

EXEMPLAR

PORTFOLIOS



AUDITED FINANCIAL STATEMENTS DECEMBER 2011

EXEMPLAR CANADIAN FOCUS PORTFOLIO | EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO | EXEMPLAR DIVERSIFIED PORTFOLIO | EXEMPLAR MARKET NEUTRAL PORTFOLIO |

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MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

TO THE SHAREHOLDERS OF EXEMPLAR CANADIAN FOCUS PORTFOLIO, EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO, EXEMPLAR DIVERSIFIED PORTFOLIO AND EXEMPLAR MARKET NEUTRAL PORTFOLIO (COLLECTIVELY THE "PORTFOLIOS")

BluMont Capital Corporation (the "Manager") is responsible for the accompanying financial statements and all information in this report. The financial statements have been approved by the Board of Directors of the Manager. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's judgment and best estimates.

Management has established systems of internal control that provide assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. The systems of internal controls meet management's responsibilities for the integrity of the financial statements.

The Board of Directors of the Manager meets with management and the auditors to discuss the Portfolios' financial reporting and internal control. The Board of Directors reviews the results of the audits by the auditors and their audit report. The external auditors have unrestricted access to the Board of Directors.

The Manager recognizes its responsibility to conduct the Portfolios' affairs in the best interest of the shareholders.

Respectfully,

"James Wanstall"

Chief Executive Officer
BluMont Capital Corporation
March 29, 2012

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EXEMPLAR CANADIAN FOCUS PORTFOLIO, EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO, EXEMPLAR DIVERSIFIED PORTFOLIO AND EXEMPLAR MARKET NEUTRAL PORTFOLIO (COLLECTIVELY THE "PORTFOLIOS")

We have audited the accompanying financial statements of the Portfolios, which comprise each Portfolio's statement of investments and other net assets as at December 31, 2011 and each Portfolio's statements of net assets, operations and changes in net assets as at and for the periods as indicated in note 1, 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 Portfolios in accordance with Canadian generally accepted accounting principles, 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 Portfolios based on each of 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 an 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 of each of the Portfolios present fairly, in all material respects, the financial position of each of the Portfolios, the results of each of their operations and the changes in each of their net assets as at and for the periods as indicated in note 1 in accordance with Canadian generally accepted accounting principles.



PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

March 30, 2012

STATEMENT OF NET ASSETS
As at December 31,

EXEMPLAR CANADIAN FOCUS PORTFOLIO

	2011	2010
ASSETS		
Long positions at fair value*		
Canadian equities	\$ 43,787,898	\$ 39,087,513
Canadian bonds	4,015,928	1,207,937
U.S. equities	2,874,556	1,510,854
Global equities	<u>832,774</u>	<u>2,025,108</u>
	51,511,156	43,831,412
Cash and broker deposits	16,698,998	10,774,362
Accrued investment income	232,322	104,087
Accounts receivable:		
Receivable from investment sales	243,128	-
Subscriptions receivable	93,211	397,543
Income tax receivable	<u>199,939</u>	<u>168,697</u>
Total Assets	<u>68,978,754</u>	<u>55,276,101</u>
LIABILITIES		
Short positions at fair value**		
Canadian equities	503,047	790,333
U.S. equities	<u>897,882</u>	<u>-</u>
	1,400,929	790,333
Accounts payable:		
Fees and operating expenses	145,046	105,949
Performance fees payable	2,393	1,648,540
Dividends payable	870	6,300
Payable for investment purchases	-	117,751
Commissions payable	-	8,209
Redemptions payable	297,578	10,864
Capital tax payable	<u>-</u>	<u>2,606</u>
Total Liabilities	<u>1,846,816</u>	<u>2,690,552</u>
NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY[†]		
Series A	50,020,414	36,870,858
Series F	10,562,323	6,957,117
Series I	1,472,236	1,518,714
Series R	<u>5,076,965</u>	<u>7,238,860</u>
	<u>\$ 67,131,938</u>	<u>\$ 52,585,549</u>

[†]Net assets representing shareholders' equity carried forward to next page

STATEMENT OF NET ASSETS - CONTINUED
As at December 31,

EXEMPLAR CANADIAN FOCUS PORTFOLIO

	2011	2010
NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY[†]		
†Net assets representing shareholders' equity carried forward from previous page		
Series A	50,020,414	36,870,858
Series F	10,562,323	6,957,117
Series I	1,472,236	1,518,714
Series R	5,076,965	7,238,860
	<u>\$ 67,131,938</u>	<u>\$ 52,585,549</u>
NUMBER OF SHARES OUTSTANDING (Note 4)		
Series A	3,704,149	2,515,307
Series F	757,781	464,840
Series I	107,233	103,836
Series R	448,997	590,234
	<u>448,997</u>	<u>590,234</u>
NET ASSETS PER SHARE		
Series A	\$ 13.50	\$ 14.66
Series F	\$ 13.94	\$ 14.97
Series I	\$ 13.73	\$ 14.63
Series R	\$ 11.31	\$ 12.26
	<u>\$ 48,649,157</u>	<u>\$ 33,685,176</u>
*Long positions, at cost	<u>\$ 48,649,157</u>	<u>\$ 33,685,176</u>
**Proceeds on short positions	<u>\$ (1,334,656)</u>	<u>\$ (737,216)</u>

Approved by the Board of Directors of BluMont Capital Corporation

"Veronika Hirsch"

Veronika Hirsch
Director

"Stephen Johnson"

Stephen Johnson
Director

STATEMENT OF OPERATIONS
For the years ended December 31,

EXEMPLAR CANADIAN FOCUS PORTFOLIO

	2011	2010
INVESTMENT INCOME		
Dividends	\$ 754,992	\$ 449,881
Less: Foreign withholding taxes	<u>5,047</u>	<u>2,409</u>
	749,945	447,472
Interest	<u>336,724</u>	<u>47,202</u>
	<u>1,086,669</u>	<u>494,674</u>
EXPENSES (Notes 6 and 7)		
Management fees	1,050,797	561,848
Performance fees	2,434	1,651,904
General operating expenses	569,621	388,777
Dividends on investments sold short	21,395	15,004
Audit fees	12,997	24,573
Legal fees	13,631	17,258
Securityholders' reporting costs	55,779	29,946
Custodian and trustees' fees	2,341	1,612
Capital tax expense	-	(4,218)
Interest	<u>693</u>	<u>58</u>
	1,729,688	2,686,762
Less: Expenses absorbed by the Manager	<u>166,100</u>	<u>224,134</u>
	<u>1,563,588</u>	<u>2,462,628</u>
INVESTMENT LOSS BEFORE INCOME TAXES	<u>(476,919)</u>	<u>(1,967,954)</u>
PROVISION FOR INCOME TAXES (RECOVERY)		
Future	-	26,115
Current	<u>-</u>	<u>(89,423)</u>
	<u>-</u>	<u>(63,308)</u>
NET INVESTMENT LOSS	<u>(476,919)</u>	<u>(1,904,646)</u>
NET REALIZED GAIN ON INVESTMENT TRANSACTIONS	2,882,789	2,210,932
TRANSACTION COSTS (Notes 2(1) and 7)	(152,951)	(86,139)
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS	(7,297,393)	7,591,603
EXCHANGE LOSS ON FOREIGN CURRENCIES AND OTHER NET ASSETS	<u>(76,832)</u>	<u>(32,900)</u>
NET GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS	<u>(4,644,387)</u>	<u>9,683,496</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	(3,867,479)	4,906,335
Series F	(772,402)	1,039,541
Series I	(81,978)	292,621
Series R	<u>(399,447)</u>	<u>1,540,353</u>
	<u>\$ (5,121,306)</u>	<u>\$ 7,778,850</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER SHARE (Note 2(VII))		
Series A	\$ (1.14)	\$ 3.02
Series F	\$ (1.10)	\$ 3.18
Series I	\$ (0.77)	\$ 2.86
Series R	<u>\$ (0.81)</u>	<u>\$ 2.04</u>

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

STATEMENT OF CHANGES IN NET ASSETS
For the years ended December 31,

EXEMPLAR CANADIAN FOCUS PORTFOLIO

	2011	2010
Net Assets, Beginning of Year		
Series A	36,870,858	14,563,616
Series F	6,957,117	2,948,459
Series I	1,518,714	1,176,093
Series R	7,238,860	10,673,530
	<u>\$ 52,585,549</u>	<u>\$ 29,361,698</u>
Net Increase (Decrease) in Net Assets from Operations		
Series A	(3,867,479)	4,906,335
Series F	(772,402)	1,039,541
Series I	(81,978)	292,621
Series R	(399,447)	1,540,353
	<u>(5,121,306)</u>	<u>7,778,850</u>
From Capital Share Transactions: (Note 4)		
Proceeds from issue of shares		
Series A	22,597,366	20,539,712
Series F	6,770,382	3,708,885
Series I	35,500	50,000
	<u>29,403,248</u>	<u>24,298,597</u>
Consideration paid for redemptions of shares		
Series A	(5,574,136)	(3,134,998)
Series F	(2,387,429)	(736,666)
Series I	-	-
Series R	(1,761,787)	(4,974,664)
	<u>(9,723,352)</u>	<u>(8,846,328)</u>
Reinvestment of dividends		
Series A	482,223	216,646
Series F	97,766	37,658
Series I	14,356	9,100
Series R	48,961	51,309
	<u>643,306</u>	<u>314,713</u>
	<u>20,323,202</u>	<u>15,766,982</u>
From Dividends to Shareholders:		
From net investment income		
Series A	(488,418)	(220,453)
Series F	(103,111)	(40,760)
Series I	(14,356)	(9,100)
Series R	(49,622)	(51,668)
	<u>(655,507)</u>	<u>(321,981)</u>
Net Assets, End of Year		
Series A	50,020,414	36,870,858
Series F	10,562,323	6,957,117
Series I	1,472,236	1,518,714
Series R	5,076,965	7,238,860
	<u>\$ 67,131,938</u>	<u>\$ 52,585,549</u>

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

EXEMPLAR CANADIAN FOCUS PORTFOLIO
STATEMENT OF INVESTMENTS AND OTHER NET ASSETS
As at December 31, 2011

	Number of Shares/ Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Assets
LONG POSITIONS				
Canadian Equities				
Energy				
Americas Petrogas Inc.	8,900	\$ 21,706	\$ 26,166	
Bellatrix Exploration Limited	129,700	559,504	636,827	
Cameco Corporation	17,100	591,997	313,443	
Canyon Services Group Inc.	69,900	819,199	835,305	
Capital Power Corporation	22,000	548,507	552,200	
Celtic Exploration Limited	34,400	457,023	781,224	
Enbridge Inc.	20,000	703,947	761,200	
Epsilon Energy Limited	144,600	525,254	407,772	
Equal Energy Limited	32,800	231,730	150,552	
Gasfrac Energy Services Inc.	68,900	614,385	480,922	
Gibson Energy Inc.	104,400	1,945,556	1,982,556	
IROC Energy Services Corporation	331,000	479,548	857,290	
Just Energy Group Inc.	22,600	241,714	258,996	
Petrobakken Energy Limited 'A'	11,000	125,774	140,250	
Poseidon Concepts Corporation	150,100	550,243	1,868,745	
Pure Energy Services Limited	55,500	335,913	488,400	
Rock Energy Inc.	51,600	282,764	105,264	
Savanna Energy Services Corporation	78,600	698,074	585,570	
Second Wave Petroleum Inc.	49,000	128,064	127,890	
Surge Energy Inc.	76,900	572,988	685,179	
Tamarack Valley Energy Limited	542,800	264,289	181,838	
Trican Well Service Limited	26,000	534,689	455,260	
Tuscany International Drilling Inc.	320,200	444,122	188,918	
Wild Stream Exploration Inc.	33,000	203,902	294,360	
		11,880,892	13,166,127	19.6
Basic Materials				
Agrium Inc.	13,200	1,122,961	901,560	
Alderon Iron Ore Corporation	148,000	531,881	392,200	
Belo Sun Mining Corporation	192,600	237,256	188,748	
Black Diamond Group Limited	43,400	459,746	792,918	
Calvista Gold Corporation	401,200	397,068	196,588	
Continental Gold Limited	60,900	577,197	456,141	
Detour Gold Corporation	55,800	750,970	1,398,906	
Franco-Nevada Corporation	18,100	760,380	700,289	
Grande Cache Coal Corporation	31,200	332,714	308,880	
Great Western Minerals Group Limited	147,800	112,548	60,598	
Imperial Metals Corporation	64,900	737,071	811,250	
Ivanhoe Mines Limited	50,900	984,026	918,236	
Labrador Iron Ore Royalty Corporation Stapled Units	38,600	1,029,640	1,433,990	
Lundin Mining Corporation	55,800	397,453	215,388	
Midway Gold Corporation	148,300	215,419	314,396	

	Number of Shares/ Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Assets
Basic Materials - cont'd				
Rukwa Uranium Limited ²	750,000	\$ 37,500	\$ 37,500	
Uranium World Energy Inc. ²	1,400,000	-	-	
Verde Potash PLC	68,900	308,654	473,343	
Volta Resources Inc.	198,600	294,755	186,684	
West Fraser Timber Company Limited	8,200	373,067	338,988	
Wildcat Silver Corporation	172,000	379,863	208,120	
		10,040,169	10,334,723	15.4
Industrials				
Bombardier Inc. 'B'	7,900	31,111	31,916	
CAE Inc.	55,900	650,644	550,615	
Canadian National Railway Company	14,500	1,043,041	1,161,015	
Martinrea International Inc.	24,500	173,338	182,035	
Student Transportation Inc.	123,700	761,423	811,472	
		2,659,557	2,737,053	4.1
Consumer Discretionary				
Astral Media Inc. 'A'	16,900	587,996	599,781	
Boyd Group Income Fund	84,300	869,321	927,300	
Imax Corporation	25,500	572,292	471,750	
MI Developments Inc.	40,100	1,152,964	1,304,138	
Torstar Corporation 'B'	53,200	677,849	440,496	
		3,860,422	3,743,465	5.6
Consumer Staples				
Shoppers Drug Mart Corporation	18,400	747,815	754,032	1.1
Health Care				
Valeant Pharmaceuticals International Inc.	32,600	1,542,176	1,547,522	2.3
Financials				
Canadian Western Bank	18,200	481,572	469,378	
CI Financial Corporation	29,300	599,534	616,472	
Guardian Capital Group Limited 'A'	42,100	454,750	393,635	
National Bank of Canada	28,900	1,936,483	2,082,823	
TMX Group Inc.	33,200	1,284,234	1,382,448	
		4,756,573	4,944,756	7.4

	Number of Shares/ Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Assets
Information Technology				
NexJ Systems Inc.	18,700	\$ 167,682	\$ 127,347	
Open Text Corporation	19,400	1,002,435	1,013,262	
SXC Health Solutions Corporation	16,100	343,832	917,700	
The Descartes Systems Group Inc.	77,500	466,931	559,550	
Wi-LAN Inc.	76,300	588,393	447,881	
		2,569,273	3,065,740	4.6
Telecommunication Services				
BCE Inc.	48,400	1,314,879	2,054,096	
TELUS Corporation 'A' Non-voting	26,400	1,224,391	1,440,384	
		2,539,270	3,494,480	5.2
Total Canadian Equities - Long		40,596,147	43,787,898	65.2
Canadian Bonds				
Arcan Resources Limited, 6.50%, October 31, 2018	250,000	250,000	240,000	
Detour Gold Corporation, 5.50%, November 30, 2017	750,000	765,415	731,252	
Neo Material Technologies Inc., 5.00%, December 31, 2017	350,000	339,816	320,376	
Progress Energy Resource Corp., 5.75%, June 30, 2016	500,000	500,000	510,100	
Rocky Mountain Dealership Inc., 7.00%, September 30, 2017	200,000	200,000	214,000	
Wi-LAN Inc., 6.00%, January 31, 2012	2,000,000	2,000,000	2,000,200	
Total Canadian Bonds - Long		4,055,231	4,015,928	6.0
U.S. Equities				
Basic Materials				
Allied Nevada Gold Corporation	25,400	627,819	779,780	
SPDR Gold Trust	4,100	696,625	633,807	
		1,324,444	1,413,587	2.1
Financials				
KKR & Company Limited Partnership	40,500	677,499	528,012	0.8
Information Technology				
Apple Inc.	200	75,617	82,371	
International Business Machines Corporation	4,400	639,980	822,788	
Qualcomm Inc.	500	27,201	27,798	
		742,798	932,957	1.4
Total U.S. Equities - Long		2,744,741	2,874,556	4.3

	Number of Shares/ Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Assets
Global Equities				
Australia				
Bannerman Resources Limited	501,100	\$ 328,666	\$ 105,231	
CGA Mining Limited	66,300	203,859	134,589	
Intrepid Mines Limited	309,800	557,700	350,074	
		1,090,225	589,894	0.9
Cayman Islands				
Coastal Energy Company	16,000	218,433	242,880	0.4
Total Global Equities - Long		1,308,658	832,774	1.3
Total Long Positions Including Transaction Costs		48,704,777	51,511,156	76.8
Transaction Costs		(55,620)	-	
Total Long Positions Before Transaction Costs		48,649,157	51,511,156	76.8
SHORT POSITIONS				
Canadian Equities				
Basic Materials				
Eldorado Gold Corporation	(8,900)	(124,390)	(124,778)	
iShares S&P/TSX Global Gold Index Fund	(2,200)	(52,613)	(49,500)	
		(177,003)	(174,278)	(0.3)
Industrials				
Canadian Pacific Railway Limited	(2,900)	(164,024)	(200,245)	(0.3)
Financials				
Bank of Montreal	(2,300)	(132,222)	(128,524)	(0.2)
Total Canadian Equities - Short		(473,249)	(503,047)	(0.8)
U.S. Equities				
Basic Materials				
Alcoa Inc.	(2,900)	(28,879)	(25,510)	
iShares Dow Jones U.S. Basic Materials Sector Index Fund	(4,700)	(297,718)	(335,725)	
iShares Silver Trust	(12,700)	(354,372)	(347,938)	
		(680,969)	(709,173)	(1.0)

	Number of Shares/ Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Assets
Deutsche Bank AG	(4,900)	\$ (179,233)	\$ (188,709)	(0.3)
Total U.S. Equities - Short		(860,202)	(897,882)	(1.3)
Total Short Positions Including Transaction Costs		(1,333,451)	(1,400,929)	(2.1)
Transaction Costs		(1,205)	-	-
Total Short Positions Before Transaction Costs		(1,334,656)	(1,400,929)	(2.1)
TOTAL INVESTMENT PORTFOLIO		\$ 47,314,501	50,110,227	74.7
Other Assets, Net of Liabilities ¹			17,021,711	25.3
TOTAL NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY			\$ 67,131,938	100.0

¹This amount is comprised of cash and broker deposits plus accrued investment income plus accounts receivable plus income tax receivable less accounts payable.

²Private and/or illiquid securities.

EXEMPLAR CANADIAN FOCUS PORTFOLIO SUMMARY OF INVESTMENT PORTFOLIO As at December 31,

SECTOR MIX	% of Total Net Assets		GEOGRAPHIC MIX	% of Total Net Assets	
	2011	2010		2011	2010
Long Positions			Long Positions		
Energy	20.0	20.4	Canada	71.2	76.6
Basic Materials	18.4	32.0	U.S.	4.3	2.9
Industrials	4.1	4.2	Australia	0.9	2.9
Consumer Discretionary	5.6	5.7	Cayman Islands	0.4	-
Consumer Staples	1.1	1.6	United Kingdom	-	0.9
Health Care	2.3	0.6	Other Assets, Net of Liabilities	25.3	18.2
Financials	8.2	7.8			
Information Technology	6.0	4.6	Short Positions		
Telecommunication Services	5.2	4.1	Canada	(0.8)	(1.5)
Corporate Bonds	6.0	2.3	U.S.	(1.3)	-
Other Assets, Net of Liabilities	25.3	18.2			
			ASSET MIX	% of Total Net Assets	
				2011	2010
Short Positions			Long Positions		
Basic Materials	(1.3)	(0.3)	Canadian Equities	65.2	74.3
Industrials	(0.3)	-	Canadian Bonds	6.0	2.3
Financials	(0.5)	(0.2)	U.S. Equities	4.3	2.9
Telecommunication Services	-	(1.0)	Global Equities	1.3	3.8
			Other Assets, Net of Liabilities	25.3	18.2
			Short Positions		
			Canadian Equities	(0.8)	(1.5)
			U.S. Equities	(1.3)	-

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

EXEMPLAR CANADIAN FOCUS PORTFOLIO
DISCUSSION OF FINANCIAL INSTRUMENTS RISK MANAGEMENT (Note 3)
December 31, 2011

A. FINANCIAL RISK MANAGEMENT

The investment objective of the Exemplar Canadian Focus Portfolio (the "Portfolio") is to achieve superior capital appreciation over both short and long term horizons primarily through the selection and management of a concentrated group of long and short positions in Canadian equity securities and equity derivative securities.

The Portfolio invests predominantly in large and mid capitalization companies. The Portfolio may also invest in bonds and other debt instruments if warranted by financial conditions. The Portfolio does 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 Portfolio may also invest in options, including put options or call options either in respect of a specific security or in respect of a stock exchange index as a means to reduce volatility.

The Portfolio may engage in short selling of securities which the Manager believes are overvalued, especially securities of issuers with deteriorating fundamentals and weak balance sheets. Short positions of index securities such as exchange traded funds may also be employed for capital preservation and hedging purposes. Short selling positions will not in total exceed 40% of the Net Asset Value of the Portfolio.

The Portfolio holds cash and invests 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 Portfolio may also invest in foreign securities of the same type and characteristics as described above.

The Portfolio may use derivatives for hedging and non-hedging purposes as permitted by applicable securities laws. The Portfolio may enter into securities lending, repurchase and reverse repurchase transactions to generate additional income or as a short-term cash management tool.

The Portfolio is permitted to leverage its assets. The Portfolio will generally not use leverage in excess of 20% of its Net Asset Value.

The Portfolio's overall risk management program seeks to minimize the potentially adverse effect of risk on the Portfolio's financial performance in a manner consistent with the Portfolio's investment objective. The Manager manages the potential effects of these financial risks on the Portfolio's performance by employing and overseeing professional and experienced portfolio advisors that monitor the Portfolio's investments and market events on a daily basis.

A general discussion of financial risk management for the Exemplar Portfolios is contained in Note 3: FINANCIAL INSTRUMENTS RISK MANAGEMENT on page 55.

B. CREDIT RISK

As at December 31, 2011 and 2010, the Portfolio invested in debt instruments and/or derivatives with the following credit ratings:

Debt Instruments by Credit Rating	Percentage of Net Assets (%)	
	As at December 31, 2011	As at December 31, 2010
Not Rated	6.0%	2.3%

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

C. LIQUIDITY RISK

The following table outlines cash flows associated with the maturities of the Portfolio's financial assets and liabilities as of:

December 31, 2011

	Less than 1 year (\$)	1 - 3 years (\$)	3 - 5 Years (\$)	Beyond 5 Years	No maturity date (\$)
Financial Assets					
Equities - Long	-	-	-	-	47,495,228
Bonds	2,000,200	-	510,100	1,505,628	-
Other receivables	768,600	-	-	-	-
Cash and broker deposits	16,698,998	-	-	-	-
Total	19,467,798	-	510,100	1,505,628	47,495,228
Liabilities					
Equities - Short	-	-	-	-	(1,400,929)
Other liabilities	(445,887)	-	-	-	-
Total	(445,887)	-	-	-	(1,400,929)

December 31, 2010

	Less than 1 year (\$)	1 - 3 years (\$)	3 - 5 Years (\$)	Beyond 5 Years	No maturity date (\$)
Financial Assets					
Equities - Long	-	-	-	-	42,623,475
Bonds	-	-	-	1,207,937	-
Other receivables	670,327	-	-	-	-
Cash and broker deposits	10,774,362	-	-	-	-
Total	11,444,689	-	-	1,207,937	42,623,475
Liabilities					
Equities - Short	-	-	-	-	(790,333)
Other liabilities	(1,900,219)	-	-	-	-
Total	(1,900,219)	-	-	-	(790,333)

D. INTEREST RATE RISK

As at December 31, 2011 and 2010, the Portfolio held the following interest-bearing securities:

Debt Instruments by Maturity	Financial Instruments	
	As at December 31, 2011 (\$)	As at December 31, 2010 (\$)
Less than 1 year	2,000,200	-
1-3 years	-	-
3-5 years	510,100	-
Greater than 5 years	1,505,628	1,207,937

As at December 31, 2011, if the yield curve shifted in parallel by 25 basis points, with all other variables held constant, Net Assets would have increased or decreased, respectively, by approximately \$1,342 (December 31, 2010 - \$381).

In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

E. OTHER PRICE RISK

The Statement of Investments and Other Net Assets classifies securities by market and geographic segment.

The impact on Net Assets of the Portfolio due to a 5 percent change in benchmark, using historical correlation between the Portfolio's return as compared to the return of the Portfolio's benchmark, the S&P/TSX Total Return Index, as at December 31, 2011 and 2010, with all other variables held constant, is presented in the following table. Regression analysis has been used to estimate the historical correlation. The analysis uses 44 data points (December 31, 2010 – 32 data points) based on the monthly net returns of the Portfolio.

Benchmark	Impact on Net Assets	
	December 31, 2011	December 31, 2010
S&P/TSX Total Return Index	\$926,531	\$524,618

The historical correlation may not be representative of the future correlation, and accordingly the impact on Net Assets could be materially different.

F. CURRENCY RISK

Currencies to which the Portfolio had exposure as at December 31, 2011 and 2010 are as follows:

Currency	As at December 31, 2011		As at December 31, 2010	
	Financial Instruments (\$)	Percentage of Net Assets (%)	Financial Instruments (\$)	Percentage of Net Assets (%)
United States Dollar (long)	5,124,819	7.6	2,128,525	4.0
United States Dollar (short)	(897,882)	(1.3)	(28,652)	(0.1)

The amounts in the above table are based on the fair value of the Portfolio's financial instruments (including cash and cash equivalents). Other financial assets and financial liabilities that are denominated in foreign currencies, such as foreign income and dividends, do not expose the Portfolio to significant currency risk because their values are not significant.

As at December 31, 2011, if the Canadian dollar had weakened or strengthened by 5 percent in relation to all currencies, with all other variables held constant, Net Assets would have increased or decreased, respectively, by approximately \$211,000 (December 31, 2010 – \$105,000).

In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

G. FAIR VALUE ESTIMATION

The following table analyzes the Portfolio's financial assets and liabilities within the fair value hierarchy measured at fair value.

December 31, 2011

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Assets				
Equity securities - long	47,457,728	-	37,500	47,495,228
Bonds	-	4,015,928	-	4,015,928
Total Assets	47,457,728	4,015,928	37,500	51,511,156
Liabilities				
Equity securities - short	(1,400,929)	-	-	(1,400,929)
Total Liabilities	(1,400,929)	-	-	(1,400,929)

December 31, 2010

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Assets				
Equity securities - long	41,557,925	1,028,050	37,500	42,623,475
Bonds	-	1,207,937	-	1,207,937
Total Assets	41,557,925	2,235,987	37,500	43,831,412
Liabilities				
Equity securities - short	(790,333)	-	-	(790,333)
Total Liabilities	(790,333)	-	-	(790,333)

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Manager does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include bonds. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, the Manager has used its best judgment to derive the fair value.

The level 3 equity amount consists of two private equity positions. The Manager considers original transaction price, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments and adjusts the prices as deemed necessary.

The following table presents the movement in level 3 instruments for the year ended December 31, 2011 and 2010 by class of financial instrument.

	Equity Securities (\$)	
	December 31, 2011	December 31, 2010
Opening balance	37,500	592,795
Net purchases and sales	-	-
Net transfers in (out)	-	(555,295)
Realized	-	-
Unrealized	-	-
Closing balance	37,500	37,500

There were no transfers between level 1 and level 2 during the year.

There was no change in unrealized appreciation (depreciation) for level 3 financial instruments held as at December 31, 2011 and December 31, 2010.

The accompanying notes are an integral part of these financial statements

STATEMENT OF NET ASSETS
As at December 31,

EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO

	2011		2010
ASSETS			
Long positions at fair value*			
Canadian equities	\$ 1,253,955	\$	1,809,993
Canadian bonds	144,375		182,490
U.S. equities	3,386,981		6,792,717
U.S. bonds	1,624,047		2,251,363
Global equities	4,766,981		3,997,400
Global bonds	866,271		161,364
U.S. options	153		7,630
	<u>12,042,763</u>		<u>15,202,957</u>
Cash and broker deposits	4,688,474		6,828,728
Accrued investment income	94,994		43,755
Accounts receivable:			
Receivable from investment sales	-		120,170
Subscriptions receivable	-		20,000
Total Assets	<u>16,826,231</u>		<u>22,215,610</u>
LIABILITIES			
Short positions at fair value**			
U.S. equities	2,733,900		2,542,556
U.S. options	98,545		884,601
	<u>2,832,445</u>		<u>3,427,157</u>
Accounts payable:			
Fees and operating expenses	27,322		36,429
Performance fees payable	-		137,903
Dividends payable	2,005		1,690
Payable for investment purchases	-		70,717
Redemptions payable	1,400		5,129
Capital tax payable	-		2,998
Total Liabilities	<u>2,863,172</u>		<u>3,682,023</u>
NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY[†]			
Series A	7,865,752		12,016,355
Series F	6,097,307		6,517,232
	<u>\$ 13,963,059</u>	\$	<u>18,533,587</u>

[†]Net assets representing shareholders' equity carried forward to next page

STATEMENT OF NET ASSETS – CONTINUED
As at December 31,

EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO

	2011	2010
NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY[†]		
†Net assets representing shareholders' equity carried forward from previous page		
Series A	7,865,752	12,016,355
Series F	<u>6,097,307</u>	<u>6,517,232</u>
	<u>\$ 13,963,059</u>	<u>\$ 18,533,587</u>
NUMBER OF SHARES OUTSTANDING (Note 4)		
Series A	805,642	1,093,198
Series F	<u>599,641</u>	<u>576,403</u>
NET ASSETS PER SHARE		
Series A	\$ 9.76	\$ 10.99
Series F	<u>\$ 10.17</u>	<u>\$ 11.31</u>
*Long positions, at cost	<u>\$ 14,138,976</u>	<u>\$ 13,362,034</u>
**Proceeds on short positions	<u>\$ (2,346,488)</u>	<u>\$ (2,823,437)</u>

Approved by the Board of Directors of BluMont Capital Corporation

“Veronika Hirsch”

 Veronika Hirsch
 Director

“Stephen Johnson”

 Stephen Johnson
 Director

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

STATEMENT OF OPERATIONS
For the years ended December 31,

EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO

	2011	2010
INVESTMENT INCOME		
Dividends	\$ 309,093	\$ 269,835
Less: Foreign withholding taxes	<u>40,308</u>	<u>24,723</u>
	268,785	245,112
Interest	<u>518,112</u>	<u>178,110</u>
	<u>786,897</u>	<u>423,222</u>
EXPENSES (Notes 6 and 7)		
Management fees	274,552	284,897
Performance fees	-	137,920
General operating expenses	248,844	233,574
Dividends on investments sold short	14,470	23,320
Audit fees	9,605	22,644
Legal fees	12,315	15,338
Securityholders' reporting costs	9,657	14,920
Custodian and trustees' fees	738	965
Capital tax (recovery) expense	(2,998)	(2,630)
Interest	<u>132</u>	<u>518</u>
	567,315	731,466
Less: Expenses absorbed by the Manager	<u>139,399</u>	<u>159,255</u>
	<u>427,916</u>	<u>572,211</u>
INVESTMENT GAIN (LOSS) BEFORE INCOME TAXES	<u>358,981</u>	<u>(148,989)</u>
PROVISION FOR INCOME TAXES (RECOVERY)		
Future	-	26,091
Current	<u>-</u>	<u>19,918</u>
	-	<u>46,009</u>
NET INVESTMENT GAIN (LOSS)	<u>358,981</u>	<u>(194,998)</u>
NET REALIZED GAIN ON INVESTMENT TRANSACTIONS	1,619,089	656,781
TRANSACTION COSTS (Notes 2(1) and 7)	(29,369)	(40,744)
NET CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS	(3,819,373)	510,697
EXCHANGE GAIN (LOSS) ON FOREIGN CURRENCIES AND OTHER NET ASSETS	<u>(42,042)</u>	<u>105,887</u>
NET GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS	<u>(2,271,695)</u>	<u>1,232,621</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	(1,172,847)	638,301
Series F	<u>(739,867)</u>	<u>399,322</u>
	\$ (1,912,714)	\$ 1,037,623
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER SHARE (Note 2(VII))		
Series A	\$ (1.21)	\$ 0.59
Series F	<u>\$ (1.16)</u>	<u>\$ 0.74</u>

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

STATEMENT OF CHANGES IN NET ASSETS
For the years ended December 31,

EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO

	2011	2010
Net Assets, Beginning of Year		
Series A	12,016,355	9,820,880
Series F	<u>6,517,232</u>	<u>5,391,303</u>
	<u>\$ 18,533,587</u>	<u>\$ 15,212,183</u>
Net Increase (Decrease) in Net Assets from Operations		
Series A	(1,172,847)	638,301
Series F	<u>(739,867)</u>	<u>399,322</u>
	<u>(1,912,714)</u>	<u>1,037,623</u>
From Capital Share Transactions: (Note 4)		
Proceeds from issue of shares		
Series A	1,104,357	4,846,067
Series F	<u>3,254,904</u>	<u>3,338,193</u>
	<u>4,359,261</u>	<u>8,184,260</u>
Consideration paid for redemptions of shares		
Series A	(4,081,837)	(3,288,543)
Series F	<u>(2,934,913)</u>	<u>(2,611,466)</u>
	<u>(7,016,750)</u>	<u>(5,900,009)</u>
Reinvestment of dividends		
Series A	8,945	14,529
Series F	<u>7,091</u>	<u>7,725</u>
	<u>16,036</u>	<u>22,254</u>
	<u>(2,641,453)</u>	<u>2,306,505</u>
From Dividends to Shareholders:		
From net investment income		
Series A	(9,221)	(14,879)
Series F	<u>(7,140)</u>	<u>(7,845)</u>
	<u>(16,361)</u>	<u>(22,724)</u>
Net Assets, End of Year		
Series A	7,865,752	12,016,355
Series F	<u>6,097,307</u>	<u>6,517,232</u>
	<u>\$ 13,963,059</u>	<u>\$ 18,533,587</u>

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

EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO
STATEMENT OF INVESTMENTS AND OTHER NET ASSETS
As at December 31, 2011

	Number of Shares/Options /Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
LONG POSITIONS				
Canadian Equities				
Energy				
Niko Resources Limited	840	\$ 70,258	\$ 40,211	
Suncor Energy Inc.	4,800	180,364	140,681	
		250,622	180,892	1.3
Basic Materials				
Barrick Gold Corporation	9,200	393,564	423,450	
Cameco Corporation	20,100	547,621	368,751	
Gran Colombia Gold Corporation	40,800	41,616	20,808	
Gran Colombia Gold Corporation, Warrants, Aug 24, 2015	11,957	7,174	1,853	
Kinross Gold Corporation	8,900	119,148	103,090	
Uranium Participation Corporation	10,225	66,421	57,158	
		1,175,544	975,110	7.0
Financials				
Lucent Tech Cap Trust I Convertible Preferred	160	99,621	97,953	0.7
Total Canadian Equities - Long		1,525,787	1,253,955	9.0
Canadian Bonds				
First Uranium Corporation, 4.25%, June 30, 2012	231,000	181,412	144,375	
Total Canadian Bonds - Long		181,412	144,375	1.0
U.S. Equities				
Energy				
Arch Coal Inc.	4,800	88,074	70,780	
Chesapeake Energy Corporation	5,800	131,938	131,474	
Nexen Inc.	17,000	378,470	274,882	
		598,482	477,136	3.3
Basic Materials				
AngloGold Ashanti Limited ADR	9,600	399,724	414,526	
Newmont Mining Corporation	6,600	348,534	402,646	
		748,258	817,172	5.8
Industrials				
Lockheed Martin Corporation	5,100	401,643	419,377	3.0

	Number of Shares/Options /Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
Consumer Staples				
Wal-Mart Stores Inc.	9,800	\$ 539,952	\$ 595,276	4.3
Health Care				
AstraZeneca PLC ADR	2,900	137,689	136,399	
Eli Lilly & Company	8,300	288,832	350,711	
		426,521	487,110	3.5
Information Technology				
Microsoft Corporation	5,400	169,820	142,560	
Nippon Telegraph and Telephone Corporation ADR	4,500	101,757	115,872	
Nokia Corporation ADR	40,800	364,736	199,575	
		636,313	458,007	3.3
Telecommunication Services				
PT Telekomunikasi Indonesia Tbk ADR	4,250	140,916	132,903	1.0
Total U.S. Equities - Long		3,492,085	3,386,981	24.2
U.S. Bonds				
Alcatel-Lucent USA Inc., 2.75%, June 15, 2025	260,000	247,006	231,417	
C5 Capital (SPV) Limited, Floating Rate, December 31, 2049	155,000	113,848	79,602	
Dean Foods Company, 7.00 %, June 1, 2016	360,000	346,616	363,814	
Fannie Mae 2010-70, 4.50%, March 25, 2026	1,228,160	139,229	67,570	
Fannie Mae Interest Strip 334 22, 5.00%, February 1, 2018	155,922	15,496	13,956	
Fannie Mae REMICS 2011-16 GI, 4.00%, March 25, 2026	1,941,091	171,748	144,924	
Freddie Mac 2581 IL, 5.50%, March 15, 2033	370,284	161,533	130,328	
Freddie Mac REMICS 3720 EI, 4.00%, January 15, 2024	2,647,029	247,816	149,187	
Freddie Mac REMICS 3804 IG, 3.50%, February 15, 2025	229,261	28,449	18,102	
GNMA 2010-30 BI, 4.50%, July 20, 2039	895,132	172,238	150,213	
Gold Reserve Inc., 5.50%, Convertible, June 15, 2022	87,000	44,630	64,034	
JPMorgan Chase & Company, 10.90%, May 18, 2012	180,000	175,914	129,289	
USEC Inc., 3.00%, October 1, 2014	170,000	131,955	81,611	
Total U.S. Bonds - Long		1,996,478	1,624,047	11.6
Global Equities				
Australia				
Newcrest Mining Limited	11,050	390,341	340,921	2.4
Bermuda				
Luks Group (Vietnam Holdings) Company Limited	196,000	67,064	39,778	0.3

	Number of Shares/Options /Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
Brazil				
Centrais Eletricas Brasileiras SA Preferred ADR	19,000	\$ 331,715	\$ 280,170	2.0
Cayman Islands				
The United Laboratories International Holdings Limited	76,000	57,909	44,481	0.3
Egypt				
Eastern Tobacco Company	5,500	102,995	85,941	
Egyptian Financial Group-Hermes Holding SAE	46,875	129,361	75,811	
Oriental Weavers Company for Carpets SAE	31,281	173,923	147,557	
Telecom Egypt Company	25,861	64,210	55,854	
		470,489	365,163	2.6
France				
Areva SA	2,550	117,775	64,063	
Electricite de France	12,400	503,285	306,942	
Thales SA	11,450	542,890	366,325	
		1,163,950	737,330	5.3
Hong Kong				
Guoco Group Limited	6,000	62,157	56,760	0.4
India				
India Cements Limited	94,700	189,731	119,602	0.9
Indonesia				
PT Medco Energi Internasional Tbk	380,000	128,125	101,874	0.7
Italy				
Finmeccanica SpA	25,600	259,035	96,420	
Telecom Italia SpA RSP	164,000	206,208	147,935	
		465,243	244,355	1.8
Japan				
East Japan Railway Company	2,900	156,383	187,555	
Mitsui Sumitomo Insurance Group Holdings Inc.	5,700	138,879	107,016	
Sankyo Company Limited	900	50,228	46,197	
Sumitomo Mitsui Trust Holdings Inc.	47,780	189,337	142,039	
West Japan Railway Company	5,100	199,704	224,721	
		734,531	707,528	5.1

	Number of Shares/Options /Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
Lebanon				
Solidere GDR	3,720	\$ 65,924	\$ 54,060	0.4
Luxembourg				
Stolt-Nielsen Limited	4,625	82,520	93,703	0.7
Russia				
Federal Hydrogenerating Company ADR	46,125	227,408	141,847	
OAQ Gazprom ADR	12,600	142,839	136,593	
Polyus Gold International Limited GDR	72,550	237,649	220,085	
		607,896	498,525	3.6
South Africa				
Gold Fields Limited ADR	30,600	450,927	475,183	
Impala Platinum Holdings Limited	5,570	111,427	117,279	
		562,354	592,462	4.2
South Korea				
KT Corporation ADR	6,925	132,651	110,073	
Korea Electric Power Corporation ADR	16,000	253,045	178,658	
		385,696	288,731	2.1
Switzerland				
Orascom Development Holding AG	2,815	90,076	43,809	0.3
Turkey				
Turkcell Iletisim Hizmetleri AS	13,200	191,564	157,729	1.1
Total Global Equities - Long		6,047,285	4,766,981	34.2
Global Bonds				
Argentina				
Provincia De Buenos Aires, 10.875%, January 26, 2021	100,000	94,731	76,526	0.5
Belarus				
Republic of Belarus, 8.75%, August 3, 2015	100,000	89,458	88,594	0.6
British Virgin Islands				
C10 Capital (SPV) Limited, Floating Rate, December 31, 2049	500,000	334,173	260,594	1.9

	Number of Shares/Options /Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
Venezuela				
Petroleos de Venezuela SA, 4.90%, October 28, 2014	265,000	\$ 164,727	\$ 210,843	
Petroleos de Venezuela SA, 5.00%, October 28, 2015	318,000	194,348	229,714	
		359,075	440,557	3.2
Total Global Bonds - Long		877,437	866,271	6.2
U.S. Put Option				
Autozone Inc., \$200, January 2012	15	35,188	153	-
Total U.S. Put Options		35,188	153	-
Total Long Positions Including Transaction Costs		14,155,672	12,042,763	86.2
Transaction Costs		(16,696)	-	-
Total Long Positions Before Transaction Costs		14,138,976	12,042,763	86.2
SHORT POSITIONS				
U.S. Equities				
Basic Materials				
Sigma-Aldrich Corporation	(3,500)	(205,312)	(222,423)	(1.6)
Consumer Discretionary				
Amazon.com Inc.	(1,360)	(185,793)	(239,490)	
Chipotle Mexican Grill Inc.	(1,480)	(232,916)	(508,841)	
Panera Bread Company 'A'	(3,370)	(302,677)	(484,768)	
Starbucks Corporation	(5,750)	(252,233)	(269,101)	
Tiffany & Company	(6,800)	(357,265)	(457,999)	
		(1,330,884)	(1,960,199)	(14.0)
Consumer Staples				
Hansen Natural Corporation	(2,450)	(218,023)	(229,595)	(1.6)
Information Technology				
Apple Inc.	(405)	(137,132)	(166,806)	
Salesforce.com Inc.	(1,500)	(168,659)	(154,877)	
		(305,791)	(321,683)	(2.3)
Total U.S. Equities - Short		(2,060,010)	(2,733,900)	(19.5)
U.S Written Call Options				
AngloGold Ashanti Limited, \$45, January 2012	(44)	(22,572)	(2,237)	
AngloGold Ashanti Limited, \$50, January 2012	(4)	(988)	(41)	
AstraZeneca PLC ADR, \$50, January 2012	(29)	(7,947)	(295)	
Barrick Gold Corporation, \$50, January 2012	(65)	(32,604)	(1,520)	
Cameco Corporation, \$35, January 2012	(71)	(16,689)	(361)	

	Number of Shares/Options /Par Value	Long: Avg Cost Short: Proceeds	Fair Value	% of Total Net Asset Value
U.S Written Call Options – Cont'd				
Cameco Corporation, \$45, January 2012	(64)	\$ (26,012)	\$ (325)	
Chesapeake Energy Corporation, \$25, January 2012	(28)	(6,762)	(484)	
Chesapeake Energy Corporation, \$30, January 2012	(30)	(11,138)	(153)	
Eli Lilly & Company, \$35, January 2012	(83)	(16,184)	(56,975)	
Gold Fields Limited, \$16, January 2012	(47)	(3,958)	(1,099)	
Gold Fields Limited, \$18, January 2012	(106)	(15,249)	(323)	
Lockheed Martin Corporation, \$85, January 2012	(51)	(17,824)	(1,037)	
Microsoft Corporation, \$30, January 2012	(54)	(6,892)	(110)	
Newmont Mining Corporation, \$58, January 2012	(50)	(31,573)	(17,288)	
Nokia Corporation AD, \$10, January 2012	(178)	(12,119)	(181)	
Nokia Corporation AD, \$13, January 2012	(122)	(9,294)	(124)	
Suncor Energy Inc., \$40, January 2012	(24)	(14,614)	(122)	
Suncor Energy Inc., \$45, January 2012	(24)	(9,362)	(24)	
Wal-Mart Stores Inc, \$58, January 2012	(49)	(10,762)	(12,258)	
Wal-Mart Stores Inc., \$60, January 2012	(49)	(6,544)	(3,588)	
Total U.S. Options - Short		(279,087)	(98,545)	(0.7)
Total Short Positions Including Transaction Costs		(2,339,097)	(2,832,445)	(20.2)
Transaction Costs		(7,391)	-	-
Total Short Positions Before Transaction Costs		(2,346,488)	(2,832,445)	(20.2)
TOTAL INVESTMENT PORTFOLIO		\$ 11,792,488	9,210,318	66.0
Other Assets Net of Liabilities ¹			4,752,741	34.0
TOTAL NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY			\$ 13,963,059	100.0

¹This amount is comprised of cash and broker deposits plus accrued investment income less accounts payable.

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

EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO
SUMMARY OF INVESTMENT PORTFOLIO
As at December 31,

SECTOR MIX	% of Total Net Assets	
	2011	2010
Long Positions		
Energy	6.3	12.1
Basic Materials	21.0	19.8
Industrials	12.3	6.7
Consumer Discretionary	1.0	3.4
Consumer Staples	4.9	7.4
Health Care	4.2	6.6
Financials	3.5	1.2
Information Technology	3.3	6.1
Telecommunication Services	4.4	1.6
Utilities	6.5	3.1
Bonds	18.8	14.1
Options	0.0	-
Other Assets, Net of Liabilities	34.0	36.4
Short Positions		
Basic Materials	(1.6)	(1.4)
Consumer Discretionary	(14.0)	(10.6)
Consumer Staples	(1.6)	-
Information Technology	(2.3)	(1.7)
Options	(0.7)	(4.8)

ASSET MIX	% of Total Net Assets	
	2011	2010
Long Positions		
Canadian Equities	9.0	11.7
Canadian Bonds	1.0	1.0
U.S. Equities	24.2	34.8
U.S. Bonds	11.6	12.2
Global Equities	34.2	21.5
Global Bonds	6.2	0.9
Options	0.0	-
Other Assets, Net of Liabilities	34.0	36.4
Short Positions		
U.S. Equities	(19.5)	(13.7)
U.S. Options	(0.7)	(4.8)

GEOGRAPHIC MIX	% of Total Net Assets	
	2011	2010
Long Positions		
Canada	10.0	10.8
U.S.	35.8	48.9
Argentina	0.5	-
Australia	2.4	1.1
Belarus	0.6	-
Bermuda	0.3	-
Brazil	2.0	1.7
British Virgin Islands	1.9	-
Cayman Islands	0.3	-
Egypt	2.6	0.7
France	5.3	3.0
Hong Kong	0.4	0.3
India	0.9	-
Indonesia	0.7	0.5
Italy	1.8	1.6
Japan	5.1	2.4
Lebanon	0.4	-
Luxembourg	0.7	1.3
Norway	-	1.6
Russia	3.6	2.0
South Africa	4.2	2.6
South Korea	2.1	1.6
Sweden	-	0.2
Switzerland	0.3	0.9
Turkey	1.1	-
Venezuela	3.2	0.9
Other Assets, Net of Liabilities	34.0	36.4
Short Positions		
U.S.	(20.2)	(18.5)

EXEMPLAR GLOBAL OPPORTUNITIES PORTFOLIO
DISCUSSION OF FINANCIAL INSTRUMENTS RISK MANAGEMENT (Note 3)
December 31, 2011

A. FINANCIAL RISK MANAGEMENT

The investment objective of Exemplar Global Opportunities Portfolio (the "Portfolio") is to seek superior capital appreciation over both short and long term horizons primarily through the selection and management of long and short positions in equity, debt and derivative securities globally.

The Portfolio predominantly invests in global equity securities, including American Depository Receipts that the portfolio advisor's research process has identified as undervalued. The Portfolio invests in bonds and other debt instruments from time to time. The Portfolio may also invest in convertible securities, put and call options and other equity derivatives that represent better value than a direct exposure to a particular company.

The Portfolio 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 Portfolio may use derivatives for hedging and non-hedging purposes as permitted by applicable securities laws. The Portfolio may enter into securities lending, repurchase and reverse repurchase transactions to generate additional income or as a short-term cash management tool.

The Portfolio is permitted to leverage its assets. The Portfolio generally does not use leverage in excess of 20% of its Net Asset Value.

The Portfolio also has the ability to take short positions, in total not exceeding 40% of the Net Asset Value of the Portfolio.

The Portfolio's overall risk management program seeks to minimize the potentially adverse effect of risk on the Portfolio's financial performance in a manner consistent with the Portfolio's investment objective. The Manager manages the potential effects of these financial risks on the Portfolio's performance by employing and overseeing professional and experienced portfolio advisors that monitor the Portfolio's investments and market events on a daily basis.

A general discussion of financial risk management for the Exemplar Portfolios is contained in Note 3: FINANCIAL INSTRUMENTS RISK MANAGEMENT on page 55.

B. CREDIT RISK

As at December 31, 2011 and 2010, the Portfolio invested in debt instruments and/or derivatives with the following credit ratings:

Debt Instruments by Credit Rating	Percentage of Net Assets (%)	
	As at December 31, 2011	As at December 31, 2010
AA	4.8	4.2
BBB	-	0.2
BB	-	1.3
B	8.6	5.0
CCC	3.0	1.3
Not Rated	2.4	2.1

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

C. LIQUIDITY RISK

The following table outlines cash flows associated with the maturities of the Portfolio's financial assets and liabilities as of:

December 31, 2011

	Less than 1 year (\$)	1 - 3 years (\$)	3 - 5 years (\$)	Longer than 5 years (\$)	No maturity date (\$)
Financial Assets					
Equities - Long	-	-	-	-	9,407,917
Options	153	-	-	-	-
Bonds	273,664	292,454	682,123	1,386,452	-
Other receivables	94,994	-	-	-	-
Cash and broker deposits	4,688,474	-	-	-	-
Total	5,057,285	292,454	682,123	1,386,452	9,407,917
Liabilities					
Equities - Short	-	-	-	-	(2,733,900)
Options	(98,545)	-	-	-	-
Other liabilities	(30,727)	-	-	-	-
Total	(129,272)	-	-	-	(2,733,900)

December 31, 2010

	Less than 1 year (\$)	1 - 3 years (\$)	3 - 5 years (\$)	Longer than 5 years (\$)	No maturity date (\$)
Financial Assets					
Equities - Long	-	-	-	-	12,600,110
Options	7,630	-	-	-	-
Bonds	-	314,450	291,154	1,989,613	-
Other receivables	183,925	-	-	-	-
Cash and broker deposits	6,828,728	-	-	-	-
Total	7,020,283	314,450	291,154	1,989,613	12,600,110
Liabilities					
Equities - Short	-	-	-	-	(2,542,556)
Options	(884,601)	-	-	-	-
Other liabilities	(254,866)	-	-	-	-
Total	(1,139,467)	-	-	-	(2,542,556)

D. INTEREST RATE RISK

As at December 31, 2011 and 2010, the Portfolio held the following interest-bearing securities:

Debt Instruments by Maturity	Financial Instruments	
	As at December 31, 2011 (\$)	As at December 31, 2010 (\$)
Less than 1 year	273,664	-
1-3 years	292,454	314,450
3-5 years	682,123	291,154
Greater than 5 years	1,386,452	1,989,613

As at December 31, 2011, if the yield curve shifted in parallel by 25 basis points, with all other variables held constant, Net Assets would have increased or decreased, respectively, by approximately \$3,556 (December 31, 2010 - \$3,700).

In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

E. OTHER PRICE RISK

The Statement of Investments and Other Net Assets classifies securities by market and geographic segment.

The impact on Net Assets of the Portfolio due to a 5 percent change in benchmark, using historical correlation between the Portfolio's return as compared to the return of the Portfolio's benchmark, the MSCI World Index, as at December 31, 2011 and 2010, with all other variables held constant, is presented in the following table. Regression analysis has been utilized to estimate the historical correlation. The analysis uses 44 data points (2010 - 32 data points) based on the monthly net returns of the Portfolio.

Benchmark	Impact on Net Assets	
	December 31, 2011	December 31, 2010
MSCI World Index	\$152,377	\$199,716

The historical correlation may not be representative of the future correlation, and accordingly the impact on Net Assets could be materially different.

F. CURRENCY RISK

Currencies to which the Portfolio had exposure as at December 31, 2011 and 2010 are as follows:

Currencies	As at December 31, 2011		As at December 31, 2010	
	Financial Instruments (\$)	Percentage of Net Assets (%)	Financial Instruments (\$)	Percentage of Net Assets (%)
Australian Dollar	343,225	2.5	206,375	1.1
Egyptian Pound	365,163	2.6	127,347	0.7
Euro Currency	988,676	7.1	864,518	4.7
Hong Kong Dollar	142,747	1.0	80,730	0.4
Indonesian Rupiah	101,874	0.7	96,132	0.5
Japanese Yen	719,751	5.2	449,444	2.4
Norwegian Krone	95,973	0.7	249,041	1.3
South African Rand	117,279	0.8	-	-
Swiss Franc	43,809	0.3	-	-
United States Dollar (long)	8,894,047	63.6	13,164,312	71.0
United States Dollar (short)	(2,832,292)	(20.2)	(3,427,157)	(18.5)

The amounts in the above table are based on the fair value of the Portfolio's financial instruments (including cash and cash equivalents). Other financial assets and financial liabilities that are denominated in foreign currencies, such as foreign income and dividends, do not expose the Portfolio to significant currency risk because their values are not significant.

As at December 31, 2011, if the Canadian dollar had weakened or strengthened by 5 percent in relation to all currencies, with all other variables held constant, Net Assets would have increased or decreased, respectively, by approximately \$449,000 (December 31, 2010 - \$590,000).

In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

G. FAIR VALUE ESTIMATION

The following table analyzes the Portfolio's financial assets and liabilities within the fair value hierarchy measured at fair value.

As at December 31, 2011

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Assets				
Equity securities	9,407,917	-	-	9,407,917
Bonds	-	2,634,693	-	2,634,693
Options	153	-	-	153
Total assets	9,408,070	2,634,693	-	12,042,763
Liabilities				
Equity securities sold short	(2,733,900)	-	-	(2,733,900)
Options	(98,545)	-	-	(98,545)
Total liabilities	(2,832,445)	-	-	(2,832,445)

As at December 31, 2010

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Assets				
Equity securities	12,600,110	-	-	12,600,110
Bonds	-	2,595,217	-	2,595,217
Options	7,630	-	-	7,630
Total assets	12,607,740	2,595,217	-	15,202,957
Liabilities				
Equity securities sold short	(2,542,556)	-	-	(2,542,556)
Options	(884,601)	-	-	(884,601)
Total liabilities	(3,427,157)	-	-	(3,427,157)

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and exchange traded derivatives. The Manager does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investment-grade corporate bonds. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

There were no movements between levels during the year.

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

STATEMENT OF NET ASSETS
As at December 31,

EXEMPLAR DIVERSIFIED PORTFOLIO

	2011	2010
ASSETS		
Futures deposits	\$ 12,772,460	\$ 6,694,554
Futures contracts receivable	646,732	350,751
Cash	30,202,792	19,527,114
Subscriptions receivable	164,346	161,035
Total Assets	<u>43,786,330</u>	<u>26,733,454</u>
LIABILITIES		
Accounts payable:		
Fees and operating expenses	87,765	51,102
Performance fees payable	-	508,087
Redemptions payable	48,223	5,000
Capital tax payable	-	14,859
Total Liabilities	<u>135,988</u>	<u>579,048</u>
NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY		
Series A	26,646,083	15,162,217
Series F	17,004,259	10,992,189
	<u>\$ 43,650,342</u>	<u>\$ 26,154,406</u>
NUMBER OF SHARES OUTSTANDING (Note 4)		
Series A	2,272,995	1,261,728
Series F	1,410,527	899,810
NET ASSETS PER SHARE		
Series A	\$ 11.72	\$ 12.02
Series F	<u>\$ 12.06</u>	<u>\$ 12.22</u>

Approved by the Board of Directors of BluMont Capital Corporation

"Veronika Hirsch"

Veronika Hirsch
Director

"Stephen Johnson"

Stephen Johnson
Director

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

STATEMENT OF OPERATIONS
For the years ended December 31,

EXEMPLAR DIVERSIFIED PORTFOLIO

	2011	2010
INVESTMENT INCOME		
Derivative income (loss)	\$ (628,015)	\$ 3,108,854
Interest	<u>256,357</u>	<u>36,865</u>
	<u>(371,658)</u>	<u>3,145,719</u>
EXPENSES (Notes 6 and 7)		
Management fees	634,756	289,889
Performance fees	-	508,087
General operating expenses	271,796	182,467
Audit fees	13,041	28,491
Legal fees	12,704	15,753
Securityholders' reporting costs	19,623	11,872
Custodian and trustees' fees	1,291	-
Capital tax expense (recovery)	(14,859)	14,859
Interest	-	630
Transaction costs (Note 2(I))	-	-
	<u>938,352</u>	<u>1,052,048</u>
Less: Expenses absorbed by the Manager	<u>81,085</u>	<u>134,045</u>
	<u>857,267</u>	<u>918,003</u>
NET INVESTMENT GAIN (LOSS)	<u>(1,228,925)</u>	<u>2,227,716</u>
EXCHANGE GAIN (LOSS) ON FOREIGN CURRENCIES AND OTHER NET ASSETS	<u>2,468</u>	<u>(22,550)</u>
NET GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS	<u>2,468</u>	<u>(22,550)</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Series A	(914,749)	1,206,689
Series F	<u>(311,708)</u>	<u>998,477</u>
	<u>\$ (1,226,457)</u>	<u>\$ 2,205,166</u>
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER SHARE (Note 2(VII))		
Series A	\$ (0.50)	\$ 1.46
Series F	<u>\$ (0.27)</u>	<u>\$ 1.39</u>

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

STATEMENT OF CHANGES IN NET ASSETS
For the years ended December 31,

EXEMPLAR DIVERSIFIED PORTFOLIO

	2011	2010
Net Assets, Beginning of Year		
Series A	15,162,217	3,686,174
Series F	<u>10,992,189</u>	<u>5,111,778</u>
	<u>\$ 26,154,406</u>	<u>\$ 8,797,952</u>
Net Increase (Decrease) in Net Assets from Operations		
Series A	(914,749)	1,206,689
Series F	<u>(311,708)</u>	<u>998,477</u>
	<u>(1,226,457)</u>	<u>2,205,166</u>
From Capital Share Transactions: (Note 4)		
Proceeds from issue of shares		
Series A	14,991,321	11,115,116
Series F	<u>9,120,526</u>	<u>5,390,825</u>
	<u>24,111,847</u>	<u>16,505,941</u>
Consideration paid for redemptions of shares		
Series A	(2,592,706)	(845,762)
Series F	<u>(2,796,748)</u>	<u>(508,891)</u>
	<u>(5,389,454)</u>	<u>(1,354,653)</u>
Net Assets, End of Year		
Series A	26,646,083	15,162,217
Series F	<u>17,004,259</u>	<u>10,992,189</u>
	<u>\$ 43,650,342</u>	<u>\$ 26,154,406</u>

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

EXEMPLAR DIVERSIFIED PORTFOLIO
STATEMENT OF INVESTMENTS AND OTHER NET ASSETS
As at December 31, 2011

	Number of Contracts	Contract Size	Fair Value	% of Total Net Assets
LONG POSITIONS				
Commodity Futures				
Euro-Bobl Futures March 2012	95	1,000	\$ 158,543	
Gas Oil Futures (ICE) February 2012	18	100	57,483	
Gold 100 Oz Futures February 2012	1	100	(18,905)	
Heating Oil Futures February 2012	5	42,000	13,083	
Live Cattle Futures February 2012	3	40,000	(1,607)	
Sugar #11 (World) March 2012	1	112,000	(547)	
White Sugar (LIF) March 2012	22	50	(24,793)	
WTI Crude Futures February 2012	28	1,000	(2,369)	
			180,888	0.4
Currency Futures				
Australian Dollar Futures March 2012	17	100,000	24,087	
Japan Yen Currency Futures March 2012	35	12,500,000	68,644	
			92,731	0.2
Index Futures				
10 Year Mini JGB Futures March 2012	70	100,000	(1,876)	
FTSE/JSE Top 40 March 2012	15	10	(8,704)	
MINI HSI Index Futures January 2012	29	10	5,934	
NASDAQ 100 E-Mini March 2012	38	20	(554)	
S&P 500 E-Mini Futures March 2012	31	50	18,343	
			13,143	0.0
Bond Futures				
Canada 10 Year Bond Futures March 2012	48	1,000	26,290	
Euro-Bund Futures March 2012	31	1,000	84,652	
US 10 Year Note Futures March 2012	53	1,000	31,732	
US 5 Year Note (CBT) March 2012	52	1,000	13,419	
			156,093	0.4
Total Long Positions			442,855	1.0
SHORT POSITIONS				
Commodity Futures				
Canola Futures (WCE) March 2012	(257)	20	(86,282)	
Cocoa Futures March 2012	(66)	10	204,734	
Coffee Robusta Futures March 2012	(148)	10	142,078	
Copper Futures March 2012	(13)	25,000	8,009	
Corn Futures March 2012	(17)	5,000	(49,487)	
Lean Hogs Futures February 2012	(18)	40,000	10,780	

	Number of Contracts	Contract Size	Fair Value	% of Total Net Assets
Commodity Futures – Cont'd				
LME Nickel Futures February 2012	(4)	6	\$ (32,974)	
LME Nickel Futures March 2012	(6)	6	(25,444)	
LME Primary Aluminium Futures January 2012	(2)	25	25	
LME Primary Aluminium Futures March 2012	(30)	25	(3,025)	
LME Zinc Futures February 2012	(12)	25	23,720	
LME Zinc Futures January 2012	(4)	25	794	
LME Zinc Futures March 2012	(32)	25	37,214	
Natural Gas Futures August 2012	(2)	10,000	13,302	
Natural Gas Futures February 2012	(36)	10,000	69,519	
Natural Gas Futures September 2012	(7)	10,000	15,427	
Platinum Futures April 2012	(42)	50	52,398	
Silver Futures March 2012	(5)	5,000	57,529	
Soybean Futures March 2012	(33)	5,000	(133,551)	
Soybean Oil Futures March 2012	(65)	60,000	(83,368)	
Wheat Futures (CBT) March 2012	(36)	5,000	(112,894)	
			108,504	0.3
Currency Futures				
British Pound Currency Futures March 2012	(48)	62,500	(15,845)	
Canadian Dollar Currency Futures March 2012	(25)	100,000	(29,675)	
Swiss Franc Currency Futures March 2012	(8)	125,000	(5,415)	
Euro FX Currency Futures March 2012	(34)	125,000	41,714	
EURO/CHF Futures March 2012	(5)	125,000	9,422	
Euro/GBP Futures March 2012	(38)	125,000	39,650	
Mexican Peso Futures March 2012	(74)	500,000	18,305	
			58,156	0.1
Index Futures				
DAX Index Futures March 2012	(6)	25	(19,848)	
Hang Sang Index Futures January 2012	(12)	50	(14,180)	
Nikkei 225 (SGX) March 2012	(29)	500	65,863	
S&P/TSX 60 Index Futures March 2012	(13)	200	(54,600)	
SPI 200 Futures March 2012	(17)	25	68,454	
			45,689	0.1
Bond Futures				
3Month EURO EURIBOR Futures March 2012	(51)	2,500	(11,984)	
90-Day Bank Bill Futures March 2012	(238)	10,000	(4,938)	
Bankers' Acceptance Futures March 2012	(99)	2,500	8,450	
			(8,472)	(0.0)
Total Short Positions			203,877	0.5
TOTAL INVESTMENT PORTFOLIO			646,732	1.5
Other Assets, Net of Liabilities ¹			43,003,610	98.5
TOTAL NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY			\$ 43,650,342	100.0

¹ This amount is comprised of future deposits plus cash plus subscriptions receivable less accounts payable.
The accompanying notes are an integral part of these financial statements.

EXEMPLAR DIVERSIFIED PORTFOLIO
DISCUSSION OF FINANCIAL INSTRUMENTS RISK MANAGEMENT (Note 3)
December 31, 2011

A. FINANCIAL RISK MANAGEMENT

The investment objective of the Exemplar Diversified Portfolio (the "Portfolio") is to seek superior long term absolute and risk-adjusted returns with the potential for low correlation to global equity and fixed-income market returns through the selection and management of long and short positions in a globally diversified portfolio of futures, options, forward contracts and other financial derivative instruments on agricultural and soft commodities, metals, energies, currencies, interest rates and equity indices.

The core investment strategy of the Portfolio is based on a risk budgeting strategy of allocating capital to markets and utilizing that capital based on the amount of risk premium being priced into markets. As a result of this allocation methodology, generally 50% of the portfolio risk budget is allocated to globally-traded industrial and agricultural commodity futures markets, and 50% is allocated to global currency, treasury debt and equity index futures markets.

The Portfolio transacts on highly liquid exchanges globally that may include, but are not limited to, all futures exchanges in the United States and Canada, the London Metals Exchange (LME), Euronext-LIFFE (LIFFE), the Eurex Deutschland (EUREX), The International Petroleum Exchange of London Limited (IPE), the Singapore International Monetary Exchange (SIMEX), the Sydney Futures Exchange Ltd. (SFE) and The Tokyo Commodities Exchange (TCE).

The Portfolio also has the ability to take short positions, in total not exceeding 40% of the Net Asset Value of the Portfolio.

The Portfolio may hold cash or invest in short term securities for the purpose of preserving capital and/or maintaining liquidity, based upon the portfolio manager's ongoing evaluation of current and anticipated economic and market conditions.

The Portfolio's overall risk management program seeks to minimize the potentially adverse effect of risk on the Portfolio's financial performance in a manner consistent with the Portfolio's investment objective. The Manager manages the potential effects of these financial risks on the Portfolio's performance by employing and overseeing professional and experienced portfolio advisors that monitor the Portfolio's investments and market events on a daily basis.

A general discussion of financial risk management for the Exemplar Portfolios is contained in Note 3: FINANCIAL INSTRUMENTS RISK MANAGEMENT on page 55.

B. CREDIT RISK

As at December 31, 2011 and 2010, the Portfolio had no investments in debt instruments and therefore was not subject to the related credit risk. The Portfolio holds derivatives, however the risk of default is considered minimal as the counterparty to all listed securities transactions are exchange clearinghouses. The trade will fail if the exchange clearinghouse fails to meet its obligation.

At December 31, 2011 the Portfolio has amounts receivable from MF Global Inc. of \$1,137,301. These amounts are expected to be collected as the Trustee of the SIPA Liquidation of MF Global Inc. organizes and pays claims.

C. LIQUIDITY RISK

The following table outlines cash flows associated with the maturities of the Portfolio's financial assets and liabilities:

As at December 31, 2011

	Less than 3 months (\$)	3 months to 1 year (\$)	Greater than 1 year (\$)	Total (\$)
Financial Assets				
Futures contracts receivable	565,605	81,127	-	646,732
Other receivables	164,346	-	-	164,346
Cash and futures deposits	42,975,252	-	-	42,975,252
Total	43,705,203	81,127	-	43,786,330
Liabilities				
Other liabilities	(135,988)	-	-	(135,988)
Total	(135,988)	-	-	(135,988)

As at December 31, 2010

	Less than 3 months (\$)	3 months to 1 year (\$)	Greater than 1 year (\$)	Total (\$)
Financial Assets				
Futures contracts receivable	349,154	1,597	-	350,751
Other receivables	161,035	-	-	161,035
Cash and futures deposits	26,221,668	-	-	26,221,668
Total	26,731,857	1,597	-	26,733,454
Liabilities				
Other liabilities	(579,048)	-	-	(579,048)
Total	(579,048)	-	-	(579,048)

D. INTEREST RATE RISK

As at December 31, 2011 and 2010, the Portfolio did not hold any interest-bearing securities, and therefore was not subject to significant interest rate risk.

E. OTHER PRICE RISK

The Statement of Investments and Other Net Assets classifies securities by market and geographic segment.

The impact on Net Assets of the Portfolio due to a 5 percent change in benchmark, using historical correlation between the Portfolio's return as compared to the return of the Portfolio's benchmark, the New Edge Commodity Trading Index, as at December 31, 2011 and 2010, with all other variables held constant, is presented in the following table. Regression analysis has been used to estimate the historical correlation. The analysis uses 32 data points (2010 – 20 data points) based on the monthly net returns of the Portfolio.

Benchmark	Impact on Net Assets	
	December 31, 2011	December 31, 2010
New Edge Commodity Trading Index	\$2,655,595	\$2,006,825

The historical correlation may not be representative of the future correlation, and accordingly the impact on Net Assets could be materially different.

F. CURRENCY RISK

Currencies to which the Portfolio had exposure to as at December 31, 2011 and 2010 are as follows:

Currencies	As at December 31, 2011		As at December 31, 2010	
	Financial Instruments (\$)	Percentage of Net Assets (%)	Financial Instruments (\$)	Percentage of Net Assets (%)
Australian Dollar	4,805	0.01	21,098	0.08
Euro Currency	(296,779)	(0.68)	3,089	0.01
British Pound Sterling	(46,912)	(0.11)	(9,927)	(0.04)
Hong Kong Dollar	239,788	0.55	129,574	0.50
Swiss Franc	(20,633)	(0.05)	-	-
Japanese Yen	(4,987,661)	(11.43)	3,704,627	14.16
South African Rand	134,921	0.31	20,512	0.08
United States Dollar	(1,557,900)	(3.57)	518,958	1.98

The amounts in the above table are based on the fair value of the Portfolio's financial instruments (including cash and cash equivalents). Other financial assets and financial liabilities that are denominated in foreign currencies, such as foreign income and dividends, do not expose the Portfolio to significant currency risk because their values are not significant.

As at December 31, 2011, if the Canadian dollar had strengthened or weakened by 5 percent in relation to all currencies, with all other variables held constant, Net Assets would have increased or decreased, respectively, by approximately \$327,000 (December 31, 2010 - \$219,000).

In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

G. FAIR VALUE ESTIMATION

The following table analyzes the Portfolio's financial assets and liabilities within the fair value hierarchy measured at fair value.

As at December 31, 2011

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Futures Contracts	646,732	-	-	646,732

As at December 31, 2010

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Futures Contracts	350,751	-	-	350,751

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include exchange traded derivatives. The Manager does not adjust the quoted price for these instruments.

There were no movements between levels during the period.

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

STATEMENT OF NET ASSETS
As at December 31,

**EXEMPLAR MARKET NEUTRAL
PORTFOLIO**

2011

ASSETS

Long positions at fair value*		
Canadian equities	\$	1,114,359
U.S. equities		1,652,111
U.S. options		86,897
Global equities		102,611
		<hr/>
		2,955,978
Cash and broker deposits		9,062,967
Future deposits		171,482
Accrued investment income		10,858
Accounts receivable:		
Receivable from investment sales		965,507
Subscriptions receivable		17,500
		<hr/>
Total Assets		<u>13,184,292</u>

LIABILITIES

Short positions at fair value**		
U.S. equities		1,649,506
U.S. options		51,539
		<hr/>
		1,701,045
Index futures and currency forward contracts		5,998
Accounts payable:		
Management fees		22,558
Fees and operating expenses		8,261
Redemptions payable		3,519
Payable for investment purchases		286,329
		<hr/>
Total Liabilities		<u>2,027,710</u>

NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY¹

Series A		9,216,976
Series B		556,355
Series F		1,150,088
Series G		233,163
		<hr/>
	\$	<u>11,156,582</u>

¹Net assets representing shareholders' equity carried forward to next page

STATEMENT OF NET ASSETS
As at December 31,

**EXEMPLAR MARKET NEUTRAL
PORTFOLIO**

2011

NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY[†]

[†]Net assets representing shareholders' equity carried forward to previous page

Series A	9,216,976
Series B	556,355
Series F	1,150,088
Series G	233,163
	<u>\$ 11,156,582</u>

NUMBER OF SHARES OUTSTANDING (Note 4)

Series A	995,676
Series B	61,261
Series F	123,453
Series G	25,580
	<u>25,580</u>

NET ASSETS PER SHARE

Series A	\$ 9.26
Series B	\$ 9.08
Series F	\$ 9.32
Series G	\$ <u>9.12</u>

*Long positions, at cost \$ 3,216,559

**Proceeds on short positions \$ (1,870,238)

Approved by the Board of Directors of BluMont Capital Corporation

"Veronika Hirsch"

"Stephen Johnson"

Veronika Hirsch
Director

Stephen Johnson
Director

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

STATEMENT OF OPERATIONS

For the period from May 27, 2011 to December 31, 2011

**EXEMPLAR MARKET NEUTRAL
PORTFOLIO[†]**

2011

INVESTMENT INCOME

Dividends	\$	60,696
Less: Foreign withholding taxes		8,713
		<hr/>
		51,983
Interest		48,922
		<hr/>
		100,905

EXPENSES (Notes 6 and 7)

Management fees		158,095
General operating expenses		130,905
Dividends on investments sold short		1,706
Audit fees		23,431
Legal fees		10,929
Custodian and trustees' fees		154
Securityholders' reporting costs		13,550
Interest		9,998
		<hr/>
		348,768
Less: Expenses absorbed by the Manager		134,087
		<hr/>
		214,681

NET INVESTMENT LOSS

(113,776)**NET REALIZED LOSS ON INVESTMENT TRANSACTIONS****(603,667)****TRANSACTION COSTS (Notes 2(1) and 7)****(45,357)****NET CHANGE IN UNREALIZED DEPRECIATION OF INVESTMENTS****(96,539)****EXCHANGE GAIN ON FOREIGN CURRENCIES AND OTHER NET ASSETS****28,059****NET LOSS ON INVESTMENTS AND TRANSACTION COSTS**

(717,504)**NET DECREASE IN NET ASSETS FROM OPERATIONS**

Series A		(746,302)
Series B		(26,719)
Series F		(56,219)
Series G		(2,040)
		<hr/>
	\$	(831,280)

NET DECREASE IN NET ASSETS FROM OPERATIONS PER UNIT (Note 2(VII))

Series A	\$	(0.73)
Series B	\$	(0.57)
Series F	\$	(0.61)
Series G	\$	(0.18)
		<hr/>

[†]The Portfolio was launched on May 27, 2011.

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

STATEMENT OF CHANGES IN NET ASSETS
For the period from May 27, 2011 to December 31, 2011

**EXEMPLAR MARKET NEUTRAL
PORTFOLIO[†]**

2011

Net Assets, Beginning of Period	
Series A	-
Series B	-
Series F	-
Series G	-
	-
	\$ -
Net Decrease in Net Assets from Operations	
Series A	(746,302)
Series B	(26,719)
Series F	(56,219)
Series G	(2,040)
	(831,280)
From Capital Unit Transactions: (Note 4)	
Proceeds from issue of shares	
Series A	11,165,298
Series B	606,971
Series F	1,316,302
Series G	237,000
	13,325,571
Consideration paid for redemptions of shares	
Series A	(1,201,980)
Series B	(13,550)
Series F	(109,739)
Series G	-
	(1,325,269)
Reinvestment of dividends	
Series A	15,275
Series B	2,005
Series F	1,627
Series G	1,122
	20,029
	12,020,331
From Dividends to Shareholders:	
From net investment income and return of capital	
Series A	(15,315)
Series B	(12,352)
Series F	(1,883)
Series G	(2,919)
	(32,469)
Net Assets, End of Period	
Series A	9,216,976
Series B	556,355
Series F	1,150,088
Series G	233,163
	11,156,582
	\$ 11,156,582

[†]The Portfolio was launched on May 27, 2011.

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

EXEMPLAR MARKET NEUTRAL PORTFOLIO
STATEMENT OF INVESTMENTS AND OTHER NET ASSETS
As at December 31, 2011

	Number of Shares/ Options	Long- Avg Cost Short Proceeds	Fair Value	% of Total Net Assets
LONG POSITIONS				
Canadian Equities				
Energy				
EnCana Corporation	3,700	\$ 122,946	\$ 69,723	
Suncor Energy Inc.	6,100	248,562	179,218	
		371,508	248,941	2.2
Industrials				
Canadian National Railway Company	2,600	196,222	208,182	1.9
Financials				
Toronto-Dominion Bank	1,500	107,763	114,133	1.0
Information Technology				
Research in Motion Limited	5,000	124,634	73,678	0.6
Index Equivalents				
iShares S&P/TSX 60 Index Fund	27,500	508,376	469,425	4.2
Total Canadian Equities - Long		1,308,503	1,114,359	9.9
U.S. Equities				
Energy				
Energy Select Sector SPDR Fund	1,500	113,063	105,346	1.0
Industrials				
General Electric Company	6,000	114,028	109,282	1.0
Consumer Discretionary				
The Walt Disney Company	1,000	40,178	38,115	0.3
Consumer Staples				
Costco Wholesale Corporation	2,000	159,408	169,445	
Wal-Mart Stores Inc.	1,800	96,255	109,337	
		255,663	278,782	2.5

	Number of Shares/ Options	Long: Avg Cost Short Proceeds	Fair Value	% of Total Net Assets
Health Care				
Pfizer Inc.	9,100	\$ 186,197	\$ 200,262	1.8
Financials				
Berkshire Hathaway Inc. 'A'	3	343,417	349,323	
Wells Fargo & Company	5,500	151,304	154,150	
		494,721	503,473	4.5
Information Technology				
Cisco Systems Inc.	3,500	56,320	64,353	
Microsoft Corporation	1,000	24,205	26,400	
		80,525	90,753	0.8
Index Equivalents				
iShares MSCI Emerging Markets Index	1,000	46,681	38,563	
iShares Russell 2000 Index Fund	3,000	245,330	225,092	
PowerShares QQQ	1,100	61,758	62,443	
		353,769	326,098	2.9
Total U.S. Equities - Long		1,638,144	1,652,111	14.8
U.S. Options				
Call Options				
SPDR S&P 500 ETF Trust, \$120, March 2012	40	30,353	36,651	
SPDR S&P 500 ETF Trust, \$128, March 2012	37	28,641	14,825	
		58,994	51,476	0.4
Put Options				
SPDR S&P 500 ETF Trust, \$122, January 2012	42	11,000	85	
SPDR S&P 500 ETF Trust, \$122, January 2012	85	37,313	10,286	
SPDR S&P 500 ETF Trust, \$125, January 2012	42	3,795	555	
SPDR S&P 500 ETF Trust, \$128, March 2012	37	36,417	24,495	
		88,525	35,421	0.3
Total U.S. Options - Long		147,519	86,897	0.7

	Number of Shares/ Options	Long: Avg Cost Short Proceeds	Fair Value	% of Total Net Assets
Global Equities				
Israel				
Teva Pharmaceutical Industries Limited ADR	2,500	\$ 123,422	\$ 102,611	
Total Global Equities - Long		123,422	102,611	1.0
Total Long Positions Including Transaction Costs		3,217,588	2,955,978	26.4
Transaction Costs		(1,029)	-	-
Total Long Positions Before Transaction Costs		3,216,559	2,955,978	26.4
SHORT POSITIONS				
U.S. Equities				
Basic Materials				
SPDR Gold Trust	(500)	(67,593)	(77,319)	(0.7)
Index Equivalents				
SPDR S&P 500 ETF Trust	(12,297)	(1,581,957)	(1,572,187)	(14.1)
Total U.S. Equities - Short		(1,649,550)	(1,649,506)	(14.8)
U.S. Options				
Written Call Options				
CAD-USD, \$1 January 2012	(500,000)	(5,611)	(1)	
SPDR S&P 500 ETF Trust, \$129, January 2012	(85)	(8,046)	(8,212)	
SPDR S&P 500 ETF Trust, \$130, January 2012	(84)	(11,453)	(85)	
SPDR S&P 500 ETF Trust, \$133, February 2012	(85)	(9,427)	(8,731)	
		(34,537)	(17,029)	(0.2)
Written Put Options				
SPDR S&P 500 ETF Trust, \$110, January 2012	(142)	(41,551)	(2,311)	
SPDR S&P 500 ETF Trust, \$112, January 2012	(127)	(15,947)	(2,841)	
SPDR S&P 500 ETF Trust, \$115, January 2012	(85)	(6,792)	(3,112)	
SPDR S&P 500 ETF Trust, \$115, January 2012	(85)	(7,946)	(86)	
SPDR S&P 500 ETF Trust, \$120, January 2012	(43)	(5,475)	(3,717)	
SPDR S&P 500 ETF Trust, \$120, January 2012	(84)	(15,165)	(85)	
SPDR S&P 500 ETF Trust, \$121, January 2012	(170)	(13,211)	(173)	
SPDR S&P 500 ETF Trust, \$113, February 2012	(85)	(9,298)	(9,768)	
SPDR S&P 500 ETF Trust, \$100, March 2012	(165)	(70,241)	(12,417)	
		(185,626)	(34,510)	(0.3)
Total U.S. Options - Short		(220,163)	(51,539)	(0.5)

	Number of Shares/ Options	Long: Avg Cost Short Proceeds	Fair Value	% of Total Net Assets
Total Short Positions Including Transaction Costs		\$ (1,869,713)	\$ (1,701,045)	(15.3)
Transaction Costs		(525)	-	-
Total Short Positions Before Transaction Costs		(1,870,238)	(1,701,045)	(15.3)
TOTAL INVESTMENT PORTFOLIO		\$ 1,346,321	1,254,933	11.1
Other Assets Net of Liabilities ¹			9,901,649	88.9
TOTAL NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY			\$ 11,156,582	100.0

¹This amount is comprised of cash and broker deposits plus future deposits plus accrued investment income plus accounts receivable less index futures and currency forward contracts (Schedule1) less accounts payable.

**SCHEDULE 1 – INDEX FUTURES AND CURRENCY FORWARD CONTRACTS
December 31, 2011**

	Number of Contracts	Fair Value	% of Total Net Assets
INDEX FUTURES			
S&P500 EMINI Future March 2012	(19)	\$ (847)	-
CURRENCY FORWARDS			
Buy CAD, Sell USD		(5,151)	-
Total Index Futures and Currency Forwards		\$ (5,998)	-

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

EXEMPLAR MARKET NEUTRAL PORTFOLIO
SUMMARY OF INVESTMENT PORTFOLIO
As at December 31,

SECTOR MIX	% of Total Net Assets
	2011
Long Positions	
Energy	3.2
Industrials	2.9
Consumer Discretionary	0.3
Consumer Staples	2.5
Health Care	2.8
Financials	5.5
Information Technology	1.4
Index Equivalents	7.1
Call Options	0.4
Put Options	0.3
Other Assets, Net of Liabilities	88.9
Short Positions	
Basic Materials	(0.7)
Index Equivalents	(14.1)
Written Call Options	(0.2)
Written Put Options	(0.3)

GEOGRAPHIC MIX	% of Total Net Assets
	2011
Long Positions	
Canada	9.9
U.S.	15.5
Israel	1.0
Other Assets, Net of Liabilities	88.9
Short Positions	
U.S.	(15.3)

ASSET MIX	% of Total Net Assets
	2011
Long Positions	
Canadian Equities	9.9
U.S. Equities	15.5
Global Equities	1.0
Other Assets, Net of Liabilities	88.9
Short Positions	
U.S. Equities	(14.8)
U.S. Options	(0.5)

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

EXEMPLAR MARKET NEUTRAL PORTFOLIO
DISCUSSION OF FINANCIAL INSTRUMENTS RISK MANAGEMENT (Note 3)
December 31, 2011

A. FINANCIAL RISK MANAGEMENT

The investment objective of the Exemplar Market Neutral Portfolio is to provide superior absolute returns and be positively correlated to short-term interest rates.

The Portfolio may generally invest 90% or more of its assets in Canadian and foreign short term money market securities and may invest the balance of its assets through the selection and management of long and short positions in North American equities and options. The Portfolio may predominantly invest in U.S.-listed securities that have high liquidity and very deep option markets and purchase and write options against these positions and North American equity markets. Generally, no more than 20% of the Portfolio may be expected to be invested outside of this investment focus.

The Portfolio may hold additional 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 Portfolio may invest in derivatives for hedging and non-hedging purposes as permitted by applicable securities laws. The Portfolio may enter into securities lending, repurchase and reverse repurchase transactions to generate additional income or as a short-term cash management tool.

The Portfolio is permitted to leverage its assets. The Portfolio will generally not use leverage in excess of 40% of its Net Asset Value.

The Portfolio's overall risk management program seeks to minimize the potentially adverse effect of risk on the Portfolio's financial performance in a manner consistent with the Portfolio's investment objective. The Manager manages the potential effects of these financial risks on the Portfolio's performance by employing and overseeing professional and experienced portfolio advisors that monitor the Portfolio's investments and market events on a daily basis.

A general discussion of financial risk management for the Exemplar Portfolios is contained in Note 3: FINANCIAL INSTRUMENTS RISK MANAGEMENT on page 55.

B. CREDIT RISK

As at December 31, 2011 the Portfolio had no investments in debt instruments and therefore was not subject to the related credit risk.

C. LIQUIDITY RISK

The following table outlines cash flows associated with the maturities of the Portfolio's financial assets and liabilities as of:

December 31, 2011

	Less than 1 year (\$)	1 - 3 years (\$)	Beyond 5 years (\$)	No maturity date (\$)
Financial Assets				
Equities - long	-	-	-	2,869,081
Options	86,897	-	-	-
Other receivables	1,165,347	-	-	-
Cash and cash equivalents	9,062,967	-	-	-
Total	10,315,211	-	-	2,869,081
Liabilities				
Equities - short	-	-	-	(1,701,045)
Other liabilities	(326,665)	-	-	-
Total	(326,665)	-	-	(1,701,045)

D. INTEREST RATE RISK

As at December 31, 2011 the Portfolio did not hold any interest-bearing securities, and therefore was not subject to interest rate risk.

E. OTHER PRICE RISK

The Statement of Investments and Other Net Assets classifies securities by market and geographic segment.

The impact on Net Assets of the Portfolio due to a 5 percent change in benchmark, using historical correlation between the Portfolio's return as compared to the return of the Portfolio's benchmark, the HFRI Equity Market Neutral Index, as at December 31, 2011, with all other variables held constant, is included in the following table. Regression analysis has been utilized to estimate the historical correlation. The analysis uses 8 data points based on the monthly net returns of the Portfolio.

	Impact on Net Assets December 31, 2011
Benchmark	
HFRI Equity Market Neutral	\$186,580

The historical correlation may not be representative of the future correlation, and accordingly the impact on Net Assets could be materially different

F. CURRENCY RISK

Currencies to which the Portfolio had exposure as at December 31, 2011, are as follows:

Currency	As at December 31, 2011	
	Financial Instruments (\$)	Percentage of Net Assets (%)
United States Dollar (long)	6,187,247	55.4
United States Dollar (short)	(1,701,806)	(15.2)

The amounts in the above table are based on the fair value of the Portfolio's financial instruments (including cash and cash equivalents). Other financial assets and financial liabilities that are denominated in foreign currencies do not expose the Portfolio to significant currency risk.

As at December 31, 2011, if the Canadian dollar had weakened or strengthened by 5 percent in relation to all currencies, with all other variables held constant, Net Assets would have increased or decreased, respectively, by approximately \$224,000.

In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

G. FAIR VALUE ESTIMATION

The following table analyzes the Portfolio's financial assets and liabilities within the fair value hierarchy measured at fair value.

December 31, 2011

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Assets				
Equity securities - long	2,869,081	-	-	2,869,081
Options	86,897	-	-	86,897
Total Assets	2,955,978	-	-	2,955,978
Liabilities				
Equity securities - short	(1,649,506)	-	-	(1,649,506)
Options	(51,539)	-	-	(51,539)
Index futures	(847)	-	-	(847)
Currency forward contracts	-	(5,151)	-	(5,151)
Total Liabilities	(1,701,892)	(5,151)	-	(1,707,043)

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Manager does not adjust the quoted price for these instruments.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. THE PORTFOLIOS

Exemplar Portfolios Ltd. (the "Company") is a mutual fund corporation incorporated under the Business Corporations Act (Ontario). The Company was incorporated on March 18, 2008. These financial statements represent the financial positions of four classes of the Company: Exemplar Canadian Focus Portfolio (the "Canadian Focus Portfolio"), Exemplar Global Opportunities Portfolio (the "Global Opportunities Portfolio"), Exemplar Diversified Portfolio (the "Diversified Portfolio"), and Exemplar Market Neutral Portfolio (the "Market Neutral Portfolio") individually a "Portfolio" and collectively the "Portfolios".

The financial statements of the Exemplar Canadian Focus Portfolio, Exemplar Global Opportunities Portfolio and Exemplar Diversified Portfolio are as at and for the years ended December 31, 2011 and 2010.

On May 27, 2011, the Manager launched the Exemplar Market Neutral Portfolio. Therefore the financial information shown represents the results since inception to December 31, 2011. The statements of net assets and of investments and other net assets of the Portfolio are as at December 31, 2011 and the statements of operations and changes in net assets are for the period from May 27, 2011 (commencement of operations) to December 31, 2011.

BluMont Capital Corporation ("BluMont Capital") is the Manager and Investment Advisor of the Portfolios.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented in accordance with Canadian generally accepted accounting principles ("GAAP").

A summary of the significant accounting policies is summarized below.

(I) Valuation of Investments

Investments are recorded at their fair value, determined as follows:

The fair value of financial instruments, which are actively traded, is measured based on the bid price for long positions and the ask price for short positions. Prior to January 1, 2007, fair value for GAAP was based on the last traded price for the day, when available. A reconciliation as at December 31 between each Portfolio's net assets for financial reporting ("Net Assets") and each Portfolio's net assets for purposes other than financial reporting, such as subscriptions and redemptions, ("Net Asset Value") has been provided in Note 8. The Portfolios continue to use the last traded price for investments and securities sold short for Net Asset Value calculations.

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by each Portfolio are charged to net increase (decrease) in net assets from operations in the period. Accordingly, these costs are expensed and are included in "Transaction Costs" in the Statements of Operations.

Securities listed upon a recognized public stock exchange are valued at their bid/ask prices on the financial statement date. Securities with no bid/ask prices are valued at their closing sale prices. Securities not listed upon a recognized public stock exchange are valued using valuation techniques, on such basis and in such manner established by the Manager.

Short-term investments, including notes and money market instruments, are carried at fair value.

The difference between fair value and the average cost is shown as the net change in unrealized appreciation (depreciation) of investments.

When a Portfolio sells a security short, it will borrow that security from a broker to complete the sale. The Portfolio will incur a loss as a result of a short sale if the price of the borrowed security increases between the date of the short sale and the date on which the Portfolio closes out its short position by buying that security. The Portfolio will realize a gain if that security declines in price between those dates.

The maximum gain that the Portfolio can realize on a short position is the proceeds received, while the loss that could be realized is unlimited.

There can be no assurance that the Portfolio will be able to close out a short position at an acceptable time or price. Until the Portfolio replaces a borrowed security it will maintain a margin account with a broker containing cash and liquid securities.

Short positions are valued based on the cost that would be incurred to close out the position at the last ask price as of every Valuation Day (as defined below).

(II) Options

The premium received upon writing a call option is recorded as a deferred credit. Upon expiry of the option or when the option is exercised by its holder, the premium is recognized as a gain and is included in "Net realized gain (loss) on investment transactions".

The premium paid upon purchasing a put option is recorded as a deferred debit. Upon expiry of the option or when the option is exercised by the Manager, the premium is recognized as a reduction in the gain and is included in "Net realized gain (loss) on investment transactions".

(III) Investment Transactions and Income Recognition

Investment transactions are accounted for as of the trade date. Income and expenses are recorded on an accrual basis. Dividend income and expense is recorded on the ex-dividend date. Interest income and expense is recorded daily as it is earned and incurred. Realized gains and losses from security transactions are calculated using the average cost basis.

(IV) Valuation of Portfolio Shares

The Portfolios' shares are issued and redeemed at the Net Asset Value per share, per Series, which is determined as of the close of a Valuation Day. A "Valuation Day" is any day that the Toronto Stock Exchange is open for business or such other trading day or days as the Manager may determine.

The Net Asset Value per share per Series of each Portfolio is determined by dividing the total market value of each Portfolio's Net Asset Value attributable to that Series by the number of shares outstanding of that Series.

For each Portfolio share sold, the Portfolio receives an amount equal to the Net Asset Value per share on the date of sale, which is included in shareholders' equity. Shares are redeemable at the option of the shareholders at their Net Asset Value on any Valuation Day. For each share redeemed, the number of issued and outstanding shares is reduced and the equity in the Portfolio is reduced by the related Net Asset Value on the date of redemption.

(V) Foreign Currency Translation

Assets, including the fair value of investments, and liabilities denominated in foreign currencies, are converted to Canadian dollars at the rates of exchange established on each Valuation Day.

Purchases and sales of investments, dividends and interest income and expense denominated in foreign currencies are converted into Canadian dollars at the rates of exchange prevailing on the respective dates of such transactions.

Realized exchange gains (losses) on investments are included in "Net Realized Gain (Loss) on Investment Transactions" in the Statements of Operations.

Unrealized exchange gains (losses) on investments are included in "Net Change in Unrealized Appreciation (Depreciation) of Investments" in the Statements of Operations.

Realized and unrealized exchange gains (losses) on assets (other than investments), liabilities and investment income denominated in foreign currencies are included in "Exchange Gain (Loss) on Foreign Currencies and Other Net Assets" in the Statements of Operations.

(VI) Use of Estimates

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of certain assets and liabilities and disclosure of contingent liabilities, at the date of the financial statements, and the reported amounts of certain revenue and expenses during the period. Actual results could differ from these estimates.

(VII) Increase/(Decrease) in Net Assets from Operations Per Share

The Increase/(Decrease) in Net Assets from Operations per Share (per Series) amount is determined by dividing the Net Increase (Decrease) in Net Assets from Operations by the weighted average number of shares outstanding in each Series during the period.

3. FINANCIAL INSTRUMENTS RISK MANAGEMENT

In the normal course of business, each Portfolio 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) that could result in a reduction in the value of the Portfolios' Net Assets. The value of investments within a Portfolio's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, market and company news related to specific securities within the Portfolio. The level of risk depends on the Portfolio's investment objectives and the type of securities it invests in. Please refer to Discussion of Financial Risk Management (an addendum to Note 3 on pages 13, 28, 37 and 51 of this report) for each Portfolio's specific risk disclosure.

(I) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with a Portfolio.

Where a Portfolio invests in debt instruments and derivatives, this represents the main concentration of credit risk. The market value of debt instruments and derivatives includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the Portfolio.

All transactions executed by a Portfolio in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, 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.

(II) Liquidity Risk

Liquidity risk is defined as the risk that a Portfolio may not be able to settle or meet its obligations on time or at a reasonable price.

Each Portfolio is exposed to daily cash redemptions of redeemable shares. The shares of each Portfolio are issued and redeemed daily at the Portfolio's Net Asset Value per share at the option of the shareholder.

Liquidity risk is managed by investing the majority of each Portfolio's assets in investments that are traded in an active market and can be readily disposed. Each Portfolio aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its Net Asset Value for the purpose of funding redemptions.

Each Portfolio may, from time to time, invest in securities that are not traded in an active market and may be illiquid. Such investments are identified as private and illiquid securities in each Portfolio's Statement of Investments and Other Net Assets.

The Portfolios may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading of derivatives.

(III) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

Interest rate risk arises when a Portfolio invests in interest-bearing financial instruments. A Portfolio is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents, invested at short-term market interest rates.

(IV) Other Price Risk

Other price risk is the risk that the market value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

All investments represent a risk of loss of capital. The Manager of each Portfolio moderates this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Portfolio's investment objectives and strategy. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments, unless the Portfolio holds short positions in financial instruments, as further described below. Each Portfolio's overall market positions are monitored on a daily basis by the Manager. Financial instruments held by each Portfolio are susceptible to market price risk arising from uncertainties about future prices of the instruments.

Each Portfolio has received approval from the Canadian securities regulators to short sell securities on a limited and controlled basis.

The aggregate fair value of all securities sold short by each Portfolio will not exceed 40% of its respective total Net Asset Values on a daily marked-to-market basis. No proceeds from short sales will be used by the Portfolios to purchase long positions other than cash cover.

There are risks associated with short selling, namely that the securities will rise in value or not decline enough to cover a Portfolio's costs, or that market conditions will cause difficulties in the sale or repurchase of the securities.

(V) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Portfolios. Each Portfolio may enter into foreign exchange contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

(VI) Fair Value Estimation

The Portfolios classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, and provided by independent sources that are actively involved in the relevant market.

4. SHARE TRANSACTIONS

The shares authorized for issuance are unlimited in number, have no nominal or par value and are issued and redeemed at their Net Asset Value. Each Portfolio offers three series of shares (excluding Series R Shares of the Canadian Focus Portfolio). Series A Shares are offered on an initial sales charge basis. Series F Shares are available to investors who participate in fee-based programs through their broker, dealer or advisor. Series I Shares are charged an annual service fee based on the aggregate Net Asset Value that the investor holds.

Shares of the Portfolios are issued and redeemed (excluding Series R Shares of the Canadian Focus Portfolio, which can only be redeemed) at the then current Net Asset Value per share at the option of the shareholder. Shareholders are entitled to dividends when declared. The Portfolios have no restrictions or specific capital requirements on the subscription and redemption of shares, other than minimum subscription requirements. The Statements of Changes in Net Assets identify changes in each Portfolio's capital during the period. The Manager manages the capital of the Portfolios in accordance with the Portfolios' investment objectives, including managing their liquidity in order to be able to meet redemptions as discussed in Note 3.

As of December 31, 2011, the number of shares owned by BluMont Capital for each Portfolio is summarized as follows:

Portfolio	Number of shares	Amount (\$)	% to Net Assets
Exemplar Canadian Focus Portfolio – Series A	510	\$6,911	0.01%
Exemplar Canadian Focus Portfolio – Series F	4,595	\$64,260	0.09%
Exemplar Diversified Portfolio – Series A	500	\$5,845	0.01%
Exemplar Diversified Portfolio – Series F	4,500	\$54,099	0.12%
Exemplar Global Opportunities Portfolio – Series A	502	\$4,909	0.03%
Exemplar Global Opportunities Portfolio – Series F	4,662	\$47,519	0.34%
Exemplar Market Neutral Portfolio – Series A	4,507	\$41,806	0.37%
Exemplar Market Neutral Portfolio – Series F	501	\$4,675	0.04%

As of December 31, 2011 and 2010, the number of shares issued and redeemed at the Net Asset Value is summarized as follows:

Exemplar Canadian Focus Portfolio – December 31, 2011

	Shares Outstanding at Beginning of Year	Shares Issued for Cash	Shares Issued on Reinvestment of Distributions	Shares Redeemed	Shares Issued and Outstanding at End of Year
Series A	2,515,307	1,552,919	35,581	(399,658)	3,704,149
Series F	464,840	455,347	6,990	(169,396)	757,781
Series I	103,836	2,355	1,042	-	107,233
Series R	590,234	-	4,315	(145,552)	448,997

Exemplar Canadian Focus Portfolio – December 31, 2010

	Shares Outstanding at Beginning of Year	Shares Issued for Cash	Shares Issued on Reinvestment of Distributions	Shares Redeemed	Shares Issued and Outstanding at End of Year
Series A	1,208,323	1,533,793	14,742	(241,551)	2,515,307
Series F	241,507	277,214	2,510	(56,391)	464,840
Series I	99,165	4,050	621	-	103,836
Series R	1,058,226	-	4,173	(472,165)	590,234

Exemplar Global Opportunities Portfolio – December 31, 2011

	Shares Outstanding at Beginning of Year	Shares Issued for Cash	Shares Issued on Reinvestment of Distributions	Shares Redeemed	Shares Issued and Outstanding at End of Year
Series A	1,093,198	102,022	914	(390,492)	805,642
Series F	576,403	296,733	696	(274,191)	599,641

Exemplar Global Opportunities Portfolio – December 31, 2010

	Shares Outstanding at Beginning of Year	Shares Issued for Cash	Shares Issued on Reinvestment of Distributions	Shares Redeemed	Shares Issued and Outstanding at End of Year
Series A	942,789	461,377	1,320	(312,288)	1,093,198
Series F	508,459	308,211	682	(240,949)	576,403

Exemplar Diversified Portfolio – December 31, 2011

	Shares Outstanding at Beginning of Year	Shares Issued for Cash	Shares Issued on Reinvestment of Distributions	Shares Redeemed	Shares Issued and Outstanding at End of Year
Series A	1,261,728	1,227,737	-	(216,470)	2,272,995
Series F	899,810	731,424	-	(220,707)	1,410,527

Exemplar Diversified Portfolio – December 31, 2010

	Shares Outstanding at Beginning of Year	Shares Issued for Cash	Shares Issued on Reinvestment of Distributions	Shares Redeemed	Shares Issued and Outstanding at End of Year
Series A	343,949	994,179	-	(76,400)	1,261,728
Series F	473,389	473,650	-	(47,229)	899,810

Exemplar Market Neutral Portfolio – December 31, 2011

	Shares Outstanding at Beginning of Period	Shares Issued for Cash	Shares Issued on Reinvestment of Distributions	Shares Redeemed	Shares Issued and Outstanding at End of Period
Series A	-	1,120,792	1,647	(126,763)	995,676
Series B	-	62,529	215	(1,483)	61,261
Series F	-	134,929	174	(11,650)	123,453
Series G	-	25,457	123	-	25,580

5. INCOME TAXES

The Portfolios are classes of the Company, which qualifies as a mutual fund corporation under the Income Tax Act (Canada) (the “Tax Act”). The general income tax rules associated with a public corporation also apply to a mutual fund corporation with the exception that income taxes payable on realized capital gains are refundable on a formula basis when shares are redeemed or capital gains dividends are paid.

All of a Portfolio’s expenses including expenses common to all series of the Portfolio and management and performance fees and other expenses specific to a particular series of a Portfolio, will be taken into account in determining the income or loss of a Portfolio as a whole and applicable taxes payable by the Portfolio as a whole.

Interest and foreign income are taxed at normal corporate rates and can be reduced by permitted deductions for tax purposes.

Temporary differences between the carrying values of assets and liabilities for accounting and income tax purposes give rise to future income tax assets and liabilities. The most significant temporary difference is that between the reported fair value of each Portfolio’s investment portfolio and its adjusted cost base (“ACB”) for income tax purposes. To the extent that the fair value of a Portfolio’s securities exceeds its ACB, a future tax liability arises. Since capital gains taxes payable by the Portfolios are refundable under the relevant provisions of the Tax Act, the future tax liability is fully offset by these future refundable taxes. Conversely, when the ACB exceeds the fair value of the securities, a future tax asset is generated. In such cases, a full valuation allowance is taken to offset this asset given the uncertainty that such future tax assets will ultimately be realized.

As of December 31, 2011, the Exemplar Portfolios Ltd. had capital or non-capital losses as noted below.

Non-Capital Loss*	Capital Loss**
\$953,632	\$226,889

* 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.

6. RELATED PARTY TRANSACTIONS

Under the terms of agreements between the Portfolios and the Manager, and in return for investment management and administrative services, the Manager receives monthly management fees from each Portfolio, calculated daily and payable monthly.

The management fee paid to the Manager by the Exemplar Canadian Focus Portfolio is 1.65% per annum on Series A and Series R Shares and 0.65% per annum on Series F Shares. The management fee paid to the Manager by the Exemplar Global Opportunities Portfolio is 1.85% per annum on Series A Shares and 0.85% per annum on Series F Shares. The management fee paid to the Manager by the Exemplar Diversified Portfolio is 2.00% per annum on Series A Shares and 1.00% per annum on Series F Shares. The management fee paid to the Manager by the Exemplar Market Neutral Portfolio is 2.25% per annum on Series A Shares and Series B Shares and 1.25% per annum on Series F Shares and Series G Shares.

No portion of the management fee charged to a Portfolio is borne by Series I Shares of the Portfolios. A holder of Series I Shares of a Portfolio pays a negotiated management fee directly to the Manager.

Each Portfolio will pay to the Manager in respect of each fiscal year of the Portfolio ended December 31 a performance bonus per Share (the "Performance Bonus") equal to 20% of the amount by which the Adjusted Net Asset Value per Share at the end of the fiscal year exceeds the highest year end Adjusted Net Asset Value per Share previously achieved. For these purposes, "Adjusted Net Asset Value per Share" of any series of shares of a Portfolio means the Net Asset Value per share of that series at the end of a fiscal year without giving effect to the accrual of any Performance Bonus, plus the aggregate amount of all distributions previously declared on a per Share basis in respect of such series of Shares. The Performance Bonus for a Portfolio is calculated and accrued each day the Net Asset Value of the Portfolio is calculated, but is only payable following the end of the fiscal year of the Portfolio based on the actual annual performance of the Portfolio.

Notwithstanding the foregoing, no Performance Bonus is payable with respect to any fiscal year of a Portfolio (other than the Exemplar Market Neutral Portfolio) unless the Adjusted Net Asset Value per Share at the end of such fiscal year exceeds the Net Asset Value per share at the end of the preceding year (or on the date the Shares are first issued), plus the aggregate amount of all distributions previously declared on a per share basis, by a minimum of 6%.

The Performance Bonus is estimated and accrued each Valuation Date, calculated as at the end of each fiscal year-end of the Portfolios and paid within 15 business days thereafter.

The Manager may, on its own accord, pay for certain operating expenses of each of the Portfolios in order to maintain each Portfolio's management expense ratio at a competitive level. These absorptions may be terminated at any time by the Manager, and at the Manager's direction may be continued indefinitely. The absorbed amounts are shown in the Statements of Operations.

7. FEES AND OPERATING EXPENSES

Each Portfolio is responsible, on a separate basis, for the payment of all fees and expenses including, but not limited to, brokerage commissions on portfolio transactions, all regulatory filing fees, registrar and transfer agent fees, audit, accounting, administration, record keeping and legal fees and expenses, custody and safekeeping charges, all taxes, and all other fees relating to the purchase and sale of the assets of the respective Portfolio. There were no soft dollar commissions for the Portfolios during the period.

The total brokerage commissions paid by the Portfolios with respect to security transactions for the period ended December 31 were:

	<u>2011</u>	<u>2010</u>
Exemplar Canadian Focus Portfolio	\$152,951	\$86,139
Exemplar Global Opportunities Portfolio	\$29,369	\$40,744
Exemplar Diversified Portfolio	\$ -	\$ -
Exemplar Market Neutral Portfolio	\$45,357	\$ -

8. RECONCILIATION OF NET ASSET VALUE PER SHARE TO NET ASSETS PER SHARE

As at December 31, 2011

	Per Share (\$)		
	Net Asset Value	Bid/Ask Adjustment	Net Assets
Exemplar Canadian Focus Portfolio - Series A	\$13.55	\$(0.05)	\$13.50
Exemplar Canadian Focus Portfolio - Series F	\$13.98	\$(0.04)	\$13.94
Exemplar Canadian Focus Portfolio - Series I	\$13.77	\$(0.04)	\$13.73
Exemplar Canadian Focus Portfolio - Series R	\$11.34	\$(0.03)	\$11.31
Exemplar Global Opportunities Portfolio - Series A	\$9.79	\$(0.03)	\$9.76
Exemplar Global Opportunities Portfolio - Series F	\$10.19	\$(0.02)	\$10.17
Exemplar Diversified Portfolio - Series A	\$11.69	\$0.03	\$11.72
Exemplar Diversified Portfolio - Series F	\$12.02	\$0.04	\$12.06
Exemplar Market Neutral Portfolio - Series A	\$9.27	\$(0.01)	\$9.26
Exemplar Market Neutral Portfolio - Series B	\$9.10	\$(0.02)	\$9.08
Exemplar Market Neutral Portfolio - Series F	\$9.33	\$(0.01)	\$9.32
Exemplar Market Neutral Portfolio - Series G	\$9.13	\$(0.01)	\$9.12

As at December 31, 2010

	Per Share (\$)		
	Net Asset Value	Bid/Ask Adjustment	Net Assets
Exemplar Canadian Focus Portfolio - Series A	\$14.70	\$(0.04)	\$14.66
Exemplar Canadian Focus Portfolio - Series F	\$15.00	\$(0.03)	\$14.97
Exemplar Canadian Focus Portfolio - Series I	\$14.66	\$(0.03)	\$14.63
Exemplar Canadian Focus Portfolio - Series R	\$12.30	\$(0.04)	\$12.26
Exemplar Global Opportunities Portfolio - Series A	\$11.01	\$(0.02)	\$10.99
Exemplar Global Opportunities Portfolio - Series F	\$11.33	\$(0.02)	\$11.31
Exemplar Diversified Portfolio - Series A	\$12.09	\$(0.07)	\$12.02
Exemplar Diversified Portfolio - Series F	\$12.29	\$(0.07)	\$12.22

9. FUTURE ACCOUNTING CHANGE

In February 2008, the Canadian Accounting Standards Board (“CASB”) confirmed that International Financial Reporting Standards (“IFRS”) will replace current Canadian standards and interpretations for publicly accountable enterprises, which includes investment funds, effective January 1, 2011. However, the CASB has deferred the mandatory transition date to January 1, 2014 for investment funds in light of delays with the International Accounting Standards Board’s project on investment companies. For the Portfolios, IFRS will apply to semi-annual and annual financial statements for fiscal years beginning on or after January 1, 2014. Management has been monitoring developments in the IFRS conversion program and has identified key issues and the likely impacts resulting from the adoption of IFRS. Management has commenced the process of developing a transition plan, which includes identifying differences between the Portfolios’ current accounting policies and those it expects to apply under IFRS, as well as impacts to any accounting policy and implementation decisions, internal controls, information systems and training. Based on management’s review of the differences between Canadian GAAP and IFRS, it is not expected that there would be an impact to the Portfolios’ net asset value or net assets per share. Management has presently determined that the impact of IFRS to the financial statements would be limited to additional note disclosures and modifications to presentation including shareholder interests. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

PORTFOLIO INFORMATION

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