



AUDITED FINANCIAL STATEMENTS

DECEMBER 2018

EXEMPLAR CANADIAN FOCUS PORTFOLIO | EXEMPLAR DIVERSIFIED PORTFOLIO

EXEMPLAR CANADIAN FOCUS PORTFOLIO

Statements of Financial Position

	As at December 31, 2018	As at December 31, 2017
ASSETS		
Current assets		
Financial assets at fair value through profit and loss		
Investments	\$56,065,799	\$118,820,340
Unrealized gain on forward currency contracts	-	22,040
Warrants	8,053	-
Cash and cash equivalents	32,094,243	7,271,310
Margin deposits	2,870,139	1,163,752
Accrued dividends receivable	89,989	197,380
Accrued interest receivable	-	2,765
Receivable for securities sold	-	162,156
Receivable for redeemable shares issued	71,044	4,867
	91,199,267	127,644,610
LIABILITIES		
Current liabilities		
Investments sold short	2,025,704	467,113
Unrealized loss on forward currency contracts	-	787
Payable for securities purchased	4,787	24,852
Accrued dividends payable	768	-
Payable for redeemable shares redeemed	42,568	233,078
Distributions payable	209,358	403,990
Other liabilities (Note 10)	137,190	1,043,175
	2,420,375	2,172,995
Net assets attributable to holders of redeemable shares	\$88,778,892	\$125,471,615
Net assets attributable to holders of redeemable shares (Note 9)		
Series A	\$34,454,978	\$46,397,003
Series F	\$48,786,338	\$70,808,731
Series L	\$5,537,576	\$8,265,881
Number of redeemable shares outstanding		
Series A	1,813,439	2,257,526
Series F	2,359,677	3,198,223
Series L	418,512	575,983
Net assets attributable to holders of redeemable shares per share		
Series A	\$19.00	\$20.55
Series F	\$20.68	\$22.14
Series L	\$13.23	\$14.35

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

“James L. McGovern”

James L. McGovern, Director

“Robert W. Maxwell”

Robert W. Maxwell, Director

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

EXEMPLAR CANADIAN FOCUS PORTFOLIO

Statements of Comprehensive Income (Loss)
For the years ended December 31,

	2018 \$	2017 \$
INCOME		
Net gains (losses) on investments and derivatives <i>(Note 5)</i>		
Interest for distribution purposes	34,499	51,844
Dividend income	1,352,845	2,168,897
Dividend expense on short sales	(31,866)	(16,351)
Securities lending income <i>(Note 7)</i>	123,585	179,538
Net realized gain (loss) on investments and derivatives	12,391,502	5,090,663
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	(18,433,315)	5,164,570
Net gains (losses) on investments and derivatives	(4,562,750)	12,639,161
Other income items:		
Interest on cash	16,467	44,537
Foreign exchange gain (loss)	225,130	(874,658)
Net change in unrealized foreign exchange gain (loss)	849,399	(33,402)
Total net income (loss)	(3,471,754)	11,775,638
EXPENSES		
Management fees <i>(Note 10)</i>	1,185,586	1,579,560
Performance fees <i>(Note 10)</i>	94,755	903,830
Shareholder reporting fees	431,002	633,179
Interest expense	6,847	2,374
Audit fees	34,031	27,993
Legal fees	9,783	10,360
Independent Review Committee fees	6,187	5,590
Custodial fees	9,565	11,263
Security borrowing expenses	14,668	4,262
Commissions and other portfolio transaction costs <i>(Note 11)</i>	122,483	119,432
Withholding tax expense	46,618	46,877
Harmonized sales tax	177,254	302,717
Total expenses	2,138,779	3,647,437
Increase (decrease) in net assets attributable to holders of redeemable shares	(5,610,533)	8,128,201
Increase (decrease) in net assets attributable to holders of redeemable share		
Series A	(2,371,024)	2,943,806
Series F	(2,856,101)	4,674,957
Series L	(383,408)	509,438
Increase (decrease) in net assets attributable to holders of redeemable shares per share <i>(Note 13)</i>		
Series A	(1.19)	1.11
Series F	(1.15)	1.26
Series L	(0.77)	0.78

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

EXEMPLAR CANADIAN FOCUS PORTFOLIO

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

		2018 \$	2017 \$
Net assets attributable to holders of redeemable shares at beginning of year			
	Series A	46,397,003	60,940,157
	Series F	70,808,731	95,701,150
	Series L	8,265,881	10,285,665
		<u>125,471,615</u>	<u>166,926,972</u>
Increase (decrease) in net assets attributable to holders of redeemable shares			
	Series A	(2,371,024)	2,943,806
	Series F	(2,856,101)	4,674,957
	Series L	(383,408)	509,438
		<u>(5,610,533)</u>	<u>8,128,201</u>
Distributions to holders of redeemable shares			
From net investment income	Series A	(386,571)	(615,554)
	Series F	(548,691)	(943,672)
	Series L	(62,376)	(109,702)
Total distributions to holders of redeemable shares		<u>(997,638)</u>	<u>(1,668,928)</u>
Redeemable share transactions			
Proceeds from redeemable shares issued	Series A	1,913,565	3,660,933
	Series F	7,059,587	11,022,259
	Series L	39,970	110,663
Reinvestments of distributions to holders of redeemable shares	Series A	358,911	576,165
	Series F	377,732	592,846
	Series L	54,056	96,037
Redemption of redeemable shares	Series A	(11,456,906)	(21,108,504)
	Series F	(26,054,920)	(40,238,809)
	Series L	(2,376,547)	(2,626,220)
Net increase (decrease) from redeemable shares transactions		<u>(30,084,552)</u>	<u>(47,914,630)</u>
Net increase (decrease) in net assets attributable to holders of redeemable shares		<u>(36,692,723)</u>	<u>(41,455,357)</u>
Net assets attributable to holders of redeemable shares at end of year			
	Series A	34,454,978	46,397,003
	Series F	48,786,338	70,808,731
	Series L	5,537,576	8,265,881
		<u>88,778,892</u>	<u>125,471,615</u>

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

EXEMPLAR CANADIAN FOCUS PORTFOLIO

Statements of Cash Flows
For the years ended December 31,

	2018 \$	2017 \$
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable shares	(5,610,533)	8,128,201
Adjustment for:		
Unrealized foreign exchange (gain) loss on cash and cash equivalents (Note 14)	(815,502)	34,658
Net realized (gain) loss on investments and derivatives	(12,391,502)	(5,090,663)
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	18,433,315	(5,164,570)
Purchase of investments	(33,412,337)	(77,941,071)
Proceeds on sale of investments	91,838,949	93,441,474
Change in accrued interest receivable	2,765	-
Change in accrued dividends receivable	107,391	17,914
Change in accrued income tax receivable	-	4,246
Change in accrued dividends payable	768	(394)
Change in other liabilities	(905,985)	727,379
Change in margin deposits	(1,706,387)	1,558,819
Net cash from (used in) operating activities	55,540,942	15,715,993
Cash flows from (used in) financing activities		
Proceeds from redeemable shares issued	7,338,930	11,294,589
Redemption of redeemable shares	(38,470,868)	(60,447,236)
Distributions paid to holders of redeemable shares, net of reinvested distributions	(401,573)	(181,991)
Net cash from (used in) financing activities	(31,533,511)	(49,334,638)
Net Increase (decrease) in cash and cash equivalents	24,007,431	(33,618,645)
Cash and cash equivalents at beginning of the year	7,271,310	40,924,613
Unrealized foreign exchange gain (loss) on cash and cash equivalents (Note 14)	815,502	(34,658)
Cash and cash equivalents at end of the year	32,094,243	7,271,310
Supplemental information:		
Interest received*	53,731	96,381
Dividends received, net of withholding tax*	1,413,618	2,139,934
Interest paid*	6,847	2,374
Dividends paid*	31,098	16,745

*Included as part of cash flows from operating activities

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

EXEMPLAR CANADIAN FOCUS PORTFOLIO

Schedule of Investment Portfolio – As at December 31, 2018

Equities - Long - 59.44%

Security Name	Currency	No. of Shares/Units	Average Cost (\$)	Fair Value (\$)
Communication Services - 0.76%				
Rogers Communications Inc., Class 'B'	CAD	9,100	634,068	636,636
Walt Disney Co. (The)	USD	230	34,189	34,430
			668,257	671,066
Consumer Discretionary - 3.36%				
Canadian Tire Corp. Ltd., Class 'A'	CAD	5,040	806,523	719,410
Chipotle Mexican Grill Inc.	USD	300	173,121	176,844
Dollarama Inc.	CAD	2,900	138,249	94,163
Home Depot Inc. (The)	USD	1,200	292,851	281,482
Park Lawn Corp.*	CAD	56,500	1,087,710	1,302,890
RH*	USD	200	34,714	32,716
Spin Master Corp.*	CAD	9,700	257,617	372,383
			2,790,785	2,979,888
Consumer Staples - 3.38%				
Alimentation Couche-Tard Inc., Class 'B'	CAD	6,720	441,623	456,355
Bunge Ltd.	USD	770	71,995	56,176
Constellation Brands Inc., Class 'A'	USD	3,200	647,127	702,565
Empire Co. Ltd., Class 'A'	CAD	320	8,949	9,226
George Weston Ltd.	CAD	5,120	488,554	461,056
GreenSpace Brands Inc.	CAD	108,000	159,487	41,040
Jamieson Wellness Inc.	CAD	5,300	94,060	113,049
Loblaw Cos. Ltd.	CAD	30	1,816	1,833
Mav Beauty Brands Inc.	CAD	31,300	438,200	334,284
Tyson Foods Inc., Class 'A'	USD	8,600	758,034	626,954
Village Farms International Inc.	CAD	45,500	370,825	201,110
			3,480,670	3,003,648
Energy - 5.92%				
Canadian Natural Resources Ltd.	CAD	480	15,933	15,811
Computer Modelling Group Ltd.	CAD	62,400	618,374	380,016
Enerflex Ltd.	CAD	17,800	273,457	284,444
Enerplus Corp.	CAD	21,400	344,452	227,268
Freehold Royalties Ltd.	CAD	13,000	165,072	107,510
Gibson Energy Inc.	CAD	7,000	145,797	130,760
MEG Energy Corp.	CAD	3,200	33,840	24,672
Parex Resources Inc.	CAD	75,100	1,209,698	1,227,885
Suncor Energy Inc.	CAD	13,600	576,210	518,568
Tidewater Midstream and Infrastructure Ltd.	CAD	345,400	522,334	449,020
TransCanada Corp.*	CAD	26,900	1,575,538	1,311,375
Vermilion Energy Inc.	CAD	20,096	828,651	577,961
			6,309,356	5,255,290
Financials - 4.92%				
Brookfield Asset Management Inc., Class 'A'	CAD	7,180	370,482	375,658
Burford Capital Ltd.	GBP	76,000	719,472	2,190,000
CME Group Inc.	USD	1,700	369,848	436,596
E*TRADE Financial Corp.	USD	15,200	853,526	910,556
JPMorgan Chase & Co.	USD	1,550	194,910	206,570
S&P Global Inc.	USD	1,090	296,203	252,882
			2,804,441	4,372,262
Health Care - 3.15%				
Anthem Inc.	USD	300	88,298	107,563
Aurora Cannabis Inc.*	CAD	300	2,904	2,034
Canopy Growth Corp.*	CAD	2,700	85,934	98,847
Eli Lilly and Co.	USD	230	31,699	36,336
Extendicare Inc.*	CAD	18,600	148,875	118,110
Heliuss Medical Technologies Inc., Class 'A'	CAD	4,839	46,340	61,939
Knight Therapeutics Inc.*	CAD	34,300	287,575	263,767

EXEMPLAR CANADIAN FOCUS PORTFOLIO

Schedule of Investment Portfolio – As at December 31, 2018

UnitedHealth Group Inc.	USD	1,300	403,865	442,128
Zoetis Inc.	USD	14,302	811,863	1,670,176
			<u>1,907,353</u>	<u>2,800,900</u>
Industrials - 15.16%				
AG Growth International Inc.	CAD	31,790	1,576,719	1,487,772
Boyd Group Income Fund	CAD	55,500	1,031,986	6,268,725
CAE Inc.	CAD	29,880	484,892	749,689
Canadian Pacific Railway Ltd.	CAD	5,300	1,067,869	1,283,872
Cargojet Inc.	CAD	1,000	42,194	70,790
Dirtt Environmental Solutions Ltd.*	CAD	77,400	229,176	472,914
Morneau Shepell Inc.	CAD	30,200	528,208	756,208
NFI Group Inc.	CAD	8,600	348,237	292,744
Raytheon Co.	USD	10	1,968	2,094
Richelieu Hardware Ltd.	CAD	8,300	261,990	188,327
Rocky Mountain Dealerships Inc.	CAD	21,500	275,127	189,630
Toromont Industries Ltd.	CAD	10,600	436,618	575,156
WSP Global Inc.*	CAD	19,100	683,161	1,120,597
			<u>6,968,145</u>	<u>13,458,518</u>
Information Technology - 10.48%				
Adobe Inc.	USD	2,960	796,495	914,234
Constellation Software Inc.	CAD	570	388,663	498,100
Descartes Systems Group Inc. (The)	CAD	38,139	241,538	1,374,148
Euronet Worldwide Inc.*	USD	4,900	557,778	684,869
Kinaxis Inc.	CAD	9,070	204,380	597,713
MasterCard Inc., Class 'A'	USD	2,100	492,371	540,844
Microsoft Corp.	USD	2,550	268,971	353,592
PayPal Holdings Inc.	USD	4,800	291,548	551,038
salesforce.com Inc.	USD	430	62,387	80,406
Shopify Inc., Class 'A'*	USD	7,210	625,545	1,362,776
Solium Capital Inc.	CAD	19,100	222,704	225,189
Square Inc., Class 'A'	USD	10,700	466,824	819,343
Visa Inc., Class 'A'*	USD	7,210	777,596	1,298,698
			<u>5,396,800</u>	<u>9,300,950</u>
Materials - 5.13%				
Agnico Eagle Mines Ltd.	CAD	4,720	240,882	260,070
Albemarle Corp.*	USD	1,140	152,135	119,946
CCL Industries Inc., Class 'B'	CAD	42,980	1,060,586	2,151,579
Equinox Gold Corp.*	CAD	169,885	201,948	173,283
IPL Plastics Inc.	CAD	26,750	361,125	267,500
Kirkland Lake Gold Ltd.	CAD	22,500	544,384	801,000
Lithium Americas Corp.*	CAD	25,700	98,671	110,767
LSC Lithium Corp.	CAD	548,700	643,689	307,272
Neo Performance Materials Inc.	CAD	16,170	290,981	249,018
Nutrien Ltd.	CAD	1,840	125,157	117,981
Solaris Copper Inc.	CAD	16,988	-	-
			<u>3,719,558</u>	<u>4,558,416</u>
Real Estate - 2.78%				
Pure Multi-Family REIT L.P., Class 'A'	CAD	33,600	295,054	283,248
StorageVault Canada Inc.	CAD	923,600	1,708,548	2,188,932
			<u>2,003,602</u>	<u>2,472,180</u>
Utilities - 4.40%				
Brookfield Infrastructure Partners L.P.	USD	27,900	1,131,490	1,315,216
Brookfield Infrastructure Partners L.P.	CAD	30,900	1,322,675	1,456,935
Northland Power Inc.	CAD	52,300	1,249,709	1,134,910
			<u>3,703,874</u>	<u>3,907,061</u>
			<u>39,752,841</u>	<u>52,780,179</u>

EXEMPLAR CANADIAN FOCUS PORTFOLIO

Schedule of Investment Portfolio – As at December 31, 2018

Equities - Short - (0.64%)

Security Name	Currency	No. of Shares/Units	Average Cost (\$)	Fair Value (\$)
Consumer Discretionary - (0.35%)				
AutoCanada Inc.	CAD	(160)	(2,055)	(1,816)
Dorel Industries Inc., Class 'B'	CAD	(700)	(17,739)	(12,348)
Freshii Inc., Class 'A'	CAD	(6,700)	(42,235)	(17,152)
Tesla Motors Inc.	USD	(610)	(233,698)	(277,147)
			(295,727)	(308,463)
Energy - (0.00%)				
Encana Corp.	CAD	(200)	(2,325)	(1,576)
Financials - (0.13%)				
ECN Capital Corp.	CAD	(400)	(1,397)	(1,380)
goeasy Ltd.	CAD	(100)	(4,232)	(3,577)
Goldman Sachs Group Inc. (The)	USD	(40)	(9,654)	(9,122)
Moody's Corp.	USD	(170)	(34,541)	(32,501)
Wells Fargo & Co.	USD	(1,030)	(76,482)	(64,796)
			(126,306)	(111,376)
Health Care - (0.00%)				
Elanco Animal Health Inc.	USD	(80)	(3,273)	(3,444)
Industrials - (0.09%)				
Canadian National Railway Co.	CAD	(20)	(2,127)	(2,022)
CSX Corp.	USD	(100)	(8,434)	(8,482)
FedEx Corp.	USD	(20)	(4,569)	(4,405)
K-Bro Linen Inc.	CAD	(1,840)	(64,068)	(61,530)
			(79,198)	(76,439)
Information Technology - (0.00%)				
Micron Technology Inc.	USD	(80)	(3,580)	(3,465)
Materials - (0.04%)				
Goldcorp Inc.	CAD	(350)	(4,515)	(4,681)
Teck Resources Ltd., Class 'B'	CAD	(1,170)	(33,609)	(34,386)
			(38,124)	(39,067)
Real Estate - (0.02%)				
Altus Group Ltd.	CAD	(890)	(21,953)	(21,066)
Utilities - (0.00%)				
AltaGas Ltd.	CAD	(270)	(4,115)	(3,753)
			(574,601)	(568,649)

Funds - Long - 3.70%

Security Name	Currency	No. of Shares	Average Cost (\$)	Fair Value (\$)
Consumer Staples Select Sector SPDR Fund	USD	6,600	471,988	457,544
ETFMG Prime Cyber Security ETF	USD	1,100	47,761	50,608
Health Care Select Sector SPDR Fund*	USD	1,020	122,215	120,466
Horizons Medical Marijuana Life Sciences ETF, Class 'A'	CAD	2,380	42,771	34,153
iShares 20+ Year Treasury Bond ETF*	USD	1,820	290,926	301,912
iShares S&P/TSX Capped Energy Index ETF*	CAD	80,640	1,005,150	709,632
SPDR Gold Shares*	USD	5,000	759,767	827,653
Utilities Select Sector SPDR Fund*	USD	800	57,665	57,797
Vanguard REIT ETF*	USD	7,130	777,958	725,855
			3,576,201	3,285,620

EXEMPLAR CANADIAN FOCUS PORTFOLIO

Schedule of Investment Portfolio – As at December 31, 2018

Funds - Short - (1.64%)

Security Name	Currency	No. of Shares	Average Cost (\$)	Fair Value (\$)
Financial Select Sector SPDR Fund	USD	(110)	(3,749)	(3,577)
Industrial Select Sector SPDR Fund	USD	(2,510)	(239,829)	(220,711)
Invesco CurrencyShares British Pound Sterling Trust	USD	(50)	(8,212)	(8,440)
Invesco CurrencyShares Euro Trust	USD	(390)	(56,023)	(58,290)
Invesco QQQ Trust, Series '1'	USD	(410)	(90,914)	(86,344)
iShares China Large-Cap ETF	USD	(250)	(13,058)	(13,338)
iShares Edge MSCI USA Momentum Factor ETF	USD	(10)	(1,322)	(1,368)
iShares iBoxx High Yield Corporate Bond ETF	USD	(470)	(51,859)	(52,037)
iShares MSCI Europe Financials ETF	USD	(500)	(12,987)	(11,570)
iShares MSCI Germany ETF	USD	(270)	(9,249)	(9,344)
iShares MSCI Saudi Arabia ETF	USD	(340)	(12,821)	(13,410)
iShares Russell 2000 ETF	USD	(1,280)	(255,796)	(233,984)
iShares S&P/TSX 60 Index ETF	CAD	(26,860)	(614,504)	(580,713)
SPDR S&P 500 ETF Trust	USD	(180)	(62,556)	(61,414)
SPDR S&P Biotech ETF	USD	(80)	(8,845)	(7,836)
Technology Select Sector SPDR Fund	USD	(100)	(9,192)	(8,462)
VanEck Vectors Pharmaceutical ETF	USD	(180)	(14,338)	(13,533)
VanEck Vectors Semiconductor ETF	USD	(610)	(77,565)	(72,684)
			(1,542,819)	(1,457,055)

Warrants - Long - 0.01%

Security Name	Currency	Strike Price (\$)	Maturity Date	Quantity	Average Cost (\$)	Fair Value (\$)
LSC Lithium Corp.	CAD	0.55	04-02-20	51,476	-	8,053
Commissions					(26,157)	
Total Investments - 60.9%					41,185,465	54,040,095
Derivatives (see schedule of derivative instruments) - 0.01%						8,053
Cash and Other Net Assets (Liabilities) - 39.1%						34,730,744
Net Assets Attributable to Holders of Redeemable Shares - 100.0%						88,778,892

*Denotes all or part of securities on loan

EXEMPLAR CANADIAN FOCUS PORTFOLIO

NOTES TO AUDITED FINANCIAL STATEMENTS – FUND SPECIFIC INFORMATION

For the years ended December 31, 2018 and 2017

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.

RISK MANAGEMENT

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

The management of these risks is carried out by the Manager in accordance with Portfolio’s prospectus.

The Portfolio’s use of leverage and borrowings can increase the Portfolio’s exposure to these risks, which in turn can also increase the potential returns the Portfolio can achieve. The Manager manages these exposures on a daily basis in accordance with investment restrictions that have been established by the Portfolio to manage the overall potential exposure. The Portfolio will generally not use leverage in excess of 20% of its Net Asset Value.

A general discussion of risks associated with financial instruments for the Exemplar Portfolios is contained in Note 4: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

Credit Risk

As at December 31, 2018 and 2017, the Portfolio had no investments in debt instruments and therefore was not subject to related credit risk.

The Portfolio measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At December 31, 2018 and 2017, all amounts due from brokers, cash and cash equivalents and margin deposits are held with counterparties with a credit rating of Aa3 or higher. Management consider the probability of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Portfolio.

The Portfolio is exposed to counterparty credit risk on cash and cash equivalents, margin deposits, receivable for securities sold and other receivable balances. The Portfolio’s brokerage agreements require cash collateral up to 150% of the fair value of securities sold short. The Portfolio’s brokerage services are provided by BMO Nesbitt Burns which has a credit rating of Aa2 (2017: A1) as rated by Moody’s bond rating services. Cash collateral has been provided to BMO Nesbitt Burns in accordance with terms of derivative transaction agreements and is presented as ‘Margin deposits’ in the Statements of Financial Position.

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

There are risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Portfolio. Therefore, the Portfolio should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Portfolio may experience increased exposure to credit risk associated with the applicable custodians or brokers. The Portfolio’s custodial services are provided by CIBC Mellon Trust Company which has a credit rating as rated by Moody’s bond rating services of A1 (2017: A1).

EXEMPLAR CANADIAN FOCUS PORTFOLIO

NOTES TO AUDITED FINANCIAL STATEMENTS – FUND SPECIFIC INFORMATION

For the years ended December 31, 2018 and 2017

The Portfolio is also exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (2017: Aa2).

Liquidity Risk

Liquidity risk is the risk that the Portfolio will encounter difficulty in meeting obligations associated with financial liabilities. The Portfolio is exposed to daily cash redemptions which are redeemable on demand at the holder's option and payable within 10 business days after the redemption date and as such, retains sufficient cash to fund anticipated redemptions

Market Risk

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

(a) Currency Risk

The tables below indicate the Portfolio's exposure to foreign currencies as at December 31, 2018 and 2017 in Canadian dollar terms. The tables also illustrate the potential impact on the net assets attributable to holders of redeemable shares if the Canadian dollar had strengthened or weakened by 10% in relation to each of the other currencies, with all other variables held constant. Non-monetary is comprised of equity positions, funds, and warrants. Monetary includes forward currency contracts, cash and cash equivalents, margin deposits and other current receivables and payables.

December 31, 2018				Impact on net assets attributable to holders of redeemable shares		
Currency	Exposure			Monetary	Non-Monetary	Total
	Monetary	Non-Monetary	Total			
	\$	\$	\$	\$	\$	\$
United States Dollar - Long	23,848,472	16,564,911	40,413,383	2,384,847	1,656,491	4,041,338
United States Dollar - Short	(4,787)	(1,280,107)	(1,284,894)	(479)	(128,011)	(128,490)
Great Britian Pound - Long	387,818	2,190,000	2,577,818	38,782	219,000	257,782
Total	24,231,503	17,474,804	41,706,307	2,423,150	1,747,480	4,170,630
% of net assets attributable to holders of redeemable shares	27.3%	19.7%	47.0%	2.7%	2.0%	4.7%

December 31, 2017				Impact on net assets attributable to holders of redeemable shares		
Currency	Exposure			Monetary	Non-Monetary	Total
	Monetary	Non-Monetary	Total			
	\$	\$	\$	\$	\$	\$
United States Dollar - Long	(3,978,097)	36,400,902	32,422,805	(397,810)	3,640,090	3,242,280
United States Dollar - Short	-	(290,563)	(290,563)	-	(29,056)	(29,056)
Great Britian Pound - Long	-	1,759,593	1,759,593	-	175,959	175,959
Total	(3,978,097)	37,869,932	33,891,835	(397,810)	3,786,993	3,389,183
% of net assets attributable to holders of redeemable shares	(3.2%)	30.2%	27.0%	(0.3%)	3.0%	2.7%

(b) Interest Rate Risk

As at December 31, 2018 and 2017, the Portfolio did not hold any interest-bearing securities, and therefore was not subject to significant interest rate risk.

EXEMPLAR CANADIAN FOCUS PORTFOLIO

NOTES TO AUDITED FINANCIAL STATEMENTS – FUND SPECIFIC INFORMATION

For the years ended December 31, 2018 and 2017

(c) Price Risk

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

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 impact on net assets of the Portfolio due to a 5% change in market prices of equity securities, funds, and warrants with all other variables held constant, is presented in the following table.

	Impact on net assets attributable to holders of redeemable shares	
	December 31, 2018	December 31, 2017
	\$	\$
5% Increase	2,702,407	5,917,662
5% Decrease	(2,702,407)	(5,917,662)

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

Concentration Risk

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

The following is a summary of the Portfolio's concentration risk as a percentage of net assets attributable to holders of redeemable shares:

EXEMPLAR CANADIAN FOCUS PORTFOLIO

NOTES TO AUDITED FINANCIAL STATEMENTS – FUND SPECIFIC INFORMATION

For the years ended December 31, 2018 and 2017

Market Segment	December 31, 2018		December 31, 2017	
	Long (%)	Short (%)	Long (%)	Short (%)
Communication Services	0.8	-	1.0	-
Consumer Discretionary	3.4	(0.4)	12.0	(0.1)
Consumer Staples	3.4	-	5.3	-
Energy	5.9	-	8.5	-
Financials	4.9	(0.1)	7.8	(0.1)
Funds	3.7	(1.6)	14.3	(0.1)
Health Care	3.1	-	1.5	-
Industrials	15.2	(0.1)	15.6	(0.0)
Information Technology	10.5	-	9.1	(0.0)
Materials	5.1	(0.0)	12.4	(0.0)
Real Estate	2.8	-	1.9	-
Utilities	4.4	-	5.2	-
	63.2	(2.2)	94.6	(0.3)

FAIR VALUE MEASUREMENT

A general discussion of fair value measurement for the Exemplar Portfolios appears as Note 5: FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT.

The following table illustrates the classification of the Portfolio's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2018 and 2017.

December 31, 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities	52,780,179	-	-	52,780,179
Funds	3,285,620	-	-	3,285,620
Derivatives	8,053	-	-	8,053
	56,073,852	-	-	56,073,852
Financial liabilities				
Equities sold short	(568,649)	-	-	(568,649)
Funds	(1,457,055)	-	-	(1,457,055)
Derivatives	-	-	-	-
	(2,025,704)	-	-	(2,025,704)
Total	54,048,148	-	-	54,048,148

December 31, 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities	100,844,311	-	-	100,844,311
Funds	17,976,029	-	-	17,976,029
Derivatives	-	22,040	-	22,040
	118,820,340	22,040	-	118,842,380
Financial liabilities				
Equities sold short	(393,345)	-	-	(393,345)
Funds	(73,768)	-	-	(73,768)
Derivatives	-	(787)	-	(787)
	(467,113)	(787)	-	(467,900)
Total	118,353,227	21,253	-	118,374,480

EXEMPLAR CANADIAN FOCUS PORTFOLIO

NOTES TO AUDITED FINANCIAL STATEMENTS – FUND SPECIFIC INFORMATION

For the years ended December 31, 2018 and 2017

All fair value measurements above are recurring. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

The Manager is responsible for performing the fair value measurements included in the financial statements of the Portfolio, including Level 3 measurements, if any. The Manager obtains pricing from a third party pricing vendor which is monitored and reviewed daily by the Manager.

As at December 31, 2018 and 2017, the Portfolio did not hold any Level 3 financial instruments. There were no transfers between Levels 1, 2, and 3 during the years ended December 31, 2018 and 2017.

a) Equities and equities sold short

The Portfolio's equity positions are classified as Level 1 as the securities are actively traded on a recognized exchange and a quoted price is available.

b) Funds and funds sold short

The Portfolio's investments in Funds are classified as Level 1 as the securities are actively traded on a recognized exchange and a quoted price is available.

c) Derivatives

Warrants are valued using models and valuation techniques commonly used in the industry, including inputs such as underlying stock price, restrictions on exercise and days to expiry. Exchange traded warrants are classified as Level 1. When the inputs that are significant to valuation are generally observable, the warrants are classified as Level 2. Forward currency contracts are valued based primarily on the contract notional amount and the difference between the contract rate and the forward market rate for the same currency, adjusted for counterparty risk. Forward currency contracts are classified as Level 2.

EXEMPLAR DIVERSIFIED PORTFOLIO

Statements of Financial Position

	As at December 31 2018	As at December 31, 2017
ASSETS		
Current assets		
Financial assets at fair value through profit and loss		
Options at fair value - long	\$23,411	\$65,270
Unrealized gain on futures contracts - long	317,592	1,290,233
Unrealized gain on futures contracts - short	860,536	371,493
Cash and cash equivalents	15,998,803	22,094,083
Margin deposits	6,733,561	10,936,525
Receivable for redeemable shares issued	64,814	188,044
	23,998,717	34,945,648
LIABILITIES		
Current liabilities		
Unrealized loss on futures contracts - long	34,161	76,094
Unrealized loss on futures contracts - short	186,177	283,649
Margin loan	70,499	957,297
Payable for redeemable shares redeemed	769	42,515
Other liabilities (Note 10)	45,595	50,345
	337,201	1,409,900
Net assets attributable to holders of redeemable shares	\$23,661,516	\$33,535,748
Net assets attributable to holders of redeemable shares		
Series A	\$1,199,141	\$1,905,162
Series F	\$7,890,005	\$10,093,571
Series I	\$1,846,817	\$1,749,222
Series L	\$566,743	\$877,121
Series R	\$12,158,810	\$18,910,672
Number of redeemable shares outstanding (Note 9)		
Series A	148,707	205,558
Series F	895,368	1,007,359
Series I	221,635	187,435
Series L	81,720	109,794
Series R	1,983,916	2,721,578
Net assets attributable to holders of redeemable shares per share		
Series A	\$8.06	\$9.27
Series F	\$8.81	\$10.02
Series I	\$8.33	\$9.33
Series L	\$6.94	\$7.99
Series R	\$6.13	\$6.95

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

“James L. McGovern”

“Robert W. Maxwell”

James L. McGovern, Director

Robert W. Maxwell, Director

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

EXEMPLAR DIVERSIFIED PORTFOLIO

Statements of Comprehensive Income (Loss)
For the years ended December 31,

	2018 \$	2017 \$
INCOME		
Net gains (losses) on investments and derivatives		
Net realized gain (loss) on futures	(3,733,777)	(3,815,303)
Net change in unrealized appreciation (depreciation) in value of futures	(344,193)	876,662
Net realized gain (loss) on investments and derivatives	(337,368)	(970,844)
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	19,928	52,929
Net gains (losses) on investments and derivatives	(4,395,410)	(3,856,556)
Other income items:		
Interest on cash	383,871	167,886
Foreign exchange gain (loss)	(70,303)	(17,478)
Net change in unrealized foreign exchange gain (loss)	116,105	9,648
Total net income (loss)	(3,965,737)	(3,696,500)
EXPENSES		
Management fees (Note 10)	300,413	340,981
Performance fees (Note 10)	10,093	3,536
Shareholder reporting fees	170,883	149,025
Audit fees	28,319	21,941
Legal fees	9,783	35,577
Independent Review Committee fees (Note 10)	6,187	5,590
Commissions and other portfolio transaction costs -	411,261	412,001
Harmonized sales tax	59,176	65,519
Total expenses before manager absorption	996,115	1,034,170
Less: Expenses absorbed by manager (Note 10)	(55,873)	-
Total expenses after manager absorption	940,242	1,034,170
Increase (decrease) in net assets attributable to holders of redeemable shares	(4,905,979)	(4,730,670)
Increase (decrease) in net assets attributable to holders of redeemable shares -		
Series A	(225,782)	(415,710)
Series F	(1,194,696)	(2,000,614)
Series I	(206,808)	(451,381)
Series L	(111,625)	(157,358)
Series R	(3,167,068)	(1,705,607)
Increase (decrease) in net assets attributable to holders of redeemable shares per share (Note 13)		
Series A	(1.28)	(1.52)
Series F	(1.25)	(1.56)
Series I	(0.95)	(1.45)
Series L	(1.15)	(1.31)
Series R	(1.02)	(0.82)

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

EXEMPLAR DIVERSIFIED PORTFOLIO

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

		2018 \$	2017 \$
Net assets attributable to holders of redeemable shares at beginning of year			
	Series A	1,905,162	3,856,141
	Series F	10,093,571	16,726,096
	Series I	1,749,222	7,534,586
	Series L	877,121	1,117,423
	Series R	18,910,672	12,664,179
		<u>33,535,748</u>	<u>41,898,425</u>
Increase (decrease) in net assets attributable to holders of redeemable shares			
	Series A	(225,782)	(415,710)
	Series F	(1,194,696)	(2,000,614)
	Series I	(206,808)	(451,381)
	Series L	(111,625)	(157,358)
	Series R	(3,167,068)	(1,705,607)
		<u>(4,905,979)</u>	<u>(4,730,670)</u>
Redeemable share transactions			
Proceeds from redeemable shares issued	Series A	89,315	66,081
	Series F	905,242	1,706,064
	Series I	605,123	452,611
	Series L	22,000	161,040
	Series R	9,614,571	9,467,997
Redemption of redeemable shares	Series A	(569,554)	(1,601,350)
	Series F	(1,914,112)	(6,337,975)
	Series I	(300,720)	(5,786,594)
	Series L	(220,753)	(243,984)
	Series R	(13,199,365)	(1,515,897)
Net increase (decrease) from redeemable shares transactions		<u>(4,968,253)</u>	<u>(3,632,007)</u>
Net increase (decrease) in net assets attributable to holders of redeemable shares		<u>(9,874,232)</u>	<u>(8,362,677)</u>
	Series A	1,199,141	1,905,162
	Series F	7,890,005	10,093,571
	Series I	1,846,817	1,749,222
	Series L	566,743	877,121
	Series R	12,158,810	18,910,672
Net assets attributable to holders of redeemable shares at end of year		<u>23,661,516</u>	<u>33,535,748</u>

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

EXEMPLAR DIVERSIFIED PORTFOLIO

Statements of Cash Flows For the years ended December 31,

	2018 \$	2017 \$
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable shares	(4,905,979)	(4,730,670)
Adjustment for:		
Unrealized foreign exchange (gain) loss on cash and cash equivalents (Note 14)	(11,715)	9,279
Net realized (gain) loss on investments and derivatives	337,368	970,844
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	(19,928)	(52,929)
Net change in unrealized (appreciation) depreciation in value of futures	344,193	(876,662)
Purchase of investments and derivatives	(420,123)	(916,146)
Proceeds on sale of investments and derivatives	144,541	(8,016)
Change in due from manager	-	53
Change in other liabilities	(4,750)	(6,996)
Change in margin loans	(886,798)	453,022
Change in margin deposits	4,202,964	1,278,438
Net cash from (used in) operating activities	(1,220,227)	(3,879,783)
Cash flows from (used in) financing activities		
Proceeds from redeemable shares issued	11,282,531	11,651,617
Redemption of redeemable shares	(16,169,299)	(15,323,600)
Net cash from (used in) financing activities	(4,886,768)	(3,671,983)
Net Increase (decrease) in cash and cash equivalents	(6,106,995)	(7,551,766)
Cash and cash equivalents at beginning of the year	22,094,083	29,655,128
Unrealized foreign exchange gain (loss) on cash and cash equivalents (Note 14)	11,715	(9,648)
Cash and cash equivalents at end of the year	15,998,803	22,094,083
Supplemental information:		
Interest received*	383,871	167,886

*Included as part of cash flows from operating activities

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

EXEMPLAR DIVERSIFIED PORTFOLIO

Schedule of Investment Portfolio – As at December 31, 2018

Futures Contracts - Long - 1.21%

Security Name	Contract Size	Expiry Date	Currency	No. of Contracts	Notional Value (\$)	Unrealized Gain/(Loss) (\$)
Bond Futures - 0.47%						
Australian 10 Year Bond Futures	1,000	03-15-19	AUD	62	7,909,800	87,132
Canada 10 Year Bond Futures	1,000	03-20-19	CAD	13	1,778,530	3,510
Long Gilt Futures	1,000	03-27-19	GBP	18	3,857,870	19,280
US 10 Year Treasury Notes Futures	1,000	03-20-19	USD	1	166,576	917
						110,839
Commodity Futures - 0.34%						
Cocoa Futures	10	03-14-19	USD	3	98,950	2,089
Live Cattle Futures	400	02-28-19	USD	21	1,420,559	29,666
Natural Gas Futures	10,000	08-28-19	USD	13	483,622	(26,949)
Palladium Futures	100	03-27-19	USD	8	1,307,534	75,796
Rubber Futures	5,000	05-27-19	JPY	16	169,596	(1,893)
						78,709
Currency Futures - (0.01%)						
EURO/GBP Futures	125,000	03-18-19	GBP	13	2,547,418	(5,188)
Mexican Peso Futures	5,000	03-18-19	USD	5	171,537	1,706
						(3,482)
Interest Rate Futures - 0.41%						
3 Month Euro Euribor Futures	2,500	03-18-19	EUR	212	83,145,988	821
90 Day Bank Acceptance Futures	10,000	03-07-19	AUD	7	6,699,005	329
90 Day Eurodollar Futures	2,500	03-18-19	USD	69	22,911,503	5,734
90 Day Sterling Futures	1,250	03-20-19	GBP	3	646,398	(130)
Bank Acceptance Futures	2,500	03-18-19	CAD	196	47,897,500	90,612
						97,366
						283,432

Futures Contracts - Short - 2.86%

Security Name	Contract Size	Expiry Date	Currency	No. of Contracts	Notional Value (\$)	Unrealized Gain/(Loss) (\$)
Bond Futures - (0.43%)						
EURO-BOBL Futures	1,000	03-07-19	EUR	(20)	(4,145,697)	(8,744)
EURO-BUND Futures	1,000	03-07-19	EUR	(5)	(1,279,028)	(6,898)
Japan 10 Year Mini Bond Futures	100,000	03-12-19	JPY	(46)	(8,745,078)	(39,933)
US 5 Year Treasury Notes Futures	1,000	03-29-19	USD	(9)	(1,409,142)	(18,483)
US Treasury Bond Futures	1,000	03-20-19	USD	(3)	(597,958)	(28,381)
						(102,439)
Commodity Futures - 1.99%						
Brent Crude Oil Futures	1,000	01-31-19	USD	(11)	(807,925)	56,655
Canola Futures	20	03-14-19	CAD	(155)	(1,501,020)	376
Coffee Robusta 10 ton Futures	10	03-25-19	USD	(69)	(1,436,532)	11,481
Coffee C Futures	375	03-19-19	USD	(13)	(677,847)	44,131
Copper Futures	250	03-27-19	USD	(11)	(987,756)	30,683
Corn Futures	50	03-14-19	USD	(13)	(332,768)	871
Cotton No. 2 Futures	500	03-07-19	USD	(41)	(2,020,633)	68,594
Crude Oil Futures	25	03-15-19	MYR	(64)	(1,121,099)	2,643
Gas Oil Futures	420	01-31-19	USD	(12)	(895,924)	62,975
Lean Hogs Futures	400	02-14-19	USD	(5)	(166,486)	(656)
Low Sugar Gasoline Futures	100	02-12-19	USD	(5)	(348,979)	(1,945)
Nickel Futures	6	03-18-19	USD	(8)	(702,739)	4,980
NY Harbor ULSD Futures	420	01-31-19	USD	(3)	(288,882)	14,295
Platinum Futures	50	04-26-19	USD	(19)	(1,038,330)	(3,174)
Aluminum HG Futures	25	03-18-19	USD	(37)	(2,331,147)	101,332
Silver Futures	5,000	03-27-19	USD	(5)	(530,380)	(38,021)
Soybeans Futures	50	03-14-19	USD	(5)	(305,464)	(3,071)
Soybeans Oil Futures	600	03-14-19	USD	(28)	(638,750)	6,389
Sugar #11 World Futures	1,120	02-28-19	USD	(24)	(441,460)	16,850

EXEMPLAR DIVERSIFIED PORTFOLIO

Schedule of Investment Portfolio – As at December 31, 2018

Wheat Futures	50	03-14-19	USD	(11)	(377,870)	4,881
White Sugar Futures	50	02-13-19	USD	(24)	(544,715)	9,857
WTI Crude Futures	1,000	01-22-19	USD	(12)	(743,925)	76,342
Zinc Futures	25	03-18-19	USD	(1)	(83,414)	1,843
						<u>468,311</u>

Currency Futures - 0.61%

Australian Dollar Currency Futures	1,000	03-18-19	USD	(33)	(3,177,039)	46,908
British Bound Currency Futures	625	03-18-19	USD	(20)	(2,182,614)	(17,167)
Brazil Real Futures	1,000	01-31-19	USD	(8)	(281,832)	2,102
Canadian Dollar Futures	1,000	03-19-19	USD	(69)	(6,924,554)	96,007
Euro FX Currency Futures	125,000	03-18-19	USD	(9)	(1,769,684)	(11,801)
EURO/CHF Futures	125,000	03-18-19	CHF	(9)	(1,757,579)	4,549
EURO/JPY Futures	125,000	03-18-19	JPY	(9)	(1,760,542)	26,904
Japanese Yen Currency Futures	1,250	03-18-19	USD	(1)	(156,503)	(3,584)
						<u>143,918</u>

Index Futures - 0.70%

DAX Index Futures	25	03-15-19	EUR	(4)	(1,652,006)	27,021
Hang Seng Index Futures	50	01-30-19	HKD	(4)	(901,498)	113
NASDAQ 100 E-mini Index Futures	20	03-15-19	USD	(7)	(1,210,461)	9,784
Nikkei 225 Index Futures	500	03-07-19	JPY	(11)	(1,365,667)	67,665
S&P 500 E-mini Index Futures	50	03-15-19	USD	(9)	(1,539,045)	27,608
S&P/TSX 60 Index Futures	200	03-14-19	CAD	(19)	(3,257,740)	31,896
SPI 200 Futures	25	03-21-19	AUD	(17)	(2,272,619)	482
						<u>164,569</u>
						<u>674,359</u>

Options Bought - 0.11%

Security Name	Strike Price (\$)	Expiry Date	Currency	No. of Contracts	Average Cost (\$)	Fair Value (\$)
Euro-Euribor	100	12-17-19	EUR	300	5,992	2,933
Euro Dollar	100	09-15-20	USD	300	16,859	20,478
					<u>22,851</u>	<u>23,411</u>

Total Investments and Derivatives - 4.1%

Cash and Other Net Assets (Liabilities) - 95.9%

Net Assets Attributable to Holders of Redeemable Shares - 100.0%

981,202

22,680,314

23,661,516

EXEMPLAR DIVERSIFIED PORTFOLIO

NOTES TO THE AUDITED FINANCIAL STATEMENTS – FUND SPECIFIC INFORMATION

For the years ended December 31, 2018 and 2017

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.

RISK MANAGEMENT

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

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

The Portfolio's use of leverage and borrowings can increase the Portfolio's exposure to these risks, which in turn can also increase the potential returns the Portfolio can achieve. The Portfolio Sub-Advisor manages these exposures on a daily basis in accordance with investment restrictions that have been established by the Portfolio to manage the overall potential exposure. Futures and forward contracts and investments to which the Portfolio may have exposure at any time may be substantially larger than the actual amount invested with the result that the Portfolio will be exposed to a form of notional leverage. The notional leverage of the Portfolio, excluding futures on government securities and Euro dollars, is generally between 0% and 300% and can never go above 500%. The notional leverage of the Portfolio, including futures on government securities and Euro dollars, is typically around 300% but from time to time may be as high as 1,000%. No form of cash leverage is permitted and in the case of government securities and Euro dollars, futures positions are restricted to those that are based on investment grade government securities and Euro dollars.

A general discussion of risks associated with financial instruments for the Exemplar Portfolios is contained in Note 4: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

Credit Risk

The Portfolio measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At December 31, 2018 and 2017, all amounts due from brokers, cash and cash equivalents are held with counterparties with a credit rating of Bb or higher and are due to be settled within 1 week. Management consider the probability of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Portfolio.

As at December 31, 2018 and 2017, the Portfolio had no investments in debt instruments and therefore was not subject to related credit risk.

The Portfolio is exposed to counterparty credit risk on cash and cash equivalents, margin deposits, derivatives, receivable for securities sold and other receivable balances. The Portfolio's brokerage agreements require cash collateral to be maintained in respect of futures transactions entered into. The brokers for the Portfolio are Societe Generale SA, Royal Bank Canada and Bank of Montreal which have credit ratings as obtained from Moody's bond rating services of A1, Aa2 and Aa2, respectively (2017: A2, A1 and A1, respectively). Cash collateral has been provided to Societe Generale SA, Royal Bank Canada and Bank of Montreal in accordance with terms of derivative transaction agreements and is presented as “Margin deposits” in the Statement of Financial Position.

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

EXEMPLAR DIVERSIFIED PORTFOLIO

NOTES TO THE AUDITED FINANCIAL STATEMENTS – FUND SPECIFIC INFORMATION For the years ended December 31, 2018 and 2017

achieve this segregation, so the investments of the Portfolio may experience increased exposure to credit risk associated with the applicable custodians or brokers.

The Portfolio's custodial services are provided by CIBC Mellon Trust Company which has a credit rating as rated by Moody's bond rating services of A1 (2017: A1).

The Portfolio is also exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (2017: Aa2).

Liquidity Risk

Liquidity risk is the risk that the Portfolio will encounter difficulty in meeting obligations associated with financial liabilities. The Portfolio is exposed to daily cash redemptions which are redeemable on demand at the holder's option and payable within 10 business days after the redemption date and as such, retains sufficient cash to fund anticipated redemptions

From time to time, the Fund may use margin borrowings in one or more of its brokerage accounts. For the year ending December 31, 2018, the minimum margin borrowings used was \$58,626 and the maximum margin borrowings used was \$1,038,873 (2017: min: \$148,938, max: \$11,167,947).

Market Risk

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

(a) Currency Risk

The table below indicates the foreign currencies to which the Portfolio had significant exposure at December 31, 2018 and 2017, in Canadian dollar terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable shares if the Canadian dollar had strengthened or weakened by 10% in relation to each of the other currencies, with all other variables held constant. Monetary items include cash and cash equivalents, margin deposits, futures, options, and other current receivables and payables.

December 31, 2018	Exposure			Impact on net assets attributable to holders of redeemable shares		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency	\$	\$	\$	\$	\$	\$
United States Dollar - Long	3,434,532	-	3,434,532	343,453	-	343,453
United States Dollar - Short	(1,315,676)	-	(1,315,676)	(131,568)	-	(131,568)
Australian Dollar - Long	165,163	-	165,163	16,516	-	16,516
Australian Dollar - Short	348	-	348	35	-	35
British Pound - Long	48,698	-	48,698	4,870	-	4,870
Euro Currency - Long	60,090	-	60,090	6,009	-	6,009
Euro Currency - Short	5,437	-	5,437	544	-	544
Hong Kong Dollar - Long	2,489	-	2,489	249	-	249
Hong Kong Dollar - Short	111	-	111	11	-	11
Japanese Yen - Long	24,920	-	24,920	2,492	-	2,492
Japanese Yen - Short	51,633	-	51,633	5,163	-	5,163
Malaysian Ringgit - Long	241,972	-	241,972	24,197	-	24,197
Malaysian Ringgit - Short	2,643	-	2,643	264	-	264
Swiss Franc - Long	11,535	-	11,535	1,154	-	1,154
Swiss Franc - Short	4,549	-	4,549	455	-	455
Total	2,738,444	-	2,738,444	273,844	-	273,844
% of net assets attributable to holders of redeemable shares	11.6%	0.0%	11.6%	1.2%	0.0%	1.2%

EXEMPLAR DIVERSIFIED PORTFOLIO

NOTES TO THE AUDITED FINANCIAL STATEMENTS – FUND SPECIFIC INFORMATION

For the years ended December 31, 2018 and 2017

December 31, 2017	Exposure			Impact on net assets attributable to holders of redeemable shares		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency	\$	\$	\$	\$	\$	\$
United States Dollar - Long	1,270,907	-	1,270,907	127,091	-	127,091
United States Dollar - Short	(988,511)	-	(988,511)	(98,851)	-	(98,851)
Australian Dollar - Long	11,229	-	11,229	1,123	-	1,123
British Pound - Long	27,084	-	27,084	2,708	-	2,708
British Pound - Short	(6,143)	-	(6,143)	(614)	-	(614)
Euro Currency - Long	(34,123)	-	(34,123)	(3,412)	-	(3,412)
Euro Currency - Short	56,947	-	56,947	5,695	-	5,695
Hong Kong Dollar - Long	38,446	-	38,446	3,845	-	3,845
Japanese Yen - Long	310,932	-	310,932	31,093	-	31,093
Japanese Yen - Short	(3,358)	-	(3,358)	(336)	-	(336)
Malaysian Ringgit - Long	412,517	-	412,517	41,252	-	41,252
Malaysian Ringgit - Short	18,760	-	18,760	1,876	-	1,876
Swiss Franc - Long	73,274	-	73,274	7,327	-	7,327
Total	1,187,961	-	1,187,961	118,797	-	118,797
% of net assets attributable to holders of redeemable shares	3.5%	0.0%	3.5%	0.4%	0.0%	0.4%

(b) Interest Rate Risk

As at December 31, 2018 and 2017 the Portfolio did not hold any interest-bearing securities, and therefore was not subject to significant interest rate risk.

(c) Price Risk

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

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.

As at December 31, 2018 and 2017, if the Portfolio's relevant benchmark index, Societe Generale Commodity Trading Index (CAD), had increased or decreased by 10%, with all other variables constant, the net assets attributable to holders of redeemable shares of the Portfolio would have increased or decreased by \$2,916,237 (2017: \$3,971,480).

EXEMPLAR DIVERSIFIED PORTFOLIO

NOTES TO THE AUDITED FINANCIAL STATEMENTS – FUND SPECIFIC INFORMATION For the years ended December 31, 2018 and 2017

Concentration Risk

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

The following is a summary of the Portfolio's concentration risk as a percentage of net assets attributable to holders of redeemable shares:

Market Segment	December 31, 2018		December 31, 2017	
	Long (%)	Short (%)	Long (%)	Short (%)
Bond Futures	0.5	(0.4)	(0.1)	0.7
Interest Rate Futures	0.4	-	-	(0.0)
Index Futures	-	0.7	0.1	-
Commodity Futures	0.3	2.0	2.7	(0.4)
Currency Futures	-	0.6	0.9	(0.0)
Options	0.1	-	0.2	-
Totals	1.3	2.9	3.8	0.3

FAIR VALUE MEASUREMENT

A general discussion of fair value measurement for the Exemplar Portfolios appears as Note 5: FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT.

All fair value measurements are recurring. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

The Portfolio Sub-Advisor is responsible for performing the fair value measurements included in the financial statements of the Portfolio, including Level 3 measurements if any. The Portfolio Sub-Advisor obtains pricing from a third party pricing vendor which is monitored and reviewed daily by the Portfolio Sub-Advisor.

As at December 31, 2018 and 2017, all of the Portfolio's financial assets and financial liabilities held for trading were classified as Level 1. There were no transfers between Levels 1, 2 and 3 during the years ended December 31, 2018 and 2017.

Derivative assets and liabilities consist of options and futures contracts which are exchange traded and therefore classified as Level 1.

EXEMPLAR PORTFOLIOS

GENERAL NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

1. THE PORTFOLIOS

Exemplar Portfolios Ltd. (the “Company”) is an open-ended mutual fund corporation incorporated under the Business Corporations Act (Ontario). The Company was incorporated on March 18, 2008.

These audited financial statements present the financial information of the Exemplar Canadian Focus Portfolio class (the “Canadian Focus Portfolio”) and the Exemplar Diversified Portfolio class (the “Diversified Portfolio”) (collectively, the “Portfolios”). On December 31, 2018, a new Portfolio class, Arrow Global Advantage Alternative Class, was added to the Company. The financial statements for this new class have not been incorporated in these financial statements, but are available on SEDAR. If the Company cannot satisfy its obligations related to each legally distinct class, it may be required to satisfy such obligations using assets attributable to all classes in the Portfolio. The Manager believes that the risk of such cross-class liability is remote.

The Manager of the Portfolios is Arrow Capital Management Inc. The address of the Portfolios’ registered office is 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5.

WaveFront Global Asset Management Corp., is the portfolio sub-advisor “Portfolio Sub-Advisor” of the Diversified Portfolio.

The Statements of Financial Position of the Portfolios are as at December 31, 2018 and 2017. The Statements of Comprehensive Income (Loss), Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares and Statements of Cash Flows for the Portfolios are for the periods ended December 31, 2018 and 2017, except for any series of the Portfolios established during either period, in which case the information for the series is provided for the period from the start date of the series to the period then ended. The Schedule of Investment Portfolio for the Portfolios is as at December 31, 2018.

These financial statements were authorized for issue by the Manager on March 27, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Accounting

These audited financial statements (“financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These financial statements have been prepared under the historical cost convention, except for financial assets and liabilities that have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgement in the process of applying the Portfolio’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5: FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT.

(a) New Standards Effective January 1, 2018

In July 2014, the International Accounting Standards Board (“IASB”) issued the final version of IFRS 9, *Financial Instruments* (“IFRS 9”), which introduces new requirements for classification, measurement, impairment and hedge accounting. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after January 1, 2018. The Portfolios have adopted IFRS 9 effective January 1, 2018.

Effective January 1, 2018, the Portfolios retrospectively and without restatement adopted IFRS 9. The new standard requires financial instruments to be either carried at amortized cost or at fair value with changes in fair value recognized in profit and loss (“FVTPL”) or in other comprehensive income (“FVOCI”), based on the Portfolio’s business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments.

EXEMPLAR PORTFOLIOS

GENERAL NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

The Manager has evaluated the standard and has determined that the impact to the Portfolio included additional disclosures related to changes to the classification of certain financial instruments to align with the classifications under IFRS 9. Adoption of the standard did not impact net assets attributable to holders of redeemable shares.

2.2 Foreign Currency Translation

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

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

2.3 Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

Financial instruments include financial assets and liabilities such as debt and equity securities, open-ended investment funds and derivatives. The Portfolio classifies and measures financial instruments in accordance with IFRS 9.

a) Classification

Assets

The Portfolios in the Company classify their investments based on their business model for managing the financial assets and the contractual cash flow characteristics of their financial assets. Each Portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Portfolios are primarily focused on fair value information and use that information to assess the assets' performance and to make decisions. The Portfolios have not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Portfolios' debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and sale. The collection of contractual cash flows is only incidental to achieving the Portfolios business model's objective. Consequently, all investments are measured at FVTPL.

Liabilities

The Portfolios make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at FVTPL. Derivative contracts that have a negative fair value are presented as liabilities a FVTPL.

As such, the Portfolios classify all of its investment portfolio as financial assets or liabilities as FVTPL.

The Portfolios' policy requires the Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

Investments in financial assets previously designated at fair value through profit or loss.

Upon transition to IFRS 9, the Portfolios' financial assets and financial liabilities previously designated at FVTPL at inception or classified as held for trading under IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") continue to be classified as FVTPL under IFRS 9. These categories are mandatorily classified as FVTPL under IFRS 9. The amounts which have been reclassified are as follows:

The Canadian Focus Portfolio holds equity and debt securities of \$56,065,799 (2017: \$118,820,340), which had previously been designated at FVTPL at inception. It also holds equity and debt securities sold short of \$2,025,704 (2017: \$467,113) and derivatives net asset (liabilities) of \$8,053 (2017: \$21,253) which had previously been designated Held for Trading.

EXEMPLAR PORTFOLIOS

GENERAL NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

The Diversified Portfolio holds equity and debt securities of \$nil (2017: \$nil), which had previously been designated at FVTPL at inception. It also holds equity and debt securities sold short of \$nil (2017: \$nil) and derivatives net assets (liabilities) of \$981,202 (2017: \$1,367,253) which had previously been designated Held for Trading.

There were no changes in the measurement attributes for the Portfolios' financial assets and financial liabilities upon transition to IFRS 9.

b) Recognition, Derecognition and Measurement

Regular purchases and sales of financial assets are recognized in the Statements of Financial Position at their trade date – the date on which the Portfolios commit to purchase or sell the investment. Financial assets and financial liabilities at FVTPL are initially recognized at fair value. Transaction costs are expensed as incurred.

All financial instruments are recognized in the Statements of Financial Position when the Portfolio's become a party to the contractual requirements of the instrument.

Financial assets are derecognized when the right to receive cash flows from the instrument has expired or the Portfolios have transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled or expires.

Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at FVTPL category are recognized in the Statements of Comprehensive Income (Loss) in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' and if a Future in 'Net change in unrealized appreciation (depreciation) in value of futures.

The Portfolios' accounting policies for measuring the fair value of their investments and derivatives are the same as those used in measuring their net asset value ("NAV") for transactions with shareholders. There were no differences between the net assets attributable to holders of redeemable shares used for reporting purposes under IFRS and that used for transactions with shareholders as at December 31, 2018 or 2017.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined on an average cost basis excluding commissions and other portfolio transaction costs, which are separately reported in the Statements of Comprehensive Income (Loss) in 'Commissions and other portfolio transaction costs'. Realized gains and losses on securities sold short and unrealized appreciation or depreciation on securities sold short are calculated with reference to the average proceeds of the related securities. Average cost does not include amortization of premiums or discounts on fixed income securities.

Interest for distribution purposes shown on the Statements of Comprehensive Income (Loss) represents the coupon interest received by a Portfolio accounted for on an accrual basis. The Portfolios do not amortize premiums or discounts received on the purchase of fixed income securities.

Dividend income and dividend expense on short sales is recognized in the Statements of Comprehensive Income (Loss) on the ex-dividend date. Distributions received from investment trust units are recorded as dividends, interest for distribution purposes, net realized gains (losses) on sale of investments or a return of capital, based on the best information available to the Manager. Due to the nature of those investments, actual allocations could vary from this information.

c) Financial Instruments - Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Portfolios use the last traded market price for securities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The fair value of bonds is determined using mid-market pricing derived from bid and ask prices provided by independent security pricing services or recognized investment dealers. The fair value of futures contracts is based on the settlement price assigned by the exchange. Gains and losses arising from changes in the fair value of financial assets or liabilities are presented in the Statements of

EXEMPLAR PORTFOLIOS

GENERAL NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

Comprehensive Income (Loss). The Portfolios' policy is to recognize transfers into and out of the fair value hierarchy levels at the beginning of each period.

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

d) Options

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

e) Forward Currency Contracts

Each Portfolio may enter into forward currency contracts for purposes of minimizing currency exposure or to establish an exposure to a particular currency. The value of forward currency contracts entered into by a Portfolio is recorded as the difference between the contract rate and the current forward rates at the measurement date, applied to the contract's notional amount and adjusted for counterparty risk. The change in the fair value of forward currency contracts is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the Statements of Comprehensive Income (Loss). Upon closing of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the Statements of Comprehensive Income (Loss).

f) Futures Contracts

The Portfolios may purchase or sell exchange traded futures contracts. Futures contracts are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price established in an organized market. Subsequent to initial recognition, changes in fair value are presented in 'Net change in unrealized appreciation (depreciation) in value of futures' in the Statements of Comprehensive Income (Loss). When futures contracts are closed out, the gain or loss is included in 'Net realized gain (loss) on futures' in the Statements of Comprehensive Income (Loss).

2.4 Offsetting Financial Statements

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Portfolios enter into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

2.5 Due From and To Brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statements of Financial Position date respectively. The due from brokers balance is held for collection. These amounts are recognized initially at fair value and subsequently measured at amortized cost.

EXEMPLAR PORTFOLIOS

GENERAL NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

2.6 Cash and Cash Equivalents

Cash and cash equivalents which includes cash deposited with financial institutions and short-term investments that are readily convertible to cash, are subject to an insignificant risk of changes in value, and are used by the Portfolios in the management of short-term commitments. Cash and cash equivalents are measured at amortized cost which closely approximates their fair value.

2.7 Margin Deposits

Cash collateral provided by each Portfolio to brokers for securities sold short and counterparties to derivative transactions is identified in that Portfolio's Statements of Financial Position as 'Margin deposits'.

2.8 Margin Loan

Margin loan represents cash amounts borrowed under a margin agreement with a Portfolio's broker and is payable upon demand (if applicable) and is identified in the Portfolio's Statements of Financial Position as 'Margin Loans'.

2.9 Investments in Structured Entities

The Portfolios may invest in underlying funds ("Structured Entities") that are managed by their respective Investment Advisors and whose investment objectives may range from achieving short-term to long-term income and capital growth. Structured Entities may use leverage in a manner consistent with their respective objectives and as permitted by their respective governing regulatory authorities. Structured Entities finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportionate stake in the respective Structured Entity's net assets. The Portfolios' interest in Structured Entities as at December 31, 2018 and 2017, held the form of redeemable units, which are included at their fair value in the Statements of Financial Position which represents the Portfolios' maximum exposure in these Structured Entities. Please refer to Note 8 for more information. The Portfolios do not provide, and have not committed to provide, any additional significant financial or other support to the Structured Entities. The change in fair value of each of the Structured Entities during the period is included in 'Change in unrealized appreciation (depreciation) of value of investments and derivatives' and 'Net realized gain (loss) on investments and derivatives' in the Statements of Comprehensive Income (Loss).

2.10 Securities Lending

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

2.11 Commissions and Other Portfolio Transaction Costs

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

2.12 Income and Expense Allocation

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

2.13 Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares per Share

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

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2.14 Classification of Redeemable Shares issued by the Portfolios

The Portfolio's redeemable shares are multi-series and contain multiple dissimilar contractual obligations and therefore meet the criteria for classification as financial liabilities under IAS 32, *Financial Instruments: Presentation*. The Portfolio's obligation for net assets attributable to shareholders is presented at the redemption amount.

2.15 Impairment Policy

At each reporting date, the Portfolio shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Portfolio shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganization, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty rating which has fallen below BBB/Baa. Any contractual payment which is more than 90 days past due is considered credit impaired.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Manager has made in preparing the financial statements:

Use of Estimates

Fair Value measurement of derivatives and securities not quoted in an active market

The Portfolios may hold financial instruments that are not quoted in active markets, including derivatives. Fair value of such instruments is determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, a Portfolio may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Portfolios consider observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 6 for further information about the fair value measurement of the Portfolio's financial instruments.

Use of Judgments

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

In classifying and measuring financial instruments held by the Portfolios, the Manager is required to make significant judgments in order to determine the most appropriate classification in accordance with IFRS 9. The Manager has assessed the Portfolio's business model, the manner in which all financial instruments are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Portfolio's financial statements.

Assessment as Investment Entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. Each Portfolio meets the definition of investment entity as it obtains funds from one or more investors for the purpose of providing those investors with professional investment management services and commit to their investors

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that their business purpose is to invest funds solely for returns from capital appreciation, investment income or both. Each Portfolio measures and evaluates the performance of substantially all of its investments on a fair value basis.

Determination if Underlying Funds Meet the Structured Entity Definition

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

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

In the normal course of business, each Portfolio is exposed to a variety of financial risks: credit risk, liquidity risk, market risk (including currency risk, price risk and interest rate risk), concentration risk and capital risk management. Please refer to Notes to Financial Statements – Fund Specific Information for each Portfolio's specific risk disclosure.

Credit Risk

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

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

The Portfolios measure credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At December 31, 2018 and 2017, all amounts due from brokers, cash and cash equivalents and margin deposits are held with counterparties with a credit rating of Baa3 or higher. Management consider the probability of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Portfolios.

Liquidity Risk

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

Market Risk

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

a) Currency Risk

The Portfolios invest in financial instruments and enter into transactions that are denominated in currencies other than the Canadian dollar. Consequently, the Portfolios are exposed to currency risk, which is the risk that the fair value or future cash

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flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Portfolios may enter into foreign exchange currency contracts to reduce their foreign currency exposure.

b) Interest Rate Risk

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

c) Price Risk

The Portfolios are exposed to price risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Portfolios' investments are subject to the risk of changes in the prices of equity securities, bonds and derivatives.

Concentration Risk

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

Capital Risk Management

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

5. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

Each Portfolio classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Please refer to Notes to the Financial Statements – Fund Specific Information for each Portfolio's specific risk disclosure.

The three levels of the fair value hierarchy are:

- Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Portfolio can access at the measurement date;
- Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3:** Inputs that are unobservable for the asset or liability.

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

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

6. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the Portfolios enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the Statements of Financial Position, but still allow for the related amounts to set off in certain circumstances, such as bankruptcy or termination of the contracts. The following tables show financial instruments that may be eligible

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for offset, if such conditions were to arise, as at December 31, 2018 and 2017. The “Net amount” column displays what the net impact would be on a Portfolio’s Statements of Financial Position if all amounts were set off.

Canadian Focus Portfolio						
	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position		Net amount
				Financial instruments	Collateral	
December 31, 2018	\$	\$	\$	\$	\$	\$
Financial assets:						
Counterparty 1	-	-	-	-	-	-
	-	-	-	-	-	-
Financial liabilities:						
Counterparty 1	-	-	-	-	-	-
	-	-	-	-	-	-

Canadian Focus Portfolio						
	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position		Net amount
				Financial instruments	Collateral	
December 31, 2017	\$	\$	\$	\$	\$	\$
Financial assets:						
Counterparty 1	22,040	-	22,040	(787)	-	21,253
	22,040	-	22,040	(787)	-	21,253
Financial liabilities:						
Counterparty 1	(787)	-	(787)	787	-	-
	(787)	-	(787)	787	-	-

Diversified Portfolio						
	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position		Net amount
				Financial instruments	Collateral	
December 31, 2018	\$	\$	\$	\$	\$	\$
Financial assets:						
Counterparty 1	828,520	-	828,520	(166,823)	-	661,697
Counterparty 2	373,020	-	373,020	(53,515)	-	319,505
Counterparty 3	-	-	-	-	-	-
	1,201,540	-	1,201,540	(220,338)	-	981,202
Financial liabilities:						
Counterparty 1	(166,823)	-	(166,823)	166,823	-	-
Counterparty 2	(53,515)	-	(53,515)	53,515	-	-
Counterparty 3	-	-	-	-	-	-
	(220,338)	-	(220,338)	220,338	-	-

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Diversified Portfolio						
December 31, 2017	Gross amounts \$	Financial instruments eligible for offset \$	Net amounts presented in the Statement of Financial Position \$	Related amounts not set-off in the Statement of Financial Position		
				Financial instruments \$	Collateral \$	Net amount \$
Financial assets:						
Counterparty 1	749,781	-	749,781	(172,503)	-	577,278
Counterparty 2	119,856	-	119,856	(20,537)	-	99,319
Counterparty 3	794,883	-	794,883	(169,498)	-	625,385
	1,664,520	-	1,664,520	(362,538)	-	1,301,982
Financial liabilities:						
Counterparty 1	(172,503)	-	(172,503)	172,503	-	-
Counterparty 2	(20,537)	-	(20,537)	20,537	-	-
Counterparty 3	(169,498)	-	(169,498)	169,498	-	-
	(362,538)	-	(362,538)	362,538	-	-

7. SECURITIES LENDING

Canadian Focus Portfolio has entered into a securities lending program which is administered by BNY Mellon, in its capacity as Lending Agent. The tables below summarize the securities loaned and collateral held as at December 31, 2018 and 2017 and the security lending income received for the six month periods ended December 31, 2018 and 2017:

As at	Canadian Focus Portfolio	
	December 31, 2018 \$	December 31, 2017 \$
<u>Non-cash Collateral Coverage</u>		
Collateral received for securities on loan	8,246,133	16,246,221
Market value of securities loaned	(7,846,012)	(15,440,578)
Collateral in excess of securities loaned	400,121	805,643
Collateral as a percentage of securities loaned	105.1%	105.2%
<u>Non-cash Collateral Exposure</u>		
CAD	4,064,743	12,027,610
USD	4,181,390	4,218,611
	8,246,133	16,246,221

For the year ended	Canadian Focus Portfolio			
	December 31, 2018		December 31, 2017	
	\$	% of gross security lending income	\$	% of gross security lending income
<u>Net Amount Received by the Portfolio</u>				
Securities lending income	213,404	100.00%	334,572	100.00%
Withholding taxes	(7,442)	3.49%	(35,355)	10.57%
BNY mellon lending agent fees	(82,377)	38.60%	(119,679)	35.77%
Securities lending income (net)	123,585	57.91%	179,538	53.66%

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8. INVESTMENT IN STRUCTURED ENTITIES

Information related to investments in Structured Entities is as follows:

Canadian Focus Portfolio – December 31, 2018

	Fair Value of Portfolio's Investment in Underlying Fund (\$)	Net Assets Attributable to Holders of Redeemable Shares (%)	Ownership of Underlying Fund (%)
Consumer Staples Select Sector SPDR Fund	457,544	0.52	0.00
ETFMG Prime Cyber Security ETF	50,608	0.06	0.00
Health Care Select Sector SPDR Fund	120,466	0.14	0.00
Horizons Medical Marijuana Life Sciences ETF, Class 'A'	34,153	0.04	0.00
iShares 20+ Year Treasury Bond ETF	301,912	0.34	0.00
iShares S&P/TSX Capped Energy Index ETF	709,632	0.80	0.09
SPDR Gold Shares	827,653	0.93	0.00
Utilities Select Sector SPDR Fund	57,797	0.07	0.00
Vanguard REIT ETF	725,855	0.82	0.00
Financial Select Sector SPDR Fund	(3,577)	(0.00)	(0.00)
Industrial Select Sector SPDR Fund	(220,711)	(0.25)	(0.00)
Invesco CurrencyShares British Pound Sterling Trust	(8,440)	(0.01)	(0.01)
Invesco CurrencyShares Euro Trust	(58,290)	(0.07)	(0.02)
Invesco QQQ Trust, Series '1'	(86,344)	(0.10)	(0.00)
iShares China Large-Cap ETF	(13,338)	(0.02)	(0.00)
iShares Edge MSCI USA Momentum Factor ETF	(1,368)	(0.00)	(0.00)
iShares iBoxx High Yield Corporate Bond ETF	(52,037)	(0.06)	(0.00)
iShares MSCI Europe Financials ETF	(11,570)	(0.01)	(0.00)
iShares MSCI Germany ETF	(9,344)	(0.01)	(0.00)
iShares MSCI Saudi Arabia ETF	(13,410)	(0.02)	(0.01)
iShares Russell 2000 ETF	(233,984)	(0.26)	(0.00)
iShares S&P/TSX 60 Index ETF	(580,713)	(0.65)	(0.01)
SPDR S&P 500 ETF Trust	(61,414)	(0.07)	(0.00)
SPDR S&P Biotech ETF	(7,836)	(0.01)	(0.00)
Technology Select Sector SPDR Fund	(8,462)	(0.01)	(0.00)
VanEck Vectors Pharmaceutical ETF	(13,533)	(0.02)	(0.01)
VanEck Vectors Semiconductor ETF	(72,684)	(0.08)	(0.01)

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Canadian Focus Portfolio – December 31, 2017

	Fair Value of Portfolio's Investment in Underlying Fund (\$)	Net Assets Attributable to Holders of Redeemable Shares (%)	Ownership of Underlying Fund (%)
A&W Revenue Royalties Income Fund	818,667	0.65	0.20
BMO Equal Weight US Banks Hedged to CAD Index ETF	17,808	0.01	0.00
Boyd Group Income Fund	9,221,346	7.35	0.46
Financial Select Sector SPDR	294,696	0.23	0.00
Global X Copper Miners ETF	178,771	0.14	0.21
Global X Lithium & Battery Tech ETF	194,885	0.16	0.02
Global X Uranium ETF	94,589	0.08	0.02
Horizons Marijuana Life Sciences Index ETF, Class A	30,288	0.02	0.00
Industrial Select Sector SPDR Fund	760,938	0.61	0.01
iShares Nasdaq Biotechnology ETF	93,947	0.07	0.00
iShares North American Tech-Software ETF	233,146	0.19	0.02
iShares Russell 2000 ETF	153,314	0.12	0.00
iShares S&P/TSX Capped Energy ETF	2,373,018	1.89	0.23
iShares S&P/TSX Capped Financials Index ETF	571,872	0.46	0.05
iShares S&P/TSX Global Gold Index ETF	890,344	0.71	0.11
iShares Silver Trust	58,288	0.05	0.00
iShares Trust - iShares Currency Hedged MSCI Japan ETF	54,481	0.04	0.00
SPDR Gold Shares	777,140	0.62	0.00
SPDR S&P 500 ETF Trust	905,696	0.72	0.00
Vanguard FTSE Europe ETF	252,795	0.20	0.00

9. REDEEMABLE SHARES

During the years ended December 31, 2018 and 2017, the number of shares issued, redeemed and outstanding was as follows:

Canadian Focus Portfolio - for the year ended December 31, 2018

	Redeemable shares outstanding at beginning of year	Redeemable shares issued	Redeemable shares issued on reinvestment of distributions	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of year
Series A	2,257,526	92,604	18,890	(555,581)	1,813,439
Series F	3,198,223	313,444	18,270	(1,170,260)	2,359,677
Series L	575,983	2,840	4,085	(164,396)	418,512

Canadian Focus Portfolio - for the year ended December 31, 2017

	Redeemable shares outstanding at beginning of year	Redeemable shares issued	Redeemable shares issued on reinvestment of distributions	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of year
Series A	3,103,173	182,970	28,031	(1,056,648)	2,257,526
Series F	4,526,287	510,104	26,776	(1,864,944)	3,198,223
Series L	748,245	7,970	6,691	(186,923)	575,983

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Diversified Portfolio - for the year ended December 31, 2018

	Redeemable shares outstanding at beginning of year	Redeemable shares issued	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of year
Series A	205,558	9,928	(66,779)	148,707
Series F	1,007,359	98,104	(210,095)	895,368
Series I	187,435	69,755	(35,555)	221,635
Series L	109,794	3,177	(31,251)	81,720
Series R	2,721,578	1,485,405	(2,223,067)	1,983,916

Diversified Portfolio - for the year ended December 31, 2017

	Redeemable shares outstanding at beginning of year	Redeemable shares issued	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of year
Series A	360,986	6,395	(161,823)	205,558
Series F	1,463,507	158,434	(614,582)	1,007,359
Series I	718,833	47,006	(578,404)	187,435
Series L	121,072	17,671	(28,949)	109,794
Series R	1,602,562	1,333,372	(214,356)	2,721,578

10. RELATED PARTY TRANSACTIONS

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

As of December 31, 2018, the number of shares owned the Manager or Directors of the Manager for each Portfolio is as follows:

	Number of shares	Amount (\$)	% of net assets attributable to holders of redeemable shares
Canadian Focus Portfolio - Series A	560	10,642	0.0
Canadian Focus Portfolio - Series F	5,045	104,333	0.1
Diversified Portfolio - Series A	500	4,030	0.0
Diversified Portfolio - Series F	5,493	48,395	0.2

As of December 31, 2017, the number of shares owned the Manager or Directors of the Manager for each Portfolio is as follows:

	Number of shares	Amount (\$)	% of net assets attributable to holders of redeemable shares
Canadian Focus Portfolio - Series A	1,613	33,147	0.0
Canadian Focus Portfolio - Series F	6,926	153,342	0.1
Diversified Portfolio - Series A	500	4,635	0.0
Diversified Portfolio - Series F	8,312	83,286	0.2

Management Fee and Performance Bonus

The management fee paid to the Manager by the Canadian Focus Portfolio is 1.65% per annum on Series A, 0.65% per annum on Series F Shares and 1.95% per annum on Series L Shares. The management fee paid to the Manager by the Diversified Portfolio is 2.00% per annum on Series A Shares, 1.00% per annum on Series F Shares and 2.30% per annum on Series L Shares. Holders of Series R Shares of the Diversified Portfolio pay a negotiated management fee to the Manager based on tiers ranging from 0.6% to 1.0% per annum.

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.

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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 at 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 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. If any shares of the Portfolio are redeemed prior to the end of a calendar year, a performance fee will be payable on the redemption date in respect of each such share in the same manner as described above. This performance fee is paid to the fund quarterly.

Each Portfolio is responsible for all operating expenses incurred by or on behalf of that Portfolio. At the discretion of the Manager, certain fees may be absorbed by the Manager. During the year, the Manager, agreed to absorb certain expenses associated with the Diversified Portfolio of \$55,873 and the Focus Portfolio of \$nil. No amounts were absorbed in the year ended December 31, 2017.

The Portfolio Sub-Advisor will be remunerated by the Manager out of the Management Fee and the Performance Bonus.

As at December 31, 2018, due from Manager for Canadian Focus Portfolio and Diversified Portfolio were \$nil (2017: \$nil and \$nil, respectively). The amount is non-interest bearing with no fixed terms of repayment and relates to estimated performance fees paid into a trust account and repaid to Diversified Portfolio on January 3, 2018 when applicable.

Accrued management fees and performance fees (excluding HST) included in other liabilities on the Statement of Financial Position are as follows:

	December 31, 2018		December 31, 2017	
	Management Fees	Performance Fees	Management Fees	Performance Fees
	\$	\$	\$	\$
Canadian Focus Portfolio	172,995	1,351	118,556	780,070
Diversified Portfolio	19,347	10,092	26,864	3,705

11. BROKERAGE COMMISSIONS

Total commissions paid to dealers for the years ended December 31, 2018 and 2017 in connection with portfolio transactions are as follows:

	December 31, 2018	December 31, 2017
	\$	\$
Canadian Focus Portfolio	96,023	90,476
Diversified Portfolio	411,261	412,001

For the year ended December 31, 2018, \$52,174 and \$nil were used for market data services by the Canadian Focus Portfolio and Diversified Portfolio (2017: \$60,496 and \$nil).

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12. TAXATION

Each Portfolio is a class of shares of the Corporation. Income, expenses and capital gains and losses of each Portfolio are consolidated, as a single entity, in determining the Corporation's taxable income and amount of taxes payable as a whole. Any taxes payable or recoverable by the Corporation are allocated to the Portfolios and their various series'.

The Corporation 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 apply to a mutual fund corporation with the exception that taxes payable on net realized capital gains are refundable when its shares are redeemed or when it pays capital gains dividends out of its capital gains dividend account to its shareholders, such that in substance the Corporation is not taxable on capital gains. Similarly, the Corporation is subject to Part IV tax on dividends received from Canadian corporations, however, they are refundable once paid to shareholders. As a result, the Corporation does not record income taxes related to capital gains and dividends from Canadian corporations.

Interest and foreign income are taxed at normal corporate rates applicable to mutual fund corporations and can be reduced by permitted deductions for tax purposes. All of the Corporation's expenses including management fees and operating expenses will be taken into account in determining its overall tax liability, if any.

As of December 31, 2018, the Corporation has accumulated the following non-capital losses available for utilization against net income for tax purposes in future years and capital losses available for utilization against capital gains. The tax benefit of the non-capital losses has not been reflected in the financial statements.

Non-Capital Loss*	Capital Loss**
\$20,423,210	\$nil

* 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.

13. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES PER SHARE

The increase (decrease) in net assets attributable to holders of redeemable shares per share for the years ended December 31, 2018 and 2017 is calculated as follows:

December 31, 2018	Increase (decrease) in net assets attributable to holders of redeemable shares (\$)	Weighted average redeemable shares outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable shares per share (\$)
Canadian Focus Portfolio - Series A	(2,371,024)	1,996,700	(1.19)
Canadian Focus Portfolio - Series F	(2,856,101)	2,492,880	(1.15)
Canadian Focus Portfolio - Series L	(383,408)	495,929	(0.77)
Diversified Portfolio - Series A	(225,782)	176,604	(1.28)
Diversified Portfolio - Series F	(1,194,696)	956,537	(1.25)
Diversified Portfolio - Series I	(206,808)	217,076	(0.95)
Diversified Portfolio - Series L	(111,625)	97,330	(1.15)
Diversified Portfolio - Series R	(3,167,068)	3,103,964	(1.02)

EXEMPLAR PORTFOLIOS

GENERAL NOTES TO THE AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

December 31, 2017	Increase (decrease) in net assets attributable to holders of redeemable shares (\$)	Weighted average redeemable shares outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable shares per share (\$)
Canadian Focus Portfolio - Series A	2,943,806	2,657,154	1.11
Canadian Focus Portfolio - Series F	4,674,957	3,702,667	1.26
Canadian Focus Portfolio - Series L	509,438	651,331	0.78
Diversified Portfolio - Series A	(415,710)	272,631	(1.52)
Diversified Portfolio - Series F	(2,000,614)	1,284,766	(1.56)
Diversified Portfolio - Series I	(451,381)	311,320	(1.45)
Diversified Portfolio - Series L	(157,358)	120,521	(1.31)
Diversified Portfolio - Series R	(1,705,607)	2,079,110	(0.82)

14. REVISION OF COMPARATIVE FIGURES

For the year ended December 31, 2017, "Unrealized foreign exchange gain (loss) on cash and cash equivalents" and "Unrealized foreign exchange (gain) loss on cash and cash equivalents" disclosed in the Statements of Cash Flows has been revised to exclude the unrealized foreign exchange gain (loss) on margin deposits and margin loans and unrealized foreign exchange (gain) loss on margin deposits and margin loans. The reclassified amount for Exemplar Canadian Focus Portfolio and Exemplar Diversified Portfolio is \$67,709 and \$(369), respectively. This change was made to more appropriately reflect the balance relating to the cash and cash equivalents held by the Portfolios.

15. SUBSEQUENT EVENT

Effective January 3, 2019, the Canadian Securities Administrators put into force new rules that eliminated most of NI 81-104 which regulates commodity pools. The Rules contain transitional rules for the Portfolios, which relied on NI 81-104, from certain portions of the revised NI 81-102 until July 3, 2019 or when the prospectus is renewed, whichever comes earlier. It is not expected that the new rules will impact the operations of the Portfolios materially once implemented.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 27, 2019

TO THE SHAREHOLDERS OF EXEMPLAR CANADIAN FOCUS PORTFOLIO AND EXEMPLAR DIVERSIFIED PORTFOLIO (COLLECTIVELY THE "PORTFOLIOS")

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

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

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

"James L. McGovern"

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

"Robert W. Maxwell"

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



Independent auditor's report

To the Shareholders of
Exemplar Canadian Focus Portfolio
Exemplar Diversified Portfolio, classes of Exemplar Portfolios Ltd.
(collectively, the Portfolios, individually the Portfolio)

Our opinion

In our opinion, the accompanying financial statements of each of the Portfolios present fairly, in all material respects, the financial position of each Portfolio as at December 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The financial statements of each of the Portfolios comprise:

- the statements of financial position as at December 31, 2018 and 2017;
- the statements of comprehensive income (loss) for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable shares for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of each of the Portfolios in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Other information

Management is responsible for the other information of each of the Portfolios. The other information comprises the Management Report of Fund Performance of each of the Portfolios.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of each of the Portfolios, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of each of the Portfolios or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance 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 IFRS, 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.

In preparing the financial statements, management is responsible for assessing the ability of each of the Portfolios to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate any of the Portfolios or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of each of the Portfolios.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole for each Portfolio are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements of each of the Portfolios.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of each of the Portfolios, whether due to fraud or error, design and perform audit procedures responsive to those



risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of each of the Portfolios.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each of the Portfolios to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of each of the Portfolios or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause any of the Portfolios to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each of the Portfolios, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 27, 2019

PORTFOLIO INFORMATION

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