

## EXEMPLAR CANADIAN FOCUS PORTFOLIO ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2016

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

Security holders may also contact us using one of these methods to request a copy of the Portfolio's interim financial reports, 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. It is currently expected that the investments in foreign securities will generally be no more than 49% of the Portfolio's assets. 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 30, 2016.

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 year ended December 31, 2016, Series F Shares of the Portfolio gained 0.5% (6.5% gain in 2015) while the Canadian benchmark, the S&P/TSX Total Return Index, posted a gain of 21.1% (8.3% loss in 2015) for the same year. 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 F largely because of varying levels of expenses charged to each series, as explained in the Management Fee section.

2016 proved an exceptional year for Canadian equities as commodities staged a rally from the beginning of the year. The S&P/TSX Index, heavily weighted toward the Energy and Materials Sectors, was a major beneficiary. Many resource stocks recorded triple digit gains as they recovered from deeply depressed valuations. The magnitude of the rebound caught us by surprise, given the prevailing lackluster global economic backdrop, depressed business confidence and relatively fragile consumer. The looming UK referendum on European membership gave us additional pause. The cash reserve, which was instrumental in lowering the Portfolio's volatility in the difficult market the previous year, became a burden in 2016. Having correctly predicted that the Brexit outcome would be a shock to the investment community, we missed the opportunity presented by the ensuing volatility in financial markets to deploy the Portfolio's excessive cash position. Despite Brexit's serious economic implications for the UK and potentially for the European Community, investors seemed to take solace in the 'lower for longer' interest rate outlook rather than dwelling on the negative implications. The result was a surprisingly swift stock market recovery. Having squandered the Brexit opportunity, we thought the U.S. election might give us yet another chance. We again correctly predicted Mr. Trump's victory but were completely shocked

by market reaction. Having been frustrated by the failures of the Monetary Policy to boost the global economy since the Financial Crisis, investors bought into **Trumpenomics** literally overnight. The ensuing rally priced in the success of Trump's administration plans for fiscal stimulus, tax cuts and the deregulation of select industries without having heard a single policy proposal!

The reality is unlikely to live up to Mr. Trump's hyperbole. Disagreements among the various factions within the Republican Party might delay and dilute the benefits of any policy changes. The post-election rally has resulted in valuations too rich to be able to withstand disappointments. There are certainly more serious risks facing investors currently than during past government transitions. Among the most onerous would be foreign policy missteps and escalating trade tensions. Even though China and Mexico appear to be President Trump's primary targets, Canada will not escape unscathed. Prospective NAFTA renegotiations could have serious repercussions for our country, leading to weak Canadian currency and potential turmoil in the Canadian equity market. To mitigate such developments, the Portfolio will maintain unhedged foreign content exposure in excess of 20%.

The current economic cycle has been well suited to our style and the Portfolio has enjoyed many years of outperformance relative to its peers and the benchmark. During a slow economic expansion, earnings growth becomes scarce and growth stocks get awarded generous valuations. However, in the faster paced late stages of a cycle, value style gains favor. Recently, the global economy seems to have found a more solid footing. If we assume the eventual implementation of Trump's fiscal package proves successful in raising economic activity and with it inflation expectations, this cycle will have reached its final stage. The Portfolio needs to transition away from an overly defensive strategy which has not been effective in keeping pace with the market, by focusing on late stage cyclical value stocks.

### Recent Developments

There are no recent developments for the Fund.

### Related Party Transactions

As of December 31, 2016, Arrow held 1,591 Series A Shares and 6,835 Series F Shares of the Portfolio, with a market value of \$175,739. This represents 0.1% of the net assets of the Portfolio.

### Management Fees

Arrow receives a monthly management fee (the "Management Fee") subject to HST (and any other applicable sales taxes), calculated as a percentage of the 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 year ended December 31, 2016 the total Management Fee equaled \$1,738,738 (\$1,188,555 in 2015). The management fee is paid in consideration of investment management and administration services. No breakdown of such services was specified in the Management Agreement. From this Management Fee, the Manager pays fees to the investment advisor (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 <i>(Annual Rate %)</i>	1.65%	0.65%	1.95%	Negotiable
Trailer Fees <i>(rate as % of Management Fees)</i>	33.3%	-	2.7%	-

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 30, 2016, for further details relating to Performance Fees. The High Water Mark set as of January 1, 2016 was \$19.89 for Series A Shares, \$21.22 for Series F Shares and \$13.98 for Series L Shares. For the year ended December 31, 2016, the total Performance Fees equaled \$69,362 (\$481,669 in 2015). 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.

### 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.

<b>SERIES A - NET ASSETS PER SHARE</b>					
<b>For the years ended December 31,</b>					
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Net Assets, beginning of year<sup>1</sup></b>	<b>\$ 19.85</b>	<b>\$ 19.01</b>	<b>\$ 17.27</b>	<b>\$ 14.08</b>	<b>\$ 13.50</b>
Increase (decrease) from operations:					
Total revenue	0.21	0.33	0.27	0.36	0.42
Total expenses	(0.47)	(0.52)	(0.92)	(1.19)	(0.35)
Realized gains (losses)	0.59	1.04	1.70	0.23	0.13
Unrealized gains (losses)	(0.34)	0.27	0.96	4.00	0.65
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ (0.01)</b>	<b>\$ 1.12</b>	<b>\$ 2.01</b>	<b>\$ 3.40</b>	<b>\$ 0.85</b>
<b>Distributions<sup>2</sup>:</b>					
From dividends	(0.11)	(0.11)	(0.21)	(0.25)	(0.32)
From capital gains	-	(0.19)	-	-	-
<b>Total distributions</b>	<b>\$ (0.11)</b>	<b>\$ (0.30)</b>	<b>\$ (0.21)</b>	<b>\$ (0.25)</b>	<b>\$ (0.32)</b>
<b>Net Assets, end of year<sup>1</sup></b>	<b>\$ 19.64</b>	<b>\$ 19.85</b>	<b>\$ 19.01</b>	<b>\$ 17.27</b>	<b>\$ 14.08</b>

<b>SERIES A - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>					
<b>For the years ended December 31,</b>					
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net Asset Value (“NAV”) (000s) <sup>1</sup>	\$60,940	\$53,660	\$43,777	\$50,886	\$44,093
Number of shares outstanding	3,103,173	2,702,715	2,302,938	2,946,850	3,191,673
Management expense ratio <sup>3</sup>	2.33%	2.76%	5.28%	7.71%	2.53%
Management expense ratio before waivers or absorptions <sup>4</sup>	2.33%	2.76%	5.28%	7.81%	2.66%
Portfolio turnover rate <sup>5</sup>	70.39%	51.80%	50.95%	71.86%	80.43%
Trading expense ratio <sup>6</sup>	0.12%	0.07%	0.13%	0.08%	0.10%
Net asset value per share	\$19.64	\$19.85	\$19.01	\$17.27	\$14.08

**SERIES F - NET ASSETS PER SHARE**

For the years ended December 31,

	2016	2015	2014	2013	2012
<b>Net Assets, beginning of year<sup>1</sup></b>	<b>\$ 21.16</b>	<b>\$ 20.17</b>	<b>\$ 18.12</b>	<b>\$ 14.72</b>	<b>\$ 13.94</b>
Increase (decrease) from operations:					
Total revenue	0.24	0.34	0.30	0.40	0.44
Total expenses	(0.28)	(0.55)	(1.02)	(1.30)	(0.22)
Realized gains (losses)	0.62	1.08	1.86	0.25	0.16
Unrealized gains (losses)	(0.20)	0.30	1.06	4.36	0.55
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ 0.38</b>	<b>\$ 1.17</b>	<b>\$ 2.20</b>	<b>\$ 3.71</b>	<b>\$ 0.93</b>
<b>Distributions<sup>2</sup>:</b>					
From dividends	(0.12)	(0.12)	(0.23)	(0.27)	(0.33)
From capital gains	-	(0.20)	-	-	-
<b>Total distributions</b>	<b>\$ (0.12)</b>	<b>\$ (0.32)</b>	<b>\$ (0.23)</b>	<b>\$ (0.27)</b>	<b>\$ (0.33)</b>
<b>Net Assets, end of year<sup>1</sup></b>	<b>\$ 21.14</b>	<b>\$ 21.16</b>	<b>\$ 20.17</b>	<b>\$ 18.12</b>	<b>\$ 14.68</b>

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

For the years ended December 31,

	2016	2015	2014	2013	2012
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$95,701	\$60,501	\$30,892	\$16,981	\$12,083
Number of shares outstanding	4,526,287	2,859,550	1,531,517	937,084	837,836
Management expense ratio <sup>3</sup>	1.28%	2.12%	4.08%	7.12%	1.54%
Management expense ratio before waivers or absorptions <sup>4</sup>	1.28%	2.12%	4.08%	7.22%	1.67%
Portfolio turnover rate <sup>5</sup>	70.39%	51.80%	50.95%	71.86%	80.43%
Trading expense ratio <sup>6</sup>	0.12%	0.07%	0.13%	0.08%	0.10%
Net asset value per share	\$21.14	\$21.16	\$20.17	\$18.12	\$14.68

**SERIES L - NET ASSETS PER SHARE**

For the years/periods ended December 31,

	2016	2015	2014	2013	2012 <sup>†</sup>
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$ 13.94</b>	<b>\$ 13.39</b>	<b>\$ 12.17</b>	<b>\$ 9.99</b>	<b>\$ 10.00</b>
Increase (decrease) from operations:					
Total revenue	0.15	0.19	0.17	0.25	0.30
Total expenses	(0.37)	(0.31)	(0.62)	(0.84)	(0.34)
Realized gains (losses)	0.41	0.61	1.15	0.16	0.27
Unrealized gains (losses)	(0.16)	0.16	0.65	2.84	0.07
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ 0.03</b>	<b>\$ 0.65</b>	<b>\$ 1.35</b>	<b>\$ 2.41</b>	<b>\$ 0.30</b>
<b>Distributions<sup>2</sup>:</b>					
From dividends	(0.08)	(0.08)	(0.15)	(0.18)	(0.23)
From capital gains	-	(0.13)	-	-	-
<b>Total distributions</b>	<b>\$ (0.08)</b>	<b>\$ (0.21)</b>	<b>\$ (0.15)</b>	<b>\$ (0.18)</b>	<b>\$ (0.23)</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$ 13.75</b>	<b>\$ 13.94</b>	<b>\$ 13.39</b>	<b>\$ 12.17</b>	<b>\$ 9.97</b>

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

For the years/periods ended December 31,

	2016	2015	2014	2013	2012 <sup>†</sup>
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$10,286	\$8,643	\$5,617	\$4,056	\$2,052
Number of shares outstanding	748,245	619,909	419,395	333,295	209,212
Management expense ratio <sup>3</sup>	2.63%	2.80%	5.23%	8.42%	3.71%*
Management expense ratio before waivers or absorptions <sup>4</sup>	2.63%	2.80%	5.23%	8.53%	3.85%*
Portfolio turnover rate <sup>5</sup>	70.39%	51.80%	50.95%	71.86%	80.43%
Trading expense ratio <sup>6</sup>	0.12%	0.07%	0.13%	0.08%	0.10%*
Net asset value per share	\$13.75	\$13.94	\$13.39	\$12.17	\$9.97

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

\*Ratios have been annualized.

1. The net assets per share shown for December 31, 2016, December 31, 2015, December 31, 2014, and December 31, 2013 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 years 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 at the discretion of the underlying shareholders.
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 may absorb certain expenses or waive certain fees otherwise payable by the Portfolio. The amount of expenses absorbed or waived (if applicable) 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.

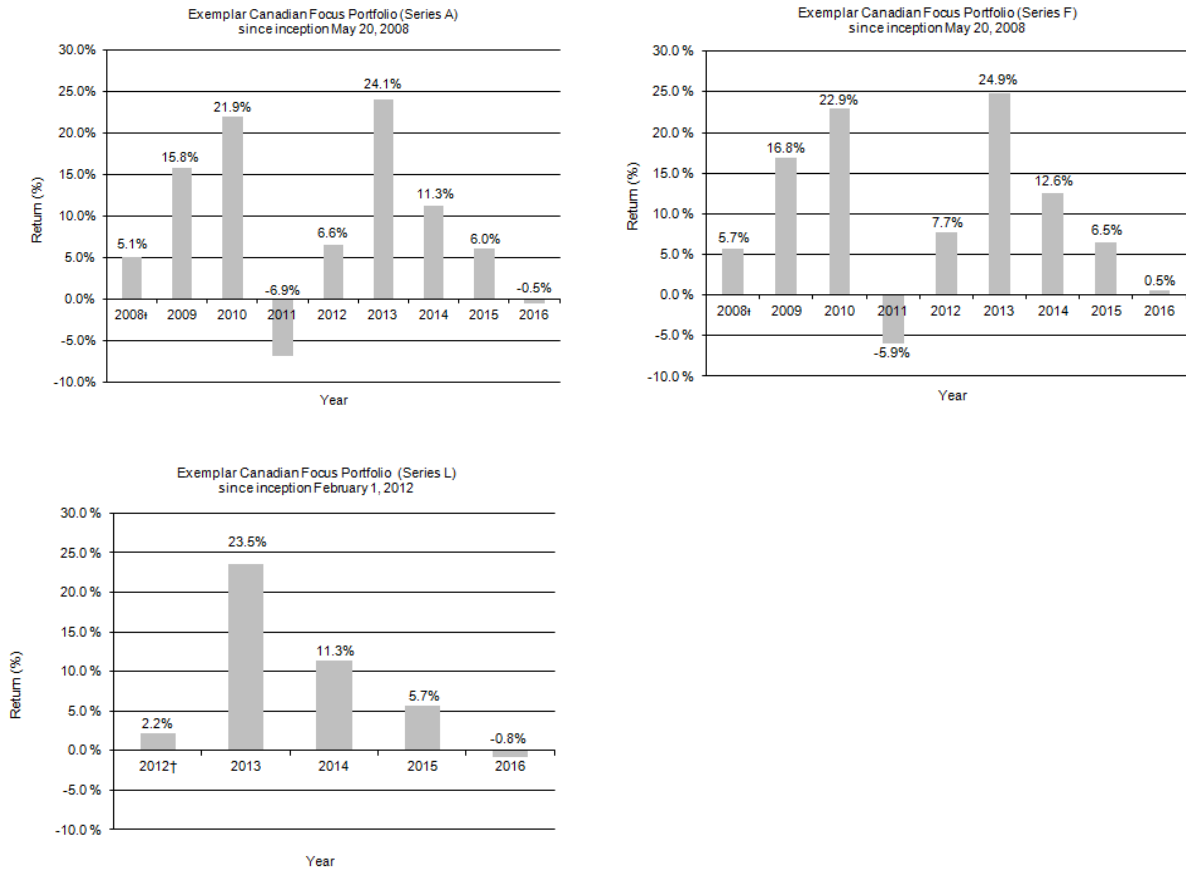
### **Past Performance**

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.

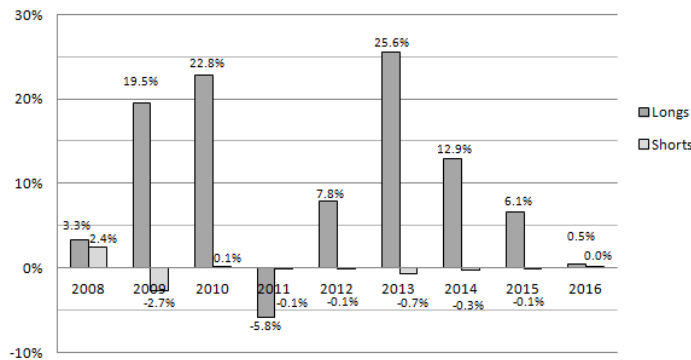
## Year-By-Year Returns

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 shown represent a partial year

The chart below illustrates the Portfolio's annual returns for Series F 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 its benchmark, 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 year ended December 31, 2016. 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	(0.5)%	5.5%	9.2%	9.3%
Series F	0.5%	6.4%	10.1%	10.2%
Series L	(0.8)%	5.3%	n/a	8.2%
S&P/TSX TRIV	21.1%	7.1%	8.2%	3.5%

## Summary of Investment Portfolio as at December 31, 2016

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.arrow-capital.com](http://www.arrow-capital.com).

Industry Sector	Exposure (%)		Top 25 Holdings	%
	Long	Short		
Consumer Discretionary	7.8	(0.1)	Cash and Cash Equivalents	26.0
Consumer Staples	6.7	-	Boyd Group Income Fund	6.1
Energy	9.4	-	CCL Industries Inc.	3.3
Financials	3.7	(0.1)	TransCanada Corporation	3.2
Funds	12.1	-	Alimentation Couche-Tard Inc.	2.2
Health Care	1.3	-	DHX Media Ltd.	2.1
Industrials	10.7	-	Brookfield Infrastructure Partners L.P.	1.5
Information Technology	6.7	-	The Descartes Systems Group Inc.	1.4
Materials	11.9	-	iShares S&P/TSX Capped Energy Index ETF	1.3
Real Estate	1.0	(0.1)	Spin Master Corp.	1.3
Telecommunication Services	0.6	-	Stella-Jones Inc.	1.3
Utilities	3.9	-	BMO S&P/TSX Equal Weight Banks Index ETF	1.2
Cash and Cash Equivalents	26.0	-	Exchange Income Corporation	1.2
Other Net Assets	-	(1.5)	New Flyer Industries Inc.	1.2
	<b>101.8</b>	<b>(1.8)</b>	Sandstorm Gold Ltd.	1.2
			Alphabet Inc.	1.1
			Bank of Montreal	1.0
			Enbridge Inc.	1.0
			Armstrong Flooring, Inc.	0.9
			MacDonald, Dettwiler and Associates Ltd.	0.9
			AGT Food and Ingredients Inc.	0.9
			Brookfield Infrastructure Partners L.P.	0.9
			Kinaxis Inc.	0.8
			Sleep Country Canada Holdings Inc.	0.8
			WSP Global Inc.	0.8
			<b>Total (%)</b>	<b>63.6</b>
			<b>Total Net Asset Value (in \$ millions)</b>	<b>166.9</b>