

## **EXEMPLAR TACTICAL CORPORATE BOND FUND SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

For the period ended June 30, 2016

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

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

### **Forward-Looking Information**

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

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

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

## **Management Discussion on Fund Performance**

### **Investment Objective and Strategies**

The investment objectives of the Fund are to generate income and capital appreciation by primarily investing in a diversified portfolio of corporate bonds.

To achieve the investment objectives, East Coast Fund Management Inc. ("East Coast"), the investment advisor, will use a flexible, tactical approach to invest in a core portfolio of 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 will attempt to generate profits and protect against the loss of capital through bottom-up security selection. The portfolio will be constructed through purchasing securities which offer high potential returns without taking proportionate risk. Typically these securities will have underperformed the broader market and will not be viewed as attractive investments by many investors. The Fund seeks to invest in issuers that have good underlying credit quality but that are out of favour and trading at credit spreads considerably wider than historical fair value. The Fund will invest in distressed securities trading well below par and below their recovery value in a default in order to profit from high yields and significant capital gains in either a recovery or a default. The Fund will also invest in shorter term, higher quality investment grade securities on occasion to protect capital while seeking more attractive investment opportunities. As credit markets move in cycles, the Fund will invest counter-cyclically to realize risk-adjusted returns. As such, the amount of credit risk taken in the portfolio of the Fund will be a function of both individual security valuations and the phases of the credit cycle.

The Fund may use warrants and derivatives such as options, forwards, futures and swaps for hedging and non-hedging purposes. Such derivatives may be used to hedge against losses from changes in the prices of the Fund's investments and from exposure to interest rate changes, credit spreads and foreign currencies as well as market risk. Specifically, the Fund will use interest rate swaps and futures to hedge against interest rate changes. Derivatives may also be used to hedge general credit risk and/or obtain exposure to individual securities and markets instead of buying securities directly. If used for non-hedging purposes, the derivatives acquired will be consistent with the investment objectives of the Fund and securities law.

The Fund may also engage in short selling as permitted by securities regulations. Generally speaking, short selling can provide the Fund with opportunities for gains when markets are volatile or declining and also with opportunities to hedge specific risks including interest rate risk. While short selling will be used by the Fund as a complement to its primary investment strategy (discussed above), the sub-advisor will utilize the same fundamental analysis in determining whether securities of a particular issuer should be sold short.

### **Investment Risk**

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

This Fund is suitable for investors who are able to accept a low to medium degree of risk and are prepared to invest for the longer term.

### **Results of Operations**

For the six months period ending June 30, 2016, Series A units of the Fund posted a gain of 2.5% (1.8% in 2015) while the FTSE TMX Canada All Corporate Bond Index gained 4.0% for the same period (2.2% in 2015). Please refer to the Past Performance section for the performance of the other Series. The performance of the other Series offered by the Fund differs from Series A largely because of varying levels of expenses charged to each series, as explained in the Management Fee section.

Investment Grade (IG) spreads in Canada started the year at very wide levels and ended the first six months of 2016 slightly tighter, although until mid-February spreads were mostly wider than where they began. Because of this early underperformance of credit spreads, ending the period slightly tighter put them at their YTD tightness. Part of this tightening is attributed to the European Central Bank (ECB) beginning its Corporate Sector Purchase Program (CSPP) where they are buying investment grade non-financial corporate debt of European issuers. This new price-insensitive buyer in the corporate market is soaking up some of the demand from traditional buyers pushing IG spreads across the developed world tighter. It

is important to note though, IG spreads are still very wide by a historic standard. 10 year BBB spreads in Canada are 238 bps vs. their long term average of 175 (source: Bloomberg). US High Yield (HY) spreads are much closer to their long term average which is one of the reasons why we strongly favor IG over HY investments.

Interest rates in both Canada and the United States fell to all-time lows in June which puts bond investors in a precarious situation. Buying a 10 year BBB corporate bond in Canada on June 30th 2016 would yield you 3.4%. Of this, 1% is from the underlying yield on a 10Y Government of Canada bond and 2.4% is from the credit spread. Government bond yields are at their all-time lows and IG credit spreads (reference in the previous paragraph), are historically wide and we believe the investors who are worried about rates either rising or staying at these low levels will want exposure to the pure credit part only of high quality corporate bonds. This is the most one-sided ratio that has been as far back as our data goes.

Oil has spent most of the year going higher which has helped both the Canadian dollar and spreads in names exposed to the energy sector. One of our top performing names was in Enbridge which has long-term take or pay contracts. We felt this name was particularly beaten up given its strong fundamentals and it has proven to be a good investment. Over the period we have reduced our exposure as spreads have become tighter.

We said in our previous commentary that wide spreads provided a lot more opportunity to make money in 2016 than in 2015 and that we are very excited about our strategy's potential returns in 2016 - we are happy to see how 2016 has gone so far. With the Brexit vote behind us there are less potential surprises on the horizon and we are looking to take advantage of opportunities as they come up over the next 6 months. We have and will continue to err on the side of more liquid, tradeable names for the portfolio in both the investment grade and high yield markets where we like the return we get for the risks we have to take.

#### Recent Developments

There are no recent developments for the Fund.

#### Related Party Transactions

As of June 30, 2016, Arrow held 527 Series LI units of the Fund with a market value of \$4,876. This represents 0.0% of the total Net Assets of the Fund. Exemplar Growth and Income Fund owns 56,045 Series I units with a market value of \$569,049. This represents 1.5% of the total net assets of the Fund (and 100% of Series I net assets).

#### Management Fees

Arrow receives a monthly management fee (the "Management Fee"), subject to HST (and any other applicable sales taxes), calculated as a percentage of the Fund's net asset value as of the close of business on each business day. The Management Fee rate applicable to Series A units, Series AI units, Series AN units and Series U units is equal to 1.75% per annum. The Management Fee rate applicable to Series F units, Series FI units, Series FN units and Series G units is equal to 1.0% per annum. The Management Fee rate applicable to Series L units, Series LI units and Series M units is equal to 2.00% per annum. The Fund is also authorized to issue Series I units, for which the Management Fee is negotiable between Arrow and the dealer.

For the period ended June 30, 2016, Management Fees charged to the Fund equaled \$234,908 (\$150,359 in 2015). The Management Fee is paid in consideration of investment management and administration services. No breakdown of such services was specified in the management agreement. From this Management Fee, the Manager pays fees to the investment advisor (East Coast, in its capacity as such) who provides portfolio management services to the Fund. A portion of the Management Fee paid by the Fund is for trailer fees paid to dealers whose clients hold units of the Fund. The trailer fees are a percentage of the net asset value of the Fund, calculated and payable monthly. The table below outlines the Fund's annual Management Fees and trailer fees.

ANNUAL RATE (%)	Series A, AI, AN, U	Series F, FI, FN, G	Series L, LI, M	Series I
Management Fees (Annual Rate)	1.75%	1.0%	2.0%	Negotiable
Trailer Fees (as a % of Management Fees)	22.7%	-	-	-

The Manager incurs operating expenses on behalf of the Fund and charges these expenses to the Fund. For the period ended June 30, 2016, the Manager has, in its discretion, agreed to absorb \$76,658 of operating expenses associated with the Fund (\$38,516 in 2015).

## Financial Highlights

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

<b>SERIES A - NET ASSETS PER UNIT</b>			
<b>For the period ended June 30, 2016 and for the years ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2014<sup>†</sup></b>
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$ 9.14</b>	<b>\$ 9.76</b>	<b>\$ 10.00</b>
Increase (decrease) from operations:			
Total revenue	0.21	0.52	0.13
Total expenses	(0.07)	(0.19)	(0.09)
Realized gains (loss)	0.07	(0.32)	(0.14)
Unrealized gains (loss)	0.02	(0.23)	(0.01)
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ 0.23</b>	<b>\$ (0.22)</b>	<b>\$ (0.11)</b>
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)	(0.23)	-	-
From dividends	-	-	-
Return of capital	-	(0.49)	(0.21)
<b>Total distributions</b>	<b>(0.23)</b>	<b>(0.49)</b>	<b>(0.21)</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$ 9.14</b>	<b>\$ 9.14</b>	<b>\$ 9.76</b>

<b>SERIES A - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
<b>For the period ended June 30, 2016 and for the years ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2014<sup>†</sup></b>
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$4,243	\$4,370	\$3,448
Number of units outstanding	464,320	478,057	353,365
Management expense ratio <sup>3</sup>	2.10%*	2.17%	2.09%*
Management expense ratio before waivers or absorptions <sup>4</sup>	2.64%*	2.56%	2.96%*
Portfolio turnover rate <sup>5</sup>	111.88%	180.14%	118.11%
Trading expense ratio <sup>6</sup>	0.06%*	0.04%	0.01%*

<b>SERIES AI - NET ASSETS PER UNIT</b>			
<b>For the period ended June 30, 2016 and for the years ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2014<sup>†</sup></b>
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$ 8.89</b>	<b>\$ 9.69</b>	<b>\$ 10.00</b>
Increase (decrease) from operations:			
Total revenue	0.19	0.19	0.11
Total expenses	(0.06)	(0.07)	(0.06)
Realized gains (loss)	0.07	(0.12)	(0.11)
Unrealized gains (loss)	0.01	(0.08)	0.01
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ 0.21</b>	<b>\$ (0.08)</b>	<b>\$ (0.05)</b>
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)	(0.31)	-	-
From dividends	-	-	-
Return of capital	-	(0.68)	(0.15)
<b>Total distributions</b>	<b>(0.31)</b>	<b>(0.68)</b>	<b>(0.15)</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$ 8.79</b>	<b>\$ 8.89</b>	<b>\$ 9.69</b>

<b>SERIES AI - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
<b>For the period ended June 30, 2016 and for the years ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2014<sup>†</sup></b>
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$303	\$257	\$266
Number of units outstanding	34,464	28,942	27,429
Management expense ratio <sup>3</sup>	2.04%*	2.11%	2.09%*
Management expense ratio before waivers or absorptions <sup>4</sup>	2.57%*	2.49%	3.32%*
Portfolio turnover rate <sup>5</sup>	111.88%	180.14%	118.11%
Trading expense ratio <sup>6</sup>	0.06%*	0.04%	0.01%*

<b>SERIES AN - NET ASSETS PER UNIT</b>			
<b>For the period ended June 30, 2016 and for the years ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2014<sup>†</sup></b>
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$ 9.83</b>	<b>\$ 9.98</b>	<b>\$ 10.00</b>
Increase (decrease) from operations:			
Total revenue	0.22	0.57	0.02
Total expenses	(0.07)	(0.21)	(0.01)
Realized gains (loss)	0.07	(0.35)	(0.00)
Unrealized gains (loss)	0.02	(0.25)	(0.03)
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ 0.24</b>	<b>\$ (0.24)</b>	<b>\$ (0.02)</b>
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)	-	-	-
From dividends	-	-	-
Return of capital	-	-	-
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$ 10.08</b>	<b>\$ 9.83</b>	<b>\$ 9.98</b>

<b>SERIES AN - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
<b>For the period ended June 30, 2016 and for the years ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2014<sup>†</sup></b>
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$9,514	\$10,314	\$5,346
Number of units outstanding	943,939	1,048,750	535,963
Management expense ratio <sup>3</sup>	2.13%*	2.20%	1.95%*
Management expense ratio before waivers or absorptions <sup>4</sup>	2.68%*	2.59%	9.98%*
Portfolio turnover rate <sup>5</sup>	111.88%	180.14%	118.11%
Trading expense ratio <sup>6</sup>	0.06%*	0.04%	0.01%*

<b>SERIES U - NET ASSETS PER UNIT</b>			
<b>For the period ended June 30, 2016 and from October 19, 2015 (date of commencement of operations) to December 31, 2015</b>	<b>2016</b>	<b>2015<sup>†</sup></b>	
<b>Net Assets, beginning of period<sup>1</sup> - USD</b>	<b>\$ 9.83</b>	<b>\$ 10.00</b>	
Increase (decrease) from operations:			
Total revenue		(0.52)	(1.77)
Total expenses		0.18	0.66
Realized gains (loss)		(0.18)	1.08
Unrealized gains (loss)		(0.05)	0.78
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ (0.57)</b>	<b>\$ 0.75</b>	
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)**		(0.32)	-
From dividends		-	-
Return of capital		-	(0.11)
<b>Total distributions**</b>		<b>(0.32)</b>	<b>(0.11)</b>
<b>Net Assets, end of period<sup>1</sup> - CAD</b>	<b>\$ 12.71</b>	<b>\$ 13.61</b>	
<b>Net Assets, end of period<sup>1</sup> - USD</b>	<b>\$ 9.77</b>	<b>\$ 9.83</b>	

<b>SERIES U - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
<b>For the period ended June 30, 2016 and from October 19, 2015 (date of commencement of operations) to December 31, 2015</b>	<b>2016</b>	<b>2015<sup>†</sup></b>	
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$37	\$40	
Number of units outstanding	2,940	2,940	
Management expense ratio <sup>3</sup>	2.20%*	2.17%*	
Management expense ratio before waivers or absorptions <sup>4</sup>	2.77%*	2.56%*	
*Portfolio turnover rate <sup>5</sup>	111.88%	180.14%	
Trading expense ratio <sup>6</sup>	0.06%*	0.04%*	

<b>SERIES F - NET ASSETS PER UNIT</b>			
For the period ended June 30, 2016 and for the years ended December 31,	2016	2015	2014 <sup>†</sup>
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$ 9.26</b>	<b>\$ 9.79</b>	<b>\$ 10.00</b>
Increase (decrease) from operations:			
Total revenue	0.26	0.32	0.14
Total expenses	(0.09)	(0.12)	(0.05)
Realized gains (loss)	0.09	(0.20)	(0.14)
Unrealized gains (loss)	0.02	(0.14)	(0.02)
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ 0.28</b>	<b>\$ (0.14)</b>	<b>\$ (0.07)</b>
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)	(0.23)	-	-
From dividends	-	-	-
Return of capital	-	(0.49)	(0.20)
<b>Total distributions</b>	<b>(0.23)</b>	<b>(0.49)</b>	<b>(0.20)</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$ 9.29</b>	<b>\$ 9.26</b>	<b>\$ 9.79</b>

<b>SERIES F - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
For the period ended June 30, 2016 and for the years ended December 31,	2016	2015	2014 <sup>†</sup>
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$14,835	\$11,642	\$9,798
Number of units outstanding	1,596,055	1,257,444	1,000,466
Management expense ratio <sup>3</sup>	1.30%*	1.30%	1.20%*
Management expense ratio before waivers or absorptions <sup>4</sup>	1.64%*	1.53%	2.08%*
Portfolio turnover rate <sup>5</sup>	111.88%	180.14%	118.11%
Trading expense ratio <sup>6</sup>	0.06%*	0.04%	0.01%*

<b>SERIES FI - NET ASSETS PER UNIT</b>			
For the period ended June 30, 2016 and for the years ended December 31,	2016	2015	2014 <sup>†</sup>
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>8.98 \$</b>	<b>9.71 \$</b>	<b>10.00</b>
Increase (decrease) from operations:			
Total revenue	0.24	(0.11)	0.10
Total expenses	(0.08)	0.04	(0.04)
Realized gains (loss)	0.08	0.07	(0.10)
Unrealized gains (loss)	0.02	0.05	(0.02)
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>0.26 \$</b>	<b>0.05 \$</b>	<b>(0.06)</b>
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)	(0.31)	-	-
From dividends	-	-	-
Return of capital	-	(0.68)	(0.21)
<b>Total distributions</b>	<b>(0.31)</b>	<b>(0.68)</b>	<b>(0.21)</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>8.93 \$</b>	<b>8.98 \$</b>	<b>9.71</b>

<b>SERIES FI - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
For the period ended June 30, 2016 and for the years ended December 31,	2016	2015	2014 <sup>†</sup>
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$1,549	\$1,112	\$1,730
Number of units outstanding	173,464	123,815	178,174
Management expense ratio <sup>3</sup>	1.25%*	1.35%	1.16%*
Management expense ratio before waivers or absorptions <sup>4</sup>	1.58%*	1.59%	2.38%*
Portfolio turnover rate <sup>5</sup>	111.88%	180.14%	118.11%
Trading expense ratio <sup>6</sup>	0.06%*	0.04%	0.01%*

<b>SERIES FN - NET ASSETS PER UNIT</b>			
<b>For the period ended June 30, 2016 and for the years ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2014<sup>†</sup></b>
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$ 9.90</b>	<b>\$ 9.96</b>	<b>\$ 10.00</b>
Increase (decrease) from operations:			
Total revenue	0.23	0.70	0.02
Total expenses	(0.08)	(0.26)	(0.01)
Realized gains (loss)	0.08	(0.43)	(0.03)
Unrealized gains (loss)	0.02	(0.31)	(0.02)
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ 0.25</b>	<b>\$ (0.30)</b>	<b>\$ (0.04)</b>
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)	-	-	-
From dividends	-	-	-
Return of capital	-	-	-
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$ 10.19</b>	<b>\$ 9.90</b>	<b>\$ 9.96</b>

<b>SERIES FN - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
<b>For the period ended June 30, 2016 and for the years ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2014<sup>†</sup></b>
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$5,262	\$6,654	\$1,100
Number of units outstanding	516,497	671,979	110,483
Management expense ratio <sup>3</sup>	1.34%*	1.35%	1.28%*
Management expense ratio before waivers or absorptions <sup>4</sup>	1.68%*	1.59%	7.50%*
Portfolio turnover rate <sup>5</sup>	111.88%	180.14%	118.11%
Trading expense ratio <sup>6</sup>	0.06%*	0.04%	0.01%*

<b>SERIES I - NET ASSETS PER UNIT</b>			
<b>For the period ended June 30, 2016 and for the period from March 25, 2015 (date of commencement of operations) to December 31, 2015</b>	<b>2016</b>	<b>2015<sup>†</sup></b>	
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$ 9.81</b>	<b>\$ 10.00</b>	
Increase (decrease) from operations:			
Total revenue		0.36	0.70
Total expenses		(0.12)	(0.26)
Realized gains (loss)		0.12	(0.43)
Unrealized gains (loss)		0.04	(0.31)
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ 0.40</b>	<b>\$ (0.30)</b>	
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)		-	-
From dividends		-	-
Return of capital		-	(0.04)
<b>Total distributions</b>		<b>-</b>	<b>(0.04)</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$ 10.15</b>	<b>\$ 9.81</b>	

<b>SERIES I - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
<b>For the period ended June 30, 2016 and for the period from March 25, 2015 (date of commencement of operations) to December 31, 2015</b>	<b>2016</b>	<b>2015<sup>†</sup></b>	
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$569	\$1,131	
Number of units outstanding	56,045	115,268	
Management expense ratio <sup>3</sup>	0.22%*	0.22%*	
Management expense ratio before waivers or absorptions <sup>4</sup>	0.29%*	0.27%*	
Portfolio turnover rate <sup>5</sup>	111.88%	180.14%	
Trading expense ratio <sup>6</sup>	0.06%*	0.04%*	

<b>SERIES L - NET ASSETS PER UNIT</b>			
<b>For the period ended June 30, 2016 and for the years ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2014<sup>†</sup></b>
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$ 9.17</b>	<b>\$ 9.80</b>	<b>\$ 10.00</b>
Increase (decrease) from operations:			
Total revenue	0.12	0.60	0.10
Total expenses	(0.04)	(0.22)	(0.06)
Realized gains (loss)	0.05	(0.37)	(0.02)
Unrealized gains (loss)	0.01	(0.27)	(0.03)
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ 0.14</b>	<b>\$ (0.26)</b>	<b>\$ (0.01)</b>
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)	(0.23)	-	-
From dividends	-	-	-
Return of capital	-	(0.49)	(0.04)
<b>Total distributions</b>	<b>(0.23)</b>	<b>(0.49)</b>	<b>(0.04)</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$ 9.15</b>	<b>\$ 9.17</b>	<b>\$ 9.80</b>

<b>SERIES L - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
<b>For the period ended June 30, 2016 and for the years ended December 31,</b>	<b>2016</b>	<b>2015</b>	<b>2014<sup>†</sup></b>
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$804	\$939	\$384
Number of units outstanding	87,862	102,488	39,212
Management expense ratio <sup>3</sup>	2.42%*	2.31%	2.33%*
Management expense ratio before waivers or absorptions <sup>4</sup>	3.03%*	2.72%	3.81%*
Portfolio turnover rate <sup>5</sup>	111.88%	180.14%	118.11%
Trading expense ratio <sup>6</sup>	0.06%*	0.04%	0.01%*

<b>SERIES LI - NET ASSETS PER UNIT</b>			
<b>For the period ended June 30, 2016 and for the period from May 14, 2015 (date of commencement of operations) to December 31, 2015</b>	<b>2016</b>	<b>2015<sup>†</sup></b>	
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$ 9.37</b>	<b>\$ 10.00</b>	
Increase (decrease) from operations:			
Total revenue		0.19	0.80
Total expenses		(0.06)	(0.30)
Realized gains (loss)		0.07	(0.49)
Unrealized gains (loss)		0.01	(0.35)
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ 0.21</b>	<b>\$ (0.34)</b>	
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)		(0.33)	-
From dividends		-	-
Return of capital		-	(0.29)
<b>Total distributions</b>		<b>(0.33)</b>	<b>(0.29)</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$ 9.25</b>	<b>\$ 9.37</b>	

<b>SERIES LI - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
<b>For the period ended June 30, 2016 and for the period from May 14, 2015 (date of commencement of operations) to December 31, 2015</b>	<b>2016</b>	<b>2015<sup>†</sup></b>	
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$5	\$10	
Number of units outstanding	527	1,031	
Management expense ratio <sup>3</sup>	2.49%*	2.46%*	
Management expense ratio before waivers or absorptions <sup>4</sup>	3.12%*	2.90%*	
Portfolio turnover rate <sup>5</sup>	111.88%	180.14%	
Trading expense ratio <sup>6</sup>	0.06%*	0.04%*	



**SERIES M - NET ASSETS PER UNIT**

For the period ended June 30, 2016 and for the period from November 10, 2015 (date of commencement of operations) to December 31, 2015

	2016	2015 <sup>†</sup>
<b>Net Assets, beginning of period<sup>1</sup> - USD</b>	<b>\$ 9.77</b>	<b>\$ 10.00</b>
Increase (decrease) from operations:		
Total revenue	(0.52)	(0.88)
Total expenses	0.17	0.33
Realized gains (loss)	(0.18)	0.54
Unrealized gains (loss)	(0.04)	0.39
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ (0.57)</b>	<b>\$ 0.38</b>
<b>Distributions<sup>2</sup>:</b>		
From income (excluding dividends)**	(0.32)	-
From dividends	-	-
Return of capital	-	(0.11)
<b>Total distributions**</b>	<b>(0.32)</b>	<b>(0.11)</b>
<b>Net Assets, end of period<sup>1</sup> - CAD</b>	<b>\$ 12.63</b>	<b>\$ 13.52</b>
<b>Net Assets, end of period<sup>1</sup> - USD</b>	<b>\$ 9.71</b>	<b>\$ 9.77</b>

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

For the period ended June 30, 2016 and for the period from November 10, 2015 (date of commencement of operations) to December 31, 2015

	2016	2015 <sup>†</sup>
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$16	\$17
Number of units outstanding	1,250	1,250
Management expense ratio <sup>3</sup>	2.49%*	2.44%*
Management expense ratio before waivers or absorptions <sup>4</sup>	3.12%*	2.87%*
Portfolio turnover rate <sup>5</sup>	111.88%	180.14%
Trading expense ratio <sup>6</sup>	0.06%*	0.04%*

†The Fund was launched on June 27, 2014. Series A and F units began operations on July 28, 2014. Series AI and FI units began operations on September 9, 2014. Series L units began operations on September 29, 2014. Series FN units began operations on December 10, 2014. Series AN units began operations on December 15, 2014. Series I units began operations on March 25, 2015. Series LI units began operations on May 14, 2015. Series U units began operations on October 19, 2015. Series M units began operations on November 10, 2015.

\*\* Distribution per unit converted to CAD\$

\*Ratios have been annualized.

1. The net assets per unit shown are referenced to net assets attributable to holders of redeemable units determined in accordance with International Financial Reporting Standards ("IFRS") and are derived from the Fund's financial statements. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.
2. Distributions, if any, were reinvested in additional units of the Fund at the discretion of the underlying unitholders.
3. Management expense ratio is based on total expenses (excluding certain taxes, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.
4. The Manager has absorbed certain expenses or waived certain fees otherwise payable by the Fund. The amount of expenses absorbed or waived is determined annually at the discretion of the Manager and the Manager can terminate the absorption or waiver at any time.
5. The Fund's portfolio turnover rate can indicate how actively the investment advisor manages the portfolio of investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of its securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.
6. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
7. Ratios and supplemental data, where applicable, are computed using the net asset value of the Fund.

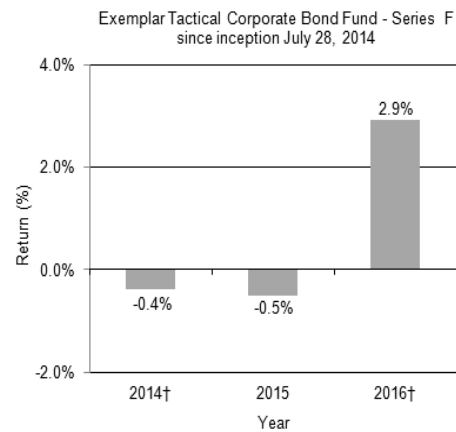
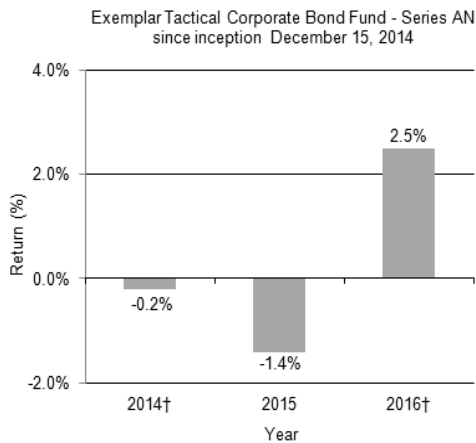
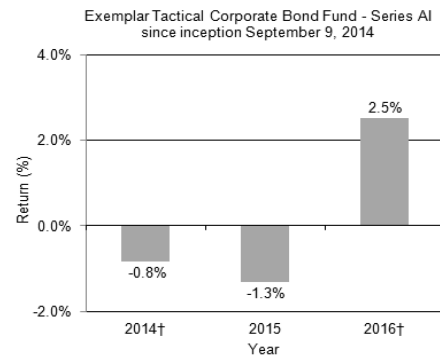
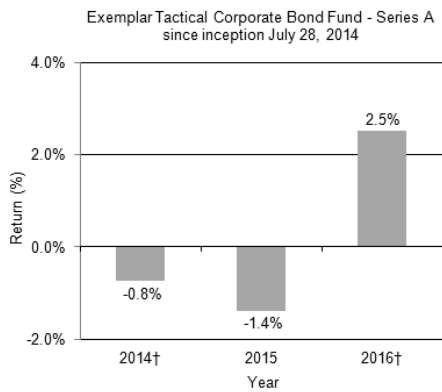
## Past Performance

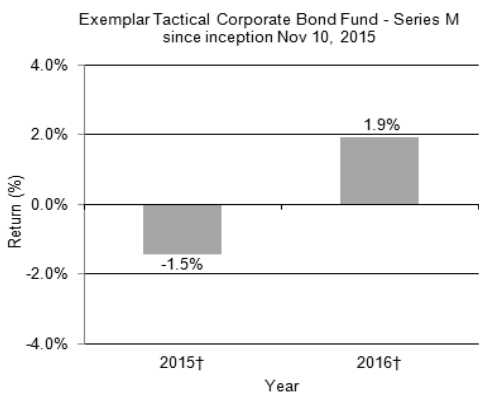
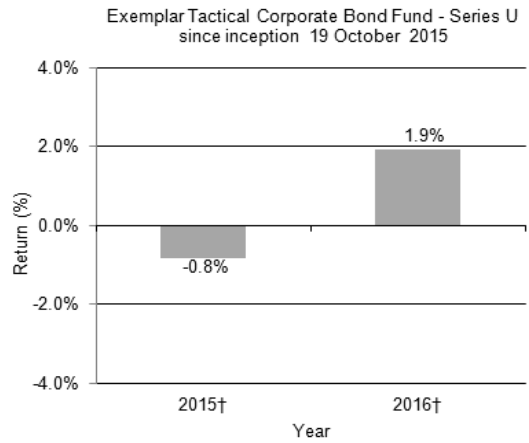
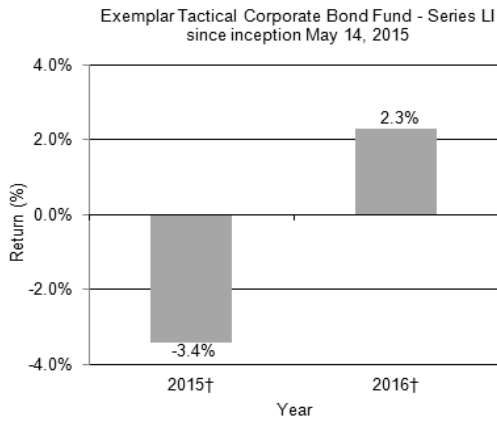
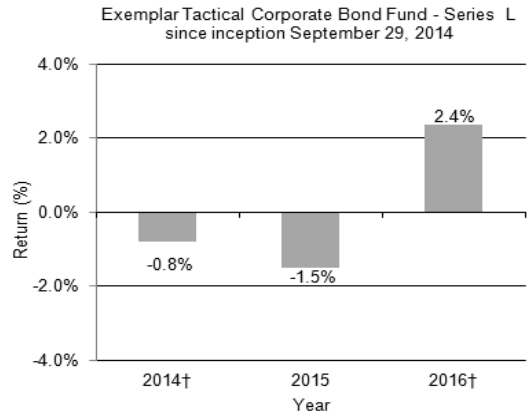
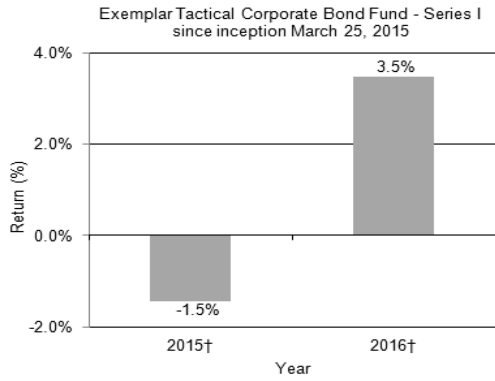
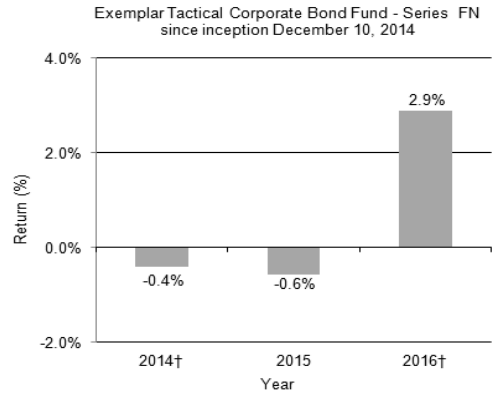
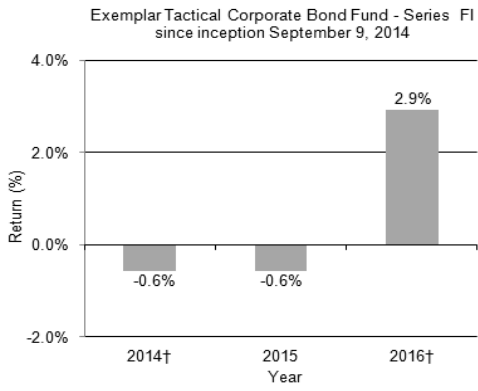
The performance information shown below assumes that all distributions, if any, made by the Fund in the periods shown were reinvested in additional units of the Fund. If you hold the Fund outside a registered plan, you will be taxed on distributions. Distributions of income the Fund earns and capital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

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

## Year-By-Year Returns

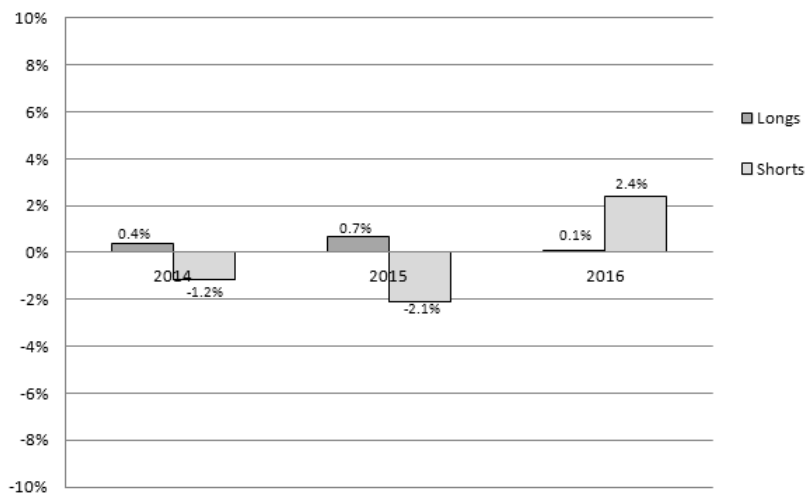
The bar chart below illustrates the Fund's performance for the periods shown. It shows, in percentage terms, how much an investment made on the first day of each financial year (or since inception) would have grown or decreased.





†Returns shown represent a partial year

The chart below illustrates the Fund's returns for the period ended June 30, 2016 and for the years ended December 31 for the Fund units by long and short holdings:



### Annual Compound Returns (Compound Performance)

The following table shows the total returns of the Fund and for the FTSE TMX Canada All Corporate Bond Index for the periods shown ended June 30, 2016. The Relative Performance returns show the performance of the Fund as compared to the benchmark.

	1 Year	Annualized Since Inception
Series A	(0.7)%	0.2%
Series AI	(0.6)%	0.2%
Series AN	(0.7)%	0.5%
Series F	0.2%	1.1%
Series FI	0.2%	1.0%
Series FN	0.1%	1.2%
Series I	1.2%	1.5%
Series L	(0.9)%	0.0%
Series LI	(1.1)%	(1.1)%
Series U	n/a	1.5*
Series M	n/a	0.7*
FTSE TMX Canada All Corporate Bond Index	4.5%	4.7%

\*Series U inception date is October 19, 2015. Series M inception date is November 10, 2015.

## Summary of Investment Portfolio as at June 30, 2016

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

Top 25 Holdings	% of Net Assets	Sector Weightings	% of Net Assets
Cash & Margin Deposits	12.0%	Consumer Discretionary	11.1%
Royal Bank of Canada	6.4%	Consumer Staples	4.1%
Bombardier Inc.	4.8%	Energy	11.7%
The Royal Bank of Scotland Group plc	4.6%	Financials	47.2%
Shaw Communications Inc.	4.5%	Health Care	0.6%
Quebecor Media Inc.	4.3%	Industrials	6.7%
Manulife Bank of Canada	4.0%	Telecommunication Services	7.8%
Government of Canada	4.0%		
CIT Group Inc.	4.0%		
Yellow Pages Digital & Media Solutions Limited	3.8%		
Navient Corporation	3.5%		
Navient Corporation	3.2%		
TransCanada PipeLines Limited	3.0%		
Enbridge Inc.	2.9%		
The Goldman Sachs Group, Inc.	2.9%		
Ford Credit Canada Limited	2.8%		
WTH Car Rental, ULC	2.7%		
Kraft Canada Inc.	2.7%		
TransCanada Pipelines Limited	2.6%		
US Treasury Note	2.5%		
NHA MBS MCAP Service Corp	2.4%		
US Treasury Note	2.2%		
Enbridge Inc.	2.1%		
Ag Growth International Inc.	2.0%		
Morgan Stanley	1.9%		
<b>Total</b>	<b>91.8%</b>		
<b>Total Net Assets</b>	<b>\$37,136,477</b>		

Regional Weightings	% of Net Assets
Canada	63.0%
U.S.	20.2%
Global	6.0%