average Cost	Fair Value
				\$	\$
<b>Consumer Discretionary</b>		<b>3.9%</b>			
Cogeco Communications Inc.*	CAD		500	32,097	33,120
DHX Media Ltd.	CAD		5,000	34,970	35,250
Diversified Royalty Corp.	CAD		40,000	98,390	102,800
Dunkin' Brands Group, Inc.*	USD		300	22,150	21,123
Expedia, Inc.	USD		150	23,344	22,814
J. C. Penney Company, Inc.	USD		1,400	16,472	15,620
Panera Bread Company	USD		200	57,151	55,073
Poydras Gaming Finance Corp.	CAD		96,500	50,970	59,830
Restaurant Brands International Inc.	CAD		1,100	71,167	70,345
Shaw Communications Inc.	CAD		3,000	79,069	80,820
Stingray Digital Group Inc.	CAD		2,000	16,808	17,420
				502,588	514,215
<b>Consumer Staples</b>		<b>4.3%</b>			
Altria Group, Inc.	USD		1,300	116,414	118,027
Campbell Soup Company	USD		1,300	95,701	105,547
Corby Spirit and Wine Limited*	CAD		3,500	72,132	78,085
GreenSpace Brands Inc.	CAD		40,000	47,917	50,400
Maple Leaf Foods Inc.	CAD		1,500	46,232	42,180
Mondelez International, Inc.	USD		1,300	77,109	77,376
Neptune Technologies & Bioresources Inc.	CAD		20,000	36,073	26,000
Village Farms International, Inc.*	CAD		14,900	23,230	20,115
Wal-Mart Stores, Inc.	USD		400	38,471	37,122
				553,279	554,852
<b>Energy</b>		<b>7.0%</b>			
AltaGas Ltd.	CAD		2,500	86,309	84,750
Birchcliff Energy Ltd.	CAD		5,600	54,042	52,472
Bonavista Energy Corporation	CAD		7,500	36,445	36,075
Cameco Corporation	CAD		5,500	76,781	77,220
Canadian Energy Services & Technology Corp.	CAD		4,000	30,156	30,640
Cardinal Energy Ltd.	CAD		4,000	38,724	42,360
Denison Mines Corp.	CAD		26,400	19,581	18,480
Navigator Holdings Limited	USD		2,000	25,716	24,973
Peyto Exploration & Development Corp.	CAD		1,000	34,494	33,210
PrairieSky Royalty Ltd.	CAD		3,100	97,386	99,014
RMP Energy Inc.	CAD		30,200	24,730	22,952
Spartan Energy Corp.	CAD		25,000	75,415	83,250
Tamarack Valley Energy Ltd.	CAD		10,000	34,701	34,600
Tourmaline Oil Corp.	CAD		3,000	110,541	107,730
TransCanada Corporation*	CAD		2,500	147,433	151,350
Trican Well Service Ltd.	CAD		4,000	18,114	18,400
				910,568	917,476
<b>Financials</b>		<b>2.5%</b>			
Brookfield Asset Management Inc.	CAD		3,000	137,156	132,900
Currency Exchange International, Corp.	CAD		1,100	35,524	33,660
ECN Capital Corp.	CAD		23,500	74,651	77,550
Onex Corporation	CAD		300	27,762	27,414
Power Corporation of Canada	CAD		2,000	60,467	60,100
				335,560	331,624

# EXEMPLAR GROWTH AND INCOME FUND

Schedule of Investment Portfolio – As at December 31, 2016

Equity Positions - Long		43.7%			
Security Name	Currency		Quantity	Average Cost	Fair Value
				\$	\$
<b>Health Care</b>		<b>2.6%</b>			
Allergan plc	USD		250	68,974	70,492
athenahealth, Inc.*	USD		300	47,269	42,362
Emblem Corp.	CAD		73,000	83,950	215,997
Merus Labs International Inc.	CAD		7,500	8,970	8,700
				<u>209,163</u>	<u>337,551</u>
<b>Industrials</b>		<b>5.3%</b>			
ATS Automation Tooling Systems Inc.	CAD		2,500	30,037	31,300
Badger Daylighting Ltd.	CAD		2,400	70,744	77,040
Brookfield Business Partners L.P.	CAD		3,000	96,831	96,780
Finning International Inc.	CAD		1,500	39,664	39,435
Lockheed Martin Corporation	USD		300	103,873	100,675
MacDonald, Dettwiler and Associates Ltd.	CAD		500	33,325	33,445
Northrop Grumman Corporation	USD		200	62,804	62,455
Raytheon Company	USD		300	60,101	57,197
SNC-Lavalin Group Inc.	CAD		1,300	70,750	75,127
Stantec Inc.	CAD		2,000	72,590	67,840
Univar Inc.	USD		400	14,073	15,236
WesternOne Inc.	CAD		25,100	32,982	35,140
				<u>687,774</u>	<u>691,670</u>
<b>Information Technology</b>		<b>4.9%</b>			
Adobe Systems Incorporated	USD		300	41,364	41,468
Alphabet Inc.	USD		100	108,541	106,398
BSM Technologies Inc.	CAD		25,000	30,503	36,500
DH Corporation	CAD		2,500	54,939	55,700
Micron Technology, Inc.	USD		2,300	61,471	67,691
Microsoft Corporation	USD		800	68,119	66,746
Pivot Technology Solutions, Inc.	CAD		11,500	18,277	19,665
Points International Ltd.*	CAD		3,000	32,082	30,810
Shopify Inc.	CAD		1,300	77,280	75,010
Silicon Motion Technology Corporation	USD		400	25,411	22,814
Skyworks Solutions, Inc.*	USD		200	20,863	20,048
Vecima Networks Inc.*	CAD		4,000	34,386	36,960
Xilinx, Inc.	USD		700	58,721	56,739
				<u>631,957</u>	<u>636,549</u>
<b>Materials</b>		<b>7.4%</b>			
Agrium Inc.	CAD		700	94,922	94,472
Albemarle Corporation	USD		600	66,269	69,345
AuRico Metals Inc.	CAD		17,900	17,109	18,079
Berry Plastics Group, Inc.	USD		500	34,122	32,714
CCL Industries Inc.	CAD		300	79,427	79,140
Detour Gold Corporation	CAD		2,000	38,466	36,580
EcoSynthetix Inc.	CAD		10,000	24,730	22,700
Franco-Nevada Corporation	CAD		1,500	122,781	120,420
Guyana Goldfields Inc.	CAD		12,500	59,905	76,500
Lithium Americas Corp.	CAD		129,100	95,224	103,280
Lundin Mining Corporation	CAD		10,000	71,090	64,000

# EXEMPLAR GROWTH AND INCOME FUND

Schedule of Investment Portfolio – As at December 31, 2016

Equity Positions - Long		43.7%			
Security Name	Currency		Quantity	Average Cost	Fair Value
				\$	\$
<b>Materials - Continued</b>					
Mandalay Resources Corporation	CAD		85,000	64,603	68,000
Mason Graphite Inc.	CAD		14,100	20,120	18,330
Polaris Materials Corporation	CAD		10,000	13,493	12,100
Silver Wheaton Corp.	CAD		1,200	37,309	31,128
Sociedad Quimica y Minera de Chile S.A.	USD		2,200	82,296	84,627
Tahoe Resources Inc.	CAD		2,000	28,965	25,300
Teranga Gold Corporation	CAD		16,800	17,640	13,776
				<u>968,471</u>	<u>970,491</u>
<b>Real Estate</b>					
American Hotel Income Properties REIT LP	CAD	3.0%	5,000	51,000	52,300
Cominar REIT	CAD		5,000	73,777	73,600
InterRent REIT	CAD		10,000	71,759	74,600
Milestone Apartments REIT	CAD		4,000	71,751	76,000
Pure Multi-Family REIT LP	CAD		6,000	47,425	49,740
StorageVault Canada Inc.	CAD		45,000	57,742	64,800
				<u>373,454</u>	<u>391,040</u>
<b>Telecommunication Services</b>					
TeraGo Inc.	CAD	0.2%	5,000	24,245	22,500
<b>Utilities</b>					
Alterra Power Corp.	CAD	2.6%	7,000	40,333	36,470
Brookfield Infrastructure Partners L.P.	USD		2,500	106,776	112,346
Global Water Resources, Inc.	CAD		3,000	31,766	36,330
Maxim Power Corp.	CAD		9,000	31,878	26,550
TransAlta Corporation	CAD		11,700	80,639	86,931
TransAlta Renewables Inc.	CAD		2,500	36,103	35,850
				<u>327,495</u>	<u>334,477</u>
				<u>5,524,554</u>	<u>5,702,445</u>

Equity Positions - Short		(0.5%)			
Security Name			Quantity	Proceeds	Fair Value
				\$	\$
<b>Financials</b>					
Equitable Group Inc.	CAD	(0.4%)	(800)	(43,922)	(48,368)
<b>Health Care</b>					
AMN Healthcare Services, Inc.	USD	(0.1%)	(300)	(12,564)	(15,487)
				<u>(56,486)</u>	<u>(63,855)</u>

# EXEMPLAR GROWTH AND INCOME FUND

Schedule of Investment Portfolio – As at December 31, 2016

Funds - Long		44.7%		
Security Name	Currency	Quantity	Average Cost \$	Fair Value \$
A&W Revenue Royalties Income Fund	CAD	1,000	33,817	37,170
Exemplar Performance Fund Class 'I' Units	CAD	227,887	2,343,443	2,458,746
Exemplar Tactical Corporate Bond Fund Class 'I' Units	CAD	96,477	968,273	950,792
Exemplar U.S. High Yield Fund Class 'I' Units	CAD	224,768	2,280,000	2,382,137
			<u>5,625,533</u>	<u>5,828,845</u>

Warrant Positions - Long		0.3%				
Security Name	Currency	Strike Price	Maturity Date	Quantity	Average Cost \$	Fair Value \$
Bank of America Corporation	USD	13.30	01-16-19	2,800	39,608	37,406
Osisko Gold Royalties Ltd	CAD	19.08	02-26-19	3,100	5,890	6,975
					<u>45,498</u>	<u>44,381</u>

Forward Currency Contracts		0.2%						
Currency Purchased	Notional Value	Currency Sold	Notional Value	Contract Rate	Maturity Date	Counterparty	Credit Rating	Fair Value \$
USD	400,000	CAD	(531,400)	0.75273	01-05-17	BNY Mellon	A1	5,653
USD	300,000	CAD	(395,207)	0.75910	01-05-17	BNY Mellon	A1	7,583
USD	500,000	CAD	(669,775)	0.74652	01-05-17	BNY Mellon	A1	1,542
CAD	538,384	USD	(400,000)	1.34596	01-05-17	BNY Mellon	A1	1,331
CAD	677,010	USD	(500,000)	1.35402	01-05-17	BNY Mellon	A1	5,694
CAD	407,286	USD	(300,000)	1.35762	01-05-17	BNY Mellon	A1	4,496
CAD	677,100	USD	(500,000)	1.35420	01-05-17	BNY Mellon	A1	5,784
								<u>32,083</u>

Investment Portfolio Summary		Average Cost / (Proceeds) \$		Fair Value \$
	%			
Equity Positions - Long	43.7	5,524,554	5,702,445	
Equity Positions - Short	(0.5)	(56,486)	(63,855)	
Funds - Long	44.7	5,625,533	5,828,845	
Warrant Positions - Long	0.3	45,498	44,381	
Forward Currency Contracts	0.2	-	32,083	
Total Investments	88.4	11,139,099	11,543,899	
Total Other Net Assets	11.6	-	1,484,589	
Total Net Assets	100.0	11,139,099	13,028,488	

\* Denotes all or part of securities on loan

# EXEMPLAR GROWTH AND INCOME FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the periods ended December 31, 2016 and 2015

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

### RISK MANAGEMENT

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

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

A general discussion of financial risk management for the Exemplar Funds appears as Note 5: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

### Credit Risk

The analysis below summarizes the credit quality of the Fund's debt portfolio at December 31, 2016 and 2015.

Credit Rating*	Percentage of total debt securities	
	As at December 31, 2016	As at December 31, 2015
	%	%
Below BBB	-	4.8
Not Rated	-	95.2
Total	-	100.0

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

The Fund may participate in securities lending up to a maximum of 50% of the aggregate net asset value of the Fund, excluding the collateral held in respect to such loans, and is exposed to counterparty risk on all such loans, if any. The credit risk related to the securities lending program is limited as the Fund holds a minimum collateral equal to 102% of the fair value of the loaned securities. The collateral and loaned securities are marked to market on each valuation date. All counterparties have a credit rating equivalent to a Moody's credit rating of not less than Aa3.

There are risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund. Therefore, the Fund should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

The Fund is exposed to counterparty credit risk on margin on deposit, cash held at the broker and receivables for securities sold. The Fund's brokerage agreement requires cash collateral up to 150% of the fair value of securities sold short. The Fund's prime brokerage services are provided by BMO Nesbitt Burns which has a credit rating of Aa3 (2015: Aa3) as rated by Moody's bond rating services. Cash collateral has been provided to BMO Nesbitt Burns in accordance with terms of derivative transaction agreements and is presented as "Margin deposits" in the Statement of Financial Position.

The Fund is exposed to counterparty credit risk on cash and other receivable balances. The Fund's broker and custodial services are provided by CIBC Mellon Trust Company which has a credit rating as rated by Moody's bond rating services of A1 (2015: Aa3).

The Fund is exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (2015: Aa1).

### Liquidity Risk

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

# EXEMPLAR GROWTH AND INCOME FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the periods ended December 31, 2016 and 2015

### 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 other currencies as at December 31, 2016 and 2015 in Canadian dollar terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to each of the other currencies, with all other variables held constant. Non-monetary items include equities, funds and warrants. Monetary items include cash and other current receivables and payables.

December 31, 2016			Impact on net assets attributable to holders of redeemable units			
Currency	Exposure			Monetary \$	Non-Monetary \$	Total \$
	Monetary \$	Non-Monetary \$	Total \$			
United States Dollar - Long	2,296,606	1,546,536	3,843,142	229,661	154,654	384,315
United States Dollar - Short	(2,748,178)	(15,487)	(2,763,665)	(274,818)	(1,549)	(276,367)
<b>Total</b>	<b>(451,572)</b>	<b>1,531,049</b>	<b>1,079,477</b>	<b>(45,157)</b>	<b>153,105</b>	<b>107,948</b>
% of net assets attributable to holders of redeemable units	(3.5%)	11.8%	8.3%	(0.3%)	1.2%	0.8%

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

#### (b) Interest Rate Risk

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2016 and 2015. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable units if the prevailing levels of market interest rates changed by 1.0%, assuming a parallel shift in the yield curve with all other variables held constant.

Term to Maturity	Total Exposure	
	December 31, 2016	December 31, 2015
Less than 1 year	\$ -	\$ -
1-3 years	-	72,848
3-5 years	-	-
Greater than 5 years	-	36,000
<b>Total</b>	<b>\$ -</b>	<b>\$ 108,848</b>
Sensitivity:		
Total \$ sensitivity to net assets attributable to holders of redeemable units	+/- \$ -	+/- \$ 2,870
Total % sensitivity to net assets attributable to holders of redeemable units	0.0%	0.0%

# EXEMPLAR GROWTH AND INCOME FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the periods ended December 31, 2016 and 2015

### (c) Price Risk

The Fund's policy is to manage price risk through diversification and selection of investments within specified limits established by the investment restrictions within the prospectus, as summarized below.

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

The Fund may invest in foreign securities to an extent that will vary from time to time but is not typically expected to exceed 40% of its assets at the time that foreign securities are purchased, however, as the Fund intends to invest certain of its assets in securities of other investment funds that may themselves invest in foreign securities, the actual exposure of the Fund to investments in foreign securities may exceed this amount.

As at December 31, 2016, the impact on net assets of the Fund due to a 5% change in market prices of equity and fund securities is \$575,591 (2015: \$432,654) (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 December 31, 2016 and 2015:

Market Segment	% of net assets attributable to holders of redeemable units					
	December 31, 2016			December 31, 2015		
	Long Positions	Short Positions		Long Positions	Short Positions	
	%	%	%	%	%	%
Consumer Discretionary	3.9	-		3.9	-	
Consumer Staples	4.3	-		4.5	-	
Corporate Bonds	-	-		1.1	-	
Energy	7.0	-		1.1	-	
Financials	2.5	(0.4)		3.7	-	
Funds	44.7	-		66.6	-	
Health Care	2.6	(0.1)		0.8	-	
Industrials	5.3	-		1.5	-	
Information Technology	4.9	-		3.9	-	
Materials	7.4	-		1.5	-	
Real Estate	3.0	-		1.5	-	
Telecommunication Services	0.2	-		0.9	-	
Utilities	2.6	-		0.4	-	
Derivatives	0.5	-		-	-	(0.2)
Total	88.9	(0.5)		91.4	-	(0.2)

### FAIR VALUE MEASUREMENT

A general discussion of fair value measurement for the Exemplar Funds appears as Note 6: FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT.

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2016 and 2015:

# EXEMPLAR GROWTH AND INCOME FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the periods ended December 31, 2016 and 2015

December 31, 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Equities	5,702,445	-	-	5,702,445
Funds	37,170	5,791,675	-	5,828,845
Derivatives	44,381	32,083	-	76,464
<b>Total</b>	<b>5,783,996</b>	<b>5,823,758</b>	-	<b>11,607,754</b>
<b>Financial liabilities</b>				
Equities sold short	(63,855)	-	-	(63,855)
<b>Total</b>	<b>(63,855)</b>	-	-	<b>(63,855)</b>

December 31, 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Assets</b>				
Equities	2,265,579	-	-	2,265,579
Fixed income	-	108,848	-	108,848
Funds	381,211	6,006,299	-	6,387,510
Derivatives	-	7,771	-	7,771
<b>Total</b>	<b>2,646,790</b>	<b>6,122,918</b>	-	<b>8,769,708</b>
<b>Liabilities</b>				
Derivatives	-	(22,648)	-	(22,648)
<b>Total</b>	-	<b>(22,648)</b>	-	<b>(22,648)</b>

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as level 1 subsequently ceases to be actively traded, it is transferred out of level 1. In such cases, instruments are reclassified into level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as level 3.

The Manager is responsible for performing the fair value measurements included in the financial statements of the Fund, including level 3 measurements if any. The Manager obtains pricing from a third party pricing vendor which is monitored and reviewed daily by the finance department. In addition, at each financial reporting date, the Manager reviews and approves all level 3 fair value measurements, if applicable.

### a) Equities and Funds

The Fund's equity positions and some investments in funds are classified as level 1 as the securities are actively traded on a recognized exchange and a quoted price is available. Other investments in funds are classified as level 2.

### b) Bonds

The Fund's bond holdings are comprised of Canadian and US bonds. Bond pricing is obtained from bid and ask prices provided by independent security pricing services or recognized investment dealers. Bond prices may be derived by using models which include inputs such as interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Fund's bonds have been classified as Level 2.

### c) Derivatives

Derivatives consist of warrants and forward currency contracts. Warrants which trade on recognized exchanges are classified as level 1. Other 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



# EXEMPLAR GROWTH AND INCOME FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the periods ended December 31, 2016 and 2015

observable, the warrant is classified as level 2. Forward currency contracts are valued based primarily on the contract notional amount and the difference between the contract rate and the forward market rate for the same currency, adjusted for counterparty risk. Forward currency contracts are classified as Level 2.

As at December 31, 2016, the Fund did not hold any level 3 financial instruments. There were no transfers between levels 1, 2 and 3 during the years ending December 31, 2016 and 2015.

### Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2016 and 2015.

December 31, 2016	Net realized gains / (losses)	Net change in unrealized gains / (losses)	Interest income	Interest expense	Dividend income	Dividend expense	Securities lending income	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets at FVTPL:								
Designated as FVTPL	963,524	406,807	2,129	-	169,070	-	693	1,542,223
HFT	10,852	32,083	-	-	-	-	-	42,935
	974,376	438,890	2,129	-	169,070	-	693	1,585,158
Financial liabilities at FVTPL:								
HFT	(73,184)	6,391	-	-	-	(6,778)	-	(73,571)
Total	901,192	445,281	2,129	-	169,070	(6,778)	693	1,511,587

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

# EXEMPLAR INVESTMENT GRADE FUND

## Statements of Financial Position

	As at December 31, 2016	As at December 31, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Financial assets designated at fair value through profit and loss	\$57,282,929	\$53,339,712
Financial assets held for trading		
Options at fair value - long	105,735	256,208
Unrealized gain on swap contracts	463,424	-
Unrealized gain on futures contracts - long	-	7,700
Unrealized gain on futures contracts - short	282,896	7,569
Unrealized gain on forward currency contracts	579	2,070
Cash	2,992,269	1,103,829
Margin deposits	1,075,998	2,823,987
Accrued dividends receivable	11,785	11,900
Accrued interest receivable	423,896	407,184
Receivable for securities sold	124,451	-
Receivable for redeemable units issued	275,441	56,138
	63,039,403	58,016,297
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Financial liabilities held for trading		
Options at fair value - short	23,893	-
Unrealized loss on swap contracts	153,188	775,410
Unrealized loss on futures contracts - long	106,435	100,164
Unrealized loss on futures contracts - short	4,510	418,757
Margin loan	296,921	286,042
Payable for securities purchased	-	189,073
Accrued interest payable	8,859	14,848
Payable for redeemable units redeemed	191,934	34,764
Other liabilities (Note 11)	65,156	60,181
	850,896	1,879,239
<b>Net assets attributable to holders of redeemable units</b>	<b>\$62,188,507</b>	<b>\$56,137,058</b>
Net assets attributable to holders of redeemable units		
Series A	\$14,183,535	\$14,295,352
Series AI	\$2,549,060	\$1,801,322
Series AN	\$3,180,116	\$1,990,671
Series F	\$34,960,710	\$34,249,772
Series FI	\$4,103,761	\$2,308,105
Series FN	\$3,149,854	\$1,429,487
Series I	\$5,266	-
Series G	\$56,205	\$62,349

Continued on next page.

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

# EXEMPLAR INVESTMENT GRADE FUND

## Statements of Financial Position

	As at December 31, 2016	As at December 31, 2015
<i>Continued from previous page.</i>		
Number of redeemable units outstanding (Note 8)		
Series A	1,459,186	1,526,674
Series AI	274,643	197,676
Series AN	314,815	205,057
Series F	3,554,196	3,627,975
Series FI	436,032	251,235
Series FN	311,722	147,719
Series I	506	-
Series G	4,176	4,691
Net assets attributable to holders of redeemable units per unit		
Series A	\$9.72	\$9.36
Series AI	\$9.28	\$9.11
Series AN	\$10.10	\$9.71
Series F	\$9.84	\$9.44
Series FI	\$9.41	\$9.19
Series FN	\$10.10	\$9.68
Series I	\$10.41	-
Series G USD	\$10.02	\$9.60
USD/CAD Foreign Exchange Rate	0.7448	0.7225

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

“James L. McGovern”

James L. McGovern, Director

“Robert W. Maxwell”

Robert W. Maxwell, Director

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

# EXEMPLAR INVESTMENT GRADE FUND

## Statements of Comprehensive Income For the years ended December 31,

	2016 \$	2015 \$
<b>INCOME</b>		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	2,184,149	2,235,739
Interest expense on short sales	(69,579)	(8,521)
Dividend income	214,828	11,900
Securities lending income (net) (Note 10)	2,264	-
Net realized gain (loss) on investments and derivatives	137,227	(1,437,047)
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	2,131,243	(1,659,270)
Net gains (losses) on investments and derivatives	4,600,132	(857,199)
Other income items:		
Interest on cash	5,734	2,721
Foreign exchange gain (loss)	(93,355)	77,765
Net change in unrealized foreign exchange gain (loss)	(56,335)	42,847
<b>Total income (net)</b>	<b>4,456,176</b>	<b>(733,866)</b>
<b>EXPENSES</b>		
Securityholder reporting fees	223,394	165,168
Management fees (Note 11)	522,627	563,315
Interest expense	2,680	1,317
Audit fees	19,272	16,999
Legal fees	6,945	16,574
Independent Review Committee fees	4,600	4,458
Custodial fees	16,878	13,778
Commissions and other portfolio transaction costs (Note 11)	15,900	8,286
Commissions on Futures (Note 11)	28,164	15,028
Harmonized sales tax	45,155	58,081
Total expense before manager absorption	885,615	863,004
Less: expenses absorbed by manager (Note 11)	(163,537)	(98,183)
<b>Total expenses after manager absorption</b>	<b>722,078</b>	<b>764,821</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>3,734,098</b>	<b>(1,498,687)</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units (Note 13)</b>		
Series A	937,545	(382,139)
Series AI	140,859	(53,988)
Series AN	184,880	(61,973)
Series F	2,095,711	(901,010)
Series FI	209,169	(46,146)
Series FN	153,018	(55,355)
Series I	10,665	-
Series G	2,251	1,924
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit (Note 13)</b>		
Series A	0.63	(0.26)
Series AI	0.64	(0.25)
Series AN	0.71	(0.48)
Series F	0.67	(0.23)
Series FI	0.65	(0.20)
Series FN	0.76	(0.49)
Series I	0.89	-
Series G	0.49	0.58

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

# EXEMPLAR INVESTMENT GRADE FUND

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

		2016 \$	2015 \$
<b>Net assets attributable to holders of redeemable units at beginning of year</b>			
	Series A	14,295,352	13,673,397
	Series AI	1,801,322	1,935,980
	Series AN	1,990,671	-
	Series F	34,249,772	20,079,021
	Series FI	2,308,105	2,115,804
	Series FN	1,429,487	139,684
	Series I	-	-
	Series G	62,349	-
		<u>56,137,058</u>	<u>37,943,886</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>			
	Series A	937,545	(382,139)
	Series AI	140,859	(53,988)
	Series AN	184,880	(61,973)
	Series F	2,095,711	(901,010)
	Series FI	209,169	(46,146)
	Series FN	153,018	(55,355)
	Series I	10,665	-
	Series G	2,251	1,924
		<u>3,734,098</u>	<u>(1,498,687)</u>
<b>Distributions to holders of redeemable units</b>			
From net investment income	Series A	(174,385)	(118,335)
	Series AI	(27,654)	(19,228)
	Series AN	(30,622)	(12,121)
	Series F	(437,458)	(674,931)
	Series FI	(52,332)	(31,554)
	Series FN	(39,398)	(14,621)
	Series I	(64)	-
	Series G	(882)	(443)
		<u>(762,795)</u>	<u>(871,233)</u>
From net realized gains on investments and derivatives	Series A	(251,232)	-
	Series AI	(37,310)	-
	Series AN	(58,182)	-
	Series F	(538,981)	-
	Series FI	(53,593)	-
	Series FN	(54,551)	-
	Series I	(88)	-
	Series G	(836)	-
		<u>(994,773)</u>	<u>-</u>
Return of capital	Series A	-	(325,421)
	Series AI	(35,116)	(85,885)
	Series AN	-	-
	Series F	-	(516,124)
	Series FI	(37,830)	(79,336)
	Series FN	-	-
	Series I	-	-
	Series G	-	(111)
		<u>(72,946)</u>	<u>(1,006,877)</u>
<b>Total distributions to holders of redeemable units</b>		<u>(1,830,514)</u>	<u>(1,878,110)</u>

Continued on next page.

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

# EXEMPLAR INVESTMENT GRADE FUND

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

		2016 \$	2015 \$
<i>Continued from previous page.</i>			
<b>Redeemable unit transactions</b>			
Proceeds from redeemable units issued	Series A	4,377,618	7,076,992
	Series AI	1,034,447	929,078
	Series AN	1,548,014	2,127,803
	Series F	19,445,259	33,609,854
	Series FI	2,413,642	1,004,993
	Series FN	1,934,790	2,596,979
	Series I	505,016	-
	Series G	33,591	60,481
Reinvestments of distributions to holders of redeemable units	Series A	286,275	305,200
	Series AI	29,126	41,828
	Series AN	86,756	11,907
	Series F	481,194	568,654
	Series FI	39,229	53,362
	Series FN	78,049	14,545
	Series I	152	-
	Series G	1,089	498
Redemption of redeemable units	Series A	(5,287,638)	(5,934,342)
	Series AI	(356,614)	(946,463)
	Series AN	(541,401)	(74,945)
	Series F	(20,334,787)	(17,915,692)
	Series FI	(722,629)	(709,018)
	Series FN	(351,541)	(1,251,745)
	Series I	(510,415)	-
	Series G	(41,357)	-
<b>Net increase (decrease) from redeemable unit transactions</b>		<b>4,147,865</b>	<b>21,569,969</b>
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>6,051,449</b>	<b>18,193,172</b>
	Series A	14,183,535	14,295,352
	Series AI	2,549,060	1,801,322
	Series AN	3,180,116	1,990,671
	Series F	34,960,710	34,249,772
	Series FI	4,103,761	2,308,105
	Series FN	3,149,854	1,429,487
	Series I	5,266	-
	Series G	56,205	62,349
<b>Net assets attributable to holders of redeemable units at end of year</b>		<b>62,188,507</b>	<b>56,137,058</b>

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

# EXEMPLAR INVESTMENT GRADE FUND

## Statements of Cash Flows For the years ended December 31,

	2016 \$	2015 \$
		(Revised - Note 3)
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	3,734,098	(1,498,687)
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	(55,919)	(60,386)
Net realized (gain) loss on investments and derivatives	(137,227)	1,437,047
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	(2,131,243)	1,659,270
Purchase of investments	(336,928,656)	(206,848,928)
Proceeds on sale of investments and derivatives	333,354,993	184,734,261
Decrease (increase) in accrued interest receivable	(16,712)	(76,357)
Decrease (increase) in accrued dividend receivable	115	(11,900)
Increase (decrease) in accrued interest payable	(5,989)	14,848
Increase (decrease) in other liabilities	4,975	14,720
Decrease (increase) in margin deposits	1,747,989	(2,168,737)
<b>Net cash from (used in) operating activities</b>	(433,576)	(22,804,849)
<b>Cash flows from (used in) financing activities</b>		
Proceeds from redeemable units issued	28,773,760	46,125,254
Redemption of redeemable units	(25,689,898)	(25,257,046)
Distributions paid to holders of redeemable units, net of reinvested distributions	(828,644)	(882,116)
Increase (decrease) in margin loan	10,879	193,791
<b>Net cash from (used in) financing activities</b>	2,266,097	20,179,883
<b>Net Increase (decrease) in cash</b>	1,832,521	(2,624,966)
<b>Cash at beginning of the year</b>	1,103,829	3,668,409
Net change in unrealized foreign exchange gain (loss) on cash	55,919	60,386
<b>Cash at end of the year</b>	2,992,269	1,103,829
<b>Supplemental information:</b>		
Interest received*	2,173,171	2,162,103
Dividends received*	214,943	-
Interest and dividends paid*	78,248	13,531

\*Included as part of cash flows from operating activities

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

# EXEMPLAR INVESTMENT GRADE FUND

Schedule of Investment Portfolio – As at December 31, 2016

Equity Positions - Long		11.6%			
Security Name	Currency	Quantity	Average Cost	Fair Value	
			\$	\$	
<b>Energy</b>		<b>4.2%</b>			
Enbridge Inc.	CAD	40,273	614,454	648,395	
Enbridge Inc.	USD	19,746	501,779	591,217	
TransCanada Corp - Preferred Series 15	CAD	45,000	1,125,000	1,145,700	
TransCanada Corp - Preferred Series 13	CAD	7,900	197,500	210,614	
			2,438,733	2,595,926	
<b>Financials</b>		<b>7.4%</b>			
Bank of Montreal - Preferred Series 25	CAD	33,100	697,690	690,135	
Bank of Montreal - Preferred Series 38	CAD	36,000	907,650	929,160	
The Bank of Nova Scotia	CAD	37,000	738,091	775,520	
Manulife Financial Corporation	CAD	78,000	1,945,590	1,965,600	
The Toronto-Dominion Bank	CAD	11,000	261,978	271,865	
			4,550,999	4,632,280	
			6,989,732	7,228,206	

Funds - Long		2.7%			
Security Name	Currency	Quantity	Average Cost	Fair Value	
			\$	\$	
BMO Laddered Preferred Share Index ETF	CAD	159,000	1,576,915	1,701,300	

Fixed Income Positions - Long		77.8%				
Security Name	Currency	Coupon Rate	Maturity Date	Par Value	Average Cost	Fair Value
		%			\$	\$
Aon Finance N.S. 1, ULC	CAD	4.76	03-08-18	700,000	750,638	725,879
AT&T Inc.	CAD	3.83	11-25-20	3,118,000	3,331,564	3,287,837
Bank of America Corporation	CAD	3.23	06-22-22	1,616,000	1,616,000	1,662,040
Bank of Montreal	CAD	3.34	12-08-25	1,220,000	1,243,412	1,244,522
Bank of Montreal	CAD	3.32	06-01-26	2,590,000	2,633,090	2,632,580
Bruce Power L.P.	CAD	2.84	06-23-21	1,128,000	1,128,000	1,148,169
Canadian Imperial Bank of Commerce	CAD	3.42	01-26-26	2,546,000	2,603,410	2,595,520
Central 1 Credit Union	CAD	1.52	11-21-18	2,000,000	2,000,000	2,004,500
Fairfax Financial Holdings Limited	CAD	4.70	12-16-26	1,500,000	1,495,035	1,516,965
First Capital Realty Inc.	CAD	5.60	04-30-20	2,059,000	2,313,904	2,275,648
Ford Credit Canada Limited	CAD	3.14	06-14-19	2,364,000	2,435,304	2,424,093
The Goldman Sachs Group, Inc.	CAD	3.55	02-12-21	2,546,000	2,700,185	2,668,055
The Goldman Sachs Group, Inc.	CAD	5.20	04-19-22	684,000	670,320	675,347
Manulife Bank of Canada	CAD	1.50	06-01-18	2,500,000	2,500,000	2,506,600
Merrill Lynch & Co., Inc.	CAD	5.29	05-30-22	513,000	505,305	506,859
Northgroup Preferred Capital Corporation	USD	6.38	01-29-49	3,161,000	4,128,652	4,244,117
Penske Truck Leasing Canada Inc.	CAD	3.65	02-01-18	1,000,000	1,038,100	1,019,450
RioCan REIT	CAD	2.19	08-26-20	1,441,000	1,443,439	1,433,982
Royal Bank of Canada	CAD	3.04	07-17-24	1,523,000	1,541,367	1,539,844



# EXEMPLAR INVESTMENT GRADE FUND

Schedule of Investment Portfolio – As at December 31, 2016

Fixed Income Positions - Long							77.8%
Security Name	Currency	Coupon Rate %	Maturity Date	Par Value	Average Cost \$	Fair Value \$	
Royal Bank of Canada	CAD	3.31	01-20-26	818,000	831,505	831,072	
Shaw Communications Inc.	CAD	5.65	10-01-19	1,740,000	1,924,805	1,900,150	
TELUS Corporation	CAD	5.05	07-23-20	3,000,000	3,350,400	3,308,040	
TransCanada Pipelines Ltd.	CAD	9.45	03-20-18	1,467,000	1,799,598	1,602,645	
TransCanada Pipelines Ltd.	USD	6.35	05-15-67	1,839,000	1,785,829	2,067,899	
Videotron Ltd.	CAD	6.88	07-15-21	2,446,000	2,609,177	2,531,610	
					<u>48,379,039</u>	<u>48,353,423</u>	

Option Positions - Long							0.2%
Security Name	Currency	Strike Price \$	Expiry Date	Contracts	Average Cost \$	Fair Value \$	
BMO S&P/TSX Equal Weight Banks	CAD	18.00	01-21-17	1,613	148,396	1,613	
Enbridge Inc.	CAD	30.00	01-20-18	706	303,227	11,296	
iShares S&P/TSX 60 Index ETF	CAD	20.50	01-21-17	2,136	73,692	3,204	
S&P 500 Emini FUT (CME) Mar 17	USD	2,130.00	03-18-17	50	82,933	89,622	
					<u>608,248</u>	<u>105,735</u>	

Option Positions - Short							(0.0%)
Security Name	Currency	Strike Price	Expiry Date	Contracts	Proceeds \$	Fair Value \$	
iShares S&P/TSX 60 Index ETF	CAD	18.50	01-21-17	(2,136)	(18,156)	(1,068)	
S&P 500 Emini FUT (CME) Mar 17	USD	1910.00	03-18-17	(50)	(20,058)	(22,825)	
					<u>(38,214)</u>	<u>(23,893)</u>	

Futures Contracts - Long							Unrealized
Security Name	Currency	Contracts	Contract Size	Expiry Date	Notional Value	Gain / Loss \$	
<b>Interest Rate Futures</b>							<b>(0.1%)</b>
90DAY EURODOLLAR FUTURE (CME)	USD	172	2,500	03-13-17	42,552,800	(34,640)	
<b>Currency Futures</b>							<b>(0.1%)</b>
CANADIAN DOLLAR FUTURES (CME)	USD	83	1,000	03-14-17	6,176,445	<u>(71,795)</u>	
						<u>(106,435)</u>	

# EXEMPLAR INVESTMENT GRADE FUND

Schedule of Investment Portfolio – As at December 31, 2016

Futures Contracts - Short		0.4%				Unrealized
Security Name	Currency	Contracts	Contract Size	Expiry Date	Notional Value	Gain / Loss
						\$
<b>Interest Rate Futures</b>		<b>0.4%</b>				
90DAY EURODOLLAR FUTURE (CME)	USD	(172)	2,500	03-19-18	(42,294,800)	282,896
<b>Bond Futures</b>		<b>(0.0%)</b>				
CANADA 10YR BOND FUTURE (MSE)	CAD	(11)	1,000	03-22-17	(1,512,830)	(4,510)
						<u>278,386</u>

Swap Positions		0.5%			Unrealized
Security Name	Currency		Notional Value	Average Cost / (Proceeds)	Gain / (Loss)
					\$
CDS BP CANADIAN NATURAL RESOURCES LIMITED	USD	Credit Default Swap	1,000,000	102,230	12,133
CDS ENBCN 100 12/21 US	USD	Credit Default Swap	3,556,000	(242,861)	(106,385)
IRS R CDOR03 P 1.657	CAD	Interest Rate Swap	2,000,000	-	(15,631)
IRS R CDOR03 P1.5925	CAD	Interest Rate Swap	5,596,000	-	(31,172)
IRS R CDOR3M P .8619	CAD	Interest Rate Swap	7,720,000	-	72,898
IRS R CDOR3M P .9091	CAD	Interest Rate Swap	15,360,000	-	378,393
				<u>(140,631)</u>	<u>310,236</u>

Forward Currency Contracts		0.0%						
Currency Purchased	Notional Value	Currency Sold	Notional Value	Contract Rate	Maturity Date	Counterparty	Credit Rating	Fair Value
								\$
USD	41,000	CAD	(54,469)	0.75273	01-05-17	BNY Mellon	A1	579

Investment Portfolio Summary		Average Cost / (Proceeds)	Fair Value
		\$	\$
Equity Positions - Long	11.6	6,989,732	7,228,206
Funds - Long	2.7	1,576,915	1,701,300
Fixed Income Positions - Long	77.8	48,379,039	48,353,423
Option Positions - Long	0.2	608,248	105,735
Futures Contracts - Long	(0.2)	-	(106,435)
Futures Contracts - Short	0.4	-	278,386
Options Positions - Short	(0.0)	(38,214)	(23,893)
Swap Positions	0.5	(140,631)	310,236
Forward Currency Contracts	0.0	-	579
Total Investments	<u>93.0</u>	<u>57,375,089</u>	<u>57,847,537</u>
Total Other Net Assets	<u>7.0</u>	<u>-</u>	<u>4,340,970</u>
Total Net Assets	<u>100.0</u>	<u>57,375,089</u>	<u>62,188,507</u>

# EXEMPLAR INVESTMENT GRADE FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

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

### RISK MANAGEMENT

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

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

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

A general discussion of financial risk management for the Exemplar Funds appears as Note 5: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

### Credit Risk

The analysis below summarizes the credit quality of the Fund's debt portfolio at December 31, 2016 and 2015.

Credit Rating*	Percentage of total long debt securities	
	As at December 31, 2016	As at December 31, 2015
	%	%
AA	-	6.7
A	26.9	7.1
BBB	67.9	59.9
Below BBB	5.2	15.4
Not Rated	-	11.0
Total	100.0	100.0

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

The Fund is exposed to counterparty credit risk on swaps and futures contracts. The counterparties to the Fund's swaps are Bank of America and JP Morgan Chase & Co. which have credit ratings as rated by Moody's bond rating services of Baa1 and A3, respectively (2015: Baa1 and A3, respectively). Futures contracts are exchange traded. Cash collateral has been provided to JP Morgan Chase & Co. in accordance with terms of derivative transaction agreements and is presented as "Margin deposits" in the Statement of Financial Position.

The Fund is exposed to counterparty credit risk on cash, margin deposits and other receivable balances. The Fund's broker and custodial services are provided by CIBC Mellon Trust Company which has a credit rating as rated by Moody's bond rating services of A1 (2015: Aa3).

The Fund is exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (2015: Aa1).

The Fund may participate in securities lending up to a maximum of 50% of the aggregate net asset value of the Fund, excluding the collateral held in respect to such loans, and is exposed to counterparty risk on all such loans, if any. The credit risk related to the securities lending program is limited as the Fund holds a minimum collateral equal to 102% of the fair value of the loaned securities. The collateral and loaned securities are marked to market on each valuation date.

There are risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund. Therefore,

# EXEMPLAR INVESTMENT GRADE FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

the Fund should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

### Liquidity Risk

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

From time to time, the Fund may use margin borrowings in one or more of its brokerage accounts. For the year ending December 31, 2016, the minimum margin borrowings used was \$359,370 and the maximum margin borrowings used was \$2,072,162. (2015: min: \$405,090, max: \$2,230,479).

### Market Risk

The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

#### (a) Currency Risk

The table below indicates the Fund's exposure to USD as at December 31, 2016 and 2015 in Canadian dollar terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Non-monetary items include non-financial options. Monetary items include futures, bonds, cash, swaps, financial options and other current receivables and payables.

December 31, 2016			Impact on net assets attributable to holders of redeemable units			
Currency	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary \$	Non-Monetary \$	Total \$	Monetary \$	Non-Monetary \$	Total \$
United States Dollar - Long	8,386,934	680,839	9,067,773	838,693	68,084	906,777
United States Dollar - Short	176,063	(22,825)	153,238	17,606	(2,283)	15,323
<b>Total</b>	<b>8,562,997</b>	<b>658,014</b>	<b>9,221,011</b>	<b>856,299</b>	<b>65,801</b>	<b>922,100</b>
% of net assets attributable to holders of redeemable units	13.8%	1.1%	14.8%	1.4%	0.1%	1.5%

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

#### (b) Interest Rate Risk

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2016 and 2015. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable units if the prevailing levels of market interest rates changed by 1.0%, assuming a parallel shift in the yield curve with all other variables held constant.

# EXEMPLAR INVESTMENT GRADE FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

Term to Maturity	Total Exposure	
	December 31, 2016	December 31, 2015
Less than 1 year	\$ -	\$ 3,247,892
1-3 years	12,183,317	8,076,642
3-5 years	16,653,341	12,581,492
Greater than 5 years	19,516,765	26,557,781
Total	\$ 48,353,423	\$ 50,463,807
Sensitivity:		
Total \$ sensitivity to net assets attributable to holders of redeemable units	+/- \$ 2,558,502	+/- \$ 2,697,671
Total % sensitivity to net assets attributable to holders of redeemable units	4.1%	4.8%

### (c) Price Risk

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

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

As at December 31, 2016, if the Fund's relevant benchmark index, FTSE TMX Canada Universe Bond Index, had increased or decreased by 5%, with all other variables held constant, the net assets attributable to holders of redeemable units of the Fund would have increased or decreased by \$217,660 (2015: \$84,206).

### Concentration Risk

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

The following is a summary of the Fund's concentration risk as of December 31, 2016 and 2015:

Market Segment	% of net assets attributable to holders of redeemable units	
	December 31, 2016	December 31, 2015
	%	%
Corporate Bonds	77.8	89.5
Energy	4.2	1.5
Federal Bonds	-	0.4
Financials	7.4	2.7
Funds	2.7	1.5
Derivatives	0.9	(2.3)
Total	93.0	93.2

### FAIR VALUE MEASUREMENT

A general discussion of fair value measurement for the Exemplar Funds appears as Note 6: FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT.

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2016 and 2015:

# EXEMPLAR INVESTMENT GRADE FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

December 31, 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Equities	7,228,206	-	-	7,228,206
Fixed income	-	48,353,423	-	48,353,423
Funds	1,701,300	-	-	1,701,300
Derivatives	388,631	464,003	-	852,634
<b>Total</b>	<b>9,318,137</b>	<b>48,817,426</b>	<b>-</b>	<b>58,135,563</b>
<b>Financial liabilities</b>				
Derivatives	(134,838)	(153,188)	-	(288,026)
<b>Total</b>	<b>(134,838)</b>	<b>(153,188)</b>	<b>-</b>	<b>(288,026)</b>

December 31, 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Equities	2,875,905	-	-	2,875,905
Fixed income	-	50,463,807	-	50,463,807
Derivatives	271,477	2,070	-	273,547
<b>Total</b>	<b>3,147,382</b>	<b>50,465,877</b>	<b>-</b>	<b>53,613,259</b>
<b>Financial liabilities</b>				
Derivatives	(518,921)	(775,410)	-	(1,294,331)
<b>Total</b>	<b>(518,921)</b>	<b>(775,410)</b>	<b>-</b>	<b>(1,294,331)</b>

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

The Manager is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements if any. The Manager obtains pricing from a third party pricing vendor which is monitored and reviewed daily by the finance department. In addition, at each financial reporting date, the Manager reviews and approves all Level 3 fair value measurements, if applicable.

### a) Equities and Funds

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

### b) Bonds

The Fund's bond holdings are comprised of Canadian and US bonds. Bond pricing is obtained from bid and ask prices provided by independent security pricing services or recognized investment dealers. Bond prices may be derived by using models which include inputs such as interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Fund's bonds have been classified as Level 2.

### c) Derivatives

Derivative assets and liabilities consist of futures contracts, options, interest rate swaps, credit default swaps and forward currency contracts. Long and short futures contracts and options are exchange traded and are classified as Level 1 as they are actively traded on a recognized exchange and a quoted price is available. Interest rate swaps are valued using indicative bid/ask prices from third

# EXEMPLAR INVESTMENT GRADE FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

party broker dealers while credit default swaps are valued based upon quotations from independent security pricing sources. The inputs that are significant to valuation are generally observable and therefore both interest rate swaps and credit default swaps have been classified as Level 2. Forward currency contracts are valued based primarily on the contract notional amount and the difference between the contract rate and the forward market rate for the same currency, adjusted for counterparty risk. Forward currency contracts are classified as Level 2.

As at December 31, 2016 and 2015, the Fund did not hold any Level 3 financial instruments. There were no transfers between levels 1, 2 and 3 during the years ending December 31, 2016 and 2015.

### Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2016 and 2015.

December 31, 2016	Net realized gains / (losses) \$	Net change in unrealized gains / (losses) \$	Interest income \$	Interest expense \$	Dividend income \$	Dividend expense \$	Securities Lending Income \$	Total \$
Financial assets at FVTPL:								
Designated as FVTPL	257,960	895,949	1,855,109	-	214,828	-	2,264	3,226,110
HFT	788,016	227,319	329,040	-	-	-	-	1,344,375
	1,045,976	1,123,268	2,184,149	-	214,828	-	2,264	4,570,485
Financial liabilities at FVTPL:								
HFT	(908,749)	1,007,975	-	-	-	(69,579)	-	29,647
<b>Total</b>	<b>137,227</b>	<b>2,131,243</b>	<b>2,184,149</b>	<b>-</b>	<b>214,828</b>	<b>(69,579)</b>	<b>2,264</b>	<b>4,600,132</b>

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

# EXEMPLAR LEADERS FUND

## Statements of Financial Position

	As at December 31, 2016	As at December 31, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Financial assets designated at fair value through profit and loss	\$35,875,448	\$35,056,792
Financial assets held for trading		
Warrants at fair value	93,949	201,876
Cash	1,455,785	1,708,963
Margin deposits	942,351	1,588,442
Accrued dividends receivable	77,498	91,986
Receivable for securities sold	33,029	113,995
Receivable for redeemable units issued	2,598	996
	38,480,658	38,763,050
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Financial liabilities held for trading		
Investments sold short	717,277	974,809
Payable for securities purchased	397,560	289,178
Accrued dividends payable	-	3,289
Payable for redeemable units redeemed	47,264	101,243
Other liabilities (Note 11)	76,930	35,469
	1,239,031	1,403,988
<b>Net assets attributable to holders of redeemable units</b>	<b>\$37,241,627</b>	<b>\$37,359,062</b>
Net assets attributable to holders of redeemable units		
Series A	\$27,576,099	\$28,508,038
Series F	\$9,665,528	\$8,851,024
Number of redeemable units outstanding (Note 8)		
Series A	680,983	738,188
Series F	234,046	223,338
Net assets attributable to holders of redeemable units per unit		
Series A	\$40.49	\$38.62
Series F	\$41.30	\$39.63

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

"James L. McGovern"

James L. McGovern, Director

"Robert W. Maxwell"

Robert W. Maxwell, Director

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



# EXEMPLAR LEADERS FUND

## Statements of Comprehensive Income For the years ended December 31,

	2016 \$	2015 \$
<b>INCOME</b>		
Net gains on investments and derivatives		
Dividend income	999,562	790,886
Dividend expense on short sales	(5,882)	(9,577)
Securities lending income (net) (Note 10)	4,469	-
Net realized gain (loss) on investments and derivatives	2,533,140	2,235,206
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	1,308,881	(1,604,235)
Net gains on investments and derivatives	4,840,170	1,412,280
Other income items:		
Interest on cash	3,293	6,562
Foreign exchange gain (loss)	(1,646)	751,742
Net change in unrealized foreign exchange gain (loss)	(88,152)	66,872
<b>Total income (net)</b>	4,753,665	2,237,456
<b>EXPENSES</b>		
Securityholder reporting fees	176,095	204,027
Management fees (Note 11)	553,211	602,942
Performance fees (Note 11)	2,195	218,528
Interest expense	41	617
Audit fees	18,076	17,001
Legal fees	7,121	10,004
Independent Review Committee fees	4,600	4,495
Custodial fees	16,482	7,521
Security borrowing expenses	63,325	17,061
Commissions and other portfolio transaction costs (Note 11)	25,908	32,552
Withholding tax expense	39,838	40,514
Harmonized sales tax	65,062	95,211
<b>Total expenses</b>	971,954	1,250,473
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	3,781,711	986,983
<b>Increase (decrease) in net assets attributable to holders of redeemable units (Note 13)</b>		
Series A	2,694,192	727,243
Series F	1,087,519	259,740
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit (Note 13)</b>		
Series A	3.94	1.04
Series F	4.83	1.27

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

# EXEMPLAR LEADERS FUND

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

		2016 \$	2015 \$
<b>Net assets attributable to holders of redeemable units at beginning of year</b>			
	Series A	28,508,038	28,010,297
	Series F	8,851,024	8,144,279
		<u>37,359,062</u>	<u>36,154,576</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>			
	Series A	2,694,192	727,243
	Series F	1,087,519	259,740
		<u>3,781,711</u>	<u>986,983</u>
<b>Distributions to holders of redeemable units</b>			
From net realized gains on investments and derivatives	Series A	(1,541,468)	(1,882,030)
	Series F	(694,261)	(715,032)
		<u>(2,235,729)</u>	<u>(2,597,062)</u>
<b>Total distributions to holders of redeemable units</b>		<u>(2,235,729)</u>	<u>(2,597,062)</u>
<b>Redeemable unit transactions</b>			
Proceeds from redeemable units issued	Series A	823,650	3,833,750
	Series F	789,572	1,179,106
Reinvestments of distributions to holders of redeemable units	Series A	1,522,856	1,860,569
	Series F	625,148	639,240
Redemption of redeemable units	Series A	(4,431,169)	(4,041,791)
	Series F	(993,474)	(656,309)
<b>Net increase (decrease) from redeemable unit transactions</b>		<u>(1,663,417)</u>	<u>2,814,565</u>
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>		<u>(117,435)</u>	<u>1,204,486</u>
<b>Net assets attributable to holders of redeemable units at end of year</b>			
	Series A	27,576,099	28,508,038
	Series F	9,665,528	8,851,024
		<u>37,241,627</u>	<u>37,359,062</u>

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

# EXEMPLAR LEADERS FUND

Statements of Cash Flows  
For the years ended December 31,

	2016 \$	2015 \$ (Revised - Note 3)
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	3,781,711	986,983
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	(87,289)	(97,512)
Net realized (gain) loss on investments and derivatives	(2,533,140)	(2,235,206)
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	(1,308,881)	1,604,235
Purchase of investments	(17,183,151)	(23,036,248)
Proceeds on sale of investments	20,246,259	18,420,472
Decrease (increase) in accrued dividends receivable	14,488	(25,391)
Increase (decrease) in accrued dividends payable	(3,289)	2,903
Increase (decrease) in other liabilities	41,461	(47,458)
Decrease (increase) in margin deposits	646,091	(183,962)
<b>Net cash from (used in) operating activities</b>	<b>3,614,260</b>	<b>(4,611,184)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from redeemable units issued	1,396,223	4,448,909
Redemption of redeemable units	(5,263,225)	(4,085,825)
Distributions paid to holders of redeemable units, net of reinvested distributions	(87,725)	(97,253)
<b>Net cash from (used in) financing activities</b>	<b>(3,954,727)</b>	<b>265,831</b>
<b>Net Increase (decrease) in cash</b>	<b>(340,467)</b>	<b>(4,345,353)</b>
<b>Cash at beginning of the year</b>	<b>1,708,963</b>	<b>5,956,804</b>
Net change in unrealized foreign exchange gain (loss) on cash	87,289	97,512
<b>Cash at end of the year</b>	<b>1,455,785</b>	<b>1,708,963</b>
<b>Supplemental information:</b>		
Interest received*	3,293	6,562
Dividends received, net of withholding tax*	974,212	724,981
Interest paid*	(41)	(617)
Dividends paid*	(9,171)	(6,674)

\*Included as part of cash flows from operating activities

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

# EXEMPLAR LEADERS FUND

Schedule of Investment Portfolio – As at December 31, 2016

Equity Positions - Long		93.3%			
Security Name	Currency		Quantity	Average Cost	Fair Value
				\$	\$
<b>Consumer Discretionary</b>		<b>8.7%</b>			
Diversified Royalty Corp.	CAD		9,100	24,490	23,387
Enercare Inc.	CAD		28,700	438,163	512,008
Magna International Inc.	CAD		24,600	616,104	1,434,180
Martinrea International Inc.	CAD		53,900	466,442	463,001
Sleep Country Canada Holdings Inc.	CAD		20,400	344,585	587,112
Time Warner Inc.	USD		1,800	212,054	233,291
				<u>2,101,838</u>	<u>3,252,979</u>
<b>Consumer Staples</b>		<b>0.9%</b>			
Neptune Technologies & Bioresources Inc.*	CAD		266,350	610,644	346,255
<b>Energy</b>		<b>13.4%</b>			
AltaGas Ltd.	CAD		3,300	99,319	111,870
Cameco Corporation	CAD		14,300	184,483	200,772
Crescent Point Energy Corp.	CAD		4,500	77,484	82,125
Freehold Royalties Ltd.	CAD		132,500	1,793,200	1,877,525
Gear Energy Ltd.	CAD		99,300	72,800	117,174
Granite Oil Corp.	CAD		23,600	107,590	139,004
InPlay Oil Corp.	CAD		38,900	74,105	77,411
Inter Pipeline Ltd.	CAD		15,600	417,300	462,384
Pembina Pipeline Corporation*	CAD		9,900	300,377	415,404
PrairieSky Royalty Ltd.	CAD		9,500	298,315	303,430
RMP Energy Inc.	CAD		340,800	339,331	259,008
Tidewater Midstream and Infrastructure Ltd.	CAD		77,200	120,743	122,748
TransCanada Corporation*	CAD		6,300	360,535	381,402
TransGlobe Energy Corporation	CAD		68,200	202,101	154,814
Valeura Energy Inc.	CAD		116,000	87,000	97,929
ZCL Composites Inc.	CAD		14,100	57,239	182,877
				<u>4,591,922</u>	<u>4,985,877</u>
<b>Financials</b>		<b>12.2%</b>			
Alaris Royalty Corp.	CAD		82,400	1,619,436	1,973,480
ECN Capital Corp.	CAD		106,900	320,509	352,770
Element Fleet Management Corp.	CAD		103,000	1,001,895	1,283,380
Legg Mason, Inc.*	USD		18,800	733,892	754,983
The Westaim Corporation	CAD		58,500	160,466	163,800
				<u>3,836,198</u>	<u>4,528,413</u>
<b>Health Care</b>		<b>14.1%</b>			
Anthem, Inc.	USD		10,200	1,168,874	1,968,934
Cigna Corporation	USD		3,600	659,717	644,746
Gilead Sciences, Inc.	USD		14,400	1,273,946	1,384,519
Humana Inc.	USD		1,700	364,067	465,700
Immunovaccine Inc.	CAD		109,700	60,335	74,596
Otonomy, Inc.*	USD		11,000	168,801	234,829
Sienna Senior Living Inc.	CAD		5,700	90,345	92,910
Theralase Technologies Inc.	CAD		258,000	74,820	65,790

# EXEMPLAR LEADERS FUND

Schedule of Investment Portfolio – As at December 31, 2016

Equity Positions - Long		93.3%			
Security Name	Currency		Quantity	Average Cost	Fair Value
				\$	\$
<b>Health Care - Continued</b>					
Theratechnologies Inc.*	CAD		97,300	301,630	266,602
Titan Medical Inc.	CAD		195,000	107,250	62,400
				4,269,785	5,261,026
<b>Industrials</b>					
		11.2%			
CanWel Building Materials Group Ltd.	CAD		48,500	222,070	291,000
DirectCash Payments Inc.	CAD		53,800	858,094	1,021,124
DIRTT Environmental Solutions Ltd.	CAD		39,800	226,862	249,546
FLYHT Aerospace Solutions Ltd.	CAD		436,000	65,400	98,100
Hexcel Corporation	USD		14,000	770,160	966,923
United Parcel Service, Inc.	USD		8,100	1,010,972	1,246,763
WestJet Airlines Ltd.	CAD		13,100	245,271	301,824
				3,398,829	4,175,280
<b>Information Technology</b>					
		16.2%			
Alphabet Inc.	USD		200	197,934	212,797
BSM Technologies Inc.*	CAD		468,700	314,870	684,302
Cisco Systems, Inc.	USD		13,900	512,317	563,991
The Descartes Systems Group Inc.	CAD		4,000	59,447	114,520
Espial Group Inc.*	CAD		207,400	191,369	460,428
Halogen Software Inc.*	CAD		3,400	28,223	28,186
Immersion Corporation*	USD		20,400	227,143	291,156
Kinaxis Inc.	CAD		4,300	61,083	268,750
Microsoft Corporation	USD		19,500	776,897	1,626,929
Opsens Inc.	CAD		237,500	180,935	384,750
Points International Ltd.*	CAD		5,800	59,436	59,566
Sandvine Corporation	CAD		44,100	134,898	123,921
Sierra Wireless, Inc.*	CAD		10,200	244,689	214,404
VersaPay Corporation	CAD		105,500	116,531	131,348
WI-LAN INC	CAD		388,600	983,164	851,034
				4,088,936	6,016,082
<b>Materials</b>					
		4.6%			
AuRico Metals Inc.	CAD		266,000	258,490	268,660
Canada Zinc Metals Corp	CAD		129,000	51,600	43,079
Ceapro Inc.	CAD		26,000	27,560	45,500
Headwaters Incorporated	USD		6,800	137,508	214,738
Horizonte Minerals PLC	CAD		1,900,000	61,940	81,459
Klondex Mines Ltd.	CAD		3,800	19,000	23,750
Lithium Americas Corp.	CAD		98,400	67,350	78,720
Osisko Gold Royalties Ltd*	CAD		25,500	384,347	333,795
Royal Nickel Corp	CAD		162,000	55,080	44,419
Teranga Gold Corporation	CAD		64,900	68,145	53,218
U.S. Concrete, Inc.*	USD		5,800	408,724	510,073
				1,539,744	1,697,411

# EXEMPLAR LEADERS FUND

Schedule of Investment Portfolio – As at December 31, 2016

Equity Positions - Long		93.3%			
Security Name	Currency		Quantity	Average Cost	Fair Value
				\$	\$
<b>Real Estate</b>		<b>5.1%</b>			
American Hotel Income Pptys	CAD		30,100	300,995	314,846
Cominar REIT	CAD		8,000	122,035	117,760
Inovalis REIT	CAD		78,900	659,594	724,302
National Storage Affiliates Trust	USD		4,500	120,874	133,345
Pure Multi-Family REIT LP	CAD		35,000	226,915	290,150
Slate Retail REIT	CAD		500	6,176	7,525
Tricon Capital Group Inc.*	CAD		33,100	240,682	313,126
				<u>1,677,271</u>	<u>1,901,054</u>
<b>Telecommunication Services</b>		<b>1.8%</b>			
Verizon Communications Inc.	USD		9,600	532,591	688,038
<b>Utilities</b>		<b>5.1%</b>			
Borex Inc.	CAD		3,200	53,280	60,992
Crius Energy Trust	CAD		44,600	373,377	375,978
National Fuel Gas Company*	USD		5,700	368,389	433,472
Polaris Infrastructure Inc.	CAD		68,500	537,821	1,047,365
				<u>1,332,867</u>	<u>1,917,807</u>
				<u>27,980,625</u>	<u>34,770,222</u>

Equity Positions - Short		(1.9%)			
Security Name	Currency		Quantity	Proceeds	Fair Value
				\$	\$
<b>Consumer Discretionary</b>		<b>(1.9%)</b>			
Tesla Motors, Inc.	USD		(2,500)	(667,945)	(717,277)

Funds - Long		3.0%			
Security Name	Currency		Quantity	Average Cost	Fair Value
				\$	\$
Boyd Group Income Fund	CAD		10,300	227,522	881,268
Noranda Income Fund*	CAD		94,100	341,673	223,958
				<u>569,195</u>	<u>1,105,226</u>

Warrant Positions - Long		0.3%					
Security Name	Currency	Strike Price	Maturity Date	Quantity	Average Cost	Fair Value	
		\$	Date		\$	\$	
Acasti Pharma Inc.	CAD	15.00	12-03-18	205,000	-	-	
Canada Zinc Metals Corp	CAD	0.55	12-15-18	64,500	-	3,883	
Ceapro Inc.	CAD	1.50	07-13-18	24,100	-	14,176	
Eguana Technologies Inc.	CAD	0.39	12-22-19	84,000	-	7,467	
FLYHT Aerospace Solutions Ltd	CAD	0.25	05-12-18	218,000	-	6,319	

# EXEMPLAR LEADERS FUND

Schedule of Investment Portfolio – As at December 31, 2016

Warrant Positions - Long		0.3%					
Security Name	Currency	Strike Price	Maturity Date	Quantity	Average Cost	Fair Value	
		\$	Date		\$	\$	\$
IBC Advanced Alloys Corp	CAD	1.80	06-10-17	200,000	-	-	
Immunovaccine Inc.	CAD	0.72	06-08-18	59,000	-	7,595	
Imperus Technologies Corp.	CAD	0.55	01-28-18	72,000	-	-	
Nemaska Lithium Inc.	CAD	1.50	07-08-19	24,100	6,025	6,748	
Opsens Inc.	CAD	1.20	06-22-17	36,400	-	15,591	
Primero Mining Corp.	CAD	3.35	06-24-18	13,000	2,600	1,690	
Prometic Life Sciences Inc.	CAD	6.39	09-23-19	100,000	12,000	-	
Royal Nickel Corp	CAD	0.50	09-23-18	81,000	-	1,871	
Theralase Technologies Inc.	CAD	0.38	11-10-21	258,000	2,580	17,884	
Titan Medical Inc.	CAD	0.75	09-20-21	195,000	9,750	10,725	
					<u>32,955</u>	<u>93,949</u>	

Investment Portfolio Summary		Average Cost / (Proceeds)	Fair Value
	%	\$	\$
Equity Positions - Long	93.3	27,980,625	34,770,222
Equity Positions - Short	(1.9)	(667,945)	(717,277)
Funds - Long	3.0	569,195	1,105,226
Warrant Positions - Long	<u>0.3</u>	<u>32,955</u>	<u>93,949</u>
Total Investments	94.7	27,914,830	35,252,120
Total Other Net Assets	<u>5.3</u>	-	1,989,507
Total Net Assets	<u>100.0</u>	<u>27,914,830</u>	<u>37,241,627</u>

\* Denotes all or part of securities on loan

# EXEMPLAR LEADERS FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

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

### RISK MANAGEMENT

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

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

A general discussion of financial risk management for the Exemplar Funds appears as Note 5: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

### Credit Risk

As at December 31, 2016 and 2015 the Fund had no investments in debt instruments and therefore was not subject to related credit risk.

The Fund may participate in securities lending up to a maximum of 50% of the aggregate net asset value of the Fund, excluding the collateral held in respect to such loans, and is exposed to counterparty risk on all such loans, if any. The credit risk related to the securities lending program is limited as the Fund holds a minimum collateral equal to 102% of the fair value of the loaned securities. The collateral and loaned securities are marked to market on each valuation date. All counterparties have a credit rating equivalent to a Moody's credit rating of not less than Aa3.

There are risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund. Therefore, the Fund should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

The Fund is exposed to counterparty credit risk on margin on deposit and receivables for securities sold. The Fund's brokerage agreement requires cash collateral up to 150% of the fair value of securities sold short. The Fund's brokerage services are provided by BMO Nesbitt Burns which has a credit rating of Aa3 (2015: Aa3) as rated by Moody's bond rating services. Cash collateral has been provided to BMO Nesbitt Burns in accordance with terms of derivative transaction agreements and is presented as "Margin deposits" in the Statement of Financial Position.

The Fund is exposed to counterparty credit risk on cash and other receivable balances. The Fund's custodial services are provided by CIBC Mellon Trust Company which has a credit rating as rated by Moody's bond rating services of A1 (2015: Aa3).

The Fund is exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (2015: Aa1).

### Liquidity Risk

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



# EXEMPLAR LEADERS FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

### 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 foreign currencies as at December 31, 2016 and 2015, 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 foreign currencies, with all other variables held constant. Non-monetary items include equities, funds and warrants. Monetary items include cash and other current receivables and payables.

December 31, 2016	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency	\$	\$	\$	\$	\$	\$
United States Dollar - Long	1,764,380	12,582,581	14,346,961	176,438	1,258,258	1,434,696
United States Dollar - Short	-	(717,277)	(717,277)	-	(71,728)	(71,728)
<b>Total</b>	<b>1,764,380</b>	<b>11,865,304</b>	<b>13,629,684</b>	<b>176,438</b>	<b>1,186,530</b>	<b>1,362,968</b>
% of net assets attributable to holders of redeemable units	4.7%	31.9%	36.6%	0.5%	3.2%	3.7%

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

#### (b) Interest Rate Risk

As at December 31, 2016 and 2015 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.

As at December 31, 2016, the impact on net assets of the Fund due to a 5% change in market prices of equity and fund securities is \$1,762,606 (all other variables held constant)(2015: \$1,714,193).

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.

# EXEMPLAR LEADERS FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

### Concentration Risk

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

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

Market Segment	% of net assets attributable to holders of redeemable units			
	December 31, 2016		December 31, 2015	
	Long %	Short %	Long %	Short %
Consumer Discretionary	8.7	(1.9)	10.2	(1.1)
Consumer Staples	0.9	-	3.2	-
Energy	13.4	-	4.5	(0.7)
Financials	12.2	-	12.0	-
Funds	3.0	-	3.0	(0.9)
Health Care	14.1	-	14.2	-
Industrials	11.2	-	13.7	-
Information Technology	16.2	-	18.8	-
Materials	4.6	-	0.5	-
Real Estate	5.1	-	5.7	-
Telecommunication Services	1.8	-	5.4	-
Utilities	5.1	-	2.7	-
Derivatives	0.3	-	0.5	-
<b>Total</b>	<b>96.6</b>	<b>(1.9)</b>	<b>94.4</b>	<b>(2.7)</b>

### FAIR VALUE MEASUREMENT

A general discussion of fair value measurement for the Exemplar Funds appears as Note 6: FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT.

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2016 and 2015:

December 31, 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Equities	34,519,005	251,217	-	34,770,222
Funds	1,105,226	-	-	1,105,226
Warrants	19,163	74,786	-	93,949
<b>Total</b>	<b>35,643,394</b>	<b>326,003</b>	<b>-</b>	<b>35,969,397</b>
<b>Financial liabilities</b>				
Equities sold short	(717,277)	-	-	(717,277)
<b>Total</b>	<b>(717,277)</b>	<b>-</b>	<b>-</b>	<b>(717,277)</b>

# EXEMPLAR LEADERS FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

December 31, 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Equities	33,944,371	-	-	33,944,371
Funds	1,112,421	-	-	1,112,421
Warrants	-	201,876	-	201,876
<b>Total</b>	<b>35,056,792</b>	<b>201,876</b>	<b>-</b>	<b>35,258,668</b>
<b>Financial liabilities</b>				
Equities sold short	(642,709)	-	-	(642,709)
Funds sold short	(332,100)	-	-	(332,100)
<b>Total</b>	<b>(974,809)</b>	<b>-</b>	<b>-</b>	<b>(974,809)</b>

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

The Manager is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements if any. The Manager obtains pricing from a third party pricing vendor which is monitored and reviewed daily by the finance department. In addition, at each financial reporting date, the Manager reviews and approves all Level 3 fair value measurements.

The following table presents the movement in Level 3 instruments for the years ended December 31, 2016 and 2015 by class of financial instrument:

	Equities	
	December 31, 2016 (\$)	December 31, 2015 (\$)
<b>Opening balance, beginning of year</b>	-	1,340
Net purchases and sales	-	-
Net transfers in (out)	-	(1,340)
Realized gain (loss)	-	-
Unrealized gain (loss)	-	-
<b>Closing balance, end of year</b>	<b>-</b>	<b>-</b>

There were no transfers from Level 2 to Level 1 during the year ended December 31, 2016 (2015: \$26,307).

### a) Equities and Funds

Most of the Fund's equity positions and all investments in Funds are classified as Level 1 as the securities are actively traded on a recognized exchange and a quoted price is available. Equity positions which have resale restrictions but otherwise trade on the market are classified as Level 2.

### b) Warrants

Exchange traded warrants are classified as Level 1. Warrants that are not exchange traded are valued using models and valuation techniques commonly used in the industry, including inputs such as underlying stock price, restrictions on exercise and days to expiry. When the inputs that are significant to valuation are generally observable, the warrant is classified as Level 2. Warrants that have significant unobservable inputs are classified as Level 3.

As at December 31, 2014, the Fund held 13,395 Class A shares of NeuroBiopharm Inc. ("Neuro") and 26,790 NeuroBiopharm Inc. warrants which it received by a way of a dividend-in-kind from the parent company of Neuro, Neptune Technologies & Bioresources Inc.

# EXEMPLAR LEADERS FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

("Neptune"). On January 13, 2015, Neptune announced that it will acquire all outstanding shares of Neuro in exchange for shares of Neptune. As such, on February 26, 2015 the Fund received 620 shares of Neptune with a value of \$1,426. Neptune is a publically traded company and the securities have been classified as Level 1.

### Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2016 and 2015.

December 31, 2016	Net realized gains / (losses)	Net change in unrealized gains / (losses)	Interest income	Interest expense	Dividend income	Dividend expense	Securities lending income	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets at FVTPL:								
Designated as FVTPL	1,961,080	1,353,075	-	-	999,562	-	4,469	4,318,186
HFT	626,766	(22,933)	-	-	-	-	-	603,833
	<u>2,587,846</u>	<u>1,330,142</u>	<u>-</u>	<u>-</u>	<u>999,562</u>	<u>-</u>	<u>4,469</u>	<u>4,922,019</u>
Financial liabilities at FVTPL:								
HFT	(54,706)	(21,261)	-	-	-	(5,882)	-	(81,849)
<b>Total</b>	<b>2,533,140</b>	<b>1,308,881</b>	<b>-</b>	<b>-</b>	<b>999,562</b>	<b>(5,882)</b>	<b>4,469</b>	<b>4,840,170</b>

December 31, 2015	Net realized gains / (losses)	Net change in unrealized gains / (losses)	Interest income	Interest expense	Dividend income	Dividend expense	Securities lending income	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets at FVTPL:								
Designated as FVTPL	2,241,453	(1,454,812)	-	-	790,886	-	-	1,577,527
HFT	-	31,112	-	-	-	-	-	31,112
	<u>2,241,453</u>	<u>(1,423,700)</u>	<u>-</u>	<u>-</u>	<u>790,886</u>	<u>-</u>	<u>-</u>	<u>1,608,639</u>
Financial liabilities at FVTPL:								
HFT	(6,247)	(180,535)	-	-	-	(9,577)	-	(196,359)
<b>Total</b>	<b>2,235,206</b>	<b>(1,604,235)</b>	<b>-</b>	<b>-</b>	<b>790,886</b>	<b>(9,577)</b>	<b>-</b>	<b>1,412,280</b>

# EXEMPLAR PERFORMANCE FUND

## Statements of Financial Position

	As at December 31, 2016	As at December 31, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Financial assets designated at fair value through profit and loss	\$31,254,792	\$13,287,562
Cash	7,550,941	13,543,597
Margin deposits	1,637,454	763,627
Accrued dividends receivable	49,087	18,823
Accrued interest receivable	-	7
Receivable for securities sold	57,455	44,680
Receivable for redeemable units issued	46,109	89,903
	40,595,838	27,748,199
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Financial liabilities held for trading		
Investments sold short	343,502	548,171
Payable for securities purchased	116,876	176,268
Payable for redeemable units redeemed	29,492	36,855
Accrued dividends payable	-	962
Other liabilities ( <i>Note 11</i> )	76,429	22,691
	566,299	784,947
<b>Net assets attributable to holders of redeemable units</b>	<b>\$40,029,539</b>	<b>\$26,963,252</b>
Net assets attributable to holders of redeemable units		
Series A	\$12,339,997	\$7,664,351
Series AD	\$254,875	\$225,063
Series F	\$19,431,447	\$10,828,387
Series FD	\$401,269	\$335,525
Series I	\$2,458,712	\$4,875,100
Series L	\$5,051,406	\$2,934,980
Series LD	\$91,833	\$99,846

*Continued on next page.*

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

# EXEMPLAR PERFORMANCE FUND

## Statements of Financial Position

	As at December 31, 2016	As at December 31, 2015
<i>Continued from previous page.</i>		
Number of redeemable units outstanding (Note 8)		
Series A	1,032,860	657,788
Series AD	25,946	23,041
Series F	1,591,950	919,575
Series FD	39,436	33,506
Series I	227,887	474,210
Series L	459,491	272,741
Series LD	9,179	10,010
Net assets attributable to holders of redeemable units per unit		
Series A	\$11.95	\$11.65
Series AD	\$9.82	\$9.77
Series F	\$12.21	\$11.78
Series FD	\$10.18	\$10.01
Series I	\$10.79	\$10.28
Series L	\$10.99	\$10.76
Series LD	\$10.00	\$9.97

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

"James L. McGovern"

"Robert W. Maxwell"

James L. McGovern, Director

Robert W. Maxwell, Director

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

# EXEMPLAR PERFORMANCE FUND

Statements of Comprehensive Income  
For the years ended December 31,

	2016 \$	2015 \$
<b>INCOME</b>		
Net gains (losses) on investments and derivatives		
Dividend income	398,952	253,349
Dividend expense on short sales	(20,772)	(11,013)
Securities lending income (net) (Note 10)	4,305	-
Net realized gain (loss) on investments and derivatives	(49,504)	(222,770)
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	1,922,737	999,362
Net gains (losses) on investments and derivatives	2,255,718	1,018,928
Other income items:		
Interest on cash	64,304	23,512
Foreign exchange gain (loss)	(175,692)	38,659
Net change in unrealized foreign exchange gain (loss)	(27,053)	38,062
<b>Total income (net)</b>	<b>2,117,277</b>	<b>1,119,161</b>
<b>EXPENSES</b>		
Securityholder reporting fees	187,629	136,229
Management fees (Note 11)	485,073	201,799
Performance fees (Note 11)	330	148,314
Interest expense	352	110
Audit fees	16,244	17,002
Legal fees	6,468	11,504
Independent Review Committee fees	4,600	4,458
Custodial fees	17,621	7,956
Security borrowing expenses	4,073	7,921
Commissions and other portfolio transaction costs (Note 11)	23,676	8,748
Withholding tax expense	6,667	8,168
Harmonized sales tax	80,941	53,465
Total expenses before manager absorption	833,674	605,674
Less: expenses absorbed by manager (Note 11)	(30,225)	(86,146)
<b>Total expenses after manager absorption</b>	<b>803,449</b>	<b>519,528</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>1,313,828</b>	<b>599,633</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units (Note 13)</b>		
Series A	402,041	180,683
Series AD	6,249	(1,850)
Series F	682,350	419,895
Series FD	13,526	(2,045)
Series I	58,612	8,141
Series L	149,255	(4,015)
Series LD	1,795	(1,176)
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit (Note 13)</b>		
Series A	0.42	0.46
Series AD	0.22	(0.11)
Series F	0.53	0.63
Series FD	0.37	(0.09)
Series I	0.21	0.04
Series L	0.36	(0.03)
Series LD	0.19	(0.16)

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

# EXEMPLAR PERFORMANCE FUND

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

		2016 \$	2015 \$
<b>Net assets attributable to holders of redeemable units at beginning of year</b>			
	Series A	7,664,351	2,357,412
	Series AD	225,063	-
	Series F	10,828,387	4,960,263
	Series FD	335,525	-
	Series I	4,875,100	-
	Series L	2,934,980	204,115
	Series LD	99,846	-
		<u>26,963,252</u>	<u>7,521,790</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>			
	Series A	402,041	180,683
	Series AD	6,249	(1,850)
	Series F	682,350	419,895
	Series FD	13,526	(2,045)
	Series I	58,612	8,141
	Series L	149,255	(4,015)
	Series LD	1,795	(1,176)
		<u>1,313,828</u>	<u>599,633</u>
<b>Distributions to holders of redeemable units</b>			
From return of capital	Series AD	(5,271)	(2,186)
	Series FD	(7,279)	(3,412)
	Series LD	(1,915)	(1,248)
<b>Total distributions to holders of redeemable units</b>		<u>(14,465)</u>	<u>(6,846)</u>
<b>Redeemable unit transactions</b>			
Proceeds from redeemable units issued	Series A	6,855,701	6,558,121
	Series AD	104,914	303,354
	Series F	10,513,878	6,064,838
	Series FD	101,300	343,617
	Series I	480,000	5,281,459
	Series L	1,970,302	2,887,758
	Series LD	-	101,022
Reinvestments of distributions to holders of redeemable units	Series AD	4,541	1,045
	Series FD	2,270	1,365
	Series LD	1,915	1,248

Continued on next page.

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



# EXEMPLAR PERFORMANCE FUND

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

		2016 \$	2015 \$
<i>Continued from previous page.</i>			
Redemption of redeemable units	Series A	(2,582,096)	(1,431,865)
	Series AD	(80,621)	(75,300)
	Series F	(2,593,168)	(616,609)
	Series FD	(44,073)	(4,000)
	Series I	(2,955,000)	(414,500)
	Series L	(3,131)	(152,878)
	Series LD	(9,808)	-
<b>Net increase (decrease) from redeemable unit transactions</b>		<b>11,766,924</b>	<b>18,848,675</b>
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>13,066,287</b>	<b>19,441,462</b>
	Series A	12,339,997	7,664,351
	Series AD	254,875	225,063
	Series F	19,431,447	10,828,387
	Series FD	401,269	335,525
	Series I	2,458,712	4,875,100
	Series L	5,051,406	2,934,980
	Series LD	91,833	99,846
<b>Net assets attributable to holders of redeemable units at end of year</b>		<b>40,029,539</b>	<b>26,963,252</b>

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

# EXEMPLAR PERFORMANCE FUND

## Statements of Cash Flows For the years ended December 31,

	2016 \$	2015 \$
		(Revised - Note 3)
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	1,313,828	599,633
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	(27,640)	(37,687)
Net realized (gain) loss on investments and derivatives	49,504	222,770
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	(1,922,737)	(999,362)
Purchase of investments	(33,155,211)	(16,930,180)
Proceeds on sale of investments	16,784,378	10,180,880
Decrease (increase) in accrued dividends receivable	(30,264)	(11,133)
Decrease (increase) in accrued interest receivable	7	(7)
Increase (decrease) in accrued dividends payable	(962)	693
Increase (decrease) in other liabilities	53,738	9,278
Decrease (increase) in margin deposits	(873,827)	(591,317)
<b>Net cash from (used in) operating activities</b>	<b>(17,809,186)</b>	<b>(7,556,432)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from redeemable units issued	18,918,407	20,938,102
Redemption of redeemable units	(7,123,778)	(2,146,033)
Distributions paid to holders of redeemable units, net of reinvested distributions	(5,739)	(3,188)
<b>Net cash from (used in) financing activities</b>	<b>11,788,890</b>	<b>18,788,881</b>
<b>Net Increase (decrease) in cash</b>	<b>(6,020,296)</b>	<b>11,232,449</b>
<b>Cash at beginning of the year</b>	<b>13,543,597</b>	<b>2,273,461</b>
Net change in unrealized foreign exchange gain (loss) on cash	27,640	37,687
<b>Cash at end of the year</b>	<b>7,550,941</b>	<b>13,543,597</b>
<b>Supplemental information:</b>		
Interest received*	64,311	23,505
Dividends received, net of withholding tax*	362,021	234,048
Interest paid*	(352)	(110)
Dividends paid*	(21,734)	(10,320)

\*Included as part of cash flows from operating activities

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

# EXEMPLAR PERFORMANCE FUND

Schedule of Investment Portfolio – As at December 31, 2016

Equity Positions - Long		69.0%			
Security Name	Currency	Quantity	Average Cost	Fair Value	
			\$	\$	
<b>Consumer Discretionary</b>		<b>9.3%</b>			
Amazon.com, Inc.	USD	100	109,487	100,681	
Canadian Tire Corporation, Limited	CAD	2,400	287,363	334,248	
Cineplex Inc.	CAD	5,100	248,420	261,222	
DHX Media Ltd.	CAD	72,600	526,519	511,830	
Diversified Royalty Corp.*	CAD	156,600	399,809	402,462	
Imvescor Restaurant Group Inc.	CAD	24,400	77,163	85,400	
Linamar Corporation	CAD	4,900	267,137	282,681	
Newell Brands Inc.	USD	2,900	183,624	173,853	
Park Lawn Corporation	CAD	14,400	227,344	226,512	
Ross Stores, Inc.	USD	3,400	215,732	299,465	
Sleep Country Canada Holdings Inc.	CAD	10,100	204,111	290,678	
Spin Master Corp.	CAD	14,300	378,928	460,317	
Stingray Digital Group Inc.	CAD	19,200	129,643	167,232	
Uni-Select Inc.	CAD	4,900	120,213	144,501	
			3,375,493	3,741,082	
<b>Consumer Staples</b>		<b>5.6%</b>			
AGT Food and Ingredients Inc.	CAD	1,500	43,469	54,960	
Alimentation Couche-Tard Inc.	CAD	13,300	727,754	809,704	
Altria Group, Inc.	USD	900	81,590	81,711	
Constellation Brands, Inc.	USD	1,200	237,554	247,010	
Cott Corporation	CAD	8,200	157,572	124,640	
GreenSpace Brands Inc.	CAD	3,300	3,910	4,158	
The Hain Celestial Group, Inc.	USD	1,700	83,261	89,086	
Loblaw Companies Limited	CAD	2,800	189,452	198,352	
Maple Leaf Foods Inc.	CAD	200	5,864	5,624	
Mondelez International, Inc.	USD	2,700	153,079	160,703	
Premium Brands Holdings Corporation	CAD	2,400	97,450	165,504	
Reynolds American Inc.	USD	1,000	75,210	75,242	
Tyson Foods, Inc.	USD	2,500	218,556	207,037	
Whole Foods Market, Inc.*	USD	400	16,569	16,520	
			2,091,290	2,240,251	
<b>Energy</b>		<b>10.9%</b>			
Advantage Oil & Gas Ltd.	CAD	13,600	118,537	124,032	
Canadian Natural Resources Limited	CAD	10,600	378,393	453,574	
Enerflex Ltd.	CAD	5,900	99,508	100,595	
Gibson Energy Inc.	CAD	400	7,411	7,592	
Keyera Corp.	CAD	6,700	259,341	271,082	
NexGen Energy Ltd.	CAD	32,900	73,722	76,657	
Paramount Resources Ltd.	CAD	7,800	144,075	140,946	
Parkland Fuel Corp	CAD	2,000	49,000	56,138	
Peyto Exploration & Development Corp.	CAD	18,700	647,492	621,027	
ShawCor Ltd.	CAD	8,300	272,240	297,472	
Tamarack Valley Energy Ltd.	CAD	90,900	331,638	314,514	
Tourmaline Oil Corp.	CAD	6,500	231,869	233,415	
TransCanada Corporation*	CAD	18,200	968,069	1,101,828	
Trilogy Energy Corp.*	CAD	9,800	62,217	73,990	
Vermilion Energy Inc.	CAD	8,600	361,550	485,814	
			4,005,062	4,358,676	

# EXEMPLAR PERFORMANCE FUND

Schedule of Investment Portfolio – As at December 31, 2016

Equity Positions - Long		69.0%			
Security Name	Currency		Quantity	Average Cost \$	Fair Value \$
<b>Financials</b>		<b>5.9%</b>			
Bank of Montreal	CAD		8,000	743,599	772,560
Burford Capital Limited	GBP		20,000	190,192	189,461
ECN Capital Corp.	CAD		72,800	241,313	240,240
The Goldman Sachs Group, Inc.	USD		500	132,139	160,749
Hilltop Holdings Inc.	USD		100	3,724	4,001
National Bank of Canada	CAD		2,500	134,063	136,325
Onex Corporation	CAD		4,000	372,221	365,520
Sun Life Financial Inc.	CAD		2,800	143,310	144,340
TD Ameritrade Holding Corporation	USD		1,900	89,085	111,225
The Toronto-Dominion Bank	CAD		3,400	220,222	225,148
				2,269,868	2,349,569
<b>Health Care</b>		<b>2.6%</b>			
Biogen Inc.	USD		500	202,153	190,374
Helius Medical Technologies, Inc.	CAD		77,100	98,839	148,032
Johnson & Johnson	USD		900	138,893	139,218
Knight Therapeutics Inc.	CAD		30,000	249,921	322,200
MiMedx Group, Inc.	USD		4,200	54,491	49,963
Zoetis Inc.	USD		2,600	139,420	186,867
				883,717	1,036,654
<b>Industrials</b>		<b>10.6%</b>			
Ag Growth International Inc.	CAD		6,500	285,057	341,380
Armstrong Flooring, Inc.	USD		15,710	328,774	419,962
CAE Inc.	CAD		12,000	201,188	225,360
Canadian National Railway Company	CAD		1,500	117,555	135,540
Canadian Pacific Railway Limited	CAD		600	117,733	114,936
Exchange Income Corporation	CAD		7,200	302,687	300,600
General Electric Company	USD		1,200	50,138	50,913
Ingersoll-Rand Public Limited Company	USD		300	25,842	30,226
MacDonald, Dettwiler and Associates Ltd.	CAD		9,900	809,067	662,211
Morneau Shepell Inc.	CAD		10,900	181,970	209,171
New Flyer Industries Inc.	CAD		9,600	367,676	392,064
Nielsen Holdings PLC	USD		500	26,161	28,162
Raytheon Company	USD		2,000	384,934	381,313
Richelieu Hardware Ltd.	CAD		12,800	294,628	327,168
Rocky Mountain Dealerships Inc.	CAD		21,300	203,279	206,397
Toromont Industries Ltd.	CAD		4,200	134,882	177,870
Univar Inc.	USD		200	6,783	7,618
Wajax Corporation	CAD		900	17,838	20,754
Waste Connections, Inc.	USD		900	79,396	94,967
Westshore Terminals Investment Corporation	CAD		1,000	27,185	25,890
WSP Global Inc.*	CAD		2,200	79,152	98,318
				4,041,925	4,250,820
<b>Information Technology</b>		<b>6.7%</b>			
Alphabet Inc.	USD		600	565,932	621,770
Broadcom Limited	USD		1,000	204,919	237,340
Constellation Software Inc.	CAD		300	133,336	183,036

# EXEMPLAR PERFORMANCE FUND

Schedule of Investment Portfolio – As at December 31, 2016

Equity Positions - Long		69.0%			
Security Name	Currency		Quantity	Average Cost \$	Fair Value \$
<b>Information Technology - Continued</b>					
The Descartes Systems Group Inc.	USD		8,400	161,946	241,355
DH Corporation	CAD		6,800	147,517	151,504
Facebook, Inc.	USD		600	98,087	92,683
Kinaxis Inc.	CAD		5,100	152,329	318,750
Micron Technology, Inc.	USD		7,200	225,036	211,902
Microsoft Corporation	USD		700	52,068	58,403
Open Text Corporation	CAD		2,100	165,709	174,132
Pure Technologies Ltd.	CAD		50,400	309,280	241,920
Shopify Inc.	USD		600	31,947	34,536
Visa Inc.	USD		1,200	112,176	125,704
				<u>2,360,282</u>	<u>2,693,035</u>
<b>Materials</b>					
		11.6%			
Agnico Eagle Mines Limited	CAD		5,000	312,920	282,250
Agrium Inc.	CAD		900	109,663	121,464
Albemarle Corporation	USD		2,100	242,982	242,708
CCL Industries Inc.	CAD		5,000	797,941	1,319,000
Hudbay Minerals Inc.	CAD		1,400	11,176	10,752
Kirkland Lake Gold Ltd.	CAD		32,800	348,354	230,256
Klondex Mines Ltd.*	CAD		50,900	171,561	318,125
Lithium X Energy Corp.*	CAD		40,000	72,584	90,000
Lucara Diamond Corp.	CAD		61,400	222,387	186,656
Methanex Corporation	CAD		6,400	295,132	376,896
Rio Tinto PLC*	USD		1,000	51,555	51,638
Sandstorm Gold Ltd.	USD		53,509	309,128	280,191
Sociedad Quimica y Minera de Chile S.A.*	USD		3,600	99,297	138,481
Stella-Jones Inc.	CAD		5,100	215,925	222,258
Tahoe Resources Inc.	CAD		12,500	263,556	158,125
Teck Resources Limited	CAD		8,000	213,972	214,960
Trevali Mining Corporation	CAD		293,400	183,270	331,542
Turquoise Hill Resources Ltd.	CAD		12,800	54,544	55,168
				<u>3,975,947</u>	<u>4,630,470</u>
<b>Real Estate</b>					
		2.2%			
Dream Industrial REIT*	CAD		12,000	101,698	102,360
Killam Apartment REIT	CAD		13,300	159,597	158,802
StorageVault Canada Inc.	CAD		400,000	340,000	576,000
Tricon Capital Group Inc.*	CAD		5,300	48,442	50,138
				<u>649,737</u>	<u>887,300</u>
<b>Telecommunication Services</b>					
		0.4%			
BCE Inc.	CAD		3,000	172,551	174,090
<b>Utilities</b>					
		3.2%			
American Water Works Company, Inc.	USD		1,100	98,893	106,870
Boralex Inc.	CAD		10,000	166,500	190,600
Brookfield Infrastructure Partners L.P.	CAD		3,700	154,033	166,204
Brookfield Infrastructure Partners L.P.	USD		12,400	531,011	557,237

# EXEMPLAR PERFORMANCE FUND

Schedule of Investment Portfolio – As at December 31, 2016

Equity Positions - Long		69.0%			
Security Name	Currency	Quantity	Average Cost	Fair Value	
			\$	\$	

## Utilities - Continued

TransAlta Corporation	CAD	32,400	189,088	240,732	
			<u>1,139,525</u>	<u>1,261,643</u>	
			<u>24,965,397</u>	<u>27,623,590</u>	

Equity Positions - Short		(0.9%)			
Security Name	Currency	Quantity	Proceeds	Fair Value	
			\$	\$	

## Consumer Discretionary

MTY Food Group Inc.	CAD	(3,000)	(133,735)	(151,680)	
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## Industrials

Finning International Inc.	CAD	(5,000)	(102,598)	(131,450)	
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## Materials

Major Drilling Group International Inc.	CAD	(8,600)	(41,726)	(60,372)	
			<u>(278,059)</u>	<u>(343,502)</u>	

Funds - Long		8.9%			
Security Name	Currency	Quantity	Average Cost	Fair Value	
			\$	\$	

A&W Revenue Royalties Income Fund	CAD	14,500	410,990	538,965	
BMO S&P/TSX Equal Weight Banks Index ETF	CAD	6,000	154,150	161,100	
Boyd Group Income Fund	CAD	13,200	739,211	1,129,392	
iShares Russell 2000 ETF	USD	1,700	298,429	307,796	
iShares S&P/TSX 60 Index ETF	CAD	21,600	468,325	489,024	
iShares S&P/TSX Capped Energy Index ETF*	CAD	31,400	369,689	440,228	
iShares S&P/TSX Capped REIT Index ETF	CAD	3,800	64,155	60,800	
iShares U.S. Broker-Dealers & Securities Exchanges ETF*	USD	663	42,017	44,046	
PowerShares DB US Dollar Index Bullish Fund	USD	3,900	126,469	138,553	
SPDR S&P Oil & Gas Exploration & Production ETF	USD	2,000	111,569	111,225	
VanEck Vectors Russia ETF	USD	5,200	141,230	148,153	
			<u>2,926,234</u>	<u>3,569,282</u>	

Fixed Income Positions - Long		0.2%				
Security Name	Currency	Coupon Rate	Maturity Date	Par Value	Average Cost	Fair Value
		%			\$	\$

Element Fleet Management Corp.	CAD	4.25	06-30-20	60,000	60,000	61,920
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# EXEMPLAR PERFORMANCE FUND

Schedule of Investment Portfolio – As at December 31, 2016

Investment Portfolio Summary		Average Cost / (Proceeds)	Fair Value
	%	\$	\$
Equity Positions - Long	69.0	24,965,397	27,623,590
Equity Positions - Short	(0.9)	(278,059)	(343,502)
Funds - Long	8.9	2,926,234	3,569,282
Fixed Income Positions - Long	<u>0.2</u>	<u>60,000</u>	<u>61,920</u>
Total Investments	77.2	27,673,572	30,911,290
Total Other Net Assets	<u>22.8</u>	-	<u>9,118,249</u>
Total Net Assets	<u>100.0</u>	<u>27,673,572</u>	<u>40,029,539</u>

\*Denotes all or part of securities on loan

# EXEMPLAR PERFORMANCE FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

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

### RISK MANAGEMENT

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

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

A general discussion of financial risk management for the Exemplar Funds appears as Note 5: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

### Credit Risk

The analysis below summarizes the credit quality of the Fund's debt portfolio at December 31, 2016 and 2015.

Credit Rating*	Percentage of total debt securities	
	As at December 31, 2016	As at December 31, 2015
	%	%
Not Rated	100.0	100.0
Total	100.0	100.0

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

The Fund may participate in securities lending up to a maximum of 50% of the aggregate net asset value of the Fund, excluding the collateral held in respect to such loans, and is exposed to counterparty risk on all such loans, if any. The credit risk related to the securities lending program is limited as the Fund holds a minimum collateral equal to 102% of the fair value of the loaned securities. The collateral and loaned securities are marked to market on each valuation date. All counterparties have a credit rating equivalent to a Moody's credit rating of not less than A3.

There are risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund. Therefore, the Fund should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

The Fund is exposed to counterparty credit risk on margin on deposit, cash held at the broker and receivables for securities sold. The Fund's brokerage agreement requires cash collateral up to 150% of the fair value of securities sold short. The Fund's prime brokerage services are provided by BMO Nesbitt Burns which has a credit rating of Aa3 (2015: Aa3) as rated by Moody's bond rating services. Cash collateral has been provided to BMO Nesbitt Burns in accordance with terms of derivative transaction agreements and is presented as "Margin deposits" in the Statement of Financial Position.

The Fund is exposed to counterparty credit risk on cash and other receivable balances. The Fund's broker and custodial services are provided by CIBC Mellon Trust Company which has a credit rating as rated by Moody's bond rating services of A1 (2015: Aa3).

The Fund is exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (2015: Aa1).

### Liquidity Risk

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



# EXEMPLAR PERFORMANCE FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

### 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 foreign currencies as at December 31, 2016 and 2015 in Canadian dollar terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to the other currencies, with all other variables held constant. Non-monetary items include equities and funds. Monetary items include fixed income, cash and other current receivables and payables.

December 31, 2016	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency	\$	\$	\$	\$	\$	\$
United States Dollar - Long	1,284,065	7,063,810	8,347,875	128,407	706,381	834,788
United States Dollar - Short	(62,579)	-	(62,579)	(6,258)	-	(6,258)
Great Britian Pound - Long	-	189,461	189,461	-	18,946	18,946
<b>Total</b>	<b>1,221,486</b>	<b>7,253,271</b>	<b>8,474,757</b>	<b>122,149</b>	<b>725,327</b>	<b>847,476</b>
% of net assets attributable to holders of redeemable units	3.1%	18.1%	21.2%	0.3%	1.8%	2.1%

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

#### (b) Interest Rate Risk

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2016 and 2015. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable units if the prevailing levels of market interest rates changed by 1.0%, assuming a parallel shift in the yield curve with all other variables held constant.

Term to Maturity	Total Exposure	
	December 31, 2016	December 31, 2015
Less than 1 year	\$ -	\$ -
1-3 years	-	-
3-5 years	61,920	61,959
Greater than 5 years	-	-
<b>Total</b>	<b>\$ 61,920</b>	<b>\$ 61,959</b>
Sensitivity:		
Total \$ sensitivity to net assets attributable to holders of redeemable units	+/- \$ 2,006	+/- \$ 2,528
Total % sensitivity to net assets attributable to holders of redeemable units	0.0%	0.0%

# EXEMPLAR PERFORMANCE FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

### (c) Price Risk

The Fund's policy is to manage price risk through diversification and selection of investments within specified limits established by the investment restrictions within the prospectus, as summarized below.

To achieve the investment objective, the Fund will invest predominantly in large and mid capitalization Canadian companies. Generally, no more than 20% of the Fund is expected to be invested outside of this investment focus. The Fund may also invest in bonds and other debt instruments if warranted by financial conditions. The Fund will not specialize in any one industry other than to concentrate investments in those industries that offer the best opportunities for exceptional returns at each stage of the economic and market cycle.

The Fund may follow a more concentrated investment approach and, from time to time, over weight certain geographic regions and industry sectors when deemed appropriate by the Manager. This may result in the Fund's portfolio weightings being substantially different from the weightings of the S&P/TSX Composite Total Return Index (or its successor index).

The Fund may hold cash or invest in short term securities for the purpose of preserving capital and/or maintaining liquidity, based upon the Manager's ongoing evaluation of current and anticipated economic and market conditions. The Fund may also invest in foreign securities of the same type and characteristics as described above.

The Fund engages in short selling activities, wherein it borrows securities and sells them to third parties. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold short at prices which may be significantly higher than the fair value reflected on the financial statements.

As at December 31, 2016, the impact on net assets of the Fund due to a 5% change in market prices of equity and fund securities is \$1,542,469 (all other variables held constant) (2015: \$636,970).

### Concentration Risk

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

The following is a summary of the Fund's concentration risk as of December 31, 2016 and 2015:

Market Segment	% of net assets attributable to holders of redeemable units			
	December 31, 2016		December 31, 2015	
	Long Positions	Short Positions	Long Positions	Short Positions
	%	%	%	%
Consumer Discretionary	9.3	(0.4)	12.1	(0.5)
Consumer Staples	5.6	-	6.8	-
Corporate Bonds	0.2	-	0.2	-
Energy	10.9	-	2.4	-
Financials	5.9	-	3.7	(0.1)
Funds	8.9	-	4.0	(1.0)
Health Care	2.6	-	0.7	-
Industrials	10.6	(0.3)	4.7	(0.1)
Information Technology	6.7	-	8.6	-
Materials	11.6	(0.2)	5.2	(0.2)
Real Estate	2.2	-	-	-
Telecommunication Services	0.4	-	0.6	(0.1)
Utilities	3.2	-	0.2	-
<b>Total</b>	<b>78.1</b>	<b>(0.9)</b>	<b>49.2</b>	<b>(2.0)</b>

# EXEMPLAR PERFORMANCE FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

### FAIR VALUE MEASUREMENT

A general discussion of fair value measurement for the Exemplar Funds appears as Note 6: FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT.

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2016 and 2015:

December 31, 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Equities	27,623,590	-	-	27,623,590
Fixed income	-	61,920	-	61,920
Funds	3,569,282	-	-	3,569,282
<b>Total</b>	<b>31,192,872</b>	<b>61,920</b>	<b>-</b>	<b>31,254,792</b>
<b>Financial liabilities</b>				
Equities sold short	(343,502)	-	-	(343,502)
<b>Total</b>	<b>(343,502)</b>	<b>-</b>	<b>-</b>	<b>(343,502)</b>

December 31, 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Equities	12,159,984	-	-	12,159,984
Fixed income	-	61,959	-	61,959
Funds	1,065,619	-	-	1,065,619
<b>Total</b>	<b>13,225,603</b>	<b>61,959</b>	<b>-</b>	<b>13,287,562</b>
<b>Financial liabilities</b>				
Equities sold short	(275,511)	-	-	(275,511)
Funds	(272,660)	-	-	(272,660)
<b>Total</b>	<b>(548,171)</b>	<b>-</b>	<b>-</b>	<b>(548,171)</b>

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

The Manager is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements if any. The Manager obtains pricing from a third party pricing vendor which is monitored and reviewed daily by the finance department. In addition, at each financial reporting date, the Manager reviews and approves all Level 3 fair value measurements, if applicable.

#### a) Equities and Funds

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

#### 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

# EXEMPLAR PERFORMANCE FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

inputs such as interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Fund's bonds have been classified as Level 2.

As at December 31, 2016 and 2015, the Fund did not hold any Level 3 financial instruments. There were no transfers between levels 1, 2 and 3 during the years ending December 31, 2016 and 2015.

### Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2016 and 2015.

December 31, 2016	Net realized gains / (losses)	Net change in unrealized gains / (losses)	Interest income	Interest expense	Dividend income	Dividend expense	Securities lending income	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets at FVTPL:								
Designated as FVTPL	14,452	2,003,092	-	-	398,952	-	4,305	2,420,801
Financial liabilities at FVTPL:								
HFT	(63,956)	(80,355)	-	-	-	(20,772)	-	(165,083)
<b>Total</b>	<b>(49,504)</b>	<b>1,922,737</b>	<b>-</b>	<b>-</b>	<b>398,952</b>	<b>(20,772)</b>	<b>4,305</b>	<b>2,255,718</b>

December 31, 2015	Net realized gains / (losses)	Net change in unrealized gains / (losses)	Interest income	Interest expense	Dividend income	Dividend expense	Securities lending income	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets at FVTPL:								
Designated as FVTPL	(275,741)	979,529	-	-	253,349	-	-	957,137
Financial liabilities at FVTPL:								
HFT	52,971	19,833	-	-	-	(11,013)	-	61,791
<b>Total</b>	<b>(222,770)</b>	<b>999,362</b>	<b>-</b>	<b>-</b>	<b>253,349</b>	<b>(11,013)</b>	<b>-</b>	<b>1,018,928</b>

# EXEMPLAR TACTICAL CORPORATE BOND FUND

## Statements of Financial Position

	As at December 31, 2016	As at December 31, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Financial assets designated at fair value through profit and loss	\$33,803,306	\$28,766,846
Financial assets held for trading		
Options at fair value - long	56,526	-
Unrealized gain on futures contracts - short	-	21,430
Unrealized gain on forward currency contracts	777	2,125
Warrants at fair value	148	4
Cash	2,231,446	6,544,244
Margin deposits	981,823	969,293
Accrued interest receivable	260,384	419,256
Accrued dividend receivable	13,353	-
Receivable for securities sold	155,562	-
Receivable for redeemable units issued	266,723	113,115
	<u>37,770,047</u>	<u>36,836,313</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Financial liabilities held for trading		
Options at fair value - short	14,613	-
Unrealized loss on futures contracts - long	70,065	189,540
Unrealized loss on futures contracts - short	3,280	-
Unrealized loss on swap contracts	387,006	30,760
Cash collateral on swap contracts	91,178	14,112
Payable for redeemable units redeemed	193,539	63,609
Other liabilities (Note 11)	48,854	52,583
	<u>808,535</u>	<u>350,604</u>
Net assets attributable to holders of redeemable units	<u>\$36,961,512</u>	<u>\$36,485,709</u>
Net assets attributable to holders of redeemable units		
Series A	\$3,827,739	\$4,369,884
Series AI	\$348,277	\$257,213
Series AN	\$7,471,716	\$10,313,894
Series F	\$15,293,620	\$11,641,816
Series FI	\$1,894,998	\$1,112,189
Series FN	\$6,147,787	\$6,653,587
Series I	\$950,838	\$1,131,199
Series L	\$947,547	\$939,352
Series LI	\$5,051	\$9,658
Series U	\$59,006	\$40,013
Series G	\$13,528	\$-
Series M	\$1,405	\$16,904

Continued on next page.

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

# EXEMPLAR TACTICAL CORPORATE BOND FUND

## Statements of Financial Position

	As at December 31, 2016	As at December 31, 2015
<i>Continued from previous page.</i>		
Number of redeemable units outstanding (Note 8)		
Series A	417,810	478,057
Series AI	39,528	28,942
Series AN	758,683	1,048,750
Series F	1,638,737	1,257,444
Series FI	210,892	123,815
Series FN	620,805	671,979
Series I	96,477	115,268
Series L	102,475	102,488
Series LI	546	1,031
Series U	4,437	2,940
Series G	1,000	-
Series M	104	1,250
Net assets attributable to holders of redeemable units per unit		
Series A	\$9.16	\$9.14
Series AI	\$8.81	\$8.89
Series AN	\$9.85	\$9.83
Series F	\$9.33	\$9.26
Series FI	\$8.99	\$8.98
Series FN	\$9.90	\$9.90
Series I	\$9.86	\$9.81
Series L	\$9.25	\$9.17
Series LI	\$9.25	\$9.37
Series U USD	\$9.91	\$9.83
Series G USD	\$10.08	\$-
Series M USD	\$10.06	\$9.77

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

“James L. McGovern”

\_\_\_\_\_  
James L. McGovern, Director

“Robert W. Maxwell”

\_\_\_\_\_  
Robert W. Maxwell, Director

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

# EXEMPLAR TACTICAL CORPORATE BOND FUND

## Statements of Comprehensive Income For the years ended December 31,

	2016 \$	2015 \$
<b>INCOME</b>		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	1,821,630	1,340,039
Dividend income	112,638	-
Net realized gain (loss) on investments and derivatives	291,357	(824,810)
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	817,674	(627,842)
Net gains (losses) on investments and derivatives	3,043,299	(112,613)
Other income items:		
Interest on cash	2,571	2,352
Foreign exchange gain (loss)	76,594	3,750
Net change in unrealized foreign exchange gain (loss)	(24,139)	35,774
<b>Total income (net)</b>	3,098,325	(70,737)
<b>EXPENSES</b>		
Securityholder reporting fees	177,790	98,991
Management fees (Note 11)	470,930	382,355
Interest expense	3,665	1,601
Audit fees	19,887	16,999
Legal fees	6,945	16,574
Independent Review Committee fees	4,600	4,458
Custodial fees	12,612	7,965
Commissions and other portfolio transaction costs (Note 11)	10,275	2,667
Commissions on Futures (Note 11)	8,347	6,807
Harmonized sales tax	47,094	48,481
Total expense before manager absorption	762,145	586,898
Less: expenses absorbed by manager (Note 11)	(147,883)	(87,113)
<b>Total expenses after manager absorption</b>	614,262	499,785
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	2,484,063	(570,522)
<b>Increase (decrease) in net assets attributable to holders of redeemable units (Note 13)</b>		
Series A	258,863	(88,346)
Series AI	18,692	(2,594)
Series AN	537,683	(185,752)
Series F	1,043,787	(144,123)
Series FI	108,112	8,071
Series FN	380,293	(121,301)
Series I	89,639	(16,781)
Series L	44,025	(22,030)
Series LI	392	(341)
Series U	1,118	2,203
Series G	476	-
Series M	983	472

Continued on next page.

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

# EXEMPLAR TACTICAL CORPORATE BOND FUND

Statements of Comprehensive Income  
For the years ended December 31,

	2016 \$	2015 \$
<i>Continued from previous page.</i>		
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit (Note 13)</b>		
Series A	0.56	(0.22)
Series AI	0.55	(0.08)
Series AN	0.60	(0.24)
Series F	0.67	(0.14)
Series FI	0.65	0.05
Series FN	0.67	(0.30)
Series I	0.87	(0.30)
Series L	0.48	(0.26)
Series LI	0.50	(0.34)
Series U	0.36	0.75
Series G	0.25	-
Series M	1.14	0.38

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



# EXEMPLAR TACTICAL CORPORATE BOND FUND

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

		2016 \$	2015 \$
<b>Net assets attributable to holders of redeemable units at beginning of year</b>	Series A	4,369,884	3,448,110
	Series AI	257,213	265,651
	Series AN	10,313,894	5,346,433
	Series F	11,641,816	9,797,932
	Series FI	1,112,189	1,730,145
	Series FN	6,653,587	1,100,299
	Series I	1,131,199	-
	Series L	939,352	384,093
	Series LI	9,658	-
	Series U	40,013	-
	Series G	-	-
	Series M	16,904	-
		36,485,709	22,072,663
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	Series A	258,863	(88,346)
	Series AI	18,692	(2,594)
	Series AN	537,683	(185,752)
	Series F	1,043,787	(144,123)
	Series FI	108,112	8,071
	Series FN	380,293	(121,301)
	Series I	89,639	(16,781)
	Series L	44,025	(22,030)
	Series LI	392	(341)
	Series U	1,118	2,203
	Series G	476	-
	Series M	983	472
		2,484,063	(570,522)
<b>Distributions to holders of redeemable units</b>			
From return of capital	Series A	-	(195,560)
	Series AI	(3,350)	(22,103)
	Series AN	-	-
	Series F	-	(514,738)
	Series FI	-	(111,203)
	Series FN	-	-
	Series I	-	(546)
	Series L	-	(42,243)
	Series LI	(158)	(294)
	Series U	-	(334)
	Series G	-	-
	Series M	-	(142)
From net realized gains on investments and derivatives	Series A	(125,075)	-
	Series AI	(5,695)	-
	Series AN	(178,109)	-
	Series F	(282,546)	-
	Series FI	(28,155)	-
	Series FN	(201,634)	-
	Series I	(19,665)	-
	Series L	(16,534)	-
	Series LI	(142)	-
	Series U	(731)	-
	Series G	(81)	-
	Series M	(207)	-

Continued on next page.

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

# EXEMPLAR TACTICAL CORPORATE BOND FUND

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

		2016 \$	2015 \$
<i>Continued from previous page.</i>			
From net investment income	Series A	(122,354)	-
	Series AI	(11,859)	-
	Series AN	(256,478)	-
	Series F	(621,601)	-
	Series FI	(75,191)	-
	Series FN	(219,425)	-
	Series I	(50,056)	-
	Series L	(25,353)	-
	Series LI	(221)	-
	Series U	(1,267)	-
	Series G	(251)	-
	Series M	(359)	-
<b>Total distributions to holders of redeemable units</b>		<b>(2,246,497)</b>	<b>(887,163)</b>
<b>Redeemable unit transactions</b>			
Proceeds from redeemable units issued	Series A	473,921	3,448,786
	Series AI	160,255	73,000
	Series AN	326,887	6,951,588
	Series F	6,344,156	9,602,093
	Series FI	896,243	398,505
	Series FN	2,850,929	7,010,864
	Series I	1,255,000	1,149,980
	Series L	145,055	584,457
	Series LI	-	10,000
	Series U	19,873	38,144
	Series G	67,035	-
	Series M	-	16,574
Reinvestments of distributions to holders of redeemable units	Series A	107,220	117,271
	Series AI	16,258	22,103
	Series AN	430,408	-
	Series F	312,771	312,334
	Series FI	79,719	109,653
	Series FN	378,869	-
	Series I	69,721	546
	Series L	33,451	35,110
	Series LI	522	293
	Series U	-	-
	Series G	-	-
	Series M	22	-

*Continued on next page.*

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

# EXEMPLAR TACTICAL CORPORATE BOND FUND

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

		2016 \$	2015 \$
<i>Continued from previous page.</i>			
Redemption of redeemable units	Series A	(1,134,720)	(2,360,377)
	Series AI	(83,237)	(78,844)
	Series AN	(3,702,569)	(1,798,375)
	Series F	(3,144,763)	(7,411,682)
	Series FI	(197,919)	(1,022,982)
	Series FN	(3,694,832)	(1,336,275)
	Series I	(1,525,000)	(2,000)
	Series L	(172,449)	(35)
	Series LI	(5,000)	-
	Series U	-	-
	Series G	(53,651)	-
	Series M	(15,938)	-
<b>Net increase (decrease) from redeemable unit transactions</b>		<b>238,237</b>	<b>15,870,731</b>
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>475,803</b>	<b>14,413,046</b>
	Series A	3,827,739	4,369,884
	Series AI	348,277	257,213
	Series AN	7,471,716	10,313,894
	Series F	15,293,620	11,641,816
	Series FI	1,894,998	1,112,189
	Series FN	6,147,787	6,653,587
	Series I	950,838	1,131,199
	Series L	947,547	939,352
	Series LI	5,051	9,658
	Series U	59,006	40,013
	Series G	13,528	-
	Series M	1,405	16,904
<b>Net assets attributable to holders of redeemable units at end of year</b>		<b>36,961,512</b>	<b>36,485,709</b>

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

# EXEMPLAR TACTICAL CORPORATE BOND FUND

## Statements of Cash Flows For the years ended December 31,

	2016 \$	2015 \$ (Revised - Note 3)
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	2,484,063	(570,522)
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	(16,410)	(67,476)
Net realized (gain) loss on investments and derivatives	(291,357)	824,810
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	(817,674)	627,842
Purchase of investments	(68,394,325)	(57,401,848)
Proceeds on sale of investments and derivatives	64,532,105	45,524,589
Decrease (increase) in accrued interest receivable	158,873	(233,861)
Decrease (increase) in accrued dividend receivable	(13,353)	-
Increase (decrease) in other liabilities	(3,729)	19,627
Increase (decrease) in cash collateral on swap contracts	77,066	14,112
Decrease (increase) in margin deposits	(12,530)	(826,670)
<b>Net cash from (used in) operating activities</b>	<b>(2,297,271)</b>	<b>(12,089,397)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from redeemable units issued	10,285,879	27,498,316
Redemption of redeemable units	(11,500,280)	(12,336,279)
Distributions paid to holders of redeemable units, net of reinvested distributions	(817,536)	(289,853)
<b>Net cash from (used in) financing activities</b>	<b>(2,031,937)</b>	<b>14,872,184</b>
<b>Net increase (decrease) in cash</b>	<b>(4,329,207)</b>	<b>2,782,787</b>
<b>Cash at beginning of the year</b>	<b>6,544,244</b>	<b>3,693,981</b>
Net change in unrealized foreign exchange gain (loss) on cash	16,410	67,476
<b>Cash at end of the year</b>	<b>2,231,446</b>	<b>6,544,244</b>
<b>Supplemental information:</b>		
Interest received*	1,983,074	1,108,530
Interest paid*	(3,665)	(1,601)
Dividends received, net of withholding tax*	99,285	-

\*Included as part of cash flows from operating activities

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

# EXEMPLAR TACTICAL CORPORATE BOND FUND

Schedule of Investment Portfolio – As at December 31, 2016

Equity Positions - Long		13.8%				
Security Name	Currency		Quantity	Average Cost	Fair Value	
				\$		\$
<b>Energy</b>		<b>6.6%</b>				
Enbridge Inc.	CAD		24,400	363,394	392,840	
Enbridge Inc.	USD		36,340	904,774	1,088,059	
TransCanada Corp - Preferred Series 15	CAD		29,000	725,000	738,340	
TransCanada Corp - Preferred Series 13	CAD		9,400	235,000	250,604	
				<u>2,228,168</u>	<u>2,469,843</u>	
<b>Financials</b>		<b>7.2%</b>				
Bank of Montreal - Preferred Series 38	CAD		46,000	1,166,235	1,187,260	
The Bank of Nova Scotia	CAD		40,200	820,253	842,592	
Manulife Financial Corporation	CAD		19,000	475,000	478,800	
The Toronto-Dominion Bank	CAD		7,000	166,718	173,005	
				<u>2,628,206</u>	<u>2,681,657</u>	
				<u>4,856,374</u>	<u>5,151,500</u>	

Funds - Long		5.5%				
Security Name	Currency		Quantity	Average Cost	Fair Value	
				\$		\$
BMO Laddered Preferred Share Index ETF	CAD		190,000	1,925,250	2,033,000	

Fixed Income Positions - Long		72.0%				
Security Name	Currency	Coupon Rate	Maturity Date	Par Value	Average Cost	Fair Value
		%			\$	\$
Ag Growth International Inc.	CAD	5.25	12-31-19	710,000	745,189	735,028
Aon Finance N.S. 1, ULC	CAD	4.76	03-08-18	500,000	537,008	518,485
Bank of Montreal	CAD	1.54	03-29-18	1,180,000	1,185,381	1,185,664
Bombardier Inc.	USD	8.75	12-01-21	1,000,000	1,326,591	1,428,244
CIT Group Inc.	USD	4.25	08-15-17	1,120,000	1,484,082	1,526,325
Fairfax Financial Holdings Limited	CAD	4.70	12-16-26	1,000,000	996,690	1,011,310
Ford Credit Canada Limited	CAD	3.14	06-14-19	1,000,000	1,004,450	1,025,420
The Goldman Sachs Group, Inc.	CAD	5.00	05-03-18	1,000,000	1,082,780	1,045,950
Kraft Canada Inc.	CAD	2.70	07-06-20	958,000	972,456	971,623
Loblaw Companies Limited	CAD	3.75	03-12-19	1,305,000	1,371,161	1,362,394
Manulife Bank of Canada	CAD	1.50	06-01-18	1,500,000	1,500,000	1,503,960
Medavie Inc.	CAD	6.00	05-21-24	220,000	221,122	220,515
Navient Corporation	USD	7.25	09-25-23	1,000,000	1,316,661	1,382,930
Northgroup Preferred Capital Corporation	USD	6.38	01-29-49	2,048,000	2,686,605	2,749,747
Postmedia Network Inc.	CAD	8.25	07-15-21	198,090	204,528	172,091
Quebecor Media Inc.	CAD	7.38	01-15-21	1,530,000	1,606,500	1,573,988
The Royal Bank of Scotland Group plc	CAD	6.67	12-31-49	1,640,000	1,797,189	1,763,000
The Royal Bank of Scotland PLC	CAD	10.50	03-16-22	480,000	552,288	487,915
Shaw Communications Inc.	CAD	5.65	10-01-19	1,500,000	1,660,500	1,638,060
TransCanada Pipelines Ltd.	USD	6.35	05-15-67	1,355,000	1,436,589	1,523,656
Videotron Ltd.	CAD	6.88	07-15-21	600,000	647,250	621,000

# EXEMPLAR TACTICAL CORPORATE BOND FUND

Schedule of Investment Portfolio – As at December 31, 2016

Fixed Income Positions - Long		72.0%					
Security Name	Currency	Coupon Rate %	Maturity Date	Par Value	Average Cost \$	Fair Value \$	
WTH Car Rental, ULC	CAD	1.91	07-20-20	1,000,000	1,000,000	990,980	
Yellow Pages Digital & Media Solutions	CAD	9.25	11-30-18	1,140,600	1,203,771	1,180,521	
					<u>26,538,791</u>	<u>26,618,806</u>	

Futures Contracts - Long		(0.2%)				Unrealized
Security Name	Currency	Contracts	Contract Size	Expiry Date	Notional Value	Gain / Loss \$
<b>Canadian Currency</b>		<b>(0.2%)</b>				
CANADIAN DOLLAR FUTURES (CME)	USD	81	1,000	03-14-17	6,027,615	(70,065)

Futures Contracts - Short		(0.0%)				Unrealized
Security Name	Currency	Contracts	Contract Size	Expiry Date	Notional Value	Gain / Loss \$
<b>Canadian Bond</b>		<b>(0.0%)</b>				
CANADA 10YR BOND FUTURE (MSE)	CAD	(8)	1,000	03-22-17	(1,100,240)	(3,280)

Option Positions - Long		0.2%					
Security Name	Currency	Strike Price \$	Expiry Date	Contracts	Average Cost \$	Fair Value \$	
iShares S&P/TSX 60 Index ETF	CAD	20.50	01-21-17	1,835	63,308	2,753	
S&P 500 Emini FUT (CME) Mar 17	USD	2,130.00	03-18-17	30	49,760	53,773	
					<u>113,068</u>	<u>56,526</u>	

Option Positions - Short		(0.0%)					
Security Name	Currency	Strike Price \$	Expiry Date	Contracts	Proceeds \$	Fair Value \$	
iShares S&P/TSX 60 Index ETF	CAD	18.50	01-21-17	(1,835)	(15,598)	(918)	
S&P 500 Emini FUT (CME) Mar 17	USD	1910.00	03-18-17	(30)	(12,035)	(13,695)	
					<u>(27,633)</u>	<u>(14,613)</u>	

Swap Positions		(1.0%)					
Security Name	Currency	Notional Value	Proceeds \$	Unrealized Gain / (Loss) \$			
CDS ENBCN 100 12/21 US	USD	Credit Default Swap	1,000,000	(68,296)	(29,917)		
CDS: (CDX NA HY 26.5Y)	USD	Credit Default Swap Index	3,800,000	(109,447)	(357,089)		
				<u>(177,743)</u>	<u>(387,006)</u>		

# EXEMPLAR TACTICAL CORPORATE BOND FUND

Schedule of Investment Portfolio – As at December 31, 2016

Warrant Positions - Long		0.0%					
Security Name	Currency	Strike Price	Maturity Date	Quantity	Average Cost	Fair Value	
					\$	\$	
Xplornet Communications Inc.	CAD	0	05-15-17	370	4	148	

Forward Currency Contracts		0.0%						
Currency Purchased	Notional Value	Currency Sold	Notional Value	Contract Rate	Maturity Date	Counterparty	Credit Rating	Fair Value
								\$
USD	44,000	CAD	(58,454)	0.7527286	01-05-17	BNY Mellon	A1	622
USD	1,000	CAD	(1,329)	0.7527286	01-05-17	BNY Mellon	A1	14
USD	10,000	CAD	(13,285)	0.7527286	01-05-17	BNY Mellon	A1	141
								<u>777</u>

Investment Portfolio Summary			Average Cost / (Proceeds)	Fair Value
	%		\$	\$
Funds	5.5		1,925,250	2,033,000
Equity Positions - Long	13.8		4,856,374	5,151,500
Fixed Income Positions - Long	72.0		26,538,791	26,618,806
Futures Contracts - Long	(0.2)		-	(70,065)
Futures Contracts - Short	(0.0)		-	(3,280)
Option Positions - Long	0.2		113,068	56,526
Options Positions - Short	(0.0)		(27,633)	(14,613)
Swap Positions	(1.0)		(177,743)	(387,006)
Warrant Positions - Long	0.0		4	148
Forward Currency Contracts	0.0		-	777
Total Investments	90.3		33,228,111	33,385,793
Total Other Net Assets	9.7		-	3,575,719
Total Net Assets	100.0		33,228,111	36,961,512

# EXEMPLAR TACTICAL CORPORATE BOND FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

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

### RISK MANAGEMENT

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

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

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

A general discussion of financial risk management for the Exemplar Funds appears as Note 5: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

### Credit Risk

The analysis below summarizes the credit quality of the Fund's debt portfolio at December 31, 2016 and 2015.

Credit Rating*	Percentage of total debt securities	
	As at December 31, 2016	As at December 31, 2015
	%	%
AA	4.5	-
A	19.9	6.4
BBB	30.2	23.1
Below BBB	38.2	58.7
Not Rated	7.2	11.8
Total	100.0	100.0

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

The Fund is exposed to counterparty credit risk on swaps and futures contracts. The counterparties to the Fund's swaps are Bank of America and JP Morgan Chase & Co. which have credit ratings as rated by Moody's bond rating services of Baa1 and A3, respectively (2015: Baa1 and A3, respectively). Futures contracts are exchange traded. Cash collateral has been provided to Bank of America in accordance with terms of derivative transaction agreements and is presented as "Margin deposits" in the Statement of Financial Position.

The Fund is exposed to counterparty credit risk on cash and other receivable balances. The Fund's broker and custodial services are provided by CIBC Mellon Trust Company which has a credit rating as rated by Moody's bond rating services of A1 (2015: Aa3).

The Fund is also exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (2015: Aa1).

The Fund may participate in securities lending up to a maximum of 50% of the aggregate net asset value of the Fund, excluding the collateral held in respect to such loans, and is exposed to counterparty risk on all such loans, if any. The credit risk related to the securities lending program is limited as the Fund holds a minimum collateral equal to 102% of the fair value of the loaned securities. The collateral and loaned securities are marked to market on each valuation date.

There are risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund. Therefore, the Fund should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this



# EXEMPLAR TACTICAL CORPORATE BOND FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

segregation, so the portfolio of the Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

### Liquidity Risk

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

From time to time, the Fund may use margin borrowings in one or more of its brokerage accounts. For the year ending December 31, 2016, the minimum margin borrowings used was \$59,397 and the maximum margin borrowings used was \$1,348,590 (2015: min: \$220,954, max: \$955,213).

### Market Risk

The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

#### (a) Currency Risk

The table below indicates the Fund's exposure to USD as at December 31, 2016 and 2015 in Canadian dollar terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Monetary items include bonds, futures, swaps, cash and other current receivables and payables. Non-monetary items include equities, funds, warrants and options.

December 31, 2016	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency	\$	\$	\$	\$	\$	\$
United States Dollar - Long	9,211,532	1,141,832	10,353,364	921,153	114,183	1,035,336
United States Dollar - Short	(98,967)	(13,695)	(112,662)	(9,897)	(1,370)	(11,267)
Total	9,112,565	1,128,137	10,240,702	911,256	112,813	1,024,069
Redeemable units issued in USD			(73,939)			(7,394)
Net exposure to foreign currencies			10,166,763			1,016,675
% of net assets attributable to holders of redeemable units	24.7%	3.1%	27.7%	2.5%	0.3%	2.8%
% of net assets attributable to units issued in USD			(0.2%)			(0.0%)
% of net assets exposed to foreign currencies			27.5%			2.8%

# EXEMPLAR TACTICAL CORPORATE BOND FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

December 31, 2015	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency	\$	\$	\$	\$	\$	\$
United States Dollar - Long	16,000,817	824,338	16,825,155	1,600,082	82,434	1,682,516
United States Dollar - Short	10,738	-	10,738	1,074	-	1,074
Total	16,011,555	824,338	16,835,893	1,601,156	82,434	1,683,590
Redeemable units issued in			(56,917)			(5,692)
Net exposure to foreign			16,778,976			1,677,898
% of net assets attributable to holders of redeemable units	43.9%	2.3%	46.1%	4.4%	0.2%	4.6%
% of net assets attributable to units issued in USD			(0.2%)			(0.0%)
% of net assets exposed to foreign currencies			45.9%			4.6%

### (b) Interest Rate Risk

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2016 and 2015. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable units if the prevailing levels of market interest rates changed by 1.0%, assuming a parallel shift in the yield curve with all other variables held constant.

Term to Maturity	Total Exposure	
	December 31, 2016	December 31, 2015
Less than 1 year	\$ 1,526,325	\$ -
1-3 years	10,195,482	4,617,829
3-5 years	5,757,926	5,331,973
Greater than 5 years	9,139,073	17,992,706
Total	\$ 26,618,806	\$ 27,942,508
Sensitivity:		
Total \$ sensitivity to net assets attributable to holders of redeemable units	+/- \$ 1,391,403	+/- \$ 1,608,619
Total % sensitivity to net assets attributable to holders of redeemable units	3.8%	4.4%

### (c) Price Risk

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

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

As at December 31, 2016, if the Fund's relevant benchmark index, FTSE TMX Canada All Corporate Bond Index, had increased or decreased by 5%, with all other variables held constant, the net assets attributable to holders of redeemable units of the Fund would have increased or decreased by \$425,057 (2015: \$273,643).

### Concentration Risk

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

The following is a summary of the Fund's concentration risk as of December 31, 2016 and 2015:

# EXEMPLAR TACTICAL CORPORATE BOND FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

Market Segment	December 31, 2016	December 31, 2015
	\$	\$
Corporate Bonds	72.0	76.6
Energy	6.6	1.3
Financials	7.2	-
Funds	5.5	1.0
Derivatives	(1.0)	(0.5)
<b>Total</b>	<b>90.3</b>	<b>78.4</b>

### FAIR VALUE MEASUREMENT

A general discussion of fair value measurement for the Exemplar Funds appears as Note 6: FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT.

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2016 and 2015:

December 31, 2016	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Equities	5,151,500	-	-	5,151,500
Fixed Income	-	26,618,806	-	26,618,806
Funds	2,033,000	-	-	2,033,000
Derivatives	56,526	925	-	57,451
<b>Total</b>	<b>7,241,026</b>	<b>26,619,731</b>	<b>-</b>	<b>33,860,757</b>
<b>Financial liabilities</b>				
Derivatives	(87,958)	(387,006)	-	(474,964)
<b>Total</b>	<b>(87,958)</b>	<b>(387,006)</b>	<b>-</b>	<b>(474,964)</b>

December 31, 2015	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Equities	824,338	-	-	824,338
Fixed income	-	27,942,508	-	27,942,508
Derivatives	21,430	2,129	-	23,559
<b>Total</b>	<b>845,768</b>	<b>27,944,637</b>	<b>-</b>	<b>28,790,405</b>
<b>Financial liabilities</b>				
Derivatives	(189,540)	(30,760)	-	(220,300)
<b>Total</b>	<b>(189,540)</b>	<b>(30,760)</b>	<b>-</b>	<b>(220,300)</b>

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

The Manager is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements if any. The Manager obtains pricing from a third party pricing vendor which is monitored and reviewed daily by the finance department. In addition, at each financial reporting date, the Manager reviews and approves all Level 3 fair value measurements, if applicable.

# EXEMPLAR TACTICAL CORPORATE BOND FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

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

### a) Equities and Funds

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

### b) Bonds

The Fund's bond holdings are comprised of Canadian and US corporate bonds. Bond pricing is obtained from bid and ask prices provided by independent security pricing services or recognized investment dealers. Bond prices may be derived by using models which include inputs such as interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Fund's bonds have been classified as Level 2.

### c) Derivatives

Derivative assets and liabilities consist of warrants, options, futures contracts, credit default swaps and foreign currency contracts. 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. Futures contracts and options are exchange traded and are classified as Level 1 as they are actively traded on a recognized exchange and a quoted price is available. Credit default swaps are valued based upon quotations from independent security pricing sources. The inputs that are significant to valuation are generally observable and therefore credit default swaps have been classified as Level 2. Foreign currency contracts are valued based primarily on the contract notional amount and the difference between the contract rate and the forward market rate for the same currency, adjusted for counterparty risk. Foreign currency contracts are classified as Level 2.

As at December 31, 2016 and 2015, the Fund did not hold any Level 3 financial instruments. There were no transfers between levels 1, 2 and 3 during the years ending December 31, 2016 and 2015.

### Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2016 and 2015.

December 31, 2016	Net realized gains / (losses) \$	Net change in unrealized gains / (losses) \$	Interest income \$	Interest expense \$	Dividend income \$	Dividend expense \$	Total \$
Financial assets at FVTPL:							
Designated as FVTPL	504,341	971,977	1,661,241	-	112,638	-	3,250,197
HFT		(55,620)	160,389				104,769
	504,341	916,357	1,821,630	-	112,638	-	3,354,966
Financial liabilities at FVTPL:							
HFT	(212,984)	(98,683)	-	-	-	-	(311,667)
Total	291,357	817,674	1,821,630	-	112,638	-	3,043,299

# EXEMPLAR TACTICAL CORPORATE BOND FUND

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

December 31, 2015	Net realized gains / (losses) \$	Net change in unrealized gains / (losses) \$	Interest income \$	Interest expense \$	Dividend income \$	Dividend expense \$	Total \$
Financial asset at FVTPL:							
Designated as FVTPL	228,273	(500,122)	1,354,645	-	-	-	1,082,796
Financial liabilities at FVTPL:							
HFT	(1,053,083)	(127,720)	(14,606)	-	-	-	(1,195,409)
Total	(824,810)	(627,842)	1,340,039	-	-	-	(112,613)

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

### 1. THE FUNDS

Exemplar Growth and Income Fund, Exemplar Investment Grade Fund, Exemplar Leaders Fund, Exemplar Performance Fund, and Exemplar Tactical Corporate Bond Fund (the “Funds”) are unincorporated open-ended mutual fund trusts created under the laws of the Province of Ontario pursuant to a declaration of trust (the “Declaration of Trust”) dated August 27, 2007, as last amended on March 16, 2016.

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

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

The financial statements for Exemplar Investment Grade Fund, Exemplar Leaders Fund, Exemplar Performance Fund, and Exemplar Tactical Corporate Bond Fund are as at December 31, 2016 and December 31, 2015 and for the years ended December 31, 2016 and 2015.

On March 16, 2015, Arrow launched the Exemplar Growth and Income Fund which commenced operations March 24, 2015. The financial statements are as at December 31, 2016 and December 31, 2015 and for the year ended December 31, 2016 and the period since commencement of operations to December 31, 2015.

#### Fund Mergers

On February 28, 2017, after receiving securityholder and regulatory approval, Exemplar U.S. High Yield Fund was merged into Exemplar Growth and Income Fund. Refer to Note 15: Subsequent Events.

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

Details relating to the merger are as follows:

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of Presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

These financial statements were authorized for issue by the Manager on March 24, 2017.

#### 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

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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positions, warrants, futures, swaps and options, if applicable, are classified as held for trading ("HFT") and are measured at FVTPL. The Funds' obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Funds' accounting policies for measuring the fair value of its investments and derivatives are the same as those used in measuring its net asset value ("NAV") for transactions with unitholders. There were no differences between the net assets attributable to holders of redeemable units used for reporting purposes under IFRS and that used for transactions with unitholders as at December 31, 2016 or 2015.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined on an average cost basis. Realized gains and losses on securities sold short and unrealized appreciation or depreciation on securities sold short are calculated with reference to the average proceeds of the related securities. Average cost does not include amortization of premiums or discounts on fixed income securities.

Interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by a Fund accounted for on an accrual basis. The Funds do not amortize premiums or discounts received on the purchase of fixed income securities.

Dividend income and expense is recognized in the statements of comprehensive income on the ex-dividend date.

Securities lending income is recognized on an accrual basis.

Financial assets and liabilities are offset and the net amount reported in the statements 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 statements 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.

Securities lending transactions are subject to master netting arrangements and the related offsetting disclosure is presented in Note 9.

### 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 statements of comprehensive income. The Funds' policy is to recognize transfers into and out of the fair value hierarchy levels at the beginning of each period.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Funds may use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same and other commonly used methods by market participants which make the maximum use of observable inputs.

### d) **Impairment of Financial Assets**

At each reporting date, each Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of future cash flows discounted using the asset's original effective interest rate.

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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Impairment losses on financial assets at amortized cost are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

### e) **Foreign Currency Translation**

The Funds' functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as 'Foreign exchange gain (loss)' and those relating to investments and derivatives are presented within 'Net realized gain (loss) on investments and derivatives' and 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income.

### f) **Cash**

Cash is comprised of deposits with financial institutions.

### g) **Margin Deposit**

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

### h) **Margin Loan**

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

### i) **Forward Currency Contracts**

The Funds may enter into forward currency contracts for purposes of minimizing currency exposure or to establish an exposure to a particular currency. The value of forward currency contracts entered into by a Fund is recorded as the difference between the contract rate and the current forward rates at the measurement date, applied to the contract's notional amount and adjusted for counterparty risk. The change in the fair value of forward currency contracts is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statements 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 statements of comprehensive income.

### j) **Options**

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. When a Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When a Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. Options held by a Fund are exchange-traded. Subsequent to initial recognition, changes in fair value, the difference between the premium paid or received, and fair value, are presented in 'Change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statements of comprehensive income. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a gain or loss and is presented in the statements of comprehensive income within 'Net realized gain (loss) on investments and derivatives'.

### k) **Futures Contracts**

The Funds may purchase or sell exchange traded futures contracts. Futures contracts are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price established in an organized market. Subsequent to initial recognition, changes in fair value are presented in 'Change in unrealized appreciation (depreciation) in value of



# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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investments and derivatives' in the statements of comprehensive income. When futures contracts are closed out, the gain or loss is presented in the statements of comprehensive income within 'Net realized gain (loss) on investments and derivatives'.

### **l) Credit Default Swap Contracts**

A credit default swap contract is an agreement to transfer credit risk from one party, a buyer of protection, to another party, a seller of protection. The Fund as a seller of protection would be required to pay a notional or other agreed upon value to the buyer of protection in the event of a default by a third party. In return, the Fund would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs. If no default occurs, the Fund would keep the stream of payments and would have no payment obligations.

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

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

### **m) Interest Rate Swap Contracts**

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

### **n) Commissions and Other Portfolio Transaction Costs**

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers. Such costs are expensed when incurred.

### **o) Income and Expense Allocation**

The net assets of each series of each Fund are computed by calculating the value of that series' proportionate share of that Fund's assets less that series' proportionate share of that Fund's common liabilities less series specific liabilities, if any. Expenses directly attributable to a series are charged to that series. Other income, expenses and gains/losses are allocated based on a reasonable allocation methodology which will include allocations based on the assets of the Funds or the number of unitholders in the Funds or other methodology the Manager determines is fair.

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

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to the series divided by the weighted average number of redeemable units outstanding in that series during the period. Refer to Note 13 for the calculation.

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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**q) Classification of Redeemable Units**

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

**r) Investments in Structured Entities**

The Funds may invest in underlying investment vehicles ("Structured Entities") that are managed by their respective Investment Advisors and whose investment objectives may range from achieving short-term to long-term income and capital growth. Structured Entities may use leverage in a manner consistent with their respective objectives and as permitted by their respective governing regulatory authorities. Structured Entities finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportionate stake in the respective fund's net assets. The Funds' interest in Structured Entities as at December 31, 2016 and 2015, held the form of redeemable units, which are included at their fair value in the statements of financial position which represents the Funds' maximum exposure in these Structured Entities. Refer to Note 7. The Funds do not provide, and have not committed to provide, any additional significant financial or other support to the Structured Entities. The change in fair value of each of the Structured Entities during the periods is included in 'Change in unrealized appreciation (depreciation) of value of investments and derivatives' and 'Net gains (losses) on investments and derivatives' in the statements of comprehensive income.

**s) Securities Lending**

The Funds may enter into securities lending arrangements. These transactions involve the temporary exchange of securities for collateral with a commitment to deliver the same securities at a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is included in "Securities lending income (net)" in the Statements of Comprehensive Income.

**t) Reclassification Adjustment**

Certain prior year market segment classifications and fair value measurements have been reclassified to conform to current year presentation.

### 3. REVISION OF COMPARATIVE FIGURES

Certain comparative figures in the Statements of Cash Flows have been reclassified or adjusted to appropriately reflect the following non-cash items.

For the year ended December 31, 2015, amounts related to the "Proceeds from redeemable units issued" and "Redemption of redeemable units" have been adjusted to exclude non-cash subscriptions and redemptions arising from switches between series within the Funds. There is no net impact on cash flows from financing activities within the Funds.

Fund	2015 Revision
	Amounts excluded from "Proceeds from redeemable units issued" and "Redemption of redeemable units"
Exemplar Investment Grade Fund	1,547,712
Exemplar Tactical Corporate Bond Fund	1,689,641
Exemplar Leaders Fund	563,592
Exemplar Performance Fund	512,264

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# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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### 4. 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 6 for further information about the fair value measurement of the Fund's financial instruments.

As at December 31, 2016, the investments in the Underlying Funds represented 44.5% (18.9 % Exemplar Performance Fund – Series I, 7.3% Exemplar Tactical Corporate Bond Fund – Series I, and 18.3% Exemplar U.S. High Yield Fund – Series I) (2015: 62.6% (50.8% Exemplar Performance Fund – Series I, 11.8% Exemplar Tactical Corporate Bond Fund – Series I) of net assets attributable to holders of redeemable units of Exemplar Growth and Income Fund. The fair values of the Underlying Funds are determined primarily by reference to the latest available net asset value per unit of the Underlying Funds' units as reported by the respective administrators of the Underlying Funds. The Fund may make adjustments to the values based on considerations such as; liquidity of the Underlying Funds or their underlying investments, the value date of the net asset values provided, any restrictions on redemptions and the basis of accounting. Redemptions can only be made on the redemption dates and subject to the required notice periods specified in the respective offering documents. As a result, the carrying values of the Underlying Funds may not be indicative of the values ultimately realized on redemption. Series I unitholders of the Underlying Funds have the right to redeem any or all of their Series I shares effective each business day of each month.

Refer to Note 6 for further information about the fair value measurement of the Fund's financial instruments and to Note 7 for further information about the Fund's Structured Entities.

#### Use of Judgments

##### *Classification and Measurement of Investments and Application of the Fair Value Option*

In classifying and measuring financial instruments held by the Funds, the Manager is required to make significant judgments about whether or not the business of the Funds is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, *Financial Instruments - Recognition and Measurement* (IAS 39). The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

##### *Assessment as Investment Entity*

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. Each Fund meets the definition of investment entity as it obtains funds from one or more investors for the purpose of providing those investors with professional investment management services and commit to their investors that their business purpose is to invest funds solely for returns from capital appreciation, investment income or both. Each Fund measures and evaluates the performance of substantially all of its investments on a fair value basis.

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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### *Determination if Underlying Funds Meet the Structured Entity Definition*

The Funds have concluded that their investments in the Underlying Funds are investments in unconsolidated structured entities. This represents a significant judgment by the Funds that is based generally on the fact that the decision making about the Underlying Funds investing activities is not governed by voting rights held by the Funds and other investors.

## **5. FINANCIAL INSTRUMENTS – RISK MANAGEMENT**

In the normal course of business, each Fund is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). Please refer to Discussion of Note 5: Financial Instruments – Risk Management for each Fund's specific risk disclosure.

### **Credit Risk**

The Funds may be exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Where a Fund invests in debt instruments and derivatives, this represents the main concentration of credit risk. The Funds are also exposed to counterparty credit risk on cash, margin deposits and other receivable balances. The Funds may also participate in securities lending and: therefore, be exposed to counterparty risk on all such loans, if any.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The credit risk related to the associated receivables is considered limited, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing a Fund's rights to its assets in the case of an insolvency of any such party.

### **Liquidity Risk**

Liquidity risk is the risk that a Fund will encounter difficulty in meeting obligations associated with financial liabilities. Each Fund is exposed to daily cash redemptions and as such, retains sufficient cash to fund anticipated redemptions. Each Fund aims to retain sufficient cash to maintain adequate liquidity including coverage of obligations related to short sales (if applicable) and all current liabilities. In addition, each Fund generally invests in securities that are highly liquid and where there is an observable market price that is quoted by multiple dealers.

### **Market Risk**

The Funds' investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

#### **a) Currency Risk**

The Funds invest in financial instruments and enter into transactions that are denominated in currencies other than the Canadian dollar. Consequently, the Funds are exposed to currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Funds may enter into foreign exchange currency contracts to reduce their foreign currency exposure.

#### **b) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. A Fund may hold securities with fixed interest rates that expose that Fund to fair value interest rate risk.

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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### 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.

### Concentration Risk

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

### Capital Risk Management

Units issued and outstanding are considered to be the capital of the Funds. The Funds do not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit of a Fund for all or any of the units of such unitholder by giving written notice to the Manager. The written notice is irrevocable and must be received no later than 4:00 p.m., EST, on the valuation day upon which the units are to be redeemed (a "Redemption Date"). The redeeming unitholder will receive payment in respect of any units surrendered for redemption on or before the 3rd business day immediately following a Redemption Date, subject to the Manager's right to suspend redemptions in certain circumstances.

## 6. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

Each Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Please refer to Discussion of Note 6: Financial Instruments – Fair Value Measurement for each Fund's specific risk disclosure.

The three levels of the fair value hierarchy are:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that a Fund can access at the measurement date,

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and

**Level 3:** Inputs that are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

The Funds may participate in securities lending and; therefore, receive collateral categorized as Level 1 or 2 as defined above. Such collateral is not considered significant to the financial instrument hierarchy of the securities owned by the Funds.

## 7. INVESTMENT IN STRUCTURED ENTITIES

Information related to investments in Structured Entities is as follows:

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

### Exemplar Growth and Income Fund – December 31, 2016

	Fair Value of Fund's Investment in Underlying Fund	Net Assets Attributable to Holders of Redeemable Units	Ownership of Underlying Fund
	\$	%	%
A&W Revenue Royalties Income Fund	37,170	0.3	0.0
Exemplar Performance Fund - Class I	2,458,746	18.9	6.1
Exemplar Tactical Corporate Bond Fund - Class I	950,792	7.3	2.6
Exemplar US High Yield Fund - Class I	2,382,137	18.3	21.7

### Exemplar Growth and Income Fund – December 31, 2015

	Fair Value of Fund's Investment in Underlying Fund	Net Assets Attributable to Holders of Redeemable Units	Ownership of Underlying Fund
	\$	%	%
A&W Revenue Royalties Income Fund	17,280	0.2	0.0
Exemplar Performance Fund - Class I	4,875,100	50.8	18.1
Exemplar Tactical Corporate Bond Fund - Class I	1,131,199	11.8	3.1
iShares 20+ Year Treasury Bond	270,440	2.8	0.0
ProShares UltraShort S&P500	57,925	0.6	0.0
Technology Select Sector SPDR	35,566	0.4	0.0

### Exemplar Investment Grade Fund – December 31, 2016

	Fair Value of Fund's Investment in Underlying Fund	Net Assets Attributable to Holders of Redeemable Units	Ownership of Underlying Fund
	\$	%	%
BMO Laddered Preferred Share Index ETF	1,701,300	2.7	0.1

### Exemplar Investment Grade Fund – December 31, 2015

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

### Exemplar Leaders Fund – December 31, 2016

	Fair Value of Fund's Investment in Underlying Fund	Net Assets Attributable to Holders of Redeemable Units	Ownership of Underlying Fund
	\$	%	%
Boyd Group Income Fund	881,268	2.4	0.1
Noranda Income Fund	223,958	0.6	0.2

### Exemplar Leaders Fund – December 31, 2015

	Fair Value of Fund's Investment in Underlying Fund	Net Assets Attributable to Holders of Redeemable Units	Ownership of Underlying Fund
	\$	%	%
Boyd Group Income Fund	740,320	2.0	0.1
Enbridge Income Fund Holdings Inc.	56,060	0.2	0.0
Noranda Income Fund	372,101	1.0	0.4

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

### Exemplar Performance Fund – December 31, 2016

	Fair Value of Fund's Investment in Underlying Fund	Net Assets Attributable to Holders of Redeemable Units	Ownership of Underlying Fund
	\$	%	%
A&W Revenue Royalties Income Fund	538,965	1.3	0.1
BMO S&P/TSX Equal Weight Banks Index ETF	161,100	0.4	0.0
Boyd Group Income Fund	1,129,392	2.8	0.1
iShare Russell 2000 ETF	307,796	0.8	0.0
iShares S&P/TSX 60 Index ETF	489,024	1.2	0.0
iShares S&P/TSX Capped Energy Index ETF	440,228	1.1	0.0
iShares S&P/TSX Capped REIT Index ETF	60,800	0.2	0.0
iShares U.S. Broker-Dealers & Securitites Exchanges ETF	44,046	0.1	0.0
PowerShares DB US Dollar Index Bullish Fund	138,553	0.3	0.0
SPDR S&P Oil & Gas Exploration & Production ETF	111,225	0.3	0.0
VanEck Vectors Russia ETF	148,153	0.4	0.0

### Exemplar Performance Fund – December 31, 2015

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

### Exemplar Tactical Corporate Bond Fund – December 31, 2016

	Fair Value of Fund's Investment in Underlying Fund	Net Assets Attributable to Holders of Redeemable Units	Ownership of Underlying Fund
	\$	%	%
BMO Laddered Preferred Share Index ETF	2,033,000	5.5	0.1

## 8. REDEEMABLE UNITS

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

### Exemplar Growth and Income Fund - for the year ended December 31, 2016

	Redeemable units outstanding at beginning of year	Redeemable units issued	Redeemable units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of year
Series A	380,417	32,350	17,297	(60,788)	369,276
Series AN	38,453	128,378	9,280	(8,026)	168,085
Series F	118,491	56,668	6,450	(92,611)	88,998
Series FN	314,537	310,118	31,227	(166,282)	489,600
Series I	84,458	-	6,633	(761)	90,330
Series L	8,642	16,636	782	-	26,060
Series LN	5,062	6,325	469	(1,004)	10,852

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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

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

### Exemplar Investment Grade Fund - for the year ended December 31, 2016

	Redeemable units outstanding at beginning of year	Redeemable units issued	Redeemable units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of year
Series A	1,526,674	459,077	30,314	(556,879)	1,459,186
Series AI	197,676	112,818	3,199	(39,050)	274,643
Series AN	205,057	155,755	8,596	(54,593)	314,815
Series F	3,627,975	2,018,063	50,859	(2,142,701)	3,554,196
Series FI	251,235	260,705	4,263	(80,171)	436,032
Series FN	147,719	191,347	7,732	(35,076)	311,722
Series I	-	50,491	15	(50,000)	506
Series G	4,691	2,515	85	(3,115)	4,176

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

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

### Exemplar Leaders Fund - for the year ended December 31, 2016

	Redeemable units outstanding at beginning of year	Redeemable units issued	Redeemable units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of year
Series A	738,188	21,252	37,473	(115,930)	680,983
Series F	223,338	19,716	15,088	(24,096)	234,046

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

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



# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

### Exemplar Performance Fund - for the year ended December 31, 2016

	Redeemable units outstanding at beginning of year	Redeemable units issued	Redeemable units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of year
Series A	657,788	595,007	-	(219,935)	1,032,860
Series AD	23,041	10,704	471	(8,270)	25,946
Series F	919,575	890,514	-	(218,139)	1,591,950
Series FD	33,506	10,156	229	(4,455)	39,436
Series I	474,210	46,232	-	(292,555)	227,887
Series L	272,741	187,039	-	(289)	459,491
Series LD	10,010	-	195	(1,026)	9,179

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

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

### Exemplar Tactical Corporate Bond Fund - for the year ended December 31, 2016

	Redeemable units outstanding at beginning of year	Redeemable units issued	Redeemable units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of year
Series A	478,057	52,467	11,769	(124,483)	417,810
Series AI	28,942	18,172	1,857	(9,443)	39,528
Series AN	1,048,750	32,283	43,793	(366,143)	758,683
Series F	1,257,444	686,373	33,687	(338,767)	1,638,737
Series FI	123,815	100,208	8,967	(22,098)	210,892
Series FN	671,979	278,519	38,341	(368,034)	620,805
Series I	115,268	125,861	7,091	(151,743)	96,477
Series L	102,488	15,793	3,667	(19,473)	102,475
Series LI	1,031	-	56	(541)	546
Series U	2,940	1,497	-	-	4,437
Series G	-	5,013	-	(4,013)	1,000
Series M	1,250	102	2	(1,250)	104

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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

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

### 9. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the Funds enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position, but still allow for the related amounts to set off in certain circumstances, such as bankruptcy or termination of the contracts. The following tables show financial instruments that may be eligible for offset, if such conditions were to arise, as at December 31, 2016 and 2015. The "Net Amount" column displays what the net impact would be on the Fund's statements of financial position if all amounts were set off.

#### Exemplar Growth and Income Fund - December 31, 2016

	Gross amounts \$	Financial instruments eligible for offset \$	Net amounts presented in the Statement of Financial Position \$	Related amounts not set-off in the Statement of Financial Position		
				Financial instruments \$	Collateral \$	Net amount \$
<b>Financial assets:</b>						
Counterparty 1	32,083	-	32,083	-	-	32,083
	32,083	-	32,083	-	-	32,083
<b>Financial liabilities:</b>						
Counterparty 1	-	-	-	-	-	-
	-	-	-	-	-	-

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

### Exemplar Growth and Income Fund - December 31, 2015

	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position		
				Financial instruments	Collateral	Net amount
	\$	\$	\$	\$	\$	\$
<b>Financial assets:</b>						
Counterparty 1	7,771	-	7,771	(7,771)	-	-
	7,771	-	7,771	(7,771)	-	-
<b>Financial liabilities:</b>						
Counterparty 1	(22,648)	-	(22,648)	7,771	-	(14,877)
	(22,648)	-	(22,648)	7,771	-	(14,877)

### Exemplar Investment Grade Fund - December 31, 2016

	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position		
				Financial instruments	Collateral	Net amount
	\$	\$	\$	\$	\$	\$
<b>Financial assets:</b>						
Counterparty 1	734,187	-	734,187	(157,749)	-	576,438
Counterparty 2	12,133	-	12,133	(12,133)	-	-
Counterparty 3	579	-	579	-	-	579
	746,899	-	746,899	(169,882)	-	577,017
<b>Financial liabilities:</b>						
Counterparty 1	(157,749)	-	(157,749)	157,749	-	-
Counterparty 2	(106,385)	-	(106,385)	12,133	94,252	-
Counterparty 3	-	-	-	-	-	-
	(264,134)	-	(264,134)	169,882	94,252	-

### Exemplar Investment Grade Fund - December 31, 2015

	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position		
				Financial instruments	Collateral	Net amount
	\$	\$	\$	\$	\$	\$
<b>Financial assets:</b>						
Counterparty 1	15,269	-	15,269	(15,269)	-	-
Counterparty 2	-	-	-	-	-	-
Counterparty 3	2,070	-	2,070	-	-	2,070
	17,339	-	17,339	(15,269)	-	2,070
<b>Financial liabilities:</b>						
Counterparty 1	(634,393)	-	(634,393)	15,269	619,124	-
Counterparty 2	(659,938)	-	(659,938)	-	659,938	-
Counterparty 3	-	-	-	-	-	-
	(1,294,331)	-	(1,294,331)	15,269	1,279,062	-

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

### Exemplar Tactical Corporate Bond Fund - December 31, 2016

	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position		
				Financial instruments	Collateral	Net amount
	\$	\$	\$	\$	\$	\$
<b>Financial assets:</b>						
Counterparty 1	-	-	-	-	-	-
Counterparty 2	777	-	777	-	-	777
Counterparty 3	-	-	-	-	-	-
	<u>777</u>	<u>-</u>	<u>777</u>	<u>-</u>	<u>-</u>	<u>777</u>
<b>Financial liabilities:</b>						
Counterparty 1	(430,434)	-	(430,434)	-	430,434	-
Counterparty 2	-	-	-	-	-	-
Counterparty 3	(29,917)	-	(29,917)	-	-	(29,917)
	<u>(460,351)</u>	<u>-</u>	<u>(460,351)</u>	<u>-</u>	<u>430,434</u>	<u>(29,917)</u>

### Exemplar Tactical Corporate Bond Fund - December 31, 2015

	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position		
				Financial instruments	Collateral	Net amount
	\$	\$	\$	\$	\$	\$
<b>Financial assets:</b>						
Counterparty 1	21,430	-	21,430	(21,430)	-	-
Counterparty 2	2,125	-	2,125	-	-	2,125
	<u>23,555</u>	<u>-</u>	<u>23,555</u>	<u>(21,430)</u>	<u>-</u>	<u>2,125</u>
<b>Financial liabilities:</b>						
Counterparty 1	(220,300)	-	(220,300)	21,430	198,870	-
Counterparty 2	-	-	-	-	-	-
	<u>(220,300)</u>	<u>-</u>	<u>(220,300)</u>	<u>21,430</u>	<u>198,870</u>	<u>-</u>

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

### 10. SECURITIES LENDING

The Funds' security lending transactions are administered by BNY Mellon, in its capacity as Lending Agent, and are summarized as follows:

As at December 31, 2016

	Exemplar Growth and Income Fund \$	Exemplar Investment Grade Fund \$	Exemplar Leaders Fund \$	Exemplar Performance Fund \$
<b>Non-Cash Collateral Coverage</b>				
Collateral received for securities on loan	276,448	-	3,014,781	2,792,775
Market value of securities loaned	(263,121)	-	(2,851,916)	(2,654,441)
Collateral in excess of securities loaned	13,327	-	162,865	138,334
Collateral as a percentage of securities loaned	105.1%	-	105.7%	105.2%
<b>Non-Cash Collateral Exposure</b>				
CAD	224,776	-	1,766,869	2,640,420
USD	51,672	-	1,247,912	152,355
	276,448	-	3,014,781	2,792,775
<b>Income</b>				
Securities lending income	1,205	3,774	7,507	7,229
Withholding taxes	(50)	-	(59)	(55)
BNY mellon lending agent fees	(462)	(1,510)	(2,979)	(2,869)
Securities lending income (net)	693	2,264	4,469	4,305

### 11. RELATED PARTY TRANSACTIONS

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

As at December 31, 2015, Arrow Diversified Fund invested in 105,813 Series FN Units of the Exemplar Growth and Income Fund, with a market value of \$1,081,123. This represents 11.3% of the net assets attributable to holders of redeemable units of Exemplar Growth and Income Fund.

The Exemplar Growth and Income Fund invest in units of Exemplar Performance Fund, Exemplar Tactical Corporate Bond Fund, and Exemplar U.S. High Yield Fund. The number of units owned by Exemplar Growth and Income Fund is summarized as follows:

Fund	Number of units	Fair Value (\$)	% of net assets attributable to holders of redeemable units
<b>December 31, 2016</b>			
Exemplar Performance Fund – Series I	227,887	2,458,746	18.9
Exemplar Tactical Corporate Bond Fund – Series I	96,477	950,792	7.3
Exemplar U.S. High Yield Fund - Series I	224,768	2,382,137	18.3
<b>December 31, 2015</b>			
Exemplar Performance Fund – Series I	474,210	4,875,100	50.8
Exemplar Tactical Corporate Bond Fund – Series I	115,268	1,131,199	11.8

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

As of December 31, 2016, the number of units owned by the Manager of each Fund is summarized as follows:

Fund	Number of units	Fair Value (\$)	% of net assets attributable to holders of redeemable units
Exemplar Growth and Income Fund – FN	246,782	2,618,357	20.1
Exemplar Investment Grade Fund – Series I	506	5,265	0.0
Exemplar Leaders Fund – Series A	1,037	41,988	0.1
Exemplar Leaders Fund – Series F	669	27,630	0.1
Exemplar Performance Fund - Series F	979	11,954	0.0
Exemplar Tactical Corporate Bond Fund – Series F	4,692	43,776	0.1
Exemplar Tactical Corporate Bond Fund – Series LI	546	5,051	0.0
Exemplar Tactical Corporate Bond Fund – Series M	104	1,047	0.0

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

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

### Management and Performance Fees

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

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

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

In addition, Exemplar Leaders Fund and Exemplar Performance Fund pay the Manager an annual performance fee (the "Performance Fee"), equal to 20% of the amount by which the Funds outperform their respective indices. The Performance Fee is calculated and

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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.

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

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

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

	December 31, 2016		December 31, 2015	
	Management Fees	Performance Fees	Management Fees	Performance Fees
	\$	\$	\$	\$
Exemplar Growth and Income Fund	15,105	n/a	10,972	n/a
Exemplar Investment Grade Fund	49,906	n/a	45,955	n/a
Exemplar Leaders Fund	48,267	2,420	10,703	-
Exemplar Performance Fund	47,895	332	3,841	-
Exemplar Tactical Corporate Bond Fund	38,789	n/a	41,007	n/a

### **Brokerage Commissions**

Total commissions paid to dealers for the years ended December 31, 2016 and 2015 in connection with portfolio transactions are as follows:

	December 31, 2016	December 31, 2015
	\$	\$
Exemplar Growth and Income Fund	88,713	20,631
Exemplar Investment Grade Fund	44,064	23,314
Exemplar Leaders Fund	25,908	32,552
Exemplar Performance Fund	23,676	8,748
Exemplar Tactical Corporate Bond Fund	18,622	9,474

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

### Soft Dollar Commissions

Total commissions used to purchase market data services by the Funds for the years ended December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
	\$	\$
Exemplar Growth and Income Fund	3,024	-
Exemplar Investment Grade Fund	-	-
Exemplar Leaders Fund	8,646	7,004
Exemplar Performance Fund	9,292	5,055
Exemplar Tactical Corporate Bond Fund	-	-

### 12. TAXATION

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

	Non-Capital Loss*	Capital Loss**
	\$	\$
Exemplar Growth and Income Fund	-	-
Exemplar Investment Grade Fund	23,569	-
Exemplar Leaders Fund	-	-
Exemplar Performance Fund	494,638	449,796
Exemplar Tactical Corporate Bond Fund	131,368	-

\* Non-capital losses can be offset against income in future years for up to 20 years.

\*\* Net Capital losses can be carried forward indefinitely for offset against gains in future periods.



# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2016 and 2015 is calculated as follows:

December 31, 2016	Increase (decrease) in net assets attributable to holders of redeemable units (\$)	Weighted average redeemable units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit (\$)
Exemplar Growth and Income Fund – Series A	345,830	363,850	0.95
Exemplar Growth and Income Fund – Series AN	102,596	93,884	1.09
Exemplar Growth and Income Fund – Series F	143,453	132,183	1.09
Exemplar Growth and Income Fund – Series FN	449,678	407,127	1.10
Exemplar Growth and Income Fund – Series I	99,042	85,183	1.16
Exemplar Growth and Income Fund – Series L	20,716	20,253	1.02
Exemplar Growth and Income Fund – Series LN	9,360	9,020	1.04
Exemplar Investment Grade Fund – Series A	937,545	1,480,974	0.63
Exemplar Investment Grade Fund – Series AI	140,859	221,072	0.64
Exemplar Investment Grade Fund – Series AN	184,880	259,322	0.71
Exemplar Investment Grade Fund – Series F	2,095,711	3,138,056	0.67
Exemplar Investment Grade Fund – Series FI	209,169	319,770	0.65
Exemplar Investment Grade Fund – Series FN	153,018	200,800	0.76
Exemplar Investment Grade Fund – Series I	10,665	12,042	0.89
Exemplar Investment Grade Fund – Series G	2,251	4,548	0.49
Exemplar Leaders Fund – Series A	2,694,192	683,036	3.94
Exemplar Leaders Fund – Series F	1,087,519	225,194	4.83
Exemplar Performance Fund – Series A	402,041	946,232	0.42
Exemplar Performance Fund – Series AD	6,249	27,807	0.22
Exemplar Performance Fund – Series F	682,350	1,281,933	0.53
Exemplar Performance Fund – Series FD	13,526	36,162	0.37
Exemplar Performance Fund – Series I	58,612	276,605	0.21
Exemplar Performance Fund – Series L	149,255	414,420	0.36
Exemplar Performance Fund – Series LD	1,795	9,572	0.19
Exemplar Tactical Corporate Bond Fund – Series A	258,863	460,209	0.56
Exemplar Tactical Corporate Bond Fund – Series AI	18,692	33,916	0.55
Exemplar Tactical Corporate Bond Fund – Series AN	537,683	895,202	0.60
Exemplar Tactical Corporate Bond Fund – Series F	1,043,787	1,547,809	0.67
Exemplar Tactical Corporate Bond Fund – Series FI	108,112	166,207	0.65
Exemplar Tactical Corporate Bond Fund – Series FN	380,293	566,799	0.67
Exemplar Tactical Corporate Bond Fund – Series I	89,639	103,314	0.87
Exemplar Tactical Corporate Bond Fund – Series L	44,025	92,128	0.48
Exemplar Tactical Corporate Bond Fund – Series LI	392	787	0.50
Exemplar Tactical Corporate Bond Fund – Series U	1,118	3,108	0.36
Exemplar Tactical Corporate Bond Fund – Series G	476	1,906	0.25
Exemplar Tactical Corporate Bond Fund – Series M	983	861	1.14

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

December 31, 2015	Increase (decrease) in net assets attributable to holders of redeemable units (\$)	Weighted average redeemable units outstanding during the period	Increase (decrease) in net assets attributable to holders of redeemable units per unit (\$)
Exemplar Growth & Income Fund - Series A	(13,573)	62,181	(0.22)
Exemplar Growth & Income Fund - Series AN	726	26,505	0.03
Exemplar Growth & Income Fund - Series F	21,994	74,774	0.29
Exemplar Growth & Income Fund - Series FN	17,676	182,789	0.10
Exemplar Growth & Income Fund - Series I	(2,266)	84,189	(0.03)
Exemplar Growth & Income Fund - Series L	37	6,725	0.00
Exemplar Growth & Income Fund - Series LN	117	1,549	0.08
Exemplar Investment Grade Fund – Series A	(382,139)	1,481,505	(0.26)
Exemplar Investment Grade Fund – Series AI	(53,988)	214,575	(0.25)
Exemplar Investment Grade Fund – Series AN	(61,973)	128,491	(0.48)
Exemplar Investment Grade Fund – Series F	(901,010)	3,940,653	(0.23)
Exemplar Investment Grade Fund – Series FI	(46,146)	227,010	(0.20)
Exemplar Investment Grade Fund – Series FN	(55,355)	112,401	(0.49)
Exemplar Investment Grade Fund – Series G	1,924	3,306	0.58
Exemplar Leaders Fund – Series A	727,243	696,737	1.04
Exemplar Leaders Fund – Series F	259,740	204,868	1.27
Exemplar Performance Fund – Series A	180,683	393,351	0.46
Exemplar Performance Fund – Series AD	(1,850)	16,108	(0.11)
Exemplar Performance Fund – Series F	419,895	671,062	0.63
Exemplar Performance Fund – Series FD	(2,045)	21,883	(0.09)
Exemplar Performance Fund – Series I	8,141	197,440	0.04
Exemplar Performance Fund – Series L	(4,015)	115,674	(0.03)
Exemplar Performance Fund – Series LD	(1,176)	7,296	(0.16)
Exemplar Tactical Corporate Bond Fund – Series A	(88,346)	401,904	(0.22)
Exemplar Tactical Corporate Bond Fund – Series AI	(2,594)	32,133	(0.08)
Exemplar Tactical Corporate Bond Fund – Series AN	(185,752)	770,757	(0.24)
Exemplar Tactical Corporate Bond Fund – Series F	(144,123)	1,059,486	(0.14)
Exemplar Tactical Corporate Bond Fund – Series FI	8,071	163,260	0.05
Exemplar Tactical Corporate Bond Fund – Series FN	(121,301)	407,062	(0.30)
Exemplar Tactical Corporate Bond Fund – Series I	(16,781)	55,528	(0.30)
Exemplar Tactical Corporate Bond Fund – Series L	(22,030)	85,979	(0.26)
Exemplar Tactical Corporate Bond Fund – Series LI	(341)	1,010	(0.34)
Exemplar Tactical Corporate Bond Fund – Series U	2,203	2,941	0.75
Exemplar Tactical Corporate Bond Fund – Series M	472	1,250	0.38

### 14. 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

# EXEMPLAR FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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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.

### **15. SUBSEQUENT EVENT**

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

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 24, 2017

### **TO THE UNITHOLDERS AND TRUSTEE OF EXEMPLAR GROWTH AND INCOME FUND, EXEMPLAR INVESTMENT GRADE FUND, EXEMPLAR LEADERS FUND, EXEMPLAR PERFORMANCE FUND, AND EXEMPLAR TACTICAL CORPORATE BOND FUND (COLLECTIVELY THE "FUNDS")**

The accompanying audited financial statements have been prepared by Arrow Capital Management Inc. ("Arrow" or the "Manager" of the Funds), and approved by the Board of Directors of the Manager. The Manager is responsible for the information and representations contained in these financial statements.

The Manager maintains appropriate processes to ensure that reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Funds are described in Note 2 to the financial statements.

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

"James L. McGovern"

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

"Robert W. Maxwell"

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

## **Independent Auditor's Report**

### **To the Unitholders of**

### **Exemplar Growth & Income Fund, Exemplar Investment Grade Fund, Exemplar Leaders Fund, Exemplar Performance Fund, and Exemplar Tactical Corporate Bond Fund (collectively the Funds)**

We have audited the accompanying financial statements of each of the Funds, which comprise the statements of financial position, comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows as at and for the periods indicated in Note 1 of the Notes to the financial statements. The Funds", and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements of each of the Funds in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements of each of the Funds based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in each of our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of each of the Funds as at and for the periods indicated in Note 1 of the Notes to the financial statements. The Funds" in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

Toronto, Ontario  
March 24, 2017

## **FUND INFORMATION**

### **MANAGER AND PRINCIPAL DISTRIBUTOR**

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### **AUDITOR**

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