



**AUDITED ANNUAL FINANCIAL STATEMENTS**

**DECEMBER 2016**

EXEMPLAR CANADIAN FOCUS PORTFOLIO | EXEMPLAR DIVERSIFIED PORTFOLIO



# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## Statements of Financial Position

	As at December 31, 2016	As at December 31, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Financial assets designated at fair value through profit and loss	\$126,802,706	\$68,808,046
Cash	40,924,613	53,030,235
Margin deposits	2,722,571	1,150,937
Accrued interest receivable	-	11,760
Accrued dividends receivable	215,294	82,208
Accrued income tax receivable	7,011	-
Due from manager (Note 11)	-	297,576
Receivable for securities sold	286,555	171,912
Receivable for redeemable shares issued	39,457	490,635
	170,998,207	124,043,309
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Financial liabilities held for trading		
Investments sold short	487,020	920,418
Payable for securities purchased	2,845,287	-
Accrued dividends payable	394	147
Payable for redeemable shares redeemed	422,738	56,253
Distributions payable	-	195,577
Other liabilities (Note 11)	315,796	67,838
	4,071,235	1,240,233
<b>Net assets attributable to holders of redeemable shares</b>	<b>\$166,926,972</b>	<b>\$122,803,076</b>
Net assets attributable to holders of redeemable shares		
Series A	\$60,940,157	\$53,659,760
Series F	\$95,701,150	\$60,500,812
Series L	\$10,285,665	\$8,642,504
Number of redeemable shares outstanding (Note 10)		
Series A	3,103,173	2,702,715
Series F	4,526,287	2,859,550
Series L	748,245	619,909
Net assets attributable to holders of redeemable shares per share		
Series A	\$19.64	\$19.85
Series F	\$21.14	\$21.16
Series L	\$13.75	\$13.94

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  
For the years ended December 31,

	2016 \$	2015 \$
<b>INCOME</b>		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	19,605	79,816
Dividend income	1,450,596	1,446,478
Dividend expense on short sales	(36,562)	(19,493)
Securities lending income (net) (Note 8)	20,780	-
Net realized gain (loss) on investments and derivatives	5,097,648	4,123,282
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	(1,934,779)	1,410,508
Net gains on investments and derivatives	4,617,288	7,040,591
Other income items:		
Interest on cash	285,422	42,068
Foreign exchange gain (loss)	(436,922)	746,904
Net change in unrealized foreign exchange gain (loss)	(37,424)	(114,715)
<b>Total income (net)</b>	<b>4,428,364</b>	<b>7,714,848</b>
<b>EXPENSES</b>		
Securityholder reporting fees	604,723	426,488
Management fees (Note 11)	1,738,738	1,188,555
Performance fees (Note 11)	69,362	481,669
Interest expense	1,234	1,739
Audit fees	31,783	28,197
Independent Review Committee fees	4,600	4,536
Legal fees	12,193	12,960
Custodial fees	32,207	14,042
Security borrowing expenses	9,404	7,520
Commissions and other portfolio transaction costs (Note 11)	85,628	22,039
Withholding tax expense	25,757	38,439
Harmonized sales tax	249,753	226,092
Income tax	-	3,697
<b>Total expenses</b>	<b>2,865,382</b>	<b>2,455,973</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	<b>1,562,982</b>	<b>5,258,875</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares (Note 13)</b>		
Series A	(31,695)	2,650,622
Series F	1,574,976	2,262,176
Series L	19,701	346,077
<b>Increase (decrease) in net assets attributable to holders of redeemable shares per share (Note 13)</b>		
Series A	(0.01)	1.12
Series F	0.38	1.17
Series L	0.03	0.65

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,

		2016	2015
		\$	\$
<b>Net assets attributable to holders of redeemable shares at beginning of year</b>	Series A	53,659,760	43,776,926
	Series F	60,500,812	30,891,999
	Series L	8,642,504	5,616,981
		<u>122,803,076</u>	<u>80,285,906</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	Series A	(31,695)	2,650,622
	Series F	1,574,976	2,262,176
	Series L	19,701	346,077
		<u>1,562,982</u>	<u>5,258,875</u>
<b>Distributions to holders of redeemable shares</b>			
	From net investment income		
	Series A	(342,729)	(303,591)
	Series F	(536,018)	(341,373)
	Series L	(58,075)	(49,563)
		<u>(936,822)</u>	<u>(694,527)</u>
	From net realized gains on investments and derivatives		
	Series A	-	(503,322)
	Series F	-	(567,074)
	Series L	-	(81,381)
		<u>-</u>	<u>(1,151,777)</u>
<b>Total distributions to holders of redeemable shares</b>		<u>(936,822)</u>	<u>(1,846,304)</u>
<b>Redeemable share transactions</b>			
Proceeds from redeemable shares issued	Series A	18,763,919	15,642,379
	Series F	51,176,087	31,481,245
	Series L	3,843,289	3,492,519
Reinvestments of distributions to holders of redeemable shares	Series A	323,313	769,018
	Series F	380,741	770,624
	Series L	50,667	111,764
Redemption of redeemable shares	Series A	(11,432,411)	(8,372,272)
	Series F	(17,395,448)	(3,996,785)
	Series L	(2,212,421)	(793,893)
<b>Net increase (decrease) from redeemable share transactions</b>		<u>43,497,736</u>	<u>39,104,599</u>
<b>Net increase (decrease) in net assets attributable to holders of redeemable shares</b>		<u>44,123,896</u>	<u>42,517,170</u>
<b>Net assets attributable to holders of redeemable shares at end of year</b>	Series A	60,940,157	53,659,760
	Series F	95,701,150	60,500,812
	Series L	10,285,665	8,642,504
		<u>166,926,972</u>	<u>122,803,076</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,

	2016 \$	2015 \$
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares	1,562,982	5,258,875
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	(37,371)	67,841
Net realized (gain) loss on investments and derivatives	(5,097,648)	(4,123,282)
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	1,934,779	(1,410,508)
Purchase of investments	(113,316,374)	(36,676,602)
Proceeds on sale of investments	60,781,829	37,289,363
Decrease (increase) in accrued interest receivable	11,760	7,814
Decrease (increase) in accrued dividends receivable	(133,086)	(9,761)
Decrease (increase) in accrued income tax receivable	(7,011)	-
Decrease (increase) in due from manager	297,576	(297,576)
Increase (decrease) in accrued dividends payable	247	(5,248)
Increase (decrease) in other liabilities	247,958	(83,733)
Decrease (increase) in margin deposits	(1,571,634)	1,336,562
<b>Net cash from (used in) operating activities</b>	<b>(55,325,993)</b>	<b>1,353,745</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from redeemable shares issued	70,654,329	50,232,791
Redemption of redeemable shares	(27,093,651)	(13,265,726)
Distributions paid to holders of redeemable shares, net of reinvested distributions	(377,678)	-
<b>Net cash from (used in) financing activities</b>	<b>43,183,000</b>	<b>36,967,065</b>
<b>Net Increase (decrease) in cash</b>	<b>(12,142,993)</b>	<b>38,320,810</b>
<b>Cash at beginning of the year</b>	<b>53,030,235</b>	<b>14,777,266</b>
Net change in unrealized foreign exchange gain (loss) on cash	37,371	(67,841)
<b>Cash at end of the year</b>	<b>40,924,613</b>	<b>53,030,235</b>
<b>Supplemental information:</b>		
Interest received*	316,787	129,698
Dividends received, net of withholding tax*	1,291,753	1,398,278
Income tax paid*	-	(3,697)
Interest paid*	(1,234)	(1,739)
Dividend paid*	(36,315)	(24,741)

\*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, 2016

Equity Positions - Long		63.7%		Average Cost	Fair Value
Security Name	Currency	Quantity		\$	\$
<b>Consumer Discretionary</b>		<b>7.8%</b>			
Amazon.com, Inc.	USD	400		425,980	402,725
Aritzia Inc.	CAD	1,300		20,800	22,750
Canadian Tire Corporation, Limited	CAD	4,700		432,152	654,569
Cineplex Inc.	CAD	24,200		912,521	1,239,524
DHX Media Ltd.	CAD	505,000		1,162,459	3,560,250
Diversified Royalty Corp.*	CAD	30,300		70,829	77,871
Imvescor Restaurant Group Inc.	CAD	301,100		910,821	1,053,850
McDonald's Corporation	USD	4,222		703,950	689,990
Newell Brands Inc.	USD	14,200		880,812	851,280
Panera Bread Company	USD	900		255,359	247,828
Sleep Country Canada Holdings Inc.	CAD	48,000		918,322	1,381,440
American Outdoor Brands Corporation*	USD	1,000		35,403	28,303
Spin Master Corp.	CAD	67,400		1,790,042	2,169,606
Uni-Select Inc.	CAD	23,800		503,979	701,862
				9,023,429	13,081,848
<b>Consumer Staples</b>		<b>6.7%</b>			
AGT Food and Ingredients Inc.	CAD	39,800		1,250,331	1,458,272
Alimentation Couche-Tard Inc.	CAD	59,600		982,892	3,628,448
Altria Group, Inc.	USD	4,100		339,810	372,239
Constellation Brands, Inc.	USD	3,100		506,671	638,109
Cott Corporation	CAD	23,900		453,542	363,280
Diageo PLC*	USD	3,400		503,667	474,487
The Hain Celestial Group, Inc.	USD	19,000		1,013,239	995,669
Loblaw Companies Limited	CAD	9,800		576,630	694,232
Maple Leaf Foods Inc.	CAD	400		11,803	11,248
Mondelez International, Inc.	USD	3,200		186,099	190,463
Pinnacle Foods Inc.	USD	1,700		108,207	122,000
Premium Brands Holdings Corporation	CAD	7,900		427,792	544,784
Reynolds American Inc.	USD	1,400		100,920	105,339
Tyson Foods, Inc.	USD	13,176		1,164,879	1,091,166
The WhiteWave Foods Company	USD	4,300		255,288	321,001
Whole Foods Market, Inc.*	USD	2,700		102,557	111,510
				7,984,327	11,122,247
<b>Energy</b>		<b>9.4%</b>			
Advantage Oil & Gas Ltd.	CAD	11,400		94,469	103,968
Birchcliff Energy Ltd.	CAD	69,800		600,342	654,026
Bonavista Energy Corporation	CAD	70,300		235,431	338,143
Cameco Corporation	CAD	3,100		44,007	43,524
Canadian Energy Services & Technology Corp.	CAD	11,600		82,966	88,856
Canadian Natural Resources Limited	CAD	22,600		856,134	967,054
Enbridge Inc.	CAD	29,100		1,534,175	1,644,150
Enerflex Ltd.	CAD	1,100		17,576	18,755
Paramount Resources Ltd.*	CAD	10,500		88,939	189,735
PrairieSky Royalty Ltd.	CAD	5,600		175,840	178,864
Raging River Exploration Inc.	CAD	92,400		967,864	975,744
Seven Generations Energy Ltd.	CAD	24,500		713,163	767,095
Suncor Energy Inc.	CAD	15,100		648,028	662,890

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

Schedule of Investment Portfolio – As at December 31, 2016

Equity Positions - Long		63.7%	Average Cost	Fair Value
Security Name	Currency	Quantity	\$	\$
<b>Energy - Continued</b>				
Tamarack Valley Energy Ltd.	CAD	266,100	964,960	920,706
Tidewater Midstream and Infrastructure Ltd.	CAD	384,700	600,132	611,673
Tourmaline Oil Corp.	CAD	18,900	643,325	678,699
TransCanada Corporation*	CAD	87,500	5,128,217	5,297,250
Trican Well Service Ltd.*	CAD	74,800	333,666	344,080
Vermilion Energy Inc.	CAD	22,300	934,878	1,259,727
			14,664,112	15,744,939
<b>Financials</b>				
		3.7%		
Bank of Montreal	CAD	17,900	1,696,199	1,728,603
Burford Capital Limited	GBP	90,000	852,006	852,575
CI Financial Corp.	CAD	15,000	438,250	433,050
ECN Capital Corp.	CAD	109,600	335,010	361,680
The Goldman Sachs Group, Inc.	USD	500	142,639	160,749
Onex Corporation	CAD	11,000	977,994	1,005,180
Royal Bank of Canada	CAD	3,800	310,240	345,306
Sun Life Financial Inc.	CAD	11,000	567,294	567,050
TD Ameritrade Holding Corporation	USD	1,300	59,339	76,101
The Toronto-Dominion Bank	CAD	9,200	580,473	609,224
			5,959,444	6,139,518
<b>Health Care</b>				
		1.3%		
Biogen Inc.	USD	1,400	560,050	533,048
Bristol-Myers Squibb Company	USD	800	59,943	62,772
Canopy Growth Corporation*	CAD	4,300	43,519	39,302
Knight Therapeutics Inc.	CAD	50,700	425,074	544,518
Zoetis Inc.	USD	14,602	828,892	1,049,476
			1,917,478	2,229,116
<b>Industrials</b>				
		10.7%		
Ag Growth International Inc.*	CAD	23,600	1,101,322	1,239,472
Armstrong Flooring, Inc.	USD	58,200	1,167,684	1,555,812
CAE Inc.	CAD	28,400	427,340	533,352
Canadian Pacific Railway Limited	CAD	7,100	1,417,341	1,360,076
CanWel Building Materials Group Ltd.*	CAD	100,000	660,000	600,000
Cargojet Inc.*	CAD	6,800	286,917	311,032
Deere & Company*	USD	3,200	438,665	442,709
DIRTT Environmental Solutions Ltd.*	CAD	104,400	307,376	654,588
Exchange Income Corporation*	CAD	48,700	2,088,537	2,033,225
Honeywell International Inc.	USD	5,100	631,659	793,285
Lockheed Martin Corporation	USD	1,900	619,038	637,606
MacDonald, Dettwiler and Associates Ltd.	CAD	22,600	1,406,510	1,511,714
Morneau Shepell Inc.	CAD	27,300	467,530	523,887
New Flyer Industries Inc.	CAD	47,400	1,820,660	1,935,816
Nielsen Holdings PLC	USD	6,400	408,086	360,475
Raytheon Company	USD	3,400	608,861	648,231
Ritchie Bros. Auctioneers Incorporated	USD	900	40,845	41,085
Stanley Black & Decker, Inc.	USD	200	31,396	30,798
Toromont Industries Ltd.	CAD	6,500	207,653	275,275



# EXEMPLAR CANADIAN FOCUS PORTFOLIO

Schedule of Investment Portfolio – As at December 31, 2016

Equity Positions - Long		63.7%	Average Cost	Fair Value
Security Name	Currency	Quantity	\$	\$
<b>Industrials - Continued</b>				
United Rentals, Inc.	USD	300	42,991	42,527
Univar Inc.	USD	10,800	402,153	411,383
Waste Connections, Inc.	USD	5,900	506,192	622,561
WSP Global Inc.*	CAD	30,500	1,090,916	1,363,045
			16,179,672	17,927,954
<b>Information Technology</b>				
			6.7%	
Alphabet Inc. Class A	USD	1,800	1,772,771	1,915,169
Alphabet Inc. Class C	USD	300	316,794	310,885
Broadcom Limited	USD	4,200	897,329	996,829
CGI Group Inc.	CAD	9,900	356,205	637,956
Cisco Systems, Inc.	USD	500	19,965	20,287
Constellation Software Inc.	CAD	700	377,418	427,084
The Descartes Systems Group Inc.	CAD	80,000	492,675	2,290,400
DH Corporation	CAD	10,900	235,174	242,852
Facebook, Inc.	USD	600	94,909	92,683
Kinaxis Inc.	CAD	22,200	485,964	1,387,500
Micron Technology, Inc.	USD	12,000	363,538	353,171
Open Text Corporation	CAD	16,100	1,309,820	1,335,012
PayPal Holdings, Inc.	USD	3,500	166,858	185,480
Redknee Solutions Inc.*	CAD	76,500	144,207	119,340
Shopify Inc.	USD	4,000	208,706	230,238
Twitter, Inc.*	USD	1,300	37,163	28,451
Visa Inc.	USD	6,400	632,310	670,423
			7,911,806	11,243,760
<b>Materials</b>				
			11.9%	
Agnico Eagle Mines Limited	CAD	12,200	607,184	688,690
Agrium Inc.	CAD	3,400	417,942	458,864
Albemarle Corporation	USD	3,300	364,329	381,399
BHP Billiton Limited	USD	2,400	122,159	115,296
CCL Industries Inc.	CAD	21,000	2,494,586	5,539,800
Detour Gold Corporation	CAD	9,000	179,823	164,610
Hudbay Minerals Inc.	CAD	45,400	350,457	348,672
Klondex Mines Ltd.*	CAD	69,500	440,350	434,375
Lithium Americas Corp.	CAD	182,500	140,136	146,000
Lithium X Energy Corp.*	CAD	92,600	170,483	208,350
Lucara Diamond Corp.	CAD	72,300	227,933	219,792
Mandalay Resources Corporation	CAD	515,500	586,797	412,400
Methanex Corporation	CAD	12,500	564,700	736,125
Newcastle Gold Ltd.	CAD	194,100	201,577	141,693
Newmont Mining Corporation	USD	28,500	1,524,755	1,303,706
Norbord Inc.	CAD	3,800	124,860	128,858
Osisko Gold Royalties Ltd*	CAD	24,800	411,621	324,632
Rio Tinto PLC	USD	2,500	130,526	129,096
Sandstorm Gold Ltd.	CAD	365,000	1,883,088	1,923,550
Sociedad Quimica y Minera de Chile S.A.*	USD	14,900	422,518	573,157
Stella-Jones Inc.	CAD	49,700	622,953	2,165,926
Tahoe Resources Inc.	CAD	60,900	1,244,313	770,385

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

Schedule of Investment Portfolio – As at December 31, 2016

Equity Positions - Long		63.7%			
Security Name	Currency	Quantity	Average Cost	Fair Value	
			\$	\$	
<b>Materials - Continued</b>					
Teck Resources Limited	CAD	37,800	1,293,827	1,015,686	
Trevali Mining Corporation	CAD	484,800	418,747	547,824	
Turquoise Hill Resources Ltd.	CAD	160,300	719,894	690,893	
Yamana Gold Inc.	CAD	92,300	564,349	347,971	
			<u>16,229,907</u>	<u>19,917,750</u>	
<b>Real Estate</b>					
					1.0%
Dream Industrial REIT*	CAD	102,400	882,708	873,472	
RioCan REIT	CAD	1,000	28,301	26,630	
StorageVault Canada Inc.	CAD	380,700	404,590	548,208	
Tricon Capital Group Inc.	CAD	25,500	237,287	241,230	
			<u>1,552,886</u>	<u>1,689,540</u>	
<b>Telecommunication Services</b>					
					0.6%
BCE Inc.	CAD	18,200	1,055,146	1,056,146	
<b>Utilities</b>					
					3.9%
American Water Works Company, Inc.	USD	800	77,877	77,723	
Brookfield Infrastructure Partners L.P.	CAD	31,900	1,368,035	1,432,948	
Brookfield Infrastructure Partners L.P.	USD	56,100	2,411,585	2,521,050	
Hydro One Limited	CAD	45,100	1,066,662	1,063,458	
Northland Power Inc.*	CAD	31,400	728,228	731,620	
TransAlta Corporation	CAD	85,700	543,396	636,751	
			<u>6,195,783</u>	<u>6,463,550</u>	
			<u>88,673,990</u>	<u>106,616,368</u>	

Equity Positions - Short		(0.3%)			
Security Name	Currency	Quantity	Proceeds	Fair Value	
			\$	\$	
<b>Consumer Discretionary</b>					
					(0.1%)
MTY Food Group Inc.	CAD	(2,400)	(113,489)	(121,344)	
<b>Financials</b>					
					(0.1%)
Great-West Lifeco Inc.	CAD	(4,400)	(152,518)	(154,748)	
<b>Health Care</b>					
					(0.0%)
Aphria Inc.	CAD	(1,100)	(5,488)	(5,544)	
<b>Industrials</b>					
					(0.0%)
Finning International Inc.	CAD	(1,800)	(42,692)	(47,322)	
<b>Real Estate</b>					
					(0.1%)
Boardwalk REIT	CAD	(2,100)	(106,682)	(102,165)	
			<u>(420,869)</u>	<u>(431,123)</u>	

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

Schedule of Investment Portfolio – As at December 31, 2016

Funds - Long		12.1%		
Security Name	Currency	Quantity	Average Cost \$	Fair Value \$
A&W Revenue Royalties Income Fund	CAD	31,100	1,047,422	1,155,987
BMO S&P/TSX Equal Weight Banks Index ETF*	CAD	76,900	1,993,155	2,064,765
Boyd Group Income Fund	CAD	118,783	2,208,691	10,163,073
Financial Select Sector SPDR Fund*	USD	500	14,911	15,608
iShares Russell 2000 ETF*	USD	2,000	352,916	362,113
iShares S&P/TSX 60 Index ETF	CAD	37,600	811,676	851,264
iShares S&P/TSX Capped Energy Index ETF*	CAD	157,700	2,002,481	2,210,954
iShares S&P/TSX Global Gold Index ETF*	CAD	79,000	1,126,257	958,270
iShares U.S. Broker-Dealers & Securities Exchanges ETF	USD	1,800	117,488	119,582
PowerShares DB US Dollar Index Bullish Fund	USD	19,100	660,954	678,557
Powershares QQQ Trust Series 1	USD	700	111,361	111,354
SPDR Dow Jones Global Real Estate ETF	USD	10,071	636,512	633,633
SPDR Gold Shares ETF*	USD	2,100	321,566	309,053
SPDR S&P Oil & Gas Exploration & Production ETF	USD	4,600	257,420	255,818
VanEck Vectors Russia ETF	USD	10,400	283,838	296,307
			<u>11,946,648</u>	<u>20,186,338</u>

Funds - Short		(0.0%)		
Security Name	Currency	Quantity	Average Cost \$	Fair Value \$
Brookfield Property Partners L.P.	CAD	(600)	(19,312)	(17,598)
iShares MSCI Italy Capped ETF	USD	(400)	(11,402)	(13,002)
United States Oil Fund, LP	USD	(800)	(11,312)	(12,589)
VanEck Vectors Junior Gold Miners ETF	USD	(300)	(13,486)	(12,708)
			<u>(55,512)</u>	<u>(55,897)</u>

Warrant Positions - Long		0.0%				
Security Name	Currency	Strike Price	Maturity Date	Quantity	Average Cost \$	Fair Value \$
Patient Home Monitoring Corp	CAD	1.8	05-04-18	135,000	270	-

Investment Portfolio Summary		Average Cost/(Proceeds) \$	Fair Value \$
	%		
Equity Positions - Long	63.7	88,673,990	106,616,368
Equity Positions - Short	(0.3)	(420,869)	(431,123)
Funds - Long	12.1	11,946,648	20,186,338
Funds - Short	(0.0)	(55,512)	(55,897)
Warrant Positions - Long	-	270	-
Total Investments	<u>75.5</u>	<u>100,144,527</u>	<u>126,315,686</u>
Total Other Net Assets	<u>24.5</u>	<u>-</u>	<u>40,611,286</u>
Total Net Assets	<u>100.0</u>	<u>100,144,527</u>	<u>166,926,972</u>

\* Denotes all or part of securities on loan

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

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 5: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

### Credit Risk

The analysis below summarizes the credit quality of the Portfolio's debt portfolio at December 31, 2016 and 2015.

Credit Rating*	Percentage of total debt securities	
	As at December 31, 2016	As at December 31, 2015
	\$	\$
Not Rated	-	100.0
Total	-	100.0

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

The Portfolio is exposed to counterparty credit risk on cash, margin on deposit, 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 Aa3 (2015: Aa3) 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 Statement 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 A3.

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 (2015: Aa3).

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 (2015: Aa1).

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

### Liquidity Risk

All of the Portfolio's liabilities are typically due in less than 3 months except for performance fees which are accrued daily and payable annually on December 31. Redeemable shares are redeemable on demand at the holder's option. However, holders of these instruments typically retain them for a longer period.

### 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, 2016 and 2015 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 cash, fixed income securities and other current receivables and payables.

December 31, 2016	Exposure			Impact on net assets attributable to holders of redeemable shares		
	Monetary \$	Non-Monetary \$	Total \$	Monetary \$	Non-Monetary \$	Total \$
United States Dollar - Long	3,822,529	26,820,594	30,643,123	382,253	2,682,059	3,064,312
United States Dollar - Short	(449,788)	(38,299)	(488,087)	(44,979)	(3,830)	(48,809)
Great Britian Pound - Long	-	852,575	852,575	-	85,258	85,258
Great Britian Pound - Short	(91,237)	-	(91,237)	(9,124)	-	(9,124)
<b>Total</b>	<b>3,281,504</b>	<b>27,634,870</b>	<b>30,916,374</b>	<b>328,150</b>	<b>2,763,487</b>	<b>3,091,637</b>
% of net assets attributable to holders of redeemable shares	2.0%	16.5%	18.5%	0.2%	1.7%	1.9%

December 31, 2015	Exposure			Impact on net assets attributable to holders of redeemable shares		
	Monetary \$	Non-Monetary \$	Total \$	Monetary \$	Non-Monetary \$	Total \$
United States Dollar - Long	3,159,858	13,081,150	16,241,008	315,986	1,308,115	1,624,101
United States Dollar - Short	-	(578,932)	(578,932)	-	(57,893)	(57,893)
<b>Total</b>	<b>3,159,858</b>	<b>12,502,218</b>	<b>15,662,076</b>	<b>315,986</b>	<b>1,250,222</b>	<b>1,566,208</b>
% of net assets attributable to holders of redeemable shares	2.6%	10.2%	12.8%	0.3%	1.0%	1.3%

#### (b) Interest Rate Risk

The table below summarizes the Portfolio's exposure to interest rate risk as at December 31, 2016 and 2015. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable shares if the prevailing levels of market interest rates changed by 1.0%, assuming a parallel shift in the yield curve with all other variables held constant.

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

Term to Maturity	Total Exposure	
	December 31, 2016	December 31, 2015
Less than 1 year	\$ -	\$ -
1-3 years	-	1,275,396
3-5 years	-	-
Greater than 5 years	-	-
Total	\$ -	\$ 1,275,396
Sensitivity:		
Total \$ sensitivity	+/- \$ -	+/- \$ 2,856
Total % sensitivity	0.0%	0.0%

### (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, 2016	December 31, 2015
	\$	\$
5% Increase	6,315,784	3,330,612
5% Decrease	(6,315,784)	(3,330,612)

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.

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

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	% of net assets attributable to holders of redeemable shares			
	December 31, 2016		December 31, 2015	
	Long %	Short %	Long %	Short %
Consumer Discretionary	7.8	(0.1)	13.0	(0.2)
Consumer Staples	6.7	-	7.5	-
Corporate Bonds	-	-	1.0	-
Energy	9.4	-	1.8	(0.2)
Financials	3.7	(0.1)	3.3	(0.2)
Funds	12.1	(0.0)	5.9	-
Health Care	1.3	(0.0)	0.7	-
Industrials	10.7	(0.0)	6.9	(0.1)
Information Technology	6.7	-	9.1	-
Materials	11.9	-	6.4	-
Real Estate	1.0	(0.1)	-	-
Telecommunication Services	0.6	-	0.5	-
Utilities	3.9	-	-	-
	75.8	(0.3)	56.0	(0.7)

### FAIR VALUE MEASUREMENT

A general discussion of fair value measurement for the Exemplar Portfolios appears as Note 6: 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, 2016 and 2015.

December 31, 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Equities	106,616,368	-	-	106,616,368
Funds	20,186,338	-	-	20,186,338
	126,802,706	-	-	126,802,706
<b>Financial liabilities</b>				
Equities sold short	(431,123)	-	-	(431,123)
Funds	(55,897)	-	-	(55,897)
	(487,020)	-	-	(487,020)
<b>Total</b>	<b>126,315,686</b>	<b>-</b>	<b>-</b>	<b>126,315,686</b>

# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

December 31, 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Equities	67,532,650	-	-	67,532,650
Fixed income	-	1,275,396	-	1,275,396
	<b>67,532,650</b>	<b>1,275,396</b>	-	<b>68,808,046</b>
<b>Financial liabilities</b>				
Equities sold short	(920,418)	-	-	(920,418)
	<b>(920,418)</b>	-	-	<b>(920,418)</b>
<b>Total</b>	<b>66,612,232</b>	<b>1,275,396</b>	-	<b>67,887,628</b>

All fair value measurements above are recurring. The carrying values of all of the Portfolio's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. 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 finance department.

As at December 31, 2016, the Portfolio did not hold any Level 3 financial instruments. There were no transfers between Levels 1, 2, and 3 during the years ending December 31, 2016 and 2015.

### 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) Fixed Income

The Portfolio's fixed income holdings are comprised of Canadian corporate bonds. Bond pricing is obtained from bid and ask prices provided by independent security pricing services or recognized investment dealers. Bond prices may be derived by using models which include inputs such as interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Portfolio's fixed income holdings have been classified as Level 2.

### d) Warrants

Exchange traded warrants are classified as Level 1. Warrants that are not exchange traded 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. When the inputs that are significant to valuation are generally observable, the warrant is classified as Level 2. Warrants that have significant unobservable inputs are classified as Level 3.



# EXEMPLAR CANADIAN FOCUS PORTFOLIO

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

### Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2016 and 2015.

	Net realized gains / (losses)	Net change in unrealized gains / (losses)	Interest income	Dividend income	Dividend expense	Securities Lending Income	Total
December 31, 2016	\$	\$	\$	\$	\$	\$	\$
Financial asset at FVTPL:							
Designated as FVTPL	4,972,735	(1,913,517)	19,605	1,450,596	-	20,780	4,550,199
Financial liabilities at FVTPL:							
HFT	124,913	(21,262)	-	-	(36,562)	-	67,089
<b>Total</b>	<b>5,097,648</b>	<b>(1,934,779)</b>	<b>19,605</b>	<b>1,450,596</b>	<b>(36,562)</b>	<b>20,780</b>	<b>4,617,288</b>

	Net realized gains / (losses)	Net change in unrealized gains / (losses)	Interest income	Dividend income	Dividend expense	Total
December 31, 2015	\$	\$	\$	\$	\$	\$
Financial asset at FVTPL:						
Designated as FVTPL	4,411,221	1,206,423	79,816	1,446,478	-	7,143,938
Financial liabilities at FVTPL:						
HFT	(287,939)	204,085	-	-	(19,493)	(103,347)
<b>Total</b>	<b>4,123,282</b>	<b>1,410,508</b>	<b>79,816</b>	<b>1,446,478</b>	<b>(19,493)</b>	<b>7,040,591</b>

# EXEMPLAR DIVERSIFIED PORTFOLIO

## Statements of Financial Position

	As at December 31, 2016	As at December 31, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Financial assets held for trading		
Unrealized gain on futures - long	\$851,791	\$219,227
Unrealized gain on futures - short	283,111	603,263
Options at fair value - long	59,022	243,521
Cash	29,655,128	23,670,352
Margin deposits	12,214,963	27,867,336
Due from manager (Note 11)	53	75,649
Receivable for redeemable shares issued	215,124	298,118
	43,279,192	52,977,466
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Financial liabilities held for trading		
Unrealized loss on futures - long	129,660	142,419
Unrealized loss on futures - short	579,919	631,822
Margin loan	504,275	69,605
Payable for redeemable shares redeemed	109,572	6,143
Other liabilities (Note 11)	57,341	28,182
	1,380,767	878,172
Net assets attributable to holders of redeemable shares	\$41,898,425	\$52,099,295
Net assets attributable to holders of redeemable shares		
Series A	\$3,856,141	\$5,654,764
Series F	\$16,726,096	\$22,455,614
Series I	\$7,534,586	\$9,190,252
Series L	\$1,117,423	\$1,574,529
Series R	\$12,664,179	\$13,224,136
Number of redeemable shares outstanding (Note 10)		
Series A	360,986	415,011
Series F	1,463,507	1,554,720
Series I	718,833	705,240
Series L	121,072	133,351
Series R	1,602,562	1,327,895
Net assets attributable to holders of redeemable shares per share		
Series A	\$10.68	\$13.63
Series F	\$11.43	\$14.44
Series I	\$10.48	\$13.03
Series L	\$9.23	\$11.81
Series R	\$7.90	\$9.96

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 For the years ended December 31,

	2016 \$	2015 \$
<b>INCOME</b>		
Net gains (losses) on investments and derivatives		
Net realized gain (loss) on futures	(9,900,387)	6,842,210
Net change in unrealized appreciation (depreciation) in value of futures	377,074	(1,897,588)
Net realized gain (loss) on investments and derivatives	(1,131,162)	(283,442)
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	521,258	(409,948)
Net gains (losses) on investments and derivatives	(10,133,217)	4,251,232
Other income items:		
Interest on cash	154,143	181,937
Foreign exchange gain (loss)	415,445	1,114,099
Net change in unrealized foreign exchange gain (loss)	(467,019)	363,183
<b>Total income (net)</b>	<b>(10,030,648)</b>	<b>5,910,451</b>
<b>EXPENSES</b>		
Management fees (Note 11)	484,908	482,593
Performance fees (Note 11)	21,802	889,742
Securityholder reporting fees	194,071	175,388
Independent Review Committee fees	4,600	4,495
Audit fees	24,198	28,199
Legal fees	37,978	33,355
Commissions and other portfolio transaction costs (Note 11)	529,354	440,527
Harmonized sales tax	93,840	209,555
<b>Total expenses</b>	<b>1,390,751</b>	<b>2,263,854</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	<b>(11,421,399)</b>	<b>3,646,597</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares (Note 13)</b>		
Series A	(1,112,056)	533,062
Series F	(5,060,248)	2,291,047
Series I	(1,779,271)	743,725
Series L	(330,328)	135,438
Series R	(3,139,496)	(56,675)
<b>Increase (decrease) in net assets attributable to holders of redeemable shares per share (Note 13)</b>		
Series A	(2.84)	1.14
Series F	(3.02)	1.08
Series I	(2.56)	1.06
Series L	(2.52)	0.83
Series R	(2.11)	(0.04)

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,

		2016	2015
		\$	\$
<b>Net assets attributable to holders of redeemable shares at beginning of year</b>	Series A	5,654,764	7,245,031
	Series F	22,455,614	26,578,556
	Series I	9,190,252	7,836,247
	Series L	1,574,529	1,783,840
	Series R	13,224,136	-
			<u>52,099,295</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	Series A	(1,112,056)	533,062
	Series F	(5,060,248)	2,291,047
	Series I	(1,779,271)	743,725
	Series L	(330,328)	135,438
	Series R	(3,139,496)	(56,675)
			<u>(11,421,399)</u>
<b>Redeemable share transactions</b>			
Proceeds from redeemable shares issued	Series A	620,817	1,719,472
	Series F	8,681,494	12,744,251
	Series I	707,984	1,001,772
	Series L	193,085	427,500
	Series R	8,044,605	13,523,057
Redemption of redeemable shares	Series A	(1,307,384)	(3,842,801)
	Series F	(9,350,764)	(19,158,240)
	Series I	(584,379)	(391,492)
	Series L	(319,863)	(772,249)
	Series R	(5,465,066)	(242,246)
<b>Net increase (decrease) from redeemable share transactions</b>		<u>1,220,529</u>	<u>5,009,024</u>
<b>Net increase (decrease) in net assets attributable to holders of redeemable shares</b>		<u>(10,200,870)</u>	<u>8,655,621</u>
<b>Net assets attributable to holders of redeemable shares at end of year</b>	Series A	3,856,141	5,654,764
	Series F	16,726,096	22,455,614
	Series I	7,534,586	9,190,252
	Series L	1,117,423	1,574,529
	Series R	12,664,179	13,224,136
			<u>41,898,425</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,

	2016 \$	2015 \$
		(Revised - Note 3)
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares	(11,421,399)	3,646,597
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	(467,080)	(363,183)
Net realized loss (gain) on investments and derivatives	1,131,162	283,442
Net change in unrealized depreciation (appreciation) in value of investments and derivatives	(521,258)	409,948
Net change in unrealized depreciation (appreciation) in value of futures	(377,074)	1,897,588
Purchase of investments and derivatives	(4,497,099)	(3,858,004)
Proceeds from sale of investments and derivatives	4,071,694	2,860,520
(Increase) decrease in margin deposits	15,652,373	(6,970,235)
(Increase) decrease in due from manager	75,596	(75,649)
(Decrease) increase in other liabilities	29,159	(180,484)
<b>Net cash from (used in) operating activities</b>	<b>3,676,074</b>	<b>(2,349,460)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from redeemable shares issued	17,952,730	15,490,899
Redemption of redeemable shares	(16,545,778)	(10,665,016)
Increase (decrease) in margin loan	434,670	69,604
<b>Net cash from (used in) financing activities</b>	<b>1,841,622</b>	<b>4,895,487</b>
<b>Net Increase (decrease) in cash</b>	<b>5,517,696</b>	<b>2,546,027</b>
<b>Cash at beginning of the year</b>	<b>23,670,352</b>	<b>20,761,142</b>
Net change in unrealized foreign exchange gain (loss) on cash	467,080	363,183
<b>Cash at end of the year</b>	<b>29,655,128</b>	<b>23,670,352</b>
<b>Supplemental information:</b>		
Interest received*	154,143	181,937
*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, 2016

Futures Contracts - Long Security Name	Currency	1.7% Contracts	Contract Size	Expiry Date	Notional Value	Unrealized Gain / Loss \$
<b>Bond Futures</b>		<b>0.0%</b>				
LONG GILT FUTURE (ICF)	GBP	2	1,000	03-29-17	251,660	7,479
<b>Commodity Futures</b>		<b>1.2%</b>				
BRENT CRUDE OIL (ICE)	USD	12	1,000	01-31-17	681,840	11,386
CANOLA FUTR FUTURE (WCE)	CAD	27	20	03-14-17	272,160	(2,500)
COFF ROBUSTA 10TN FUTURE (ICE)	USD	32	10	03-31-17	684,160	19,200
COPPER FUTURE (CMX)	USD	2	250	03-29-17	125,275	(101)
CRUDE OIL FUTURE (NYM)	USD	12	1,000	01-20-17	644,640	2,336
CRUDE PALM OIL FUTURE (MDE)	MYR	148	25	03-15-17	11,503,300	(5,485)
GASOLINE RBOB FUT (NYM)	USD	15	420	01-31-17	1,052,667	94,399
HEATING OIL FUTURE (NYM)	USD	15	420	01-31-17	1,088,766	58,602
LEAN HOGS FUTURE (CME)	USD	29	400	02-14-17	767,340	53,948
LIVE CATTLE FUTURE (CME)	USD	34	400	02-28-17	1,578,280	34,238
LOW SU GASOIL G FUTURE (ICE)	USD	17	100	02-10-17	858,075	101
NATURAL GAS FUTURE (NYM)	USD	27	10,000	02-24-17	994,680	61,802
NATURAL GAS FUTURE (NYM)	USD	56	10,000	08-29-17	1,989,120	164,018
PRI ALUM FUTURE (LME)	USD	32	25	03-15-17	1,343,200	(43,166)
RUBBER FUTURE TCOM (TCM)	JPY	85	5,000	05-25-17	111,350,000	60,932
						<u>509,710</u>
<b>Currency Futures</b>		<b>0.1%</b>				
BRAZIL REAL FUTURE (CME)	USD	83	1,000	01-31-17	2,507,845	(8,761)
EURO/GBP FUTURE (CME)	GBP	10	125,000	03-13-17	1,069,563	31,729
EURO/JPY FUTURE (CME)	JPY	24	125,000	03-13-17	369,000,000	22,208
						<u>45,176</u>
<b>Index Futures</b>		<b>0.4%</b>				
DAX INDEX FUTURE (EUX)	EUR	7	25	03-17-17	2,006,375	69,324
NASDAQ 100 E-MINI FUTURE (CME)	USD	31	20	03-17-17	3,015,680	(20,858)
NIKKEI 225 INDEX FUTURE (SGX)	JPY	32	500	03-09-17	305,120,000	96,619
S & P 500 EMINI INDEX FUTURE	USD	44	50	03-17-17	4,919,750	(43,609)
S&P/TSE 60 INDEX FUTURE (MSE)	CAD	36	200	03-16-17	6,457,680	(5,180)
SPI 200 INDEX FUTURE (SFE)	AUD	31	25	03-16-17	4,364,025	62,641
						<u>158,937</u>
<b>Interest Rate Futures</b>		<b>0.0%</b>				
3MO EURO EURIBOR FUTURE (ICF)	EUR	10	2,500	03-13-17	2,507,875	177
90 DAY AUSTRALIAN BK BILL FUT	AUD	10	10,000	03-09-17	1,933,101	-
90DAY STERLING FUTURE (ICF)	GBP	66	1,250	03-15-17	8,217,413	652
						<u>829</u>
						<u><b>722,131</b></u>

# EXEMPLAR DIVERSIFIED PORTFOLIO

Schedule of Investment Portfolio – As at December 31, 2016

Futures Contracts - Short Security Name	Currency	(0.7%) Contracts	Contract Size	Expiry Date	Notional Value	Unrealized Gain / Loss \$
<b>Bond Futures</b>		<b>(1.0%)</b>				
AUSTRALIAN 10YR BOND FUT (SFE)	AUD	(29)	500	03-15-17	(3,704,533)	(29,381)
CANADA 10YR BOND FUTURE (MSE)	CAD	(34)	1,000	03-22-17	(4,676,020)	(30,870)
EURO-BOBL FUTURES	EUR	(48)	1,000	03-08-17	(6,414,240)	(80,334)
EURO-BUND FUTURE (EUX)	EUR	(22)	1,000	03-08-17	(3,611,300)	(82,652)
JAPAN 10YR MINI BD FUTURE(SGX)	JPY	(178)	100,000	03-06-17	(2,674,984,000)	(56,888)
US 10 YR TREAS NTS FUTURE(CBT)	USD	(44)	1,000	03-22-17	(5,468,375)	(49,846)
US 5YR TREAS NTS FUTURE (CBT)	USD	(102)	1,000	03-31-17	(12,001,734)	(52,112)
US TREAS BD FUTURE (CBT)	USD	(17)	1,000	03-22-17	(2,561,156)	(43,175)
						<u>(425,258)</u>
<b>Commodity Futures</b>		<b>0.2%</b>				
COCOA FUTURE (NYB)	USD	(29)	10	03-16-17	(616,540)	42,092
COFFEE 'C' FUTURE (NYB)	USD	(22)	375	03-21-17	(1,130,663)	74,215
CORN FUTURE (CBT)	USD	(56)	50	03-14-17	(985,600)	(3,273)
COTTON NO 2 FUTURE (NYB)	USD	(7)	500	03-09-17	(247,275)	(4,411)
GOLD 100 OZ FUTURE (CMX)	USD	(17)	100	02-24-17	(1,957,890)	(10,580)
PALLADIUM FUTURE (NYM)	USD	(5)	100	03-29-17	(341,625)	(8,512)
PLATINUM FUTURE (NYM)	USD	(20)	50	04-26-17	(905,700)	11,923
SILVER FUTURE (CMX)	USD	(7)	5,000	03-29-17	(559,615)	22,704
SOYBEAN FUTURE (CBT)	USD	(3)	50	03-14-17	(150,600)	2,920
SUGAR #11 WORLD FUTURE (NYB)	USD	(7)	1,120	02-28-17	(152,958)	(6,932)
WHEAT FUTURE (CBT)	USD	(66)	50	03-14-17	(1,346,400)	(13,645)
WHITE SUGAR FUTURE (ICE)	USD	(15)	50	02-13-17	(393,150)	(26,041)
ZINC FUTURE (LME)	USD	(2)	25	03-15-17	(126,063)	856
						<u>81,316</u>
<b>Currency Futures</b>		<b>0.2%</b>				
AUSTRALIAN DOLLAR CCY FUT(CME)	USD	(8)	1,000	03-13-17	(576,160)	(2,524)
BRITISH POUND CURRENCY FUTURE	USD	(63)	625	03-13-17	(4,865,963)	21,247
CANADIAN DOLLAR FUTURES (CME)	USD	(44)	1,000	03-14-17	(3,274,260)	(35,808)
EURO FX CURR FUTURE (CME)	USD	(54)	125,000	03-13-17	(7,137,450)	56,962
EURO/CHF FUTURE (CME)	CHF	(22)	125,000	03-13-17	(2,947,450)	676
JAPANESE YEN CCY FUTURE (CME)	USD	(15)	1,250	03-13-17	(1,611,938)	11,908
MEXICAN PESO FUTURE (CME)	USD	(122)	5,000	03-13-17	(2,926,170)	37,608
						<u>90,069</u>
<b>Index Futures</b>		<b>(0.1%)</b>				
HANG SENG INDEX FUTURE (HKG)	HKD	(10)	50	01-26-17	(10,981,000)	(37,945)
<b>Interest Rate Futures</b>		<b>(0.0%)</b>				
90DAY BANK ACCEPT FUTURE (MSE)	CAD	(46)	2,500	03-13-17	(11,393,625)	(4,638)
90DAY EURODOLLAR FUTURE (CME)	USD	(7)	2,500	03-13-17	(1,731,800)	(352)
						<u>(4,990)</u>
						<u><b>(296,808)</b></u>

# EXEMPLAR DIVERSIFIED PORTFOLIO

Schedule of Investment Portfolio – As at December 31, 2016

Option Positions - Long Security Name	Currency	0.1% Strike Price	Expiry Date	Contracts	Average Cost \$	Fair Value \$
GOLD 100 OZ FUT (CMX) FEB 17 CALL	USD	1,275	01-27-17	135	49,408	10,875
US TREAS BD FUTURE MAR 17 CALL	USD	160	02-25-17	135	81,910	48,147
					<u>131,318</u>	<u>59,022</u>

Investment Portfolio Summary	%	Average Cost / (Proceeds) \$	Fair Value \$
Futures Contracts - Long	1.7	-	722,131
Futures Contracts - Short	(0.7)	-	(296,808)
Option Positions - Long	0.1	131,318	59,022
Total Investments	1.1	131,318	484,345
Total Other Net Assets	98.9	-	41,414,080
Total Net Assets	<u>100.0</u>	<u>131,318</u>	<u>41,898,425</u>



# EXEMPLAR DIVERSIFIED PORTFOLIO

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

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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 5: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

### Credit Risk

As at December 31, 2016 and 2015, 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, 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 A2, Aa3 and Aa3, respectively (2015: A2, Aa3 and Aa3, 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 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 (2015: Aa3).

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 (2015: Aa1).

# EXEMPLAR DIVERSIFIED PORTFOLIO

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

### Liquidity Risk

All of the Portfolio's liabilities are typically due in less than 3 months except for performance fees which are accrued daily and payable annually on December 31. Redeemable shares are redeemable on demand at the holder's option. However, holders of these instruments typically retain them for a longer period.

### 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, 2016 and 2015, 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. Non-monetary is comprised of non-financial options. Monetary items include cash, margin deposits, futures, financial options, and other current receivables and payables.

December 31, 2016	Exposure			Impact on net assets attributable to holders of redeemable shares		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$	\$	\$	\$	\$	\$
United States Dollar - Long	887,392	-	887,392	88,739	-	88,739
United States Dollar - Short	(398,499)	-	(398,499)	(39,850)	-	(39,850)
Austalian Dollar - Long	81,592	-	81,592	8,159	-	8,159
Australian Dollar - Short	(33,492)	-	(33,492)	(3,349)	-	(3,349)
British Pound - Long	39,860	-	39,860	3,986	-	3,986
British Pound - Short	(25,963)	-	(25,963)	(2,596)	-	(2,596)
Euro Currency - Long	86,115	-	86,115	8,612	-	8,612
Euro Currency - Short	(169,934)	-	(169,934)	(16,993)	-	(16,993)
Hong Kong Dollar - Long	37,784	-	37,784	3,778	-	3,778
Hong Kong Dollar - Short	(37,945)	-	(37,945)	(3,795)	-	(3,795)
Japanese Yen - Long	226,252	-	226,252	22,625	-	22,625
Japanese Yen - Short	(100,320)	-	(100,320)	(10,032)	-	(10,032)
Malaysian Ringgit - Long	472,664	-	472,664	47,266	-	47,266
Swiss Franc - Long	100	-	100	10	-	10
Swiss Franc - Short	577	-	577	58	-	58
<b>Total</b>	<b>1,066,183</b>	<b>-</b>	<b>1,066,183</b>	<b>106,618</b>	<b>-</b>	<b>106,618</b>
% of net assets attributable to holders of redeemable shares	2.5%	0.0%	2.5%	0.3%	0.0%	0.3%

# EXEMPLAR DIVERSIFIED PORTFOLIO

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

December 31, 2015	Exposure			Impact on net assets attributable to holders of redeemable shares		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$	\$	\$	\$	\$	\$
Australian Dollar - Long	(6,999)	-	(6,999)	(700)	-	(700)
Australian Dollar - Short	(414)	-	(414)	(41)	-	(41)
British Pound Sterling - Long	(13,591)	-	(13,591)	(1,359)	-	(1,359)
Euro Currency - Long	301,019	-	301,019	30,102	-	30,102
Euro Currency - Short	78,222	-	78,222	7,822	-	7,822
Hong Kong Dollar - Short	(15,892)	-	(15,892)	(1,589)	-	(1,589)
Japanese Yen - Long	104,802	-	104,802	10,480	-	10,480
Japanese Yen - Short	(27,493)	-	(27,493)	(2,749)	-	(2,749)
Malaysian Ringgit - Short	178,261	-	178,261	17,826	-	17,826
Swiss Franc - Long	13,146	-	13,146	1,315	-	1,315
United States Dollar - Long	8,453,347	59,557	8,512,904	845,335	5,956	851,291
United States Dollar - Short	(52,755)	-	(52,755)	(5,276)	-	(5,276)
<b>Total</b>	<b>9,011,653</b>	<b>59,557</b>	<b>9,071,210</b>	<b>901,166</b>	<b>5,956</b>	<b>907,122</b>
% of net assets attributable to holders of redeemable shares	17.3%	0.1%	17.4%	1.7%	0.0%	1.7%

### (b) Interest Rate Risk

As at December 31, 2016 and 2015 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, 2016 and 2015, 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 \$5,305,755 (2015: \$6,517,778).

### 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.

# EXEMPLAR DIVERSIFIED PORTFOLIO

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

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	% of net assets attributable to holders of redeemable shares					
	December 31, 2016			December 31, 2015		
	Long Positions	Short Positions		Long Positions	Short Positions	
	%	%	%	%	%	%
Bond Futures	0.0	(1.0)		0.0	(0.1)	
Interest Rate Futures	0.0	(0.0)		0.0	0.2	
Index Futures	0.4	(0.1)		0.0	0.0	
Commodity Futures	1.2	0.2		0.2	(0.6)	
Currency Futures	0.1	0.2		0.0	0.5	
Options	0.1	-		0.5	-	
	1.8	(0.7)		0.7	0.0	

### FAIR VALUE MEASUREMENT

A general discussion of fair value measurement for the Exemplar Portfolios appears as Note 6: FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT.

All fair value measurements are recurring. The carrying values of all of the Portfolio's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. 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 finance department.

As at December 31, 2016 and 2015, 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, 2016 and 2015.

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

### Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2016 and 2015.

December 31, 2016	Net realized gains / (losses)	Net change in unrealized gains / (losses)	Total
Financial asset at FVTPL:			
HFT Futures	-	645,323	645,323
HFT Options	-	521,258	521,258
	-	1,166,581	1,166,581
Financial liabilities at FVTPL:			
HFT Futures	(9,900,387)	(268,251)	(10,168,638)
HFT Options	(1,131,162)	-	(1,131,162)
	(11,031,549)	(268,251)	(11,299,800)
Total	(11,031,549)	898,330	(10,133,219)

# EXEMPLAR DIVERSIFIED PORTFOLIO

## DISCUSSION OF NOTES 5 & 6: FINANCIAL INSTRUMENTS

For the years ended December 31, 2016 and 2015

December 31, 2015	Net realized gains / (losses) \$	Net change in unrealized gains / (losses) \$	Total \$
Financial asset at FVTPL:			
HFT Futures	6,842,210	(1,554,207)	5,288,003
HFT Options	-	(413,093)	(413,093)
	6,842,210	(1,967,300)	4,874,910
Financial liabilities at FVTPL:			
HFT Futures	-	(343,381)	(343,381)
HFT Options	(283,442)	3,145	(280,297)
	(283,442)	(340,236)	(623,678)
Total	6,558,768	(2,307,536)	4,251,232

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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### 1. THE PORTFOLIOS

Exemplar Portfolios Ltd. (the "Company") is a mutual fund corporation incorporated under the Business Corporations Act (Ontario). The Company was incorporated on March 18, 2008.

These financial statements only 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"). 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 one or both the Canadian Focus Portfolio and Diversified 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.

On May 22, 2015, Arrow launched Series R Shares of the Diversified Portfolio. The Series commenced operations on November 10, 2015. Please refer to the Portfolios' prospectus for more details.

Integrated Managed Futures Corp. ("IMFC") is the portfolio sub-advisor "Portfolio Sub-Advisor" of the Diversified Portfolio.

The financial statements are as at December 31, 2016 and December 31, 2015, and for the years then ended.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of Presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

These financial statements were authorized for issue by the Manager on March 24, 2017.

#### b) Financial Instruments

The Portfolios recognize financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit and loss ("FVTPL"). Regular way purchases and sales of financial assets are recognized at their trade date. The Portfolios' long investment positions are designated at FVTPL. The Portfolios' short investment positions, futures contracts and options are classified as held for trading ("HFT") and are measured at FVTPL. The Portfolios' obligation for net assets attributable to holders of redeemable shares is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Portfolios' accounting policies for measuring the fair value of their investments and derivatives are the same as those used in measuring its 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, 2016 or 2015.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined on an average cost basis. 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 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 expense is recognized in the statements of comprehensive income on the ex-dividend date.

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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Securities lending income is recognized on an accrual basis.

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.

Securities lending transactions are subject to master netting arrangements and the related offsetting disclosure is presented in Note 7.

### 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 comprehensive income. 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) **Impairment of Financial Assets**

At each reporting date, each Portfolio assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Portfolio recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of future cash flows discounted using the asset's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

### e) **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.

### f) **Cash**

Cash is comprised of deposits with financial institutions.

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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### g) **Margin Deposit**

Cash collateral provided by each Portfolio to brokers for securities sold short and counterparties to derivative transactions is identified in that Portfolio's statement of financial position as 'Margin deposit'.

### h) **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 'Change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statements of comprehensive income. 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 within 'Net realized gain (loss) on investments and derivatives'.

### i) **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. 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.

### j) **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. 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.

### k) **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.

### l) **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.



# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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**m) 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 year. Refer to Note 13 for the calculation.

**n) Classification of Redeemable Shares issued by the Portfolios**

The features of each series of each Portfolio's redeemable shares are not identical and consequently the shares, do not meet the conditions to be classified as equity. As a result, the Portfolios obligations for net assets attributable to holders of redeemable shares are financial liabilities under IFRS, presented at the redemption amounts.

**o) 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, 2016 and 2015, 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 9 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 year is included in 'Change in unrealized appreciation (depreciation) of value of investments and derivatives' and 'Net gains (losses) on investments and derivatives' in the Statements of Comprehensive Income.

**p) 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 (net)" in the Statements of Comprehensive Income.

**q) Reclassification Adjustment**

Certain prior year market segment classifications have been reclassified to conform to current year presentation. Such had nil impact on net income.

**3. REVISION OF COMPARATIVE FIGURES**

Certain comparative figures in the Statements of Cash Flows have been reclassified or adjusted to appropriately reflect the following non-cash items.

Amounts related to the "Proceeds from redeemable shares issued" and "Redemption of redeemable shares" have been adjusted to exclude non-cash subscriptions and redemptions arising from switches between series within the Portfolios. There is no net impact on cash flows from financing activities within the Portfolios. For the Diversified Portfolio, the amount excluded from "Proceeds from redeemable shares issued" and "Redemption of redeemable shares" is equal to \$13,772,465.

**4. 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:

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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### 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 about whether or not the business of the Portfolios is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, *Financial Instruments - Recognition and Measurement* (IAS 39). The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

#### *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.

## 5. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

In the normal course of business, each Portfolio is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). Please refer to Discussion of Financial Instruments – Risk Management for each Portfolio's specific risk disclosure.

### Credit Risk

The Portfolios 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 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 are also exposed to counterparty credit risk on cash, margin deposits and other receivable balances.

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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### 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 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.

## 6. 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 Discussion of Financial Instruments – Fair Value Measurement for each Portfolio's specific risk disclosure. The three levels of the fair value hierarchy are:

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

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

### 7. 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 Statement 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 for offset, if such conditions were to arise, as at December 31, 2016 and 2015. The "Net" column displays what the net impact would be on a Portfolio's Statement of Financial Position if all amounts were set off.

Diversified Portfolio							
December 31, 2016	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 \$		
<b>Financial assets:</b>							
Counterparty 1	512,399	-	512,399	(269,086)	-	243,313	
Counterparty 2	174,533	-	174,533	(151,221)	-	23,312	
Counterparty 3	447,970	-	447,970	(289,272)	-	158,698	
	1,134,902	-	1,134,902	(709,579)	-	425,323	
<b>Financial liabilities:</b>							
Counterparty 1	(269,086)	-	(269,086)	269,086	-	-	
Counterparty 2	(151,221)	-	(151,221)	151,221	-	-	
Counterparty 3	(289,272)	-	(289,272)	289,272	-	-	
	(709,579)	-	(709,579)	709,579	-	-	

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

Diversified Portfolio						
December 31, 2015	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 \$	
<b>Financial assets:</b>						
Counterparty 1	238,099	-	238,099	(238,099)	-	-
Counterparty 2	348,409	-	348,409	(295,406)	-	53,003
Counterparty 3	236,344	-	236,344	(236,344)	-	-
	822,852	-	822,852	(769,849)	-	53,003
<b>Financial liabilities:</b>						
Counterparty 1	(239,378)	-	(239,378)	238,099	1,279	-
Counterparty 2	(295,406)	-	(295,406)	295,406	-	-
Counterparty 3	(239,819)	-	(239,819)	236,344	3,475	-
	(774,603)	-	(774,603)	769,849	4,754	-

### 8. SECURITIES LENDING

As at December 31, 2016, the Canadian Focus Portfolio's security lending transactions are administered by BNY Mellon, in its capacity as Lending Agent, and are summarized as follows:

	\$
<b><u>Non-cash Collateral Coverage</u></b>	
Collateral received for securities on loan	18,619,878
Market value of securities loaned	<u>(17,704,350)</u>
Collateral in excess of securities loaned	915,528
Collateral as a percentage of securities loaned	<u>105.2%</u>
<b><u>Non-cash Collateral Exposure</u></b>	
CAD	16,307,686
USD	<u>2,312,192</u>
	<u>18,619,878</u>
<b><u>Income</u></b>	
Securities lending income	35,268
Withholding taxes	(636)
BNY Mellon lending agent fees	<u>(13,852)</u>
Securities lending income (net)	<u>20,780</u>

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

### 9. INVESTMENT IN STRUCTURED ENTITIES

Information related to investments in Structured Entities is as follows:

#### Canadian Focus Portfolio – December 31, 2016

	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	1,155,987	0.7	0.25
BMO S&P/TSX Equal Weight Banks Index ETF	2,064,765	1.2	0.20
Boyd Group Income Fund	10,163,073	6.1	0.66
Financial Select Sector SPDR Fund	15,608	0.0	0.00
iShares Russell 2000 ETF	362,113	0.2	0.00
iShares S&P/TSX 60 Index ETF	851,264	0.5	0.01
iShares S&P/TSX Capped Energy Index ETF	2,210,954	1.3	0.20
iShares S&P/TSX Global Gold Index ETF	958,270	0.6	0.12
iShares U.S. Broker-Dealers & Securities Exchanges ETF	119,582	0.1	0.06
PowerShares DB US Dollar Index Bullish Fund	678,557	0.4	0.08
Powershares QQQ Trust Series 1	111,354	0.1	0.00
SPDR Dow Jones Global Real Estate ETF	633,633	0.4	0.03
SPDR Gold Shares ETF	309,053	0.2	0.00
SPDR S&P Oil & Gas Exploration & Production ETF	255,818	0.2	0.01
VanEck Vectors Russia ETF	296,307	0.2	0.01

#### Canadian Focus Portfolio – December 31, 2015

	Fair Value of Portfolio's Investment in Underlying Fund	Net Assets Attributable to Holders of Redeemable Shares	Ownership of Underlying Fund
	\$	%	%
Boyd Group Income Fund	7,145,410	5.8	0.7
The Keg Royalties Income Fund	87,269	0.1	0.0
SPDR S&P Homebuilders ETF	66,227	0.1	0.0

### 10. REDEEMABLE SHARES

During the years ended December 31, 2016 and 2015, the number of shares issued, redeemed and outstanding was as follows:

#### Canadian Focus Portfolio - for the year ended December 31, 2016

	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	2,702,715	972,483	14,547	(586,572)	3,103,173
Series F	2,859,550	2,485,593	11,467	(830,323)	4,526,287
Series L	619,909	287,785	2,310	(161,759)	748,245

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

### Canadian Focus Portfolio - for the year ended December 31, 2015

	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	2,302,938	783,723	38,734	(422,680)	2,702,715
Series F	1,531,517	1,480,363	36,425	(188,755)	2,859,550
Series L	419,395	249,474	8,017	(56,977)	619,909

### Diversified Portfolio - for the year ended December 31, 2016

	Redeemable shares outstanding at beginning of year	Redeemable shares issued	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of year
Series A	415,011	47,312	(101,337)	360,986
Series F	1,554,720	630,030	(721,243)	1,463,507
Series I	705,240	60,539	(46,946)	718,833
Series L	133,351	16,489	(28,768)	121,072
Series R	1,327,895	842,544	(567,877)	1,602,562

### Diversified Portfolio - for the year ended December 31, 2015

	Redeemable shares outstanding at beginning of year	Redeemable shares issued	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of year
Series A	570,704	125,398	(281,091)	415,011
Series F	1,990,816	884,883	(1,320,979)	1,554,720
Series I	657,665	77,303	(29,728)	705,240
Series L	161,645	35,970	(64,264)	133,351
Series R	0	1,351,895	(24,000)	1,327,895

## 11. 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, 2015, the Arrow Diversified Fund held 65,931 Series F Shares of the Diversified Portfolio with a market value of \$951,285. As of December 31, 2015, this represented 1.8% of the net assets attributable to holders of redeemable shares.

As of December 31, 2016, the number of shares owned by Arrow for each Portfolio is summarized as follows:

	Number of shares	Amount (\$)	% of net assets attributable to holders of redeemable shares
Canadian Focus Portfolio - Series A	1,591	31,247	0.0
Canadian Focus Portfolio - Series F	6,835	144,492	0.1
Diversified Portfolio - Series A	500	5,342	0.0
Diversified Portfolio - Series F	7,867	89,920	0.2

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

As of December 31, 2015, the number of shares owned by Arrow for each Portfolio is summarized as follows:

	Number of shares	Amount (\$)	% of net assets attributable to holders of redeemable shares
Canadian Focus Portfolio - Series A	543	10,789	0.0
Canadian Focus Portfolio - Series F	4,895	103,562	0.1
Diversified Portfolio - Series A	500	6,813	0.0
Diversified Portfolio - Series F	4,500	64,996	0.1

### 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% 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% 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 1.0% to 0.6% 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.

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.

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.

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

As at December 31, 2016, the Canadian Focus Portfolio due from the manager was nil (2015: \$297,576). 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 Canadian Focus Portfolio on January 4, 2016.

As at December 31, 2016, the Diversified Portfolio due from the Manager was \$53 (2015: \$75,649). 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, 2017 (2015: January 4, 2016).

Accrued management fees and performance fees (excluding HST) included in other liabilities on the statement of financial position are as follows:



# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

	December 31, 2016		December 31, 2015	
	Management Fees	Performance Fees	Management Fees	Performance Fees
	\$	\$	\$	\$
Canadian Focus Portfolio	154,816	69,363	-	-
Diversified Portfolio	32,860	312	-	-

### Brokerage Commissions

Total commissions paid to dealers for the years ended December 31, 2016 and 2015 in connection with portfolio transactions are as follows:

	December 31, 2016	December 31, 2015
	\$	\$
Canadian Focus Portfolio	85,628	22,039
Diversified Portfolio	529,354	440,527

For the year ended December 31, 2016, \$38,565 was used for market data services by the Canadian Focus Portfolio (2015: \$23,023).

## 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<sup>1</sup>.

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, 2016, 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**
\$14,813,121	\$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, 2016 and 2015 is calculated as follows:

# EXEMPLAR PORTFOLIOS

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

December 31, 2016	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	(31,695)	3,028,864	(0.01)
Canadian Focus Portfolio - Series F	1,574,976	4,175,140	0.38
Canadian Focus Portfolio - Series L	19,701	753,656	0.03
Diversified Portfolio - Series A	(1,112,056)	391,413	(2.84)
Diversified Portfolio - Series F	(5,060,248)	1,676,187	(3.02)
Diversified Portfolio - Series I	(1,779,271)	696,217	(2.56)
Diversified Portfolio - Series L	(330,328)	130,933	(2.52)
Diversified Portfolio - Series R	(3,139,496)	1,485,948	(2.11)

December 31, 2015	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	2,650,622	2,368,495	1.12
Canadian Focus Portfolio - Series F	2,262,176	1,937,303	1.17
Canadian Focus Portfolio - Series L	346,077	529,147	0.65
Diversified Portfolio - Series A	533,062	467,205	1.14
Diversified Portfolio - Series F	2,291,047	2,119,541	1.08
Diversified Portfolio - Series I	743,725	699,462	1.06
Diversified Portfolio - Series L	135,438	164,020	0.83
Diversified Portfolio - Series R	(56,675)	1,308,440	(0.04)

#### 14. FUTURE ACCOUNTING CHANGES

##### IFRS 9, Financial Instruments

The final version of IFRS 9, Financial Instruments, was issued by the International Accounting Standards Board ("IASB") in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Portfolios are in the process of assessing the impact of IFRS 9 and have not yet determined when they will adopt the new standard.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 24, 2017

### 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"

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

"Robert W. Maxwell"

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

## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of each of the Portfolios, which comprise the statements of financial position as at December 31, 2016 and 2015 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements of each of the Portfolios based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Portfolios as at December 31, 2016 and 2015 and the financial performance and cash flows of each of the Portfolios for the years then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*

**Chartered Professional Accountants, Licensed Public Accountants**

Toronto, Ontario  
March 24, 2017

## **PORTFOLIO INFORMATION**

### **MANAGER AND PRINCIPAL DISTRIBUTOR**

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### **AUDITOR**

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