

## **EXEMPLAR CANADIAN FOCUS PORTFOLIO SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

For the period ended June 30, 2014

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

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

### **Forward-Looking Information**

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

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

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

## **Management Discussion on Fund Performance**

### **Investment Objective and Strategies**

The investment objective of the Exemplar Canadian Focus 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 engages in short selling of securities which the investment advisor (as defined below) 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 positions in total may not exceed 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 investment advisor'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 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.

### **Investment Risk**

The risks of investing in the Portfolio remain as stated in the Portfolio's prospectus dated May 14, 2014.

The Portfolio is suitable for clients seeking medium to long-term growth (through capital appreciation) who have a moderate risk tolerance level.

### **Results of Operations**

For the period ended June 30, 2014, Series A Shares of the Portfolio gained 9.0% while the Canadian benchmark, the S&P/TSX Total Return Index, posted a gain of 12.9% for the same period. Please refer to the Past Performance section for the performance of the other Series. The performance of the other Series offered by the Portfolio differs from Series A largely because of varying levels of expenses charged to each series, as explained in the Management Fee section.

As of June 30, 2014, 85.1% of the Portfolio's net assets (where short positions are netted against long positions in each category) were invested in Canadian equities, 5.0% in U.S. equities, 1.8% in global equities and 8.1% in cash.

The world continues to struggle with a slow and fragile recovery, as demonstrated by events of early 2014. Despite broadly based optimism reigning at the start of the year, the global economy deteriorated suddenly and rapidly in the middle of a very trying winter in North America, unease in Emerging Markets (one example being Argentina's devaluation) and several geopolitical crisis - naming Ukraine - as just one of many hotspots. With numerous leading indicators strengthening since the spring, the second half of the year should see improved growth. However, more uncertainty could be on the horizon, as the recovery going forward is likely to prove uneven, with prospects for some countries considerably brighter than for others. While North America and the UK are best positioned for sustained growth, China and the euro area will continue to struggle. As a result, we should see an unusual period of divergence in monetary policies over the next couple of years. While the Bank of England and the Fed begin to contemplate tightening, policymakers in the euro area and perhaps China as well will be under increasing pressure to stimulate their underachieving economies. No one knows how markets will deal with this scenario.

We continue to pursue themes of industry consolidation and growth by acquisition as antidotes to slow global economic growth. It is not a coincidence that the most significant contributors to the portfolio's success during the first half of 2014

were AutoCanada (with a 73% gain), Amaya Gaming Group (with a 190% gain) and for the second year in a row Boyd Group (with a 32% gain). These companies continue to deliver exceptionally successful growth by consolidating businesses within their respective industries. AutoCanada has already closed a record number of deals so far this year. The company should be in the sweet spot of its acquisition strategy for the next few years as an ever increasing number of car dealers are looking to monetize their assets prior to retiring. Amaya Gaming succeeded in acquiring at a very reasonable valuation PokerStars, the world's largest poker website and an ideal platform for expanding operations into the newly regulated US market, where it should capture significant growth potential for years to come.

The speed in recovery of oversold base and precious metal equities caught us by surprise, as we wouldn't have expected these sectors to begin outperforming until the world enters a period of more sustained growth. One obvious explanation could be that last year's selloff left sector valuations sufficiently depressed as to appear attractive to investors with very few value alternatives. With major North American indexes trading at all-time high levels without having incurred a meaningful correction for the third longest period in recent memory, investors are entering the second half of 2014 with a great deal of apprehension. Equity valuations are stretched while third quarter volatility is consistently unfavorable. It seems inevitable that markets will get roiled by the anticipated BOE and Fed monetary tightening at some point in the future. However on a relative basis, such events should be far more detrimental to fixed income markets than equities. There is the added danger that any of the multitudes of geopolitical crisis brewing around the globe could deteriorate sufficiently to force investors to the sidelines. We have adopted a more conservative exposure over the last few months, while we await resolution of the multitude of cross currents facing the markets. We remain constructive on equities in the longer term, as we think the very weakness of this recovery bodes well for its longevity. We will be looking for buying opportunities on any meaningful third quarter correction, as we are convinced we are nowhere near the end of this market cycle.

#### **Recent Developments**

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

#### **Related Party Transactions**

As of June 30, 2014, Arrow held 529 Series A Shares and 4,768 Series F Shares of the Portfolio.

#### **Management Fees**

Arrow receives a monthly management fee (the "Management Fee"), calculated as a percentage of the Portfolio's net asset value and is accrued daily and payable monthly. The Management Fee rate applicable to the Portfolio is 1.65% per annum in respect of Series A Shares, 1.95% per annum in respect of Series L Shares and 0.65% per annum in respect of Series F Shares. Shareholders of Series I Shares of the Portfolio pay a negotiated management fee. For the period ended June 30, 2014 the total Management Fee equaled \$577,985 (2013 – \$520,272). The management fee is paid in consideration of investment management and administration services. No breakdown of such services was specified in the Management Agreement. From this Management Fee, the Manager pays fees to the investment advisor (Arrow, in its capacity as such) who provides portfolio management services to the Portfolio. A portion of the Management Fee paid by the Portfolio is for trailer fees paid to dealers whose clients hold Shares of the Portfolio. The trailer fees are a percentage of the net asset value of the Portfolio, calculated and payable monthly. The table below outlines the Portfolio's annual Management Fees and trailer fees.

	Series A Shares	Series F Shares	Series L Shares	Series I Shares
Management Fees (Annual Rate %)	1.65%	0.65%	1.95%	Negotiable
Trailer Fees (rate as % of Management Fees)	43.3%	-	1.3%	-

In addition, the Portfolio pays Arrow performance fees ("Performance Fees") equal to 20% of the amount by which the Portfolio return in a year is in excess of the high water mark (the "High Water Mark"), and no Performance Fee is payable unless a hurdle rate of 6% is achieved in that year. Performance Fees will be payable in all circumstances where the performance of the Portfolio exceeds that of its High Water Mark and its hurdle rate. Please refer to the Portfolio's long form prospectus dated May 14, 2014, for further details relating to Performance Fees. The High Water Mark set as of January 1, 2014 was \$17.5191 for Series A Shares, \$18.3850 for Series F Shares and \$12.3453 for Series L Shares. For the period ended June 30, 2014, the Portfolio accrued \$1,581,557 (2013 - \$866,922) in Performance Fees. Performance Fees are calculated and accrued daily such that, to the extent possible, the share price each day will reflect any Performance Fees payable as at the end of such day. Performance Fees for the Portfolio will be calculated and accrued each day, but will only be payable following the end of the fiscal year of the Portfolio based on the actual annual performance of the Portfolio.

The Manager incurs operating expenses on behalf of the Portfolio and charges these expenses to the Portfolio. For the period ended June 30, 2014, the Manager has, in its discretion agreed to absorb \$33,553 (2013 - \$15,342) of operating expenses associated with the Portfolio.

### Financial Highlights

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

SERIES A - NET ASSETS PER SHARE					
For the period ended June 30, 2014 and for the years ended December 31,					
	2014	2013	2012	2011	2010
<b>Net Assets, beginning of period<sup>1</sup></b>	\$ 17.27	\$ 14.08	\$ 13.50	\$ 14.66	\$ 12.05
Increase (decrease) from operations:					
Total revenue	0.15	0.36	0.42	0.23	0.19
Total expenses	(0.60)	(1.21)	(0.35)	(0.37)	(0.95)
Realized gains for the period	0.71	0.23	0.13	0.57	0.78
Unrealized gains (losses) for the period	1.25	4.03	0.65	(1.57)	3.00
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	\$ 1.51	\$ 3.41	\$ 0.85	\$ (1.14)	\$ 3.02
<b>Distributions<sup>2</sup>:</b>					
From income (excluding dividends)	-	(0.25)	(0.32)	(0.13)	(0.09)
From dividends	-	-	-	-	-
<b>Total distributions</b>	-	(0.25)	(0.32)	(0.13)	(0.09)
<b>Net Assets, end of period<sup>1</sup></b>	\$ 18.82	\$ 17.23	\$ 14.08	\$ 13.50	\$ 14.66

SERIES A - RATIOS AND SUPPLEMENTAL DATA <sup>7</sup>					
For the period ended June 30, 2014 and for the years ended December 31,					
	2014	2013	2012	2011	2010
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$45,707	\$50,886	\$44,093	\$50,186	\$36,965
Number of shares outstanding	2,428,072	2,946,850	3,191,673	3,704,149	2,515,307
Management expense ratio <sup>3</sup>	6.61%*	7.71%	2.53%	2.57%	6.6%
Management expense ratio before waivers or absorptions <sup>4</sup>	6.70%*	7.81%	2.66%	2.82%	7.21%
Portfolio turnover rate <sup>5</sup>	27.80%	71.86%	80.43%	89.28%	107.67%
Trading expense ratio <sup>6</sup>	0.09%*	0.08%	0.10%	0.23%	0.25%

**SERIES F - NET ASSETS PER SHARE**

For the period ended June 30, 2014 and for the years ended December 31,

	2014	2013	2012	2011	2010
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$ 18.12</b>	<b>\$ 14.68</b>	<b>\$ 13.94</b>	<b>\$ 14.97</b>	<b>\$ 12.21</b>
Increase (decrease) from operations:					
Total revenue	0.17	0.38	0.44	0.24	0.19
Total expenses	(0.59)	(1.17)	(0.22)	(0.22)	(0.87)
Realized gains for the period	0.68	0.25	0.16	0.53	0.81
Unrealized gains (losses) for the period	(1.63)	4.24	0.55	(1.65)	3.05
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ 1.89</b>	<b>\$ 3.70</b>	<b>\$ 0.93</b>	<b>\$ (1.10)</b>	<b>\$ 3.18</b>
<b>Distributions<sup>2</sup>:</b>					
From income (excluding dividends)	-	(0.27)	(0.33)	(0.14)	(0.09)
From dividends	-	-	-	-	-
<b>Total distributions</b>	<b>-</b>	<b>(0.27)</b>	<b>(0.33)</b>	<b>(0.14)</b>	<b>(0.09)</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$ 19.87</b>	<b>\$ 18.08</b>	<b>\$ 14.68</b>	<b>\$ 13.94</b>	<b>\$ 14.97</b>

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

For the period ended June 30, 2014 and for the years ended December 31,

	2014	2013	2012	2011	2010
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$27,032	\$16,981	\$12,083	\$10,597	\$6,975
Number of shares outstanding	1,360,507	937,084	837,836	\$757,781	464,840
Management expense ratio <sup>3</sup>	6.07%*	7.12%	1.54%	1.49%	5.9%
Management expense ratio before waivers or absorptions <sup>4</sup>	6.16%*	7.22%	1.67%	1.74%	6.51%
Portfolio turnover rate <sup>5</sup>	27.80%	71.86%	80.43%	89.28%	107.67%
Trading expense ratio <sup>6</sup>	0.09%*	0.08%	0.10%	0.23%	0.25%

**SERIES L - NET ASSETS PER SHARE**

For the period ended June 30, 2014 and for the years ended December 31,

	2014	2013	2012 <sup>†</sup>
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$ 12.17</b>	<b>\$ 9.97</b>	<b>\$ 10.00</b>
Increase from operations:			
Total revenue	0.11	0.26	0.30
Total expenses	(0.44)	(0.94)	(0.34)
Realized gains for the period	0.48	0.20	0.27
Unrealized gains for the period	0.95	2.88	0.07
<b>Total increase from operations<sup>1</sup>:</b>	<b>\$ 1.10</b>	<b>\$ 2.40</b>	<b>\$ 0.30</b>
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)	-	(0.18)	(0.23)
From dividends	-	-	-
<b>Total distributions</b>	<b>-</b>	<b>(0.18)</b>	<b>(0.23)</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$ 13.27</b>	<b>\$ 12.14</b>	<b>\$ 9.97</b>

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

For the period ended June 30, 2014 and for the years ended December 31,

	2014	2013	2012 <sup>†</sup>
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$5,119	\$4,056	\$2,052
Number of shares outstanding	385,876	333,295	209,212
Management expense ratio <sup>3</sup>	6.82%*	8.42%	3.71%*
Management expense ratio before waivers or absorptions <sup>4</sup>	6.91%*	8.53%	3.85%*
Portfolio turnover rate <sup>5</sup>	27.80%	71.86%	80.43%
Trading expense ratio <sup>6</sup>	0.09%*	0.08%	0.10%*

<sup>†</sup>Series L commenced operations on February 1, 2012.

\*Ratios have been annualized.

1. The net assets per share shown for June 30, 2014 are referenced to net assets attributable to holders of redeemable shares determined in accordance with International Financial Reporting Standards ("IFRS") and are derived from the Portfolio's financial statements. The net assets per share shown for prior periods are referenced to Net Assets determined in accordance with Canadian generally accepted accounting principles ("GAAP") and are derived from the Portfolio's financial statements. The Net Assets presented in the financial statements may differ from the NAV calculated for fund pricing purposes. NAV is calculated using fair value measures as defined by National Instrument 81-106 ("NI 81-106"), where as Net Assets are calculated in accordance with IFRS/GAAP. An explanation of these differences can be found in the notes to the financial statements. Net Assets are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per share.
2. Distributions were reinvested in additional shares of the Portfolio.
3. Management expense ratio is based on total expenses (excluding certain taxes, commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average net asset value during the year. The management expense ratio is calculated in accordance with Part 15 of NI 81-106 and therefore includes performance fees, which were previously reported separately as dollar amounts.
4. The Manager has absorbed certain expenses or waived certain fees otherwise payable by the Portfolio. The amount of expenses absorbed or waived is determined annually at the discretion of the Manager and the Manager can terminate the absorption or waiver at any time.
5. The portfolio turnover rate can indicate how actively the investment advisor manages the portfolio of investments. A portfolio turnover rate of 100% is equivalent to the Portfolio buying and selling all of its securities in its portfolio once in the course of the year. The higher the portfolio turnover rate in a year, the greater the trading costs payable by the Portfolio in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Portfolio.
6. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
7. Ratios and supplemental data, where applicable, are computed using the net asset value of the Portfolio.

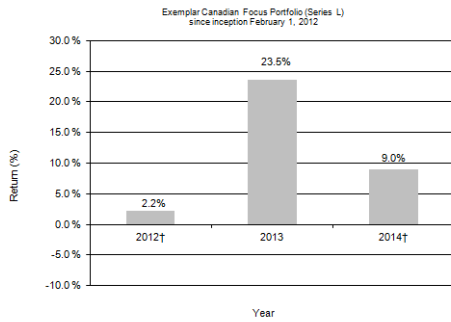
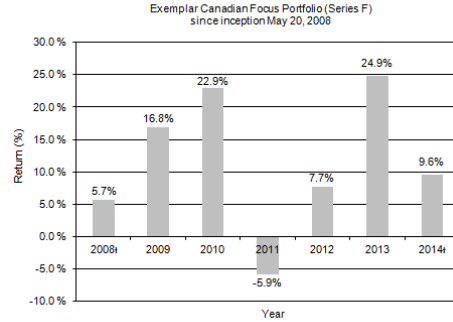
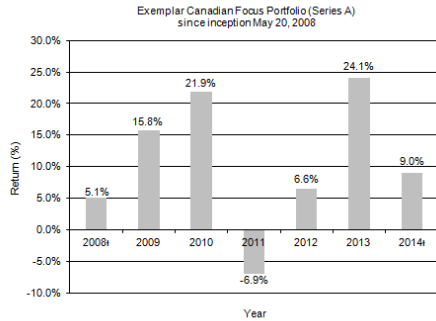
### **Past Performance**

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

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

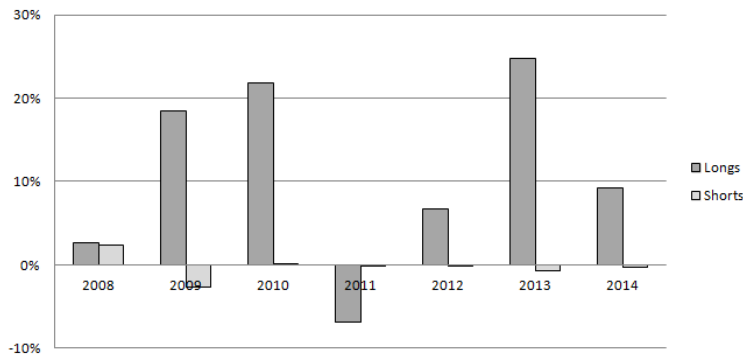
## Year-By-Year Returns

The bar chart below illustrates the Portfolio's annual performance for each of the year(s) shown, and indicates how the Portfolio's performance has changed from year to year. It shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of the financial year.



†Returns are based on a partial year.

The chart below illustrates the Portfolio's annual returns for Series A Shares by long and short holdings:



## Annual Compound Returns (Compound Performance)

The following table shows the annual compound total returns of the Portfolio, and for the S&P/TSX Total Return Index Value ("S&P/TSX TRIV") (a price weighted index of 300 of the largest, most widely-held stocks traded on the Toronto Stock Exchange) for the periods shown ended June 30, 2014. The Relative Performance returns show the performance of the Portfolio as compared to the benchmark S&P/TSX TRIV.

	1 Year	3 Years	5 Years	Annualized Since Inception
Series A	24.5%	11.4%	13.1%	12.0%
Series F	26.0%	12.4%	14.1%	13.0%
Series L	24.6%	n/a	n/a	13.0%
S&P/TSX TRIV	28.7%	7.6%	11.0%	3.5%

## Summary of Investment Portfolio as at June 30, 2014

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

Top 25 Holdings	% of Net Assets	Regional Weightings	% of Net Assets
Boyd Group Income Fund	6.7%	<b>Long Positions</b>	
Badger Daylighting Inc.	5.2%	Canada	85.2%
DHX Media Limited	4.8%	U.S.	5.8%
AutoCanada Inc.	4.5%	Global	1.8%
Valeant Pharmaceuticals International Inc.	4.1%		
Alimentation Couche-Tard Inc. 'B'	3.2%		
Keyera Corporation	3.0%	<b>Short Positions</b>	
Amaya Gaming Group Inc.	2.7%	Canada	(0.1)%
Canadian National Railway Company	2.7%	U.S.	(0.8)%
Gibson Energy Inc.	2.5%		
MacDonald, Dettwiler & Associates Ltd.	2.3%		
CI Financial Corporation	2.3%	<b>Sector Weightings</b>	<b>% of Net Assets</b>
Stella-Jones Inc.	2.3%		
Epsilon Energy Limited, 7.750%, March 31, 2017	2.0%	<b>Long Positions</b>	
Canacol Energy Limited	1.8%	Energy	14.7%
Magna International Inc.	1.8%	Basic Materials	6.1%
Aviqilon Corporation	1.7%	Industrials	17.5%
The Descartes Systems Group Inc.	1.6%	Consumer Discretionary	22.3%
CCL Industries Inc. 'B'	1.6%	Consumer Staples	6.2%
Black Diamond Group Limited	1.5%	Health Care	6.0%
Constellation Software Inc.	1.4%	Financials	6.0%
Canadian Tire Corporation Limited 'A'	1.4%	Index Equivalents	0.2%
RMP Energy Inc.	1.2%	Information Technology	10.6%
BCE Inc.	1.0%	Telecommunication Services	1.0%
Element Financial Corporation	1.0%	Corporate Bonds	2.6%
<b>Total</b>	<b>64.3%</b>	<b>Short Positions</b>	
		Basic Materials	(0.1)%
<b>Total Net Assets</b>	<b>\$77,857,980</b>	Index Equivalents	(0.8)%