

## **EXEMPLAR DIVERSIFIED PORTFOLIO ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

For the year ended December 31, 2011

This annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements for Exemplar Diversified Portfolio (the "Portfolio"). If you have not received a copy of the annual financial statements with the Management Report of Fund Performance, you may obtain a copy of the annual financial statements, at no cost, by calling 866.473.7376, by writing to us at BluMont Capital Corporation, 70 University Avenue, Suite 1200, P.O. Box 16, Toronto, Ontario M5J 2M4 or by visiting our website at [www.blumontcapital.com](http://www.blumontcapital.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

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

### **Forward-Looking Information**

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

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

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

## **Management Discussion on Fund Performance**

### **Investment Objective and Strategies**

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

The core investment strategy of Integrated Managed Futures Corp. ("IMFC"), the Investment Sub-Advisor 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. IMFC utilizes a fixed risk budget that targets long-term average annualized downside deviation of less than 13%. Downside deviation is a risk measure that focuses on returns that fall below a minimum acceptable return. This risk budget is then equally allocated across over 60 markets, adjusted by their volatilities and correlations. 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 degree to which a market's allocated risk budget is utilized is then determined by the net position of multiple trading strategies or algorithms that sample market prices in order to capture persistent risk premiums and changes in risk premiums over time. Unutilized risk budgets that result from conflicting underlying signals are not re-allocated to other markets but go to cash. In addition to the core investment strategy, the Investment Sub-Advisor may utilize trading strategies based on other persistent anomalies or structural biases identified in market data.

The Investment Sub-Advisor 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, the Eurex Deutschland (EUREX), The International Petroleum Exchange of London Limited (IPE), the Singapore International Monetary Exchange (SIMEX), the Sydney Futures Exchange Ltd. and The Tokyo Commodities Exchange (TCE).

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

### **Investment Risk**

The risks of investing in the Portfolio remain as stated in the Portfolio's prospectus dated April 27, 2011 (please see "Risk Factors" pages 32 – 40). The principal risks associated with the Portfolio are stock market risk, specific issuer risk, short selling risk, foreign security risk, currency risk and liquidity risk.

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

### **Results of Operations**

For the period ended December 31, 2011 Series A Shares of the Portfolio delivered a loss of 3.29%. Its benchmark, the Newedge CTA Index, posted a loss of 4.34% over the same period. Please refer to the Past Performance section for the performance of the other series. The performance of the other series offered by the Fund differs from Series A due largely to varying level of expenses charged to each series, as explained in the Management Fees section.

As at December 31, 2011, the Portfolio held approximately 69.2% of its assets in cash and the remainder in margin requirements for futures contracts held in the Portfolio.

The period from January through the end of June 2011 was characterized by a broad consolidation of the 2<sup>nd</sup> half 2010 rally in both equity and commodity markets (collectively, “risk assets”). After hitting new highs in April, both equities and commodities corrected those gains amid a confluence of renewed concerns over the European sovereign debt crisis, a slowing North American economy and a cyclical slowdown in China. As a result of these concerns, risk assets generally struggled in the first half of 2011 while defensive assets such as gold, Swiss Franc and both North American and German bonds performed well.

The Portfolio began the first half of 2011 with an overall low level of exposure due to profit-taking that began in October of 2010. Within this overall exposure, the Portfolio had both long risk exposures to equities, commodities and commodity currencies, and long defensive exposures to gold, North American bonds and defensive currencies such as the Swiss Franc. The relative weighting between risk and defensive exposures was roughly 70/30 at the beginning of 2011.

During the second quarter of 2011, the Portfolio shifted to a more balanced 50/50 weighting between risk and defensive exposures driven by an increase in defensive exposures, a decrease in long risk exposures and selected short positions in certain commodities and equity indices. Overall exposure at the end of June 2011 remained low, and was not materially different than at the end of 2010.

The period from July through the end of December 2011 started with renewed concern with European sovereign debt problems. This concern led to a downward correction in both commodity and equity prices and corresponding rally in fixed income prices. However, the coordinated central bank action of Nov 30<sup>th</sup> 2011 proved pivotal in assuring investors that central banks were prepared to do whatever is necessary to prevent another financial crisis, or at least any contagion that might otherwise occur from a specific default. Markets responded favourably to this development, and equity markets quickly recovered most of the initial period losses. Furthermore, following the central bank action of November 30<sup>th</sup>, broad risk on-risk off correlations between commodities and equities began breaking down and commodity price movements began to react to their own supply/demand factors versus macro factors.

The Portfolio began the second half of 2011 with a relatively balanced 50/50 weighting between risk and defensive exposures, following a period of profit-taking in risk assets that extended from October 2010 through to the end of the first half of 2011. Overall exposure was low to start this period due to the prior profit-taking. Within this overall exposure, the Portfolio started with slightly net long, but mixed long and short, risk exposures to equities, commodities and commodity currencies. For example, the Portfolio started the period with short positions in some Asian and commodity-based equity indices, but long positions in US equity markets. Balancing this mixed but net long risk exposure were long defensive exposures to gold, and North American and German bonds.

During the second half of 2011, the Portfolio initially shifted to a more negative, but still mixed, exposure to risk assets, and increased long exposures to North American and German fixed income positions. Overall exposure increased to average levels of exposure at the same time. However, with the market rebound that occurred from the coordinated central bank action, exposures were cut slightly in the final month of 2011. Overall exposure at the end of 2011 was modest and generally bearish, but less so than at the end of November.

Looking forward, there is certainly still a risk that commodity and equity markets could be vulnerable to shocks from a number of sources; a potential hard or soft landing in China, persistent debt problems in Europe, and the general high level of private and public debt in the developed world. There is in fact little, if any, empirical evidence of periods of strong growth following similar historical build ups in public and private debt. On the other hand, the coordinated central bank action has gone a long way to removing the fear bubble that has hovered around markets since the Global Financial Crisis. In addition, there are long-term fundamentals that remain very constructive, including substantial corporate and bank balance sheet reserves, a global growth story and technology revolution, and a more global capitalistic system. While in the past growing one's way out of debt was the least achievable solutions to unsustainable debt levels (inflation, default and austerity being the three other solutions), the aforementioned fundamentals certainly suggest that it may be possible today. After initial concerns in the final half

of 2011, markets quickly began pricing in this more bullish possibility following the central bank action in November. The first half of 2012 will likely begin with a continuation of this theme.

### Recent Developments

Exemplar Portfolios Ltd. added a new class to its structure when it filed its prospectus in April 2011. Added to the Exemplar Canadian Focus Portfolio, the Exemplar Global Opportunities Portfolio and the Exemplar Diversified Portfolio is the Exemplar Market Neutral Portfolio, a portfolio that seeks to provide superior absolute returns and to be positively correlated to short-term interest rates. Exemplar Portfolios Ltd. also removed an existing class, the Exemplar Leaders Portfolio, from its structure in June 2011. On January 6, 2012, Exemplar Portfolios Ltd. received approval from the Ontario Securities Commission to begin issuing Series L Shares of the Portfolios. Series L Shares are intended for individual investors purchasing under the low-load sales charge option, whereby no sales commission is charged at the time of purchase, however, a redemption fee may be applicable at the time of redemption.

### Related Party Transactions

On April 24, 2009, BluMont Capital seeded the Portfolio with capital of \$5,000 in Class A Shares and \$45,000 in Class F Shares. BluMont Capital currently holds 500 Series A Shares and 4,500 Series F Shares of the Portfolio.

### Management Fees

BluMont Capital Corporation (the “Manager”) receives a monthly management fee (the “Management Fee”), calculated as a percentage of the Portfolio’s net asset value as of the close of business accrued each business day and payable monthly. The Management Fee rate applicable to the Portfolio is 2.00% per annum in respect of Series A Shares and 1.00% per annum in respect of the Series F Shares. For the year ended December 31, 2011, the total Management Fee equaled \$634,756. The Management Fee is paid in consideration of investment management and administration services. No breakdown of such services was specified in the Management Agreement dated March 22, 2011. From this Management Fee, the Manager pays fees to the Investment Sub-Advisor (IMFC, in its capacity as such) who provides portfolio management services to the Portfolio. All fees and expenses payable to the Investment Sub-Advisor for its services will be borne by BluMont Capital and not by the Portfolio. A portion of the Management Fee paid by the Portfolio is for trailer fees paid to dealers whose clients hold Shares of the Portfolio. The trailer fees are a percentage of the net asset value of the Portfolio, calculated and payable monthly. The table below outlines the Portfolio’s annual Management Fees and the trailer fees.

	Series A Shares	Series F Shares
Management Fees (Annual Rate (%))	2.00%	1.00%
Trailer Fees (rate as % of Management Fees)	34.80%	0.00%

In addition, the Portfolio pays BluMont Capital performance fees (“Performance Fees”) equal to 20% of the amount by which the Portfolio return in a year is in excess of the high water mark (the “High Water Mark”), and no Performance Fee is payable unless an annual hurdle rate of 6% is achieved in that year. Performance Fees will be payable in all circumstances where the performance of the Portfolio exceeds that of its High Water Mark and its hurdle rate. Please refer to the Portfolio’s long form prospectus dated April 27, 2011 for further details relating to Performance Fees. The High Water Mark set as of December 31, 2010 was \$12.0880 for Series A and \$12.2882 for Series F. As of December 31, 2011 there were no Performance Fees accrued. Performance Fees are calculated and accrued daily such that, to the extent possible, the share price each day will reflect any Performance Fees payable as at the end of such day. Performance Fees for the Portfolio will be calculated and accrued each day, but will only be payable following the end of the fiscal year of the Portfolio based on the actual annual performance of the Portfolio.

The Manager incurs operating expenses on behalf of the Portfolio and charges these expenses to the Portfolio. For the year ended December 31, 2011, the Manager has, in its discretion, agreed to absorb \$81,085 of operating expenses associated with the Portfolio.

### Financial Highlights

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

<b>SERIES A - NET ASSETS PER SHARE</b>			
<b>For the years ended December 31,</b>	<b>2011</b>	<b>2010</b>	<b>2009†</b>
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$ 12.02</b>	<b>\$ 10.72</b>	<b>\$ 10.00</b>
Increase from operations:			
Total revenue	(0.16)	2.12	0.52
Total expenses	(0.34)	(0.65)	(0.34)
Realized gains (losses) for the period	-	(0.01)	-
Unrealized gains for the period	-	-	-
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ (0.50)</b>	<b>\$ 1.46</b>	<b>\$ 0.18</b>
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)	-	-	-
From dividends	-	-	-
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$ 11.72</b>	<b>\$ 12.02</b>	<b>\$ 10.72</b>

<b>SERIES A - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup></b>			
<b>For the years ended December 31,</b>	<b>2011</b>	<b>2010</b>	<b>2009†</b>
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$26,572	\$15,252	\$3,715
Number of shares outstanding	2,272,995	1,261,728	343,949
Management expense ratio <sup>3</sup>	2.77%	5.07%	5.88%*
Management expense ratio before waivers or absorptions <sup>4</sup>	3.00%	5.85%	12.00%*
Portfolio turnover rate <sup>5</sup>	n/a	n/a	n/a
Trading expense ratio <sup>6</sup>	n/a	n/a	n/a

<b>SERIES F - NET ASSETS PER SHARE</b>			
<b>For the years ended December 31,</b>	<b>2011</b>	<b>2010</b>	<b>2009†</b>
<b>Net Assets, beginning of period<sup>1</sup></b>	<b>\$ 12.22</b>	<b>\$ 10.80</b>	<b>\$ 10.00</b>
Increase from operations:			
Total revenue	(0.06)	1.94	0.72
Total expenses	(0.21)	(0.53)	(0.20)
Realized gains (losses) for the period	-	(0.02)	-
Unrealized gains for the period	-	-	-
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	<b>\$ (0.27)</b>	<b>\$ 1.39</b>	<b>\$ 0.52</b>
<b>Distributions<sup>2</sup>:</b>			
From income (excluding dividends)	-	-	-
From dividends	-	-	-
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets, end of period<sup>1</sup></b>	<b>\$ 12.06</b>	<b>\$ 12.22</b>	<b>\$ 10.80</b>

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

<b>For the years ended December 31,</b>	<b>2011</b>	<b>2010</b>	<b>2009†</b>
Net Asset Value (“NAV”) (000s) <sup>1</sup>	\$16,957	\$11,057	\$5,152
Number of shares outstanding	1,410,527	899,810	473,389
Management expense ratio <sup>3</sup>	1.71%	5.07%	5.88%*
Management expense ratio before waivers or absorptions <sup>4</sup>	1.94%	5.85%	12.00%*
Portfolio turnover rate <sup>5</sup>	n/a	n/a	n/a
Trading expense ratio <sup>6</sup>	n/a	n/a	n/a

†The Portfolio commenced operations on May 1, 2009.

\*Ratios have been annualized.

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

**Past Performance**

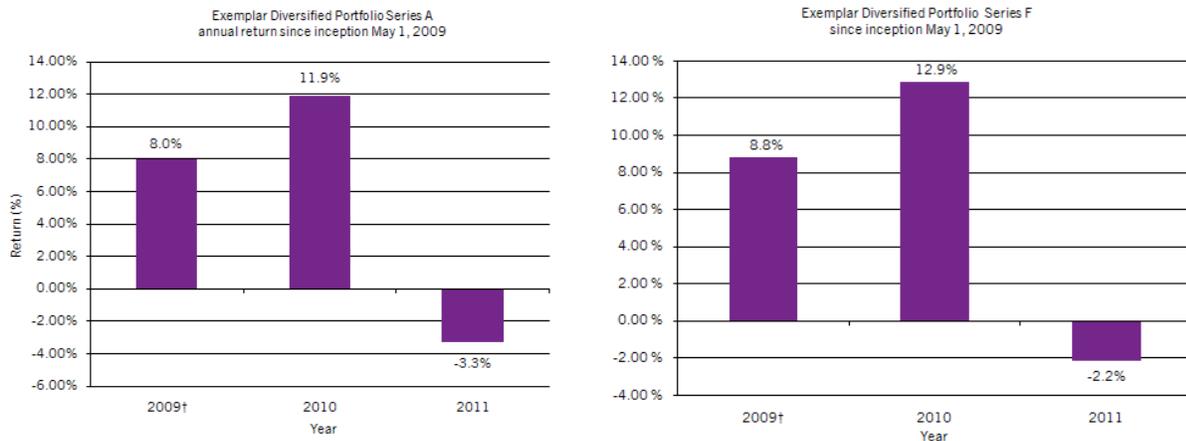
The performance information shown below assumes that all distributions, if any, made by the Portfolio in the periods shown were reinvested in additional shares of the Portfolio. If you hold the Portfolio outside a registered plan, you will be taxed on distributions. Distributions of income the Portfolio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

The indicated rates of return are historical annual compounded total returns including changes in unit value and do not take into account sale, redemption, distribution or other optional charges, that, if applicable, would have

reduced returns or performance. An investment in the Portfolio is not guaranteed. Its value changes frequently and how the Portfolio has performed in the past does not necessarily indicate how it will perform in the future.

### Year-By-Year Returns

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



† Returns shown represent a partial year from inception on May 1, 2009 to December 31, 2009.

### Annual Compound Returns (Compound Performance)

The following table shows the annual compound total returns of the Portfolio, and for the Newedge CTA Index (the Newedge CTA Index is an equal weighted, daily calculated annually re-balanced, return index for a pool of CTAs selected from the larger managers that are open to new investment) for the periods shown ended December 31, 2011. The Relative Performance returns show the performance of the Portfolio as compared to the benchmark Newedge CTA Index.

	1 Month	3 Month	6 Month	1 Year	Annualized Since Inception	Cumulative Total Return
Series A	1.27%	-2.51%	-3.07%	-3.29%	6.03%	16.90%
Series F	1.36%	-2.23%	-2.49%	-2.17%	7.15%	20.22%
Newedge CTA	0.62%	-3.00%	-0.40%	-4.34%	1.57%	4.24%

## Summary of Investment Portfolio as at December 31, 2011

The summary of investment portfolio below includes information regarding the Portfolio as a whole. This summary may change due to ongoing portfolio transactions of the Portfolio and a quarterly update is available by contacting BluMont Capital at 866.473.7376 or by visiting BluMont Capital's website at [www.blumontcapital.com](http://www.blumontcapital.com) or SEDAR's website at [www.sedar.com](http://www.sedar.com).

<b>Top 25 Holdings</b>	<b>% of Net Assets</b>	<b>Sector Weightings</b>	<b>% of Net Assets</b>
<b>Long Positions</b>		<b>Long Positions</b>	
Cocoa Futures, March 2012	0.5%	Commodity Futures	0.4%
Euro-Bobl Futures, March 2012	0.4%	Currency Futures	0.2%
Coffee Robusta Futures 10 tonne, March 2012	0.3%	Index Futures	-%
Euro-Bund Futures, March 2012	0.2%	Bond Futures	0.4%
Natural Gas Futures, February 2012	0.2%		
Japan Yen Currency Futures, March 2012	0.2%	<b>Short Positions</b>	
SPI 200 Futures, March 2012	0.2%	Commodity Futures	0.3%
Nikkei 225 (SGX) Futures, March 2012	0.2%	Currency Futures	0.1%
Silver Futures, March 2012	0.1%	Index Futures	0.1%
Gas Oil Futures (ICE), February 2012	0.1%	Bond Futures	-%
Platinum Futures, April 2012	0.1%		
Euro FX Currency Future, March 2012	0.1%		
Euro/GBP Futures, March 2012	0.1%		
LME Zinc Futures, March 2012	0.1%		
US 10 Year Note Futures, March 2012	0.1%		
Canada 10 Year Bond Futures, March 2012	0.1%		
<b>Short Positions</b>			
LME Nickel Futures, March 2012	(0.1)%		
Canadian Dollar Currency Futures, March 2012	(0.1)%		
LME Nickel Futures, February 2012	(0.1)%		
Corn Futures, March 2012	(0.1)%		
S&P/TSX 60 Index Futures, March 2012	(0.1)%		
Soybean Oil Futures, March 2012	(0.2)%		
Canola Futures (WCE), March 2012	(0.2)%		
Wheat Futures (CBT), March 2012	(0.3)%		
Soybean Futures, March 2012	(0.3)%		
<b>Total Net Assets</b>	<b>\$43,650,342</b>		