



## **EXEMPLAR MUTUAL FUNDS**

### **Simplified Prospectus**

**EXEMPLAR GROWTH AND INCOME FUND (Series A, AN, F, FN, I, L, LN and ETF units)**

**EXEMPLAR INVESTMENT GRADE FUND (Series A, AI, AN, U, F, FI, FN, G, I and ETF units)**

**EXEMPLAR LEADERS FUND (Series A and F units)**

**EXEMPLAR PERFORMANCE FUND (Series A, AD, F, FD, I, L and LD units)**

**EXEMPLAR TACTICAL CORPORATE BOND FUND (Series A, AI, AN, U, F, FI, FN, G, I, and L units)**

July 5, 2018

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

**TABLE OF CONTENTS**

PART A .....2

INTRODUCTION .....2

WHAT IS A MUTUAL FUND AND WHAT ARE THE RISKS OF INVESTING IN A MUTUAL FUND?.....3

ORGANIZATION AND MANAGEMENT OF THE EXEMPLAR MUTUAL FUNDS .....9

PURCHASES, SWITCHES AND REDEMPTIONS .....10

OPTIONAL SERVICES .....17

FEES AND EXPENSES .....17

IMPACT OF SALES CHARGES .....22

DEALER COMPENSATION .....22

DEALER COMPENSATION FROM MANAGEMENT FEES .....23

INCOME TAX CONSIDERATIONS FOR INVESTORS .....23

WHAT ARE YOUR LEGAL RIGHTS?.....27

ADDITIONAL INFORMATION .....28

PART B .....30

SPECIFIC INFORMATION ABOUT THE MUTUAL FUNDS DESCRIBED IN THIS DOCUMENT .....30

EXEMPLAR GROWTH AND INCOME FUND .....35

EXEMPLAR INVESTMENT GRADE FUND .....39

EXEMPLAR LEADERS FUND .....43

EXEMPLAR PERFORMANCE FUND .....46

EXEMPLAR TACTICAL CORPORATE BOND FUND .....50

EXEMPLAR MUTUAL FUNDS.....54

<b>PART A</b>
---------------

## INTRODUCTION

This document contains selected important information to help you make an informed decision and to help you understand your rights as an investor in Exemplar Growth and Income Fund, Exemplar Investment Grade Fund, Exemplar Leaders Fund, Exemplar Performance Fund, and/or Exemplar Tactical Corporate Bond Fund, (individually, a “**Fund**” and, collectively, the “**Funds**”).

The administrative manager of the Funds is Arrow Capital Management Inc., and is referred to in this document as “**Arrow**”, “**us**”, “**our**” or “**we**”.

This document is divided into two parts:

- The first part, Part A (from pages 2 to 27), contains general information applicable to the Funds; and
- The second part, Part B (from pages 30 to 54), contains specific information about each Fund described in this document.

No ETF Dealer (as defined below) or Designated Broker (as defined below) has been involved in the preparation of this simplified prospectus or has performed any review of the contents of this simplified prospectus and, as such, the ETF Dealers and the Designated Brokers do not perform many of the usual underwriting activities in connection with the distribution by the Funds of their Series ETF units under this simplified prospectus.

Additional information about each Fund is available in the following documents:

- the annual information form;
- the most recently filed fund facts;
- the most recently filed ETF facts, as applicable;
- the most recently filed annual financial statements;
- any interim financial statements filed after those annual financial statements;
- the most recently filed annual management report of fund performance; and
- any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this document, which means that they legally form part of this document just as if they were printed as a part of this document. You may obtain a copy of these documents, at your request, and at no cost, by calling us toll free at 1 (877) 327-6048 or (416) 323-0477, or from your dealer or by email at [info@arrow-capital.com](mailto:info@arrow-capital.com). You will also find these documents on the Funds’ website [www.arrow-capital.com](http://www.arrow-capital.com).

These documents and other information about the Funds are also available on the Internet site of SEDAR (the System for Electronic Document Analysis and Retrieval, established by the Canadian Securities Administrators) at [www.sedar.com](http://www.sedar.com).

## **WHAT IS A MUTUAL FUND AND WHAT ARE THE RISKS OF INVESTING IN A MUTUAL FUND?**

### **What is a Mutual Fund?**

A mutual fund is an investment vehicle created to permit money contributed by people with similar investment objectives to be pooled. People who contribute money become unitholders of the mutual fund. Mutual fund unitholders share (in proportion to the units they own) the mutual fund's income, expenses, and the gains and losses the mutual fund makes on its investments. The value of an investment in a mutual fund is realized by redeeming (or selling in the case of the Series ETF units) the units held.

A mutual fund may own different types of investments - stocks, bonds, cash, and derivatives - all depending upon its investment objectives. The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions and market and company news, with these and other factors affecting funds with varying degrees of impact. For example, mutual funds which invest in equity securities will be greatly impacted by changes in the equity markets generally while a mutual fund investing solely in bonds would not. As a result, the value of a mutual fund's units may go up and down, and the value of your investment may be more or less when you redeem or sell it than when you purchased it.

The specific investment objectives and strategies of the Funds are described in Part B of this document under "What Does the Fund Invest In?"

### **What are Series ETF units?**

All series of units, except for Series ETF units, are referred to as "Mutual Fund Series" units. The Series ETF units are an exchange-traded series of units offered by Exemplar Investment Grade Fund and the Exemplar Growth and Income Fund. Series ETF units will be issued and sold on a continuing basis. There is no maximum number of Series ETF units that may be issued.

The Series ETF units of the Exemplar Investment Grade Fund are listed on the Toronto Stock Exchange ("TSX") and the ticker symbol for Series ETF units of Exemplar Investment Grade Fund is CORP. The Manager, on behalf of Exemplar Growth and Income Fund, has applied to list the Series ETF units of Exemplar Growth and Income Fund on the TSX. The TSX has conditionally approved the listing of the Series ETF units of Exemplar Growth and Income Fund. Listing of the Series ETF units of Exemplar Growth and Income Fund on the TSX is subject to the Exemplar Growth and Income Fund fulfilling all of the requirements of the TSX on or before June 29, 2019. Subject to satisfying the TSX's original listing requirements, the Series ETF units of Exemplar Growth and Income Fund will be listed on the TSX and holders of Series ETF units of Exemplar Growth and Income Fund will be able to buy or sell Series ETF units of Exemplar Growth and Income Fund on the TSX or another exchange or marketplace through registered brokers and dealers in the province or territory where the unitholder resides.

### **How We Evaluate Unit Price**

We calculate a Fund's unit price (often referred to as the "net asset value per unit" or "unit value") by adding up the Fund's assets (being the value of the cash and securities in its portfolio), subtracting its liabilities and then dividing the resulting sum by the total number of units of the Fund then outstanding. The unit price calculated at the end of each business day is the price at which units will be issued to purchasing investors as of such day and the price to be paid by the Fund on units redeemed as of such day.

### **Mutual Funds are not Guaranteed**

Arrow does not guarantee that the full amount of your original investment in a Fund will be returned to you. Unlike bank accounts or GICs, mutual fund units are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

Under exceptional circumstances, a mutual fund may suspend redemptions of units. See "*Purchases, Switches and Redemptions*" on page 10.

## What are the Risks of Investing in a Mutual Fund?

Everyone has a different tolerance for risk. Some individuals are significantly more conservative than others when making their investment decisions. It is important to take into account your own comfort with risk as well as the amount of risk suitable for your financial goals. The following risks apply to all the Funds.

**Market Risk** – The risks associated with investing in a mutual fund depend on the securities held in that fund. These securities will rise and fall based on company-specific developments and general stock market conditions. Market value will also vary with changes in the general economic and financial conditions in the countries where the investments are based. This is called *market risk* and it applies to all the Funds, though certain Funds will experience greater volatility and short-term market value fluctuations than other Funds.

**Change in Legislation Risk** – Another risk that applies to all the Funds is *changes in legislation risk*. There can be no assurance that tax, securities and other laws or the interpretation and application of such laws by courts or government authorities will not be changed in a manner which adversely affects the Funds or unitholders.

**Series Risk** – A third risk that applies to all Funds is *series risk*. Mutual funds sometimes issue different series of units of the same fund. Each series has its own fees and expenses, which the Fund tracks separately. However, if one series is unable to meet its financial obligations, the other series are legally responsible for making up the difference.

Below are some of the most common risks that affect value. To find out which of these specific risks apply to a Fund you are considering, see the individual Fund descriptions in Part B of this simplified prospectus. They may include:

**Absence of an Active Market for Series ETF Units Risk** – Although Series ETF units of the Funds may be listed on the TSX or another exchange or marketplace, there can be no assurance that an active public market for Series ETF units develops or can be sustained.

**Borrowing Risk** – From time to time, the Funds may borrow cash as a temporary measure to fund the portion of a distribution payable to their Unitholders that represents amounts that are owing to, but have not yet been received by, the Fund. The Funds are limited to borrowing up to the amount of the portion of the distribution that represents, in the aggregate, amounts that are payable to the Fund but have not been received by the Fund and, in any event, not more than 5% of the net assets of that Fund. There is a risk that a Fund will not be able to repay the borrowed amount because it is unable to collect the distribution from the applicable issuer. Under these circumstances, the Fund would repay the borrowed amount by disposing of portfolio assets.

**Concentration Risk** – Some mutual funds hold significant investments in a few companies, rather than investing the mutual fund's assets across a large number of companies. In some cases, more than 10% of the net assets of the mutual fund may be invested in securities of a single issuer as a result of appreciation in value of such investment and/or the liquidation or decline in value of other investments. The investment portfolios of these mutual funds are less diversified, and therefore are potentially subject to larger changes in value than mutual funds which hold more broadly diversified investment portfolios.

**Credit Risk** – The value of fixed income securities depends, in part, on the perceived ability of the government or company which issued the securities to pay the interest and to repay the original investments. Securities issued by issuers who have a low credit rating are considered to have a higher credit risk than securities issued by issuers with a high credit rating. This risk applies primarily to fixed income funds.

**Currency Risk** – The value of securities denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar relative to the value of the currency in which the security is denominated. This risk applies to any Fund which invests in foreign denominated securities.

**Derivatives Risk** – A derivative is a contract between two parties, the value of which is based on the performance of other investments, such as equities, bonds, currencies or a market index. Derivatives may be

traded in the over-the-counter market or on a stock exchange or they may be cleared through a clearing corporation. A derivative is commonly a future, a forward contract, an option or a swap, but there are other types of derivative instruments as well. Futures or forward contracts are agreements to buy or sell a security, commodity or currency for a certain price on a certain future date. Options give the buyer the right to buy or sell a security, commodity or currency for a certain price on a certain future date. Swaps are a derivative in which two counterparties exchange cash flows of one party's financial instrument for those of the other party's financial instrument. Derivatives may be used to limit, or hedge against, losses that may occur because of the Fund's investment in a security or exposure to a currency or market. This is called hedging. Derivatives may also be used to obtain exposure to financial markets, reduce transaction costs, create liquidity or increase the speed of portfolio transactions. These investments are made for non-hedging purposes.

- There is no assurance that liquid markets will exist for a Fund to close out its derivative positions. Derivative instruments in foreign markets may be less liquid and more risky than comparable instruments traded in North American markets.
- Exchange-imposed trading limits could affect the ability of a Fund to close out its positions in derivatives. These events could prevent a Fund from making a profit or limiting its losses.
- Prices of options and futures on a stock index may be distorted if trading of certain stocks in the index is interrupted or trading of a large number of stocks in the index is halted. Such price distortions could make it difficult to close out a position.
- A Fund that uses derivatives is subject to credit risk associated with the ability of counterparties to meet their obligations. In addition, a Fund could lose its margin deposits if a dealer or clearing corporation with whom a Fund has an open derivatives position goes bankrupt.
- There is no assurance that a Fund's hedging strategies will be effective. There may be an imperfect historical correlation between the behaviour of the derivative instrument and the investment being hedged. Any historical correlation may not continue for the period during which the hedge is in place.
- Using futures and forward contracts to hedge against changes in currencies, stock markets or interest rates cannot eliminate fluctuations in the prices of securities in the portfolio or prevent losses if the prices of these securities decline.
- Hedging may also limit the opportunity for gains if the value of the hedged currency or stock market rises or if the hedged interest rate falls. The inability to close out options, futures, forwards and other derivative positions could prevent a Fund from using derivatives to effectively hedge its portfolio or implement its strategy.

**Equity Risk** – Mutual funds that invest in equities - also called stocks or shares - are affected by stock market movements. When the economy is strong, the outlook for many companies will be good, and share prices will generally rise, as will the value of Funds that own these shares. On the other hand, share prices usually decline in times of general economic or industry downturn. Equity securities of certain companies or companies within a particular industry sector may fluctuate differently than the overall stock market because of changes in the outlook for those individual companies or the particular industry.

**Exchange-traded Fund Risk** – When a mutual fund invests in an exchange-traded fund (“ETF”), the ETF may, for a variety of reasons, not achieve the same return as the benchmark, index or commodity price it seeks to track. The market value of an ETF also may fluctuate for reasons other than changes in the value of its underlying benchmark, index or commodity price, and the net asset value of the fund will change with these fluctuations. The funds have obtained permission to invest in ETFs that employ leverage in an attempt to magnify returns by either a multiple or an inverse multiple of its underlying benchmark, index or commodity

price (a “**Leveraged ETF**”). Leveraged ETFs typically involve a higher degree of risk and are subject to increased volatility.

**Foreign Investment Risk** – The value of foreign securities will be affected by factors affecting other similar securities and could be affected by additional factors such as the absence of timely information, less stringent auditing standards and less liquid markets. As well, different financial, political and social factors may involve risks not typically associated with investing in Canada. This risk applies primarily to equity funds and fixed income funds.

**FATCA Information Reporting** – Pursuant to the Canada-US Intergovernmental Agreement (“**IGA**”) and its implementing provisions under the *Income Tax Act* (Canada) (the “**Tax Act**”), unitholders of the Funds (including certain entities having one or more controlling persons who are specified U.S. persons) may be required to provide identity and residency information to the Funds. This information, along with certain financial information in respect of the interest in the funds, may be provided by the Funds to the Canada Revenue Agency (“**CRA**”), which will in turn be provided to the U.S. tax authorities. If the Funds’ fail to comply with the information reporting requirements under the IGA, they will be subject to the penalty provisions of the Tax Act. Any potential taxes or penalties associated with such reporting requirements may reduce the Funds’ returns to unitholders.

**CRS Information Reporting** – The Common Reporting Standard (“**CRS**”) is effective in Canada, as of July 1, 2017, with a first exchange of information in 2018. As of July 1, 2017, Canadian financial institutions such as the Funds must have procedures to identify financial accounts held by residents of any participating CRS country other than Canada and the U.S. and to report the required information to the CRA. The CRA will formalize exchange arrangements with other participating jurisdictions leading to the exchange of information on a multilateral basis. The due diligence and reporting requirements under the Canadian FATCA rules will continue to operate alongside the CRS regime.

**Halted Trading of Series ETF Units Risk** – Trading of Series ETF units on certain marketplaces may be halted by the activation of individual or market-wide “circuit breakers” (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). In the case of the TSX, trading of Series ETF units may also be halted if: (i) the Series ETF units are delisted from the TSX without first being listed on another exchange; or (ii) TSX officials determine that such action is appropriate in the interest of a fair and orderly market or to protect unitholders.

**Interest Rate Risk** – The value of fixed income securities will generally rise if interest rates fall and, conversely, will generally fall if interest rates rise. Changes in interest rates may also affect the value of equity securities; however, this risk applies primarily to fixed income funds.

**Investment Trust Risk** – Some of the Funds invest in real estate, royalty, income and other investment trusts which are investment vehicles in the form of trusts rather than corporations. To the extent that claims, whether in contract, in tort or as a result of tax or statutory liability, against an investment trust are not satisfied by the trust, investors in the investment trust, including the Funds, could be held liable for such obligations. Investment trusts generally seek to make this risk remote in the case of contract by including provisions in their agreements that the obligations of the investment trust will not be binding on investors personally. However, investment trusts could still have exposure to damage claims such as personal injury and environmental claims. Certain jurisdictions have enacted legislation to protect investors in investment trusts from the possibility of such liability.

**Large Redemption Risk** – Some Funds may have particular investors who own a large proportion of the net asset value of the Fund. For example, other institutions such as banks and insurance companies or other fund companies may purchase securities of the Funds for their own mutual funds, segregated funds, structured notes or discretionary managed accounts. Retail investors may also own a significant amount of a Fund. If one of those investors redeems a large amount of their investment in the Fund, the Fund may have to sell its portfolio investments at unfavourable prices to meet the redemption request. This can result in significant price fluctuations to the net asset value of the Fund, and may potentially reduce the returns of the Fund.

**Liquidity Risk** – Liquidity risk is the possibility that a mutual fund won't be able to convert its investments to cash when it needs to. The value of securities which are not regularly traded (less liquid) will generally be subject to greater fluctuation. This risk applies primarily to equity funds and fixed income funds.

**Securities Lending Risk** – Mutual funds may engage in securities lending transactions. In a securities lending transaction, the Fund lends portfolio securities that it owns to a third party borrower. The borrower promises to return to the Fund at a later date an equal number of the same securities and to pay a fee to the Fund for borrowing the securities.

Over time, the value of the securities loaned in a securities lending transaction might exceed the value of the collateral held by the Fund. If the third party defaults on its obligation to return the securities to the Fund, the collateral may be insufficient to enable the Fund to purchase replacement securities and the Fund may suffer a loss for the difference.

Those risks are reduced by requiring the other party to provide collateral to the Fund. The value of the collateral must be at least 102% of the market value of the securities loaned. Securities lending transactions, together with repurchase transactions are limited to 50% of a Fund's assets, excluding collateral or sales proceeds received in a securities lending transaction and cash held by the Fund for securities sold in a repurchase transaction.

In engaging in securities lending, a Fund will bear the risk of loss of any collateral it invests, as well as the risk of loss should a borrower default on its obligations to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

If securities are on loan on the record date established for a particular voting matter the lender is generally not entitled to exercise the voting right of such loaned securities.

**Short Selling Risk** – Short selling is the act of borrowing a security to sell high today with the expectation of buying it back at a lower price in the future and then returning the security to the lender. An investor pays a security lender a small fee to borrow the security (usually arranged by a brokerage firm). Risks associated with short selling include the potential that the securities will rise in value or not decline enough to cover a Fund's costs, or that market conditions will cause difficulties in the sale or repurchase of the securities. The lender from whom the Fund has borrowed securities may go bankrupt and the Fund may lose the collateral it has deposited with the lender. Each Fund that engages in short selling adheres to controls and limits that are intended to offset these risks by selling short only securities of larger issuers for which a liquid market is expected to be maintained and by limiting the amount of exposure for short sales. The Funds also deposit collateral only with lenders that meet certain criteria for creditworthiness and only up to certain limits. Although some Funds may not themselves engage in short selling, they may be exposed to short selling risk because the underlying funds in which they invest or to which assets of the Funds obtain exposure may be engaged in short selling.

**Small Company Risk** – Investing in securities of smaller companies may be riskier than investing in larger, more established companies. Smaller companies may have limited financial resources, a less established market for their shares and fewer shares issued. This can cause the share prices of smaller companies to fluctuate more than those of larger companies. The market for the shares of small companies may be less liquid.

**Trading Price of Series ETF Units Risk** – Series ETF units may trade in the market at a premium or discount to the net asset value per unit. There can be no assurance that Series ETF units will trade at prices that reflect their net asset value per unit. The trading price of Series ETF units will fluctuate in accordance with changes in a Fund's net asset value, as well as market supply and demand on the TSX (or such other exchange or marketplace on which Series ETF units of a Fund may be traded from time to time). However, as Designated Brokers and ETF Dealers subscribe for and exchange Prescribed Number of Series ETF Units (as defined below) at the net asset value per unit, large discounts or premiums to net asset value should not be sustained.

**Underlying Fund Risk** – A Fund may pursue its investment objectives indirectly by investing in securities of other Funds, including index participation units (e.g., ETFs), in order to gain access to the strategies pursued by those underlying funds. There can be no assurance that any use of such multi-layered fund of fund structures



will result in any gains for a Fund. If an underlying fund that is not traded on an exchange suspends redemptions, a Fund will be unable to value part of its portfolio and may be unable to redeem units. In addition, the portfolio advisor could allocate a Fund's assets in a manner that results in that Fund underperforming its peers.

When you are making your investment decision, it is very important that you are completely aware of the different investment types, their relative return over time and their volatility.

There are three primary types of mutual funds:

**Money Market Funds or Short Term Funds** – The investments of these types of mutual funds include term deposits, cash in bank accounts, government savings bonds, short term paper (treasury bills, discount notes) issued by governments and bonds and short term paper (bankers' acceptances and commercial paper) issued by large corporations. If held to maturity, the principal amount is repayable to the fund. There is usually no depletion of the initial investment; therefore it is considered low risk. These short term investments usually offer lower interest rates than their long term equivalents.

**Fixed Income Funds** – The investments of these types of mutual funds include bonds issued by different governments or large corporations, mortgages and preferred shares. These securities are similar to long term loans where the purchaser is the lender. They have a fixed maturity date but can be traded on the market before they mature. These securities, which have medium fluctuations in value, are considered medium risk. The associated interest rate will depend on the type and maturity of the investment. These securities will be affected primarily by interest rates and the credit rating of the issuer of the investments. In order to address credit rating risk, many investments held in fixed income funds consist of high quality government and corporate securities, a strategy which improves relative safety.

**Equity Funds** – The investments of these types of mutual funds are primarily common stocks, where the fund owns a share in a company. These companies may choose to pay out profits in the form of a dividend, or they may retain these profits in the company. Over time, if the company does well, these securities will grow in value. The value of successful companies may increase significantly and provide high returns as reflected in such increased equity security value. However, because there is no guarantee of your initial investment, these securities may be considered as high risk.

## ORGANIZATION AND MANAGEMENT OF THE EXEMPLAR MUTUAL FUNDS

<p><b>Manager:</b> Arrow Capital Management Inc. 36 Toronto Street Suite 750 Toronto, Ontario M5C 2C5</p> <p>Tel: (416) 323-0477 Fax: (416) 323-3199 Toll free: 1 (877) 327-6048</p>	<p>The administrative manager of the Funds is Arrow Capital Management Inc. As administrative manager for the Funds, Arrow manages the overall undertakings of the Funds, including providing administration services, promoting sales of the Funds' units and making provisions for fund accounting.</p>
<p><b>Portfolio Advisors:</b> Arrow Capital Management Inc. 36 Toronto Street Suite 750 Toronto, Ontario M5C 2C5</p> <p>Tel: (416) 323-0477 Fax: (416) 323-3199 Toll free: 1 (877) 327-6048</p> <p>East Coast Fund Management Inc. 1920 Yonge Street Suite 601 Toronto, Ontario M4S 3E2</p>	<p>As portfolio advisor of the Funds, Arrow carries out or arranges for the carrying out of research and selects, purchases and sells portfolio securities for those Funds.</p> <p>Arrow has engaged East Coast Fund Management Inc. (“<b>East Coast</b>”) as a sub-advisor of the Exemplar Tactical Corporate Bond Fund and the Exemplar Investment Grade Fund. As sub-advisor of those respective Funds, East Coast carries out research and selects, purchases and sells portfolio securities for those Funds.</p> <p>Arrow may engage or change advisors for the Funds, and if it does, Arrow will pay for those services.</p>
<p><b>Trustee:</b> Arrow Capital Management Inc. 36 Toronto Street Suite 750 Toronto, Ontario M5C 2C5</p> <p>Tel: (416) 323-0477 Fax: (416) 323-3199 Toll free: 1 (877) 327-6048</p>	<p>The Funds are organized as trusts. When you invest in the Funds, you are buying units of a trust. In its capacity as the Funds' trustee, Arrow holds actual title to the property in the Funds – the cash and securities – on your behalf (although physical custody of such property is held by the Funds' custodian, as described below).</p>
<p><b>Custodian:</b> CIBC Mellon Trust Company Toronto, Ontario</p>	<p>The custodians hold securities and other portfolio assets, including cash on deposit with financial institutions, on behalf of the Funds.</p>
<p><b>Registrar and Service Provider for Record Keeping Services, other than the Series ETF units:</b> RBC Investor Services Trust Toronto, Ontario</p>	<p>The registrar and service provider for record keeping services keep track of the owners of units, other than the Series ETF units, of the Funds and processes purchase, switch and redemption orders and issues investor account statements and annual tax reporting information, if applicable.</p>
<p><b>Registrar and Transfer Agent for the Series ETF units:</b> TSX Trust Company, Ontario</p>	<p>The registrar and transfer agent makes arrangements to keep a record of all unitholders of the Series ETF, and processes orders.</p>
<p><b>Securities Lending Agent:</b> The Bank of New York Mellon</p>	<p>The securities lending agent acts as agent for securities lending transactions for the applicable Funds. The securities lending agent is independent of the Manager.</p>

<p><b>Auditor:</b> PricewaterhouseCoopers LLP Chartered Professional Accountants Toronto, Ontario</p>	<p>The auditor audits the annual financial statements of the Funds to ensure that they fairly present in all material respects the Funds' financial position, results of operations, changes in net assets and cash flows in accordance with International Financial Reporting Standards.</p>
<p><b>Independent Review Committee (IRC):</b></p>	<p>Pursuant to National Instrument 81-107 – <i>Independent Review Committee for Investment Funds</i> (“NI 81-107”), Arrow established the IRC to review and provide either an approval or a recommendation on the conflict of interest matters that are referred to it by Arrow in connection with the operation and management of the Funds. In addition, the IRC will perform regular assessments and provide reports as required under NI 81-107. The IRC currently has, and must maintain at least, three independent members.</p> <p>The IRC will prepare at least annually a report of its activities for you which will be available at your request at no cost, by contacting us at <a href="mailto:info@arrow-capital.com">info@arrow-capital.com</a>.</p> <p>If approved by the IRC, a Fund may change its auditor by sending you a written notice of any such change at least 60 days before it takes effect. Likewise, if approved by the IRC, we may merge a Fund into another mutual fund provided the merger fulfills the requirements of the Canadian securities regulators relating to mutual fund mergers and we send you a written notice of the merger at least 60 days before it takes effect. In either case, no meeting of unitholders of the Fund may be called to approve the change</p> <p>Additional information about the IRC, including the names of its members, is available in the Funds' annual information form.</p>

Each Fund that invests in or obtains exposure to an underlying fund managed by us or any of our affiliates or associates will not vote any of the securities it holds or is exposed to in the underlying fund. However, we may arrange for you to vote your share of those securities.

### **PURCHASES, SWITCHES AND REDEMPTIONS**

You may purchase, switch or transfer Mutual Fund Series units from these Funds to other funds managed by Arrow or redeem your Mutual Fund Series units in the Funds through registered dealers in each of the provinces and territories of Canada. You can contact Arrow for the names of registered dealers in your province or territory of residence.

When you buy, switch, redeem or transfer Mutual Fund Series units in a Fund, you buy them at the net asset value of the unit of the series calculated as of the day of your transaction. If we receive your purchase, switch or redemption order for Mutual Fund Series units prior to 4:00 p.m. (Toronto time) on any business day, we will process your order based on the unit price for that date. Otherwise, we will process your order at the unit price on the next business day.

Series ETF units are available to investors that purchase such units on the TSX or another exchange or marketplace.

A Fund's unit price will fluctuate with the value of its investments. Unit prices will be calculated at the close of business on each business day, being each day on which the Toronto Stock Exchange is open for trading.

## Purchases

### Mutual Fund Series

Each Fund has multiple series available for investors. Different purchase options require investors to pay different fees and expenses and, if applicable, the choice of purchase options affects the amount of compensation paid by Arrow to your dealer. See “*Fees and Expenses*” and “*Dealer Compensation*” on pages 17 through 23.

Except for the Series I units of the Funds, if applicable, your initial investment in the Funds must be at least \$1,000. Any subsequent purchase must be at least \$100.

You may purchase Series A, AD, AI, AN, and U units by way of the front-end sales charge (the “**Front-End Units**”). You may be required to pay your dealer a sales charge when you buy these units. This sales charge is negotiable between you and your dealer. See “*Fees and Expenses*” and “*Dealer Compensation*” on pages 17 through 23.

Series A units of the Exemplar Leaders Fund and Series L, LD, and LN Units of all Funds are also offered with a low load option (the “**Low Load Option**”) whereby an investor will pay no sales charge at the time of the purchase; however, when the units purchased under the Low Load Option (the “**Low Load Units**”) are redeemed, a redemption fee will be charged. See “*Fees and Expenses*” and “*Dealer Compensation*” on page 17 through 23.

Series F, FD, FI, FN, and G units may be purchased by investors who are enrolled in a dealer sponsored fee-for-service or “wrap” program and who are subject to an annual advisory or asset-based fee rather than commissions for each transaction. Series F, FD, FI, FN, and G units are not subject to sales charges.

Series I units of the Funds, if applicable, are typically for institutional investors such as pension plans, endowment funds and corporations, high net worth individuals and group RRSPs that maintain a minimum investment in a Fund (based on the net asset value of such investment) as negotiated with the Manager.

Series AD, FD and LD of Exemplar Performance Fund and Series A, U, F, G, I, and L units of all Funds, except for Exemplar Leaders Fund and Exemplar Performance Fund, are designed specifically for investors who wish to receive regular monthly/quarterly distributions from a Fund. **If the Fund earns more income or capital gains than the distribution, it will distribute the excess each December. If the Fund earns less than the amount distributed, the difference is a return of capital.**

Series AN, Series FN and Series LN units of all applicable Funds, Series A and F of Exemplar Leaders Fund and Series A, F, I and L of Exemplar Performance Fund (each a “**Non-Fixed Rate Distribution Series**”) are designed specifically for investors who do not wish to receive regular distributions from a Fund. Unlike other series, the Non-Fixed Rate Distribution Series do not provide monthly/quarterly distributions. Each December, the Funds will make an annual distribution of their taxable income, if any, to holders of the Non-Fixed Rate Distribution Series.

Series AI and FI units (each a “**Higher Rate Distribution Series**”) are designed specifically for investors who wish to receive a higher regular monthly cash flow from a Fund. For each Higher Rate Distribution Series, the amount of the monthly distribution will equal the NAV per security of that series on the last day of the previous calendar year (or on the start date of the series, if the series started in the current calendar year), multiplied by the distribution rate applicable to that series and divided by 12. The distribution rates will generally be higher than for other series and may be adjusted from time to time at our discretion. **You should not confuse the distribution rate with the Fund’s rate of return or its yield of its portfolio.**

**Each monthly distribution for a Higher Rate Distribution Series will consist of net income to the extent of the Fund’s allocation of net income to that series for that month, and the remainder of the distribution, if any, will consist of return of capital. The monthly distributions on a Higher Rate Distribution Series will be reinvested, without charge, in additional securities of that series, unless you elect in advance to receive them in cash.**

Payment for units of a Fund must be received within three business days of your order or we will redeem your units on the next business day. If the proceeds are greater than the payment you owe, the Fund is required by securities regulation to keep the difference. If the proceeds are less than the payment you owe, your dealer must pay the difference (and your dealer may seek to collect this amount plus expenses from you).

We may reject your purchase order within one business day of receiving it. Any monies sent with your order will be returned immediately.

Series U and G units (each a “**U.S. Option Series**”) are designed for investors who wish to make their investment in U.S. Dollars. Funds offering U.S. Option Series hedge those series against changes in the U.S. currency relative to the Canadian currency and in doing so attempt to eliminate fluctuations between Canadian and U.S. currencies such that the performance of the U.S. Option Series are expected to be substantially the same performance as the performance of Series A, F and L units, respectively, purchased using the Canadian dollar pricing option. However, there may be factors beyond a Fund’s control such as derivative transaction costs and performance fees which may cause there to be differences in the performance of the series. In addition, there may be circumstances, from time to time, in which a Fund may not be able to fully hedge its Canadian exposure back to U.S. dollars in respect of a U.S. Option Series.

#### *Series ETF Units*

Series ETF units of the Funds will be issued and sold on a continuous basis and there is no maximum number of Series ETF units that may be issued. Series ETF units of the Funds can be bought in Canadian dollars only. The Series ETF units of the Exemplar Investment Grade Fund are listed on the TSX and the ticker symbol for Series ETF units of Exemplar Investment Grade Fund is CORP. The Manager, on behalf of Exemplar Growth and Income Fund, has applied to list the Series ETF units of Exemplar Growth and Income Fund on the TSX. The TSX has conditionally approved the listing of the Series ETF units of Exemplar Growth and Income Fund. Listing of the Series ETF units of Exemplar Growth and Income Fund on the TSX is subject to the Exemplar Growth and Income Fund fulfilling all of the requirements of the TSX on or before June 29, 2019. Subject to satisfying the TSX’s original listing requirements, the Series ETF units of Exemplar Growth and Income Fund will be listed on the TSX and holders of Series ETF units of Exemplar Growth and Income Fund will be able to buy or sell Series ETF units of Exemplar Growth and Income Fund on the TSX or another exchange or marketplace through registered brokers and dealers in the province or territory where the unitholder resides.

Unitholders may incur customary brokerage commissions in buying or selling Series ETF units. No fees are paid by a unitholder to the Manager or the Funds in connection with the buying or selling of Series ETF units on the TSX or another exchange or marketplace.

#### *To Designated Brokers and ETF Dealers*

The Manager, on behalf of each Fund that offers Series ETF units, has entered or will enter into a designated broker agreement with a designated broker (a “**Designated Broker**”) pursuant to which the Designated Broker has agreed, or will agree, to perform certain duties relating to the Series ETF units of a Fund including, without limitation: (i) to subscribe for a sufficient number of units to satisfy the applicable exchange’s original listing requirements; (ii) to subscribe for units when cash redemptions of units occur; and (iii) to post a liquid two-way market for the trading of units on the applicable exchange. In accordance with the designated broker agreement, the Manager may require the Designated Broker to subscribe for Series ETF units for cash.

Generally, all orders to purchase Series ETF units directly from a Fund must be placed by a Designated Broker or an “ETF Dealer”, which is a registered dealer (that may or may not be a Designated Broker) that has entered into an agreement with us authorizing the dealer to subscribe for, purchase and redeem Series ETF units from one or more Funds on a continuous basis from time to time.

We reserve the absolute right to reject any subscription order placed by a Designated Broker or ETF Dealer in connection with the issuance of Series ETF units. If we reject your order, we will immediately return any money received, without interest.

No fees or commissions will be payable by a Fund to a Designated Broker or ETF Dealer in connection with the issuance of Series ETF units. On the listing, issuance, exchange or redemption of Series ETF units, we may, in our discretion, charge an administrative fee to a Designated Broker or ETF Dealer to offset the expenses incurred in listing, issuing, exchanging or redeeming the units.

After the initial issuance of Series ETF units to the Designated Broker(s) to satisfy the applicable exchange's original listing requirements, a Designated Broker or ETF Dealer may place a subscription order for a Prescribed Number of Series ETF units (and any additional multiple thereof) of a Fund on any day on which a session of the exchange or marketplace on which the Series ETF units of that Fund are listed is held (a "**Trading Day**"), or such other day as determined by us. "Prescribed Number of Series ETF Units" means the number of Series ETF units of the Fund determined by us from time to time for the purpose of subscription orders, exchanges, redemptions or for other purposes. The cut-off time for Series ETF units of the Funds is 11 a.m. (Toronto time) on a Trading Day (the "**Cut-Off Time**"). If the TSX's trading hours are shortened or changed for other regulatory reasons, we may change the Cut-Off-Time. Any subscription order that is received by the Cut-Off Time will be deemed to be received on that Trading Day and will be based on the net asset value per unit determined on such Trading Day. Any subscription order received after the Cut-Off Time on a Trading Day will be deemed to be received on the next Trading Day and will be based on the net asset value per unit determined on such following Trading Day.

For each Prescribed Number of Series ETF Units issued, an ETF Dealer must deliver payment consisting of, in our discretion: (i) cash in an amount equal to the aggregate net asset value per unit of the Prescribed Number of Series ETF Units next determined following the receipt of the subscription order; (ii) a group of securities or assets representing the constituents of, and their weightings in, the Fund ("Basket of Securities") or a combination of a Basket of Securities and cash, as determined by us, in an amount sufficient so that the value of the securities and cash received is equal to the aggregate net asset value per unit of the Prescribed Number of ETF Series Units next determined following the receipt of the subscription order; or (iii) securities other than Baskets of Securities or a combination of securities other than Baskets of Securities and cash, as determined by us, in an amount sufficient so that the value of the securities and cash received is equal to the aggregate net asset value per unit of the Prescribed Number of ETF Series Units next determined following the receipt of the subscription order.

We will make available to the Designated Brokers and ETF Dealers information as to the Prescribed Number of Series ETF Units and any Basket of Securities for each Fund for each Trading Day. We may, in our discretion, increase or decrease the Prescribed Number of ETF Series Units from time to time.

#### *To Designated Brokers in special circumstances*

Series ETF units may also be issued by a Fund to Designated Brokers in certain special circumstances, including when cash redemptions of Series ETF units occur.

#### **Switches**

You can transfer your units, except for Series ETF units, between the Funds or to another fund in our group of funds, including units of any new mutual fund which is created and offered by Arrow after the date of this document (provided that units of the new mutual fund have been qualified for sale in your province or territory of residence). A switch involves the redemption of the units of a Fund and a purchase of units in another Fund or other permitted fund. You cannot switch Series ETF units for units of another series of the same Fund or for units of another Fund.

Front-End Units of a Fund can only be exchanged for other Front-End Units of the Fund, another Fund or other permitted fund also offered under the initial sales charge option. Units purchased under the Low Load Option can only be exchanged for other units available under a low load option or the unitholder will be required to pay any applicable redemption charges on the Low Load Units being redeemed before new units are issued. When Low Load Units are exchanged, the unitholder's new units that are issued will be deemed to have been purchased on the same day as the original Low Load Units, thereby minimizing redemption charges at a later date.

## Redemptions

### Mutual Fund Series Units

You may redeem your Mutual Fund Series units in a Fund at the net asset value of such units on demand by providing written notice. Your dealer is required to forward your redemption order to our offices on the same day the dealer receives it from you. Your written redemption order must have your signature guaranteed by a bank, trust company or dealer for your protection.

If we do not receive all of the documentation we need from you to complete your redemption order within ten business days, we must repurchase your units. If the sale proceeds are greater than the repurchase amount, the applicable Fund is required by securities regulation to keep the difference. If the sale proceeds are less than the repurchase amount, your dealer will be required to pay the applicable Fund the difference (and your dealer may seek to collect this amount plus expenses from you).

### ETF Series Units

#### *Redemption of ETF Series units in any number for cash*

You may choose to redeem Series ETF units of a Fund on any Trading Day. When you redeem Series ETF units of a Fund, you receive the proceeds of your sale in cash at a redemption price per unit equal to 95% of the closing price of the Series ETF units on the effective date of redemption, subject to a maximum redemption price of the applicable net asset value per unit. As unitholders will generally be able to sell Series ETF units at the market price on the TSX or another exchange or marketplace through an ETF Dealer subject only to customary brokerage commissions, unitholders are advised to consult their brokers, dealers or investment advisers before redeeming their Series ETF units for cash.

For such a cash redemption to be effective on a Trading Day, a cash redemption request in the form prescribed by us from time to time must be delivered to the Fund at the offices of the Manager through a registered dealer or other financial institution that is a participant in CDS Clearing and Depository Services Inc. (“CDS”) and that holds Series ETF units on behalf of beneficial owners of such units (a “CDS Participant”). Any cash redemption request that is received by the Cut-Off Time will be deemed to be received on that Trading Day. Any cash redemption request received after the Cut-Off Time on a Trading Day will be deemed to be received on the next Trading Day. Payment of the redemption price will be made by no later than the second Trading Day after the effective day of the redemption (or such shorter period as may be determined by us in response to changes in applicable laws or general changes to settlement procedures in applicable markets). The cash redemption request forms may be obtained from us.

If the Manager hasn’t received all the required documents within 10 business days of receiving your redemption request, the Manager will issue the same number of securities on the 10<sup>th</sup> business day after the redemption request. If the issue price is less than the sale proceeds, the Fund will keep the difference. If the issue price is more than the sale proceeds, your ETF Dealer must pay the shortfall. Your ETF Dealer may have the right to collect it from you.

If you are redeeming more than \$25,000 of the Funds, your signature must be guaranteed by your bank, trust company or ETF Dealer. In some cases, the Manager may require other documents or proof of signing authority. You can contact your registered representative or us to find out the documents that are required to complete the sale.

The Manager reserves the right to cause a Fund to redeem the Series ETF units held by a unitholder at a price equal to the net asset value per unit on the effective date of such redemption if the Manager believes it is in the best interests of the Fund to do so.

#### *Exchange of Prescribed Number of Series ETF units*

On any Trading Day, you may exchange a minimum of a Prescribed Number of Series ETF Units (and any additional multiple thereof) for cash or, with our consent, Baskets of Securities and cash. To effect an exchange of

Series ETF units, you must submit an exchange request, in the form prescribed by the Manager from time to time, to the applicable Fund at its head office. The exchange price will be equal to the aggregate net asset value per unit of the Prescribed Number of ETF Series Units on the effective day of the exchange request, payable by delivery of cash or, with our consent, Baskets of Securities (constituted prior to the receipt of the exchange request) and cash. On an exchange, the applicable Series ETF units will be redeemed. On an exchange we will require you to pay the applicable Fund an exchange transaction fee of 0.25%, or such other amount as we may determine from time to time, which approximates the brokerage expenses, commissions, transaction costs, costs or expenses related to market impact and other costs or expenses incurred or expected to be incurred by a Series ETF in effecting securities transactions on the market to obtain the necessary cash for the exchange. The exchange transaction fee may be higher if the costs and expenses incurred or expected to be incurred by a Series ETF is higher than generally expected. In certain circumstances and at our discretion, we may waive or reduce the exchange transaction fee.

Any exchange request that is received by the Cut-Off Time will be deemed to be received on that Trading Day and will be based on the net asset value per unit determined on such Trading Day. Any exchange request received after the Cut-Off Time on a Trading Day will be deemed to be received on the next Trading Day and will be based on the net asset value per unit determined on such following Trading Day. Settlement of exchanges for cash or Baskets of Securities and cash, as the case may be, will be made by no later than the second Trading Day after the effective day of the exchange request (or such shorter period as may be determined by us in response to changes in applicable laws or general changes to settlement procedures in applicable markets).

The Manager will make available to the Designated Brokers and ETF Dealers information as to the Prescribed Number of Series ETF Units and any Basket of Securities for each Fund for each Trading Day. The Manager may, in its discretion, increase or decrease the Prescribed Number of ETF Series Units from time to time.

If securities held in the portfolio of a Fund are cease traded at any time by order of a securities regulatory authority or other relevant regulator or stock exchange, the delivery of such securities to a unitholder on an exchange may be postponed until such time as the transfer of the securities is permitted by law.

#### *Exchange and redemption of Series ETF units through CDS Participants*

The exchange and redemption rights described above must be exercised through the CDS Participant through which you hold Series ETF units. Beneficial owners of Series ETF units should ensure that they provide exchange and/or redemption instructions to the CDS Participants through which they hold units sufficiently in advance of the cut-off times set by CDS Participants to allow such CDS Participants to notify us, or as we may direct, prior to the relevant cut-off time.

#### *Characterization of redemption or exchange amounts*

The redemption or exchange price paid to a Designated Broker may include income and/or capital gains realized by the Fund. The remaining portion of the redemption or exchange price will be proceeds of disposition.

### **Redemption Charges**

No redemption charges apply to Front-End Units, unless the units are subject to the short-term trading redemption charge described below. See “*Fees and Expenses – Fees and Expenses Payable Directly by You*” on page 20.

A redemption charge will apply to Low Load Units purchased which are subsequently redeemed within the time period specified by the Funds’ redemption schedule as described below. Any redemption of units by a unitholder will first be applied to the units that are not subject to redemption charges. In order to minimize redemption charges, units subject to redemption charges are redeemed on a “first in, first out” basis.

The following redemption charge will apply if you redeem your Low Load Units, other than Low Load Units of the Exemplar Tactical Corporate Bond Fund, within the following time periods after purchase:



<u>Year(s) Since Purchase</u>	<u>Redemption Charge as a Percentage of the Original Purchase Price</u>
Year 1	3.00%
Year 2	2.50%
Year 3	2.00%
Year 4	None

The following redemption charge will apply if you redeem your Low Load Units of the Exemplar Tactical Corporate Bond Fund within the following time periods after purchase:

<u>Year(s) Since Purchase</u>	<u>Redemption Charge as a Percentage of the Original Purchase Price</u>
Year 1	2.50%
Year 2	2.00%
Year 3	1.50%
Year 4	None

### **Short-Term Trading**

Arrow has adopted policies and procedures to detect and deter short-term trading. Short-term trades are defined as a combination of a purchase and redemption within a short period of time that Arrow believes is detrimental to other investors in a Fund.

The interests of unitholders and a Fund’s ability to manage its investments may be adversely affected by short-term trading because, among other things, these types of trading activities can dilute the value of units, can interfere with the efficient management of the Funds and can result in increased administrative costs to the Funds. While Arrow will actively take steps to monitor, detect and deter short-term trading, it cannot ensure that such trading activity will be completely eliminated.

If a unitholder switches or redeems units of a Fund within 90 days of purchase (including units received on the automatic reinvestment of distributions within such 90 day period), the Fund may charge a short-term trading fee of up to 2% of the net asset value of the units switched or redeemed. Short-term trading fees do not apply to redemptions or switches of Series ETF units. See “*Fees and Expenses - Fees and Expenses Payable Directly by You*” on page 20.

Arrow may take such additional action as it considers appropriate to prevent further similar activity by an investor who utilizes short-term trades. These actions may include the delivery of a warning to the investor, placing the investor on a watch list to monitor his/her trading activity and the subsequent refusal of further purchases by the investor if the investor continues to attempt such trading activity and closure of the investor’s account.

#### *Suspending your right to buy, switch and redeem units*

Securities regulations allow the Manager to temporarily suspend your right to redeem your Fund units and postpone payment of your sale proceeds:

- during any period when normal trading is suspended on any exchange on which securities or derivatives that make up more than 50% of the Fund’s value or its underlying market exposure are traded and there’s no other exchange where these securities or derivatives are traded, or
- with the approval of securities regulators.

The Manager will not accept orders to buy Fund units during any period when the Manager has suspended investors' rights to redeem their units.

You may withdraw your redemption or exchange request before the end of the suspension period. Otherwise, the Manager will redeem your units at the net asset value per unit next calculated when the suspension period ends.

#### *Special considerations for unitholders*

The provisions of the so-called "early warning" reporting requirements in Canadian securities legislation do not apply if a person or company acquires 10% or more of the Series ETF units of a Fund. The Funds have obtained relief to permit unitholders to acquire more than 20% of the Series ETF units of any Fund without regard to the takeover bid requirements of applicable Canadian securities legislation. In addition, the Funds have obtained relief to permit a Fund to borrow cash in an amount not exceeding 5% of the net assets of the Fund for a period not longer than 45 days and, if required by the lender, to provide a security interest over any of its portfolio assets as a temporary measure to fund the portion of any distribution payable to unitholders that represents amounts that have not yet been received by the Fund.

### **OPTIONAL SERVICES**

This section tells you about services that are available to investors in Mutual Fund Series units of the Funds. These services are not available to investors in Series ETF units of the Funds.

#### **Registered Tax Plans**

Registered tax plans may be available through Arrow or a unitholder's broker, dealer or advisor. Unitholders should contact Arrow or their broker, dealer or advisor directly about these services.

#### **Pre Authorized Payment Plan**

Under a pre-authorized payment plan, you can indicate a regular amount of investment (not less than \$100) to be made on a periodic basis, the Fund in which the investment is to be made, and the bank chequing account from which the investment amount is to be debited. You may suspend or terminate such a plan on ten days' prior written notice to us. The minimum initial subscription amount is \$1,000.

#### **Automatic Withdrawal Plan**

You can establish an automatic withdrawal plan, provided you are not investing through a retirement savings plan and your account has a minimum value of \$10,000. Under an automatic withdrawal plan, you can indicate a regular amount of cash withdrawal (not less than \$100) to be made on a periodic basis, the Fund from which the investment is to be withdrawn, and the bank chequing account to which the withdrawn amounts are to be credited. Withdrawals will be made by way of redemption of units, and it should be noted that if withdrawals are in excess of distributions and net capital appreciation, they will result in encroachment on, or possible exhaustion of, your original capital. If you choose the automatic withdrawal plan, all distributions declared on units held under such a plan in respect of a Fund must be reinvested into additional units of that Fund. You may modify, suspend or terminate an automatic withdrawal plan on ten days' prior written notice to us.

### **FEES AND EXPENSES**

The tables below list:

- all fees and expenses which are paid directly by the Funds before their unit prices are calculated, and which therefore indirectly reduce the value of your investment; and
- all fees and expenses payable directly by you.

**Fees and Expenses Payable by the Funds**

<p><b>Management Fees</b></p>	<p>Management fees represent the fees payable to Arrow for the services it provides. Arrow is responsible for all expenses related to the management of the Funds' investment portfolio, including investment consulting fees and research expenditures incurred by it and fees charged by investment or other advisers employed by it. We are also responsible for payment of all advertising and promotional expenses incurred in respect of the Funds.</p> <p>The management fees payable by the Funds are as follows (plus applicable HST):</p> <p>The <u>Exemplar Growth and Income Fund</u> pays management fees at a rate of 2.00% per year in respect of Series A, and Series AN units, 2.30% per year in respect of Series L and Series LN units and 1.00% per year in respect of Series F, FN, and Series ETF units.</p> <p>The <u>Exemplar Investment Grade Fund</u> pays management fees at the rate of 1.30% per year in respect of Series A, AI, AN, and U units and 0.80% per year in respect of Series F, FI, FN, G and ETF units.</p> <p>The <u>Exemplar Leaders Fund</u> pays management fees at the rate of 1.80% per year in respect of Series A units and 0.80% per year in respect of Series F units.</p> <p>The <u>Exemplar Performance Fund</u> pays management fees at a rate of 2.00% per year in respect of Series A and Series AD units, 2.30% per year in respect of Series L units and Series LD units and 1.00% per year in respect of Series F and Series FD units.</p> <p>The <u>Exemplar Tactical Corporate Bond Fund</u> pays management fees at the rate of 1.75% per year in respect of Series A, AI, AN, and U units, 2.00% per year in respect of Series L units and 1.00% per year in respect of Series F, FI, FN, and G units.</p> <p>A holder of Series I units of a Fund, if applicable, pays a negotiated management fee directly to Arrow. The management fee in respect of Series I units will be different for each investor, and will not exceed 2.50% per year.</p> <p>Arrow reserves the right to offer selected purchasers who meet certain criteria a management fee rebate.</p>
<p><b>Performance Fees</b></p>	<p><u>Exemplar Leaders Fund</u></p> <p>The Exemplar Leaders Fund pays Arrow performance fees (a "<b>Performance Fee</b>").</p> <p>The Performance Fee is calculated and accrued daily and paid annually on a calendar year basis and is subject to HST (and any other applicable taxes).</p> <p>If the performance of a series of the Exemplar Leaders Fund in any year is less than the performance of the index described below (the "<b>Return Deficiency</b>"), then no Performance Fee will be payable in any subsequent year until the performance of the applicable series, on a cumulative basis calculated from the first of such subsequent years, has exceeded the amount of the Return Deficiency.</p> <p>The Exemplar Leaders Fund will pay Arrow annually a Performance Fee equal to a percentage of the average net asset value of Series A units and Series F units of the Fund. Such percentage will be equal to 20% of the difference by which the return in the net asset value per unit of the applicable series from January 1 to December 31 exceeds the greater of:</p>

	<p>(i) 0%; and</p> <p>(ii) the percentage return of the S&amp;P/TSX Composite Total Return Index for the same period. The S&amp;P/TSX Composite Total Return Index is the headline index and the principal broad market measure for the Canadian equity markets.</p> <p><u>Exemplar Performance Fund</u></p> <p>The Exemplar Performance Fund pays Arrow a performance fee (a “<b>Performance Fee</b>”) equal to 20% of the amount by which each series of the Fund outperforms the S&amp;P TSX Composite Total Return Index. A Performance Fee will be payable in all circumstances where the performance of the applicable series of the Fund exceeds that of the S&amp;P TSX Composite Total Return Index, even in circumstances where the overall performance of the series of the Fund has declined in a particular year, but as long as the performance of the series of the Fund is positive since the last date that a performance fee was paid by the Fund for that series. The S&amp;P TSX Composite Total Return Index is comprised of most of the largest companies on the TSX as measured by market capitalization with any distributions reinvested.</p> <p>The Performance Fee is calculated and accrued daily and paid annually on a calendar year basis and is subject to HST (and any other applicable taxes).</p> <p>If the performance of a series of the Fund in any year is less than the performance of the indices described above (the “<b>Return Deficiency</b>”), then no Performance Fee will be payable in any subsequent year until the performance of the applicable series, on a cumulative basis calculated from the first of such subsequent years, has exceeded the amount of the Return Deficiency.</p> <p><u>Exemplar Growth and Income Fund</u></p> <p>The Exemplar Growth and Income Fund will not pay a performance fee directly, although funds it invests in may be charged a performance fee.</p>
<p><b>Operating Expenses</b></p>	<p>The Funds pay for all expenses incurred in connection with their operation and administration, including applicable HST. Such costs and expenses may include, without limitation, the fees and expenses of the members of the IRC appointed under NI 81-107 and expenses related to compliance with NI 81-107; regulatory fees including participation or other fees payable by the Manager under applicable securities legislation; accounting; audit; valuation; legal; registrar and transfer agency, custodial and safekeeping fees; taxes; brokerage commissions; fees and expenses relating to the implementation of portfolio transactions; interest; unitholder servicing costs; unitholder meeting costs; printing and mailing costs; litigation expenses; amounts paid for damages awarded or as settlements in connection with litigation; lease payments (including prepaid portions thereof); costs of office space, facilities and equipment; costs of financial and other reports and prospectuses that are used in complying with applicable securities legislation; and any new fee that may be introduced by a securities authority or other governmental authority that is calculated based on assets or other criteria of the Fund. The Manager or Trustee may provide any of these services and is reimbursed all of its costs in providing these services to the Funds which may include but are not limited to personnel costs, office space, insurance, and depreciation. The common expenses of the Funds will be allocated among the Funds, as applicable. Each Fund will bear separately any expense item that can be attributed specifically to the Fund. Common expenses of the Funds will be allocated based on a reasonable allocation methodology which will include allocations based on the assets of the Fund or the number of unitholders of the Fund or other methodology we determine is fair.</p>

	<p>The fees and other reasonable expenses of the IRC are paid pro rata out of the assets of the Funds, as well as out of the assets of the other investment funds managed by Arrow for which the IRC acts as the independent review committee. The fees for members of the IRC consist of an annual retainer in the amount of \$14,000 per member. The chair of the IRC is entitled to an additional fee of \$4,000. Expenses of the IRC include premiums for insurance coverage, legal fees, travel expenses and other reasonable out-of-pocket expenses. These fees and expense reimbursements are allocated across all investment funds that are managed by Arrow in a manner that is fair and reasonable. The total amount of fees paid to the IRC by all investment funds managed by Arrow for the fiscal year ended December 31, 2017 was \$46,000.</p>
--	---

### Fees and Expenses Payable Directly by You

<b>Sales Charges on Front-End Units</b>	<p>A maximum of 5% of the amount you invest in each Fund. The amount of the fee is a matter negotiable between you and your dealer. Sales charges are only applicable to Front-End Series A, AD, AI, AN, and U units.</p>																				
<b>Redemption Fees</b>	<p>No redemption charges apply to Front-End Units, unless the units are subject to the short-term trading redemption charge described below.</p> <p>A redemption charge will apply to Series L, LD and LN Low Load Units purchased which are subsequently redeemed within the time period specified by the Funds' redemption schedule as described below. Any redemption of units by a unitholder will first be applied to the units that are not subject to redemption charges. In order to minimize redemption charges, units subject to redemption charges are redeemed on a "first in, first out" basis.</p> <p>The following redemption charge will apply if you redeem your Low Load Units, other than Low Load Units of the Exemplar Tactical Corporate Bond Fund, within the following time periods after purchase:</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Year(s) Since Purchase</th> <th style="text-align: right;">Redemption Charge as a Percentage of the Original Purchase Price</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Year 1</td> <td style="text-align: right;">3.00%</td> </tr> <tr> <td style="text-align: center;">Year 2</td> <td style="text-align: right;">2.50%</td> </tr> <tr> <td style="text-align: center;">Year 3</td> <td style="text-align: right;">2.00%</td> </tr> <tr> <td style="text-align: center;">Year 4</td> <td style="text-align: right;">None</td> </tr> </tbody> </table> <p>The following redemption charge will apply if you redeem your Low Load Units of the Exemplar Tactical Corporate Bond Fund within the following time periods after purchase:</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Year(s) Since Purchase</th> <th style="text-align: right;">Redemption Charge as a Percentage of the Original Purchase Price</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Year 1</td> <td style="text-align: right;">2.50%</td> </tr> <tr> <td style="text-align: center;">Year 2</td> <td style="text-align: right;">2.00%</td> </tr> <tr> <td style="text-align: center;">Year 3</td> <td style="text-align: right;">1.50%</td> </tr> <tr> <td style="text-align: center;">Year 4</td> <td style="text-align: right;">None</td> </tr> </tbody> </table>	Year(s) Since Purchase	Redemption Charge as a Percentage of the Original Purchase Price	Year 1	3.00%	Year 2	2.50%	Year 3	2.00%	Year 4	None	Year(s) Since Purchase	Redemption Charge as a Percentage of the Original Purchase Price	Year 1	2.50%	Year 2	2.00%	Year 3	1.50%	Year 4	None
Year(s) Since Purchase	Redemption Charge as a Percentage of the Original Purchase Price																				
Year 1	3.00%																				
Year 2	2.50%																				
Year 3	2.00%																				
Year 4	None																				
Year(s) Since Purchase	Redemption Charge as a Percentage of the Original Purchase Price																				
Year 1	2.50%																				
Year 2	2.00%																				
Year 3	1.50%																				
Year 4	None																				
<b>Switch Fees</b>	<p>Up to 5% of the amount you wish to switch between the Funds and other funds managed by Arrow. The amount of the fee is a matter negotiable between you and your dealer. If a unitholder switches units of a Fund within 90 days of purchase, the Fund may charge a short-term trading fee of up to 2% of the net</p>																				

	asset value of the units switched. This short-term trading fee would be over and above any switch fee which the broker, dealer or advisor may charge. Switch fees are only applicable to Front-End Series A, AD, AI, AN, and U units.
<b>Short-term Trading Fees</b>	A Fund may charge you a short-term trading fee of up to 2% of the net asset value of the units if a unitholder redeems or switches units of the Fund within 90 days of the date of purchase (including units received on the automatic reinvestment of distributions within such 90 day period). This short-term trading fee would be over and above any switch fee which the broker, dealer or advisor may charge. The fee is not applicable to redemptions or switches of Series ETF units.
<b>Registered Tax Plan Fees</b>	Fees payable will be determined by the trustees of a licensed trust company for such plans.
<b>Administration Fee</b>	An amount may be charged to a Designated Broker or ETF Dealer to offset certain transaction and other costs associated with the listing, issue, exchange, and/or redemption of Series ETF units of a Fund. This charge, which is payable to the applicable Fund, does not apply to unitholders who buy or sell their Series ETF units through the facilities of the TSX or another exchange or marketplace.
<b>Exchange Fee</b>	On an exchange of Series ETF units, we will require you to pay the applicable Fund an exchange transaction fee of 0.25%, or such other amount as we may determine from time to time, which approximates the brokerage expenses, commissions, transaction costs, costs or expenses related to market impact and other costs or expenses incurred or expected to be incurred by a Series ETF in effecting securities transactions on the market to obtain the necessary cash for the exchange. The exchange transaction fee may be higher if the costs and expenses incurred or expected to be incurred by a Series ETF is higher than generally expected. In certain circumstances and at our discretion, we may waive or reduce the exchange transaction fee.

Any change in any contract or the entering into of any new contract as a result of which the basis for the calculation of the fees or other expenses that are charged to a Fund which could result in an increase in charges to the Fund, must be approved by a majority of the votes cast at a meeting of the unitholders of the Fund called for such purpose. Such approval is not required in respect of a change in a contract or a new contract made by a Fund at arm's length and with parties other than Arrow or an associate or affiliate of Arrow for all or part of the services it requires to carry on its operations, provided that unitholders are given at least 60 days' notice before any contract is entered into or the effective date of any change, as applicable.

#### **Other Mutual Funds**

From time to time the Funds may invest in and hold securities of other investment funds. There are fees and expenses payable by the other investment funds in addition to the fees and expenses payable by the Funds. No management fees or incentives are payable by a Fund that, to a reasonable person, would duplicate a fee payable by the other investment fund for the same service and no sales fees or redemption fees are payable by the Fund in relation to its purchases or redemptions of the securities of the other investment fund if the other investment fund is managed by the Arrow or an affiliate or associate of the manager of the Fund, and no sales fees or redemption fees are payable by the Fund in relation to its purchases or redemptions of securities of the other investment fund that, to a reasonable person, would duplicate a fee payable by an investor in that Fund.

## IMPACT OF SALES CHARGES

The following table shows the amount of fees that you would have to pay if you made an investment of \$1,000 in a Fund, if you held that investment for one, two, three or four years and redeemed immediately before the end of that period.

	At Time of Purchase	1 Year	3 Years	5 Years	10 Years
Series A, AD, AI, AN, and U - Front-End Sales Charge <sup>(1)</sup>	\$50.00	\$ -	\$ -	\$ -	\$ -
Series A - Low Load Option	\$ -	\$30.00	\$20.00	\$ -	\$ -
Series L, LD and LN - Low Load Option - other than Exemplar Tactical Corporate Bond Fund	\$ -	\$30.00	\$20.00	\$ -	\$ -
Series L - Low Load Option - Exemplar Tactical Corporate Bond Fund	\$ -	\$25.00	\$15.00	\$ -	\$ -

(1) This assumes the maximum sales charge of 5% of the amount invested.

## DEALER COMPENSATION

### Sales Commissions and Switching Fees

You will pay your dealer a sales commission at the time of your purchase of Series A, Series AD, Series AI, Series AN, or U Front-End Units, such commission being up to 5% of the amount you invest. The actual percentage is a matter negotiable between you and your dealer. Sales charges are not paid when you switch between series of a Fund, or between the Funds or to another fund managed by Arrow, but a switch fee of up to 5% may be charged to you and retained by your dealer. The amount of any switch fee is a matter negotiable between you and your dealer. No sales commissions are paid when you receive units from reinvested distributions. Sales commissions and switching fees are only applicable to Series A, Series AD, Series AI, Series AN, and U Front-End Units.

If an investor purchases Series L, LD, or LN Low Load Units, no sales commission is payable by the investor, and Arrow will pay the dealer a commission of up to 3% in respect of the amount invested, except if you purchase Low Load Units of the Exemplar Tactical Corporate Bond Fund for which Arrow will pay the dealer a commission of up to 2.5% in respect of the amount invested. However, a redemption fee may be deducted if redeemed within 3 years of purchase.

You may incur customary brokerage commissions in buying or selling Series ETF units on the TSX or another exchange or marketplace.

### Trailing Commission

We pay your dealer a trailing commission monthly on Series A, AD, AI, AN, U, L, LD, and LN units for the ongoing advice and service you receive from your dealer relating to the Funds, as applicable. Dealers receive this service fee based on the aggregate unit value of their clients' investment in the applicable Fund. We also pay trailing commissions to the discount broker for securities you purchase through your discount brokerage account. We may pay your dealer a trailing commission monthly on Series I units of a Fund, if applicable, which is a matter negotiable between Arrow and your dealer, and will not exceed 1.00% per year. We may change or cancel the terms of trailing commissions that we pay at any time. The following table outlines the annual trailer fee rates associated with the Funds:

	<b>Front-End Units</b>	<b>Low Load Units</b>
Exemplar Growth and Income	1.00%	Year 1 – 0%
Exemplar Leaders Fund	1.00%	Year 2 – 0.5%
Exemplar Performance Fund	1.00%	Year 3 – 0.5%
		Year 4 and all subsequent years – switches to rates applicable to the Front-End Units
Exemplar Tactical Corporate Bond Fund	0.75%	Year 1 – 0%
		Year 2 – 0.25%
		Year 3 – 0.25%
		Year 4 and all subsequent years – switches to rates applicable to the Front-End Units
Exemplar Investment Grade Fund	0.50%	Not applicable

No trailing commissions are paid to dealers in respect of Series F, FD, FI, FN, G or ETF units. Any trailing commission in respect of Series I units, if any, would be negotiated directly with Arrow.

#### **Other Kinds of Dealer Compensation**

We may share with dealers up to 50% of their eligible costs in marketing units of the Funds (upon approval of Arrow's compliance department). For example, we may pay a portion of the costs of a dealer in advertising the availability of the Funds through the financial advisors of that dealer. We may also pay part of the costs of a dealer in running a seminar to inform investors about the Funds or about the general benefits of investing in the Funds.

We may also pay up to 10% of the costs of some dealers to hold educational seminars or conferences for their financial advisors to teach them about, among other things, new developments in the mutual fund industry, financial planning or new financial products (upon approval by Arrow's compliance department). The dealer makes all decisions about where and when the conference is held and who can attend.

We may also arrange for seminars for financial advisors where we inform them about new developments in the Funds, our products and services and mutual fund industry matters. We will invite dealers to send their financial advisors to any such seminars and such dealers (and not us) will decide who attends. The financial advisors will be required to pay their own travel, accommodation and personal expenses of attending any such seminars.

#### **DEALER COMPENSATION FROM MANAGEMENT FEES**

During the financial year ended December 31, 2017, we paid to dealers, who distributed units of the Funds, sales and servicing commissions equal to approximately 24.4% of the total management fees we received.

#### **INCOME TAX CONSIDERATIONS FOR INVESTORS**

The following is a general summary of the principal Canadian federal income tax considerations applicable to an individual (other than a trust) who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length with and is not affiliated with a Fund or Arrow, and holds units as capital property. Generally, your investment in a Fund will be capital property unless you are considered to be trading or dealing in securities or have acquired your investment in a transaction considered to be an adventure or concern in the nature of trade. Certain unitholders can file an election to treat all future dispositions of certain property, including units of a Fund, to be capital property.



This summary is based on the current provisions of the Tax Act, but does not take into account or anticipate any changes in law whether by legislative, regulatory, administrative or judicial action. Furthermore, this summary does not take into account provincial, territorial or foreign income tax legislation or considerations.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Accordingly, you are advised to consult your own tax advisor about your particular tax situation.

## **Taxation of the Funds**

In general, a Fund pays no income tax as long as it distributes its income and net realized capital gains to its unitholders. Each Fund generally intends to distribute a sufficient amount of its net income for tax purposes, including net realized capital gains, so it will not have to pay income tax.

To the extent that a Fund has not otherwise distributed a sufficient amount of its net income or net capital gains, the trust agreement of the Funds provides that a distribution will be paid to unitholders at the end of the year and the distribution will be automatically reinvested in additional units of the Fund. Immediately following such reinvestment, the number of units outstanding will be consolidated so that the net asset value per unit following the distribution and reinvestment is the same as it would have been if the distribution had not been paid. A consolidation of units following a distribution which is reinvested in units will not be regarded as a disposition of units.

The Tax Act includes “loss restriction event” (“**LRE**”) rules that could potentially apply to certain trusts including the Funds. In general, a Fund is subject to a LRE if a person (or group of persons acting in concert) acquires more than 50% of the fair market value of the units of the Fund. If a LRE occurs: (i) the Fund will be deemed to have a year-end for tax purposes immediately before the LRE occurs; (ii) any net income and net realized capital gains of the Fund at such year-end will be distributed to unitholders of the Fund to the extent required for the Fund not to be liable for income taxes; and (iii) the Fund will be restricted in its ability to use tax losses (including any unrealized capital losses) that exist at the time of the LRE in future years.

## **Types of Income from the Funds**

Your investment in a Fund can generate income for tax purposes in two ways:

- **Distributions.** When any Fund earns net income from its investments or realizes a net capital gain by selling securities, it intends to allocate these amounts on to you as a distribution.
- **Capital gains (or losses).** You can realize a capital gain (or loss) when you sell or transfer your units of the Fund (including a transfer of units of one Fund for units of another Fund) for more (or less) than you paid for them. Generally, switching one series of units to another series of units of the same Fund will result in a disposition for tax purposes, so a capital gain or loss will arise.

## **Registered Tax Plans**

Provided that a Fund qualifies as a “mutual fund trust” or a “registered investment” within the meaning of the Tax Act, or both a “mutual fund trust” and a “registered investment”, units of such Fund will be qualified investments for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), deferred profit sharing plans, registered education savings plans (“**RESP**”), registered disability savings plans (“**RDSP**”) and tax-free savings accounts (“**TFSAs**”) (collectively “**Registered Plans**”). Notwithstanding the foregoing, if the units of a Fund are a “prohibited investment” for the purposes of a TFSA, a RRSP, a RESP, a RDSP or a RRIF, the holder of such TFSA or RDSP, the annuitant of such RRSP or RRIF or the subscriber of a RESP, as the case may be, will be subject to a penalty tax as set out in the Tax Act. Provided that for purposes of the Tax Act the holder of a TFSA or RDSP, the annuitant of a RRSP or RRIF or the subscriber of a RESP, as the case may be, (i) deals at arm’s length with the Fund for purposes of the Tax Act and (ii) does not have a “significant interest” (within the meaning of the Tax Act) in the Fund, the units will not be a “prohibited investment” for such

TFSA, RRSP, RESP, RDSP or RRIF for the purposes of the Tax Act. Holders of a Registered Plan should consult their own tax advisors as to whether units will be a prohibited investment in their particular circumstances.

### **Funds held in Registered Plans**

Each Fund currently qualifies as a “mutual fund trust” and is expected to qualify as a “mutual fund trust” or as a “registered investment” as defined in the Tax Act at all material times. Therefore, the Funds are expected to be qualified investments for Registered Plans. **If any such Funds were not to qualify as a “mutual fund trust”, the income tax considerations as described below would, in some respects, be materially and adversely different.**

Note that not all Registered Plans are available in all provinces or territories or through all our programs. The Funds may be eligible for other Registered Plans offered through your financial advisor.

If you hold units of a Fund in a Registered Plan, you generally pay no tax on distributions paid from the Fund on those units or on any capital gains that your Registered Plan realizes from selling, redeeming or transferring units (including a transfer of units of one Fund for units of another Fund). You should consult with your own tax advisor with respect to exchanging Series ETF units for a Basket of Securities in your registered plan.

### **Funds held in Non-Registered Accounts**

If you hold units of a Fund in a non-registered account, you must include the following in calculating your income each year:

- Any net income and the taxable portion of any net capital gains (computed in Canadian dollars) distributed to you by any trust fund, whether you receive the distributions in cash or they are reinvested in units of the Fund.
- 50% of any capital gains you realize from selling or redeeming your units (including to pay fees described in this document) or transferring your units (including a transfer of units of one Fund for units of another Fund) when the value of the units is greater than their adjusted cost base plus reasonable costs of disposition (including any redemption fees). If the value of units sold is less than their adjusted cost base plus reasonable costs of disposition (including any redemption fees), you will have a capital loss. You must use 50% of capital losses that you realize to offset the taxable portion of capital gains realized in the same year. 50% of the unused capital losses can be carried back three years and forward indefinitely to offset the taxable capital gains in those years in accordance with detailed rules of the Tax Act.
- Generally, the amount of any management fee distributions paid to you is paid out of a Fund’s income.

We will issue a tax slip to you each year for all Funds that shows you how much of each type of income each Fund distributed to you and any return of capital. You can claim any tax credits that apply to that income that are allocated to you by the Fund. For example, if distributions by a Fund include Canadian dividend income or foreign income, you will receive tax credits which can be to the extent permitted by the Tax Act. Dividends and capital gains distributed by a Fund and capital gains realized on the disposition of units may give rise to alternative minimum tax. You should consult your tax advisor about the tax treatment in your particular circumstances of any investment advisory fees you pay to your financial advisor when investing in the Funds and any management fee distributions paid to you.

### **Distributions**

**Distributions from a Fund may include a return of capital. When a Fund earns less income for tax purposes than the amount distributed, the difference is a return of capital.** A return of capital is not taxable, but will reduce the adjusted cost base of your units. If the adjusted cost base of your units becomes a negative amount at any time in a taxation year, you will be deemed to realize a capital gain equal to that amount and the adjusted cost base of your units will be reset to zero. The tax slip we will issue to you each year will show you how much capital was returned to you in respect of your units.

Distributions may result from foreign exchange gains because the Funds are required to report income and net realized capital gains in Canadian dollars for tax purposes.

The unit price of a Fund may include income and capital gains that the Fund has earned, but not yet realized (in the case of capital gains) and/or paid out as a distribution. If you buy units of a Fund just before it makes a distribution, you will be taxed on that distribution. You may have to pay tax on income or capital gains the Fund earned before you owned it. This may be particularly significant if you are purchasing later in the year. The Funds intend to make monthly or quarterly distributions except in respect of units of the Non-Fixed Rate Distribution Series. See the individual Fund descriptions in Part B of this simplified prospectus for the distribution policy of each Fund.

The higher a Fund's portfolio turnover rate is in a year, the greater the chance that you will receive a distribution from the Fund. There is no necessary relationship between a Fund's turnover rate and its performance, although the larger trading costs associated with a high portfolio turnover rate would reduce a Fund's performance.

### **Calculating your Capital Gain or Loss**

Your capital gain or loss for tax purposes is the difference between the amount you receive when you sell your units or the fair market value of units that you transfer (after deducting any redemption fees or other charges) and the adjusted cost base of those units.

Generally, switching one series of units to another series of units of the same Fund will result in a disposition for tax purposes, so a capital gain or loss will arise. If those redeemed units are held outside a Registered Plan, you may realize a taxable capital gain or realize a capital loss.

In general, the adjusted cost base of each of your units of a particular series of a Fund at any time equals:

- your initial investment for all your units of that series of the Fund (including any sales charges paid), **plus**
  - your additional investments for all your units of that series of the Fund (including any sales charges paid), **plus**
  - reinvested distributions or management fee distributions in additional units of that series of the Fund, **minus**
  - any return of capital distributions by the Fund in respect of units of that series of the Fund, **minus**
  - the adjusted cost base of any units of that series of the Fund previously redeemed,
- all divided by**
- the number of units of that series of the Fund that you hold at that time.

You should keep detailed records of the purchase cost of your investments and distributions you receive on those units so you can calculate their adjusted cost base. All amounts (including adjusted cost base, distributions and proceeds of disposition) must be computed in Canadian dollars. Other factors may affect the calculation of the adjusted cost base and you may want to consult a tax advisor.

In certain situations where you dispose of units of a Fund and would otherwise realize a capital loss, the loss will be denied. This may occur if you, your spouse or another person affiliated with you (including a corporation controlled by you) has acquired units of the same Fund (which are considered to be "substituted property") within 30 days before or after you dispose of your units. In these circumstances, your capital loss may be deemed to be a "superficial loss" and denied. The amount of the denied capital loss will be added to the adjusted cost base to the owner of the units which are substituted property.

## **Tax Information**

Arrow will provide your transaction statements and the applicable annual tax information slips reporting your income, net realized capital gains and return of capital distributions required to complete your income tax return unless your dealer prepares and provides such documentation and information themselves. Accordingly, you should speak to your dealer to ensure that such documentation and information will be provided.

## **Eligibility for Investment by Registered Plans**

You are responsible for determining the income tax consequences to you of acquiring units of a Fund through Registered Plans and neither the Fund nor Arrow assumes any liability to you as a result of making the units of the Fund available for investment. If you choose to purchase units of the Fund through a Registered Plan, you should consult your own professional advisor regarding the tax treatment of contributions to, withdrawals from and acquisitions of property by such Registered Plan.

## **Taxation Implications of the Fund's Distribution Policy**

The unit value will reflect any income and gains of a Fund that have accrued or have been realized but have not been made payable at the time the units are acquired. Accordingly, a unitholder who acquires units may become taxable on the unitholder's share of income and gains of that Fund that accrued before the units were acquired, notwithstanding that such amounts will have been reflected in the price paid by the unitholder for the units. This may be particularly significant if you are purchasing later in the year.

## **WHAT ARE YOUR LEGAL RIGHTS?**

### **Mutual Fund Series Units**

Securities legislation in some provinces and territories provide you with the right to withdraw from an agreement to buy mutual funds within two business days of receiving the simplified prospectus, or fund facts or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces and territories also allows you to cancel an agreement to buy mutual fund units and get your money back, or to make a claim for damages, if the simplified prospectus, a Fund's annual information form, a Fund's fund facts or financial statements misrepresent any facts about the Fund. These rights usually must be exercised within certain time limits. **For more information, refer to the securities legislation of your province or territory or consult your lawyer.**

### **Series ETF Units**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase ETF securities within 48 hours after the receipt of a confirmation of a purchase of such securities. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation, or non-delivery of the ETF Facts, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory.

We have obtained relief from the requirement in securities legislation to include an underwriter's certificate in the prospectus under a decision pursuant to NP 11-203. As such, purchasers of Series ETF units will not be able to rely on the inclusion of an underwriter's certificate in the prospectus or any amendment for the statutory rights and remedies that would otherwise have been available against an underwriter that would have been required to sign an underwriter's certificate.

The purchaser should refer to the applicable provisions of the securities legislation of the province or territory for the particulars of these rights or should consult with a legal adviser.

## ADDITIONAL INFORMATION

### Exemptions and approvals

The Funds have obtained relief from applicable securities laws in connection with the offering of Series ETF units to:

- (i) relieve the Funds from the requirement to prepare and file a long form prospectus for the Series ETF units in accordance with National Instrument 41-101 – General Prospectus Requirements in the form prescribed by Form 41-101F2 Information Required in an Investment Fund Prospectus, subject to the terms of the relief, provided that the Funds file a prospectus for the ETF Series units in accordance with the provisions of National Instrument 81-101 – *Mutual Fund Prospectus Disclosure*, other than the requirements pertaining to the filing of a fund facts document;
- (ii) relieve the Funds from the requirement that a prospectus offering Series ETF units contain a certificate of the underwriters;
- (iii) relieve a person or company purchasing Series ETF units of a Fund in the normal course through the facilities of the TSX or another exchange from the take-over bid requirements of Canadian securities legislation;
- (iv) permit each Fund that offers Series ETF units to borrow cash from the custodian of the Fund (the “**Custodian**”) and, if required by the Custodian, to provide a security interest over any of its portfolio assets as a temporary measure to fund the portion of any distribution payable to unitholders that represents, in the aggregate, amounts that are owing to, but not yet been received by, the Fund; and
- (v) treat the Series ETF and the mutual fund series of a Fund as if such series were two separate funds in connection with their compliance with the provisions of Parts 9, 10 and 14 of NI 81-102.

Additionally, certain dealers of the Funds, including the Designated Brokers and ETF Dealers, have received relief from the Canadian securities regulatory authorities from the requirement that a dealer, not acting as agent of the purchaser, who receives an order or subscription for a security offered in a distribution to which the prospectus requirement of the securities legislation of the provinces and territories applies, send or deliver to the purchaser or its agent, unless the dealer has previously done so, the latest prospectus and any amendment either before entering into an agreement of purchase and sale resulting from the order or subscription, or not later than midnight on the second business day after entering into that agreement. As a condition of this relief, the dealer is required to deliver a copy of the ETF summary document of the applicable fund to a purchaser if the dealer does not deliver a copy of the fund’s simplified prospectus.

### Registration and transfer of ETF Series units through CDS

Registration of interests in, and transfers of, Series ETF units will be made only through the book-entry only system of CDS. Series ETF units must be purchased, transferred and surrendered for exchange or redemption only through a CDS Participant. All rights of an owner of Series ETF units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such units. Upon purchase of any Series ETF units, the owner will receive only the customary confirmation. All distributions and redemption proceeds in respect of Series ETF units will be made or paid initially to CDS, which payments will be forwarded by CDS to the CDS Participants and, thereafter, by such CDS Participants to the applicable unitholders.

References in this simplified prospectus to a holder of Series ETF units means, unless the context otherwise requires, the owner of the beneficial interest in such Series ETF units.

Neither the Funds nor the Manager will have any liability for: (i) any aspect of the records maintained by CDS relating to the beneficial interests in the Series ETF units or the book-entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS, whether contained in this simplified prospectus or otherwise, or made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The rules governing CDS provide that it acts as the agent and depository for the CDS Participants. As a result, CDS Participants must look solely to CDS and persons, other than CDS Participants, having an interest in the Series ETF units must look solely to CDS Participants for payment made by the Funds to CDS.

The ability of a beneficial owner of Series ETF units to pledge such units or otherwise take action with respect to such owner's interest in such units (other than through a CDS Participant) may be limited due to the lack of a physical certificate. The Funds have the option to terminate registration of Series ETF units through the book-entry only system, in which case certificates for Series ETF units in fully registered form will be issued to beneficial owners of such units or to their nominees.

## PART B

### SPECIFIC INFORMATION ABOUT THE MUTUAL FUNDS DESCRIBED IN THIS DOCUMENT

Pages 30 through 54 are Part B of this document and contain specific information about the Funds, including particulars of their investment objectives, strategies and risks. All of the descriptions are organized in the same way, under these headings and subheadings:

#### Fund Details

This section gives you a snapshot of the Fund with information such as the type of Fund, the Fund's creation date, the series of units it offers and its eligibility for Registered Plans.

#### What does the Fund Invest In?

This section includes the Fund's fundamental investment objective and the investment strategies it uses in trying to achieve its objective. Any change to the *investment objective* must be approved by a majority of votes cast at a meeting of unitholders held for that reason.

#### *How the funds use derivatives*

A derivative is an investment that derives its value from another investment - called the *underlying investment*. This could be a stock, bond, interest rate, currency or market index. Derivatives usually take the form of a contract with another party to buy or sell an asset at a later time. Some examples of derivatives are options, futures, forward contracts and swaps.

All of the Funds may use derivatives as permitted by securities regulations. They may use them to:

- hedge their investments against losses from factors like currency fluctuations, stock market risks and interest rate changes; or
- invest indirectly in securities or financial markets, provided the investment is consistent with the Fund's investment objective.

When a Fund uses derivatives for purposes other than hedging, it holds enough cash or money market instruments to fully cover its position in the derivative, as required by securities regulations. However, we have obtained exemptive relief that permits each of the Funds to engage in the derivatives transactions to permit the Fund to:

- Use as cover, when the Fund has a long position in a debt-like security that has a component that is a long position in a forward contract, or in a standardized future or forward contract:
  - cash cover in an amount that, together with margin on account for the specified derivative and the market value of the specified derivative, is not less than, on a daily mark-to-market basis, the underlying market exposure of the specified derivative,
  - a right or obligation to sell an equivalent quantity of the underlying interest of the future or forward contract, and cover that together with margin on account for the position, is not less than the amount, if any, by which the price of the future or forward contract exceeds the strike price of the right or obligation to sell the underlying interest, or
  - a combination of the positions referred to immediately above that is sufficient, without recourse to other assets of the Fund, to enable the Fund to acquire the underlying interest of the future or forward contract,

- Use as cover, when the Fund has a right to receive payments under a swap:
  - cash cover, in an amount that, together, with margin on account for the swap and the market value of the swap, is not less than, on a daily mark-to-market basis, the underlying market exposure of the swap,
  - a right or obligation to enter into a swap on an equivalent quantity and with an equivalent term and cover that, together with margin on account for the position, is not less than the aggregate amount, if any, of the obligations of the Fund under the swap less the obligations of the Fund under such offsetting swap, or
  - a combination of the positions referred to immediately above that is sufficient, without recourse to other assets of the Fund, to enable the Fund to satisfy its obligations under the swap.

The exemptions described above, are subject to the condition that the Fund will not (i) purchase a debt-like security that has an option component or an option, or (ii) purchase or write an option to cover any positions under section 2.8(1)(b), (c), (d), (e) and (f) of NI 81-102, if immediately after the purchase or writing of such option, more than 10% of the net assets of the Fund, taken at market value at the time of the transaction, would be in the form of (1) purchased debt-like securities that have an option component or purchased options, in each case, held by the Fund for purposes other than hedging, or (2) options used to cover any positions under section 2.8(1)(b), (c), (d), (e) and (f) of NI 81-102.

#### *How the funds engage in securities lending transactions*

The Funds may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions as permitted by securities regulations.

A *securities lending transaction* is where a Fund lends portfolio securities that it owns to a third party borrower. The borrower promises to return to the Fund at a later date an equal number of the same securities and to pay a fee to the Fund for borrowing the securities. While the securities are borrowed, the borrower provides the Fund with collateral consisting of a combination of cash and securities. In this way, the Fund retains exposure to changes in the value of the borrowed securities while earning additional fees.

A *repurchase transaction* is where a Fund sells portfolio securities that it owns to a third party for cash and simultaneously agrees to buy back the securities at a later date at a specified price using the cash received by the Fund from the third party. While the Fund retains its exposure to changes in the value of the portfolio securities, it also earns fees for participating in the repurchase transaction.

A *reverse repurchase transaction* is where a Fund purchases certain types of debt securities from a third party and simultaneously agrees to sell the securities back to the third party at a later date at a specified price. The difference between the Fund's purchase price for the debt instruments and the resale price provides the Fund with additional income.

As indicated above, securities lending, repurchase and reverse repurchase transactions enable the Funds to earn additional income and thereby enhance their performance.

A Fund will not enter into a securities lending transaction or a repurchase transaction if, immediately thereafter, the aggregate market value of all securities loaned by the Fund and not yet returned to it or sold by the Fund in repurchase transactions and not yet repurchased would exceed 50% of the total assets of the Fund (exclusive of collateral held by the Fund for securities lending transactions and cash held by the Fund for repurchase transactions).

#### *Short Selling Activities*

The Funds may also engage in short selling as permitted by securities regulations. A "short sale" is where a Fund borrows securities from a securities lender and then sells the securities in the open market (or "sells short" the



securities). The proceeds from the short sale are deposited with the lender as collateral and the Fund pays interest to the lender for the securities it has borrowed. At a later date, the same number of securities are repurchased by the Fund and returned to the securities lender. If the value of the securities goes down between the time that the Fund borrows the securities and the time it repurchases and returns the securities to the lender, the Fund makes a profit on the difference (less the interest the Fund is required to pay to the lender). Engaging in disciplined and limited short selling provides the Funds with an opportunity to control volatility and enhances performance in declining or volatile markets.

There are risks associated with short selling, namely that the securities will rise in value or not decline enough to cover a Fund's costs, or that market conditions will cause difficulties in the sale or repurchase of the securities. In addition, the lender could become bankrupt before the transaction is complete, causing the Fund to forfeit the collateral it deposited when it borrowed the securities. However, Arrow will manage the risks associated with short selling using several controls, including:

- Securities will be sold short only for cash.
- A security sold short shall not be: (i) a security that a Fund is otherwise not permitted to purchase at the time of the short sale transaction; (ii) an illiquid asset; or (iii) a security of an investment fund unless the security is an index participation unit.
- At the time securities of a particular issuer are sold short by a Fund, the Fund will have borrowed or arranged to borrow from a borrowing agent the security that is to be sold under the short sale transaction.
- At the time securities of a particular issuer are sold short by a Fund, the aggregate market value of all securities of that issuer sold short will not exceed 5% of the net assets of the Fund and the aggregate market value of all securities sold short by a Fund will not exceed 20% of the net assets of the Fund.
- The Fund may deposit assets with lenders in accordance with industry practice in relation to its obligations arising under short sale transactions. The Fund also will hold cash cover in an amount, including the Fund's assets deposited with lenders, that is at least 150% of the aggregate market value of all securities it sold short on a daily marked-to market basis.
- No proceeds from short sales will be used by a Fund to purchase long positions other than securities that qualify as cash cover.

#### *Investing in or obtaining exposure to underlying funds*

All of the Funds may invest in underlying funds, which may be managed by Arrow or an affiliate of Arrow, either directly or by gaining exposure to an underlying fund through a derivative.

Such investments may be entered into in conjunction with other strategies and investments in a manner considered most appropriate to achieving the Fund's investment objectives and enhancing returns as permitted by securities regulations. No percentage of net assets is dedicated to such investments.

#### *Portfolio Turnover Rate*

A Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor or sub-advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to a Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

## What are the Risks of Investing in the Fund?

This section shows the specific risks associated with an investment in the Fund. For an explanation of these risks, see “*What are the Risks of Investing in a Mutual Fund?*” starting on page 4.

### *Fund Risk Classification Methodology*

The methodology used to determine each Fund’s investment risk level for purposes of disclosure in this prospectus is based on the Investment Risk Classification Methodology in NI 81-102 that came into force effective September 1, 2017, as such methodology may be amended and updated from time to time (the “**Methodology**”). The Methodology reflects the view of the Canadian Securities Administrators (“**CSA**”) that the most comprehensive, easily understood form of risk in this context is historical volatility risk as measured by the standard deviation of fund performance. However, the Manager and the CSA recognize that other types of risk, both measurable and non-measurable, may exist and we remind you that a Fund’s historical performance may not be indicative of future returns and that a Fund’s historical volatility may not be indicative of its future volatility. There may be times when the Methodology produces a result that the Manager believes is inappropriate in which case the Manager may re-classify a Fund to a higher risk level, if appropriate.

Based on the Methodology, each Fund’s risk level as described in this document, is determined in accordance with a standardized risk classification methodology that is based on the Fund’s historical volatility as measured by the 10-year standard deviation of the returns of the Fund. If a Fund does not have at least ten years of performance history, a reference index that is expected to reasonably approximate the Fund’s standard deviation is used as a proxy for the ten-year period. Each Fund is assigned an investment risk level in one of the following categories:

**Low** – for Funds with a standard deviation range of 0 to less than 6;

**Low-to-Medium** – for Funds with a standard deviation range of 6 to less than 11;

**Medium** – for Funds with a standard deviation range of 11 to less than 16

**Medium-to-High** – for Funds with a standard deviation range of 16 to less than 20; and

**High** – for Funds with a standard deviation range of 20 or greater.

The risk ratings set forth in the table below do not necessarily correspond to an investor’s risk tolerance assessment. Investors are advised to consult their financial advisor for advice regarding an individual investor’s personal circumstances.

<b>Mutual Fund</b>	<b>Reference Index</b>	<b>Risk Rating</b>
Exemplar Growth and Income Fund	20% FTSE TMX Canada Universe Bond and 80% S&P/TSX Composite Total Return	Low-to-Medium
Exemplar Investment Grade Fund	FTSE TMX Canada Universe Bond	Low
Exemplar Leaders Fund	S&P/TSX Composite Total Return	Medium
Exemplar Performance Fund	S&P/TSX Composite Total Return	Medium
Exemplar Tactical Corporate Bond Fund	FTSE TMX Canada All Corp Bond	Low

Although monitored on a semi-annual basis, we review the investment risk level of each Fund on an annual basis and each time a material change is made to the Fund’s investment strategies and/or investment objective.

Information about the Methodology is available on request, at no cost, by calling us toll-free at 1-877-327-6048 or by sending an email to [info@arrow-capital.com](mailto:info@arrow-capital.com).

Historical performance may not be indicative of future returns and a Fund's historical volatility may not be an indication of its future volatility.

### **Who Should Invest in the Fund?**

This section tells you the type of investment portfolio or investor the Fund may be suitable for. This is meant as a general guide only. For advice about your own circumstances, you should consult your financial advisor.

### **Distribution Policy**

**Distributions on units held in a registered plan are automatically reinvested in additional units of the Fund. Distributions on units held outside a registered plan are either: (1) automatically reinvested in additional units of the Fund; or (2) received in cash. Unless we receive written notice that you want to receive distributions in cash, the default is to have distributions automatically reinvested in units of the Fund.** To receive distributions in cash you (or broker, dealer or advisor) must provide us a written request that you wish to receive distributions in cash. Please see the back cover for our contact information.

We may change the distribution policy at our discretion.

For more information about distributions, see "*Income Tax Considerations for Investors*" on page 23.

### **Fund expenses indirectly borne by investors**

This section is an example of the expenses the Fund pays on its series of units. The example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. While you do not pay these costs directly, they have the effect of reducing the Fund's returns. The management expense ratio (MER) reflects the total fees and expenses (including HST) paid by a Fund. It is calculated by adding the management fee to the operating expenses, with the exception of brokerage commissions, and is expressed as a percentage of a Fund's net assets. It assumes that the *MER* of the Fund was the same throughout each period shown as it was during the last completed financial year. Investors in certain series of units are charged fees directly by their financial advisor or us that are not included in this section.

Any amount paid by a Fund as fees and expenses will reduce the return to investors in the Fund. A Fund's unit price and rate of return as published on a daily basis, have already accounted for these fees and expenses.

## EXEMPLAR GROWTH AND INCOME FUND

### FUND DETAILS

<b>Type of Fund:</b>	Canadian Balanced	
<b>Inception Date:</b>	Series A – March 16, 2015 Series AN – March 16, 2015 Series I – March 16, 2015 Series F – March 16, 2015 Series FN – March 16, 2015	Series I – March 16, 2015 Series L – March 16, 2015 Series LN – March 16, 2015 Series ETF – July 5, 2018
<b>Securities Offered:</b>	Trust units of a mutual fund – Series A, AN, F, FN, I, L, LN and ETF units	
<b>Eligibility for Registered Plans:</b>	Yes	
<b>Portfolio Advisor:</b>	Arrow Capital Management Inc.	

### WHAT DOES THE FUND INVEST IN?

#### Investment Objectives

The investment objective of the Exemplar Growth and Income Fund is to achieve long term growth and preservation of capital. The Fund will invest up to all of its assets in a diversified mix of other mutual funds (in order to gain indirect exposure to securities that the Fund would otherwise directly invest in), and may also invest in common shares, preferred shares, treasury bills, short-term notes, debentures, and bonds. The Fund intends to invest primarily in Canadian securities.

Unitholder approval (given by a majority of votes cast at a meeting of unitholders) is required prior to a change of investment objectives.

#### Investment Strategies

To achieve the investment objective, the portfolio advisor uses an asset allocation approach. The portfolio advisor will analyze the economy and markets with a view to determine which of the above asset classes are more likely to offer attractive risk/return characteristics within a medium to long-term time frame.

Generally, the Fund's asset mix will be within the following ranges: 30-90% equity securities, 10-50% fixed income securities and 0-50% money market instruments. Fixed income securities will include investment grade, non-investment grade and distressed fixed income securities, issued by Canadian or non-Canadian corporations, trusts and international agencies and governments. The Fund is also permitted to invest in convertible bonds and debentures, loans, preferred shares, exchange traded funds and equities. The Fund may also hold cash. Such ranges are designed to allow the portfolio advisor to vary the weighting of the Fund's portfolio within the sectors to meet the investment objective as it considers appropriate in a variety of market environments.

To achieve these target ranges, the Fund may invest in either individual securities or the portfolio advisor may invest up to 100% of the assets of the Fund in underlying funds. Currently, the Exemplar Performance Fund falls into the equity securities category and the Exemplar Tactical Corporate Bond Fund and the Exemplar Investment Grade Fund fall into the fixed income securities category.

The underlying funds may be changed without notice from time to time as well as the percentage holding in each underlying fund. Information about the underlying funds managed by us is contained in their respective simplified prospectus. You can obtain copies of the simplified prospectus, annual information form, annual and interim

financial statements, the annual and interim management reports of fund performance and the fund facts of the underlying funds managed by us at [www.sedar.com](http://www.sedar.com) or by contacting us as indicated on the back cover.

The Fund may invest in foreign securities to an extent that will vary from time to time but is not typically expected to exceed 49% of its assets at the time that foreign securities are purchased, however, as the Fund intends to invest certain of its assets in securities of other investment funds that may themselves invest in foreign securities, the actual exposure of the Fund to investments in foreign securities may exceed this amount.

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

The Fund may also invest in other investment funds, including ETFs, that may or may not be managed by the Manager in order to gain indirect exposure to markets, sectors or asset classes. Investments by the Fund in securities of other investment funds may be done directly or indirectly through a specified derivative.

The Fund may use derivatives such as options, forwards, futures and swaps for hedging and non-hedging purposes. Such derivatives may be used to hedge against losses from changes in the prices of the Fund's investments and from exposure to foreign currencies as well as market risk. Derivatives may also be used to obtain exposure to individual securities and markets instead of buying securities directly. If used for non-hedging purposes, the derivatives acquired will be consistent with the investment objectives of the Fund and securities law.

#### *Securities Lending, Repurchase or Reverse Repurchase Transactions*

The Fund may enter into repurchase transactions, reverse repurchase transactions, and securities lending transactions (described on page 7). The Fund will only do so if there are suitable counterparties available and if the transactions are considered appropriate.

#### *Short Selling*

The Fund may also engage in short selling. Generally speaking, short selling can provide the Fund with opportunities for gains when markets are volatile or declining. While short selling will be used by the Fund as a complement to its primary investment strategy (discussed above), Arrow will utilize the same fundamental analysis in determining whether securities of a particular issuer should be sold short. When the analysis produces a favourable outlook, the investment opportunity is considered for purchase. When the analysis produces an unfavourable outlook, the investment opportunity is considered for a short sale. The Fund will engage in short selling only within certain limits and conditions including: (i) the Fund will short sell only liquid securities that are traded on a stock exchange or certain government bonds, (ii) the Fund will limit its short sale exposure to any single issuer to 5% of the Fund's net assets and its aggregate short exposure to 20% of its net assets, (iii) the Fund will hold cash cover in an amount (including the Fund's assets deposited with lenders) that is at least 150% of the aggregate market value of all securities sold short, and (iv) the Fund will deposit collateral only with lenders which are regulated financial institutions or registered dealers in Canada.

#### *Changes to Investment Strategies*

Arrow may change the Fund's investment strategies at its discretion without notice or approval.

### **WHAT ARE THE RISKS OF INVESTING IN THE FUND?**

In addition to market risk, change in legislation risk and series risk, the Fund will be exposed to the following risks which are described on pages 4 through 8:

- credit risk
- currency risk
- derivatives risk
- investment trust risk
- liquidity risk
- securities lending risk

- equity risk
- foreign investment risk
- concentration risk
- interest rate risk
- short selling risk
- small company risk
- underlying fund risk

Additional risks associated with investing in the Series ETF units of this Fund are:

- absence of an active market for Series ETF unit risk
- halted trading of Series ETF unit risk
- trading price of Series ETF unit risk

Arrow has rated this Fund’s risk as low-to-medium. Please see “*What are the Risks of Investing in the Fund? – Fund Risk Classification*” on page 33 for a description of how we determined the classification of this Fund’s risk level.

### **WHO SHOULD INVEST IN THE FUND?**

This Fund is suitable for investors who seek the long term growth through a diversified portfolio of equity and fixed income securities. To invest in this Fund, investors should be able to accept a medium degree of risk.

To recognize a reasonable rate of return, investors should be prepared to invest for medium to long periods of time.

### **DISTRIBUTION POLICY**

In respect of Series A, F, I, L and ETF units, the Fund expects to make a distribution each quarter based on a target annualized rate of 3.00% of the NAV per unit of the relevant series at the end of the prior year. The quarterly distributions may be comprised of income, capital gains or capital and are not intended to reflect the Fund’s investment performance and should not be confused with “yield” or “income”. **A portion of the quarterly distribution may include a return of capital. The distribution rate on these series may be greater than the return on the Fund’s investments. If the cash distributions to you are greater than the net increase in value of your investment, the distributions will erode the value of your investment.** If the Fund earns more income or capital gains than the distributions, it will distribute the excess each December.

We reserve the right to adjust the amount of the quarterly distribution if we consider it appropriate, without notice. There can be no assurance that Series A, F, I, L and ETF units will make any distributions in any particular quarter. Distributions are not guaranteed and may change at any time at our discretion.

**Quarterly distributions on units, other than Series ETF units,, held in a registered plan are automatically reinvested (without charge) in additional units of the same series of the Fund.**

**Quarterly distributions on units other than Series ETF units, held outside a registered plan are either: (1) automatically reinvested in additional units of the same series of the Fund; or (2) received in cash. Unless we receive written notice that you want to receive distributions in cash, the default is to have distributions automatically reinvested in units of the Fund.**

**Annual distributions on Series ETF units will be received in cash. A unitholder that subscribes for Series ETF units during the period that is one business day before a distribution record date until that distribution record date will not be entitled to receive the applicable distribution with respect to those Series ETF units.**

The distributions by way of reinvested units are subject to the same fees and expenses as purchased units; whereas if you receive cash distributions the cash received would not be subject to such fees and expenses. For example, if your distributions received on your Series L or LN Low Load Units are automatic reinvested in additional units such units would be subject to applicable redemption changes, whereas if such distributions were received in cash they would not be subject to any redemption charges. For more information about fees and expenses related to holding

units, including units received on the automatic reinvestment of distributions, see “*Fees and Expenses*” on page 17. To receive distributions in cash you (or broker, dealer or advisor) must provide us a written request that you wish to receive distributions in cash. Please see the back cover for our contact information.

Quarterly distributions will generally not be made to holders of units of the Non-Fixed Rate Distribution Series.

Each December, the Fund will make an annual distribution to unitholders (including holders of the Non-Fixed Rate Distribution Series) on the distribution date of its taxable income, if any, for the taxation year to ensure that it is not subject to tax under Part I of the Tax Act. **In each case, distributions will be reinvested by purchasing additional units of the Fund, without charge, unless a written request is submitted to Arrow, requesting distributions be paid in cash instead.**

For more information about distributions, see “*Specific Information About the Mutual Funds Described in this Document – Distribution Policy*” on page 34.

***The distribution rate on a series of units of the Fund may be greater than the return on the Fund’s investments. Any distributions made to you that exceed, in aggregate, the net increase in value of your investment, represent a return of your capital back to you.***

For more information about distributions and tax considerations, see “*Income Tax Considerations for Investors*” on page 23.

The Fund may at its discretion change its distribution policy from time to time.

#### **FUND EXPENSES INDIRECTLY BORNE BY INVESTORS**

As explained in “*Fees and Expenses Payable by the Funds*” on page 18, the Fund pays us a management fee and costs needed to operate and carry on its business. The Fund’s management expense ratio is the fees and expenses payable by the Fund divided by its average net asset value over a year.

This example assumes that (i) you invest \$1,000 in Series A units of the Fund for the time periods indicated and then sell all of your units at the end of those periods; (ii) your investment has an annual 5% return; and (iii) the management fees and operating expenses would be the same throughout the ten year period.

Although your actual costs may be higher or lower based on these assumptions, your costs would be:

<b>Expenses Payable Over</b>	One Year	\$25.48
	Three Years	\$80.42
	Five Years	\$141.13
	Ten Years	\$322.25

See “*Fees and Expenses*” on page 17 for more information about the costs of investing in the Fund.

## EXEMPLAR INVESTMENT GRADE FUND

### FUND DETAILS

<b>Type of Fund:</b>	Fixed Income
<b>Inception Date:</b>	Series A – June 27, 2014                      Series FI – June 27, 2014 Series AI – June 27, 2014                      Series FN – November 12, 2014 Series AN – November 12, 2014              Series G – June 29, 2015 Series U – June 29, 2015                      Series I – June 27, 2014 Series F – June 27, 2014                      Series ETF – November 17, 2017
<b>Securities Offered:</b>	Trust units of a mutual fund – A, AI, AN, U, F, FI, FN, G, I and ETF units
<b>Eligibility for Registered Plans:</b>	Yes
<b>Portfolio Advisor:</b>	Arrow Capital Management Inc. (Portfolio Advisor) East Coast Fund Management Inc. (Sub-Advisor)

### WHAT DOES THE FUND INVEST IN?

#### Investment Objectives

The investment objectives of the Exemplar Investment Grade Fund are to generate income and capital preservation by investing in a diversified portfolio of primarily North American investment grade corporate bonds.

Unitholder approval (given by a majority of votes cast at a meeting of unitholders) is required prior to a change of investment objectives.

#### Investment Strategies

To achieve the investment objectives, the Fund will invest primarily in investment grade debt securities of Canadian corporate and government issuers that are rated BBB- or higher by a recognized rating agency. The Fund may also include non-investment grade debt securities and may invest in other asset classes if warranted by financial conditions.

In managing the Fund, East Coast Fund Management Inc., the sub-advisor, will seek to generate income and preserve capital in each stage of the credit cycle; and seek to protect the Fund from interest rate risk associated with higher nominal interest rates and systemic risk. The sub-advisor will utilize the following investment process: (i) top-down analysis (macro-economic environment and sector); (ii) bottom-up analysis (company fundamentals); and (iii) quantitative analysis (asset class and security relative valuation). The outcome of this research will enable the sub-advisor to identify investment opportunities as well as ways of mitigating and avoiding undesirable market risk. The combination of all three investment processes will assist the sub-advisor in attempting to reduce the downside risk associated with an investment as much as possible prior to acquisition of the investment.

The Fund will be well-diversified across industries to mitigate default risk and will deploy substantial hedging of interest rates, credit spreads and currency.

#### *Use of Derivatives*

The Fund may use warrants and derivatives such as options, forwards, futures and swaps for hedging and non-hedging purposes. Such derivatives may be used to hedge against losses from changes in the prices of the Fund's investments and from exposure to interest rate changes, credit spreads and foreign currencies as well as market risk. Specifically, the Fund will use interest rate swaps and futures to hedge against interest rate changes. Derivatives may



also be used to hedge general credit risk and/or to obtain exposure to individual securities and markets instead of buying securities directly. If used for non-hedging purposes, the derivatives acquired will be consistent with the investment objectives of the Fund and securities law.

#### *Securities Lending, Repurchase or Reverse Repurchase Transactions*

The Fund may enter into repurchase transactions, reverse repurchase transactions, and securities lending transactions (described on page 7). The Fund will only do so if there are suitable counterparties available and if the transactions are considered appropriate.

#### *Short Selling*

The Fund may also engage in short selling. Generally speaking, short selling can provide the Fund with opportunities for gains when markets are volatile or declining. While short selling will be used by the Fund as a complement to its primary investment strategy (discussed above), Arrow will utilize the same fundamental analysis in determining whether securities of a particular issuer should be sold short. When the analysis produces a favourable outlook, the investment opportunity is considered for purchase. When the analysis produces an unfavourable outlook, the investment opportunity is considered for a short sale. The Fund will engage in short selling only within certain limits and conditions including: (i) the Fund will short sell only liquid securities that are traded on a stock exchange or certain government bonds, (ii) the Fund will limit its short sale exposure to any single issuer to 5% of the Fund's net assets and its aggregate short exposure to 20% of its net assets, (iii) the Fund will hold cash cover in an amount (including the Fund's assets deposited with lenders) that is at least 150% of the aggregate market value of all securities sold short, and (iv) the Fund will deposit collateral only with lenders which are regulated financial institutions or registered dealers in Canada.

#### *Investment in Other Investment Funds*

The Fund is permitted to invest some of its assets in securities of other investment funds, including other investment funds managed by Arrow or an affiliate or associate of Arrow or securities of a foreign investment fund, provided such investment is consistent with the Fund's objective and is permitted by Canadian securities laws. See "Underlying fund risk" on page 7 of this simplified prospectus.

#### *Portfolio Turnover Rate*

Depending on market conditions, the sub-advisor's investment style may result in a higher portfolio turnover rate than less actively-managed investment funds. Portfolio investments may be sold, and the proceeds reinvested, when the portfolio securities no longer meet expectations of continued gains. High portfolio turnover rates can increase portfolio costs and may also increase the likelihood that you will receive taxable capital gains from the Fund. There is no proven relationship between a high turnover rate and the performance of a mutual fund.

#### *Changes to Investment Strategies*

Arrow may change the Fund's investment strategies at its discretion without notice or approval.

### **WHAT ARE THE RISKS OF INVESTING IN THE FUND?**

Most of the Fund's assets will be invested in North American fixed income securities. In addition to market risk, change in legislation risk and series risk, the Fund will be exposed to the following risks which are described on pages 4 through 8:

- borrowing risk
- credit risk
- currency risk
- derivatives risk
- foreign investment risk
- interest rate risk
- liquidity risk
- short selling risk

- underlying fund risk
- securities lending risk
- concentration risk

Additional risks associated with investing in the Series ETF units of this Fund are:

- absence of an active market for Series ETF unit risk
- halted trading of Series ETF unit risk
- trading price of Series ETF unit risk

Arrow has rated this Fund's risk as low. Please see "What are the Risks of Investing in the Fund? – Fund Risk Classification" on page 33 for a description of how we determined the classification of this Fund's risk level.

### WHO SHOULD INVEST IN THE FUND?

This Fund is suitable for investors who seek regular monthly income. To invest in this Fund, investors should be able to accept a low degree of risk.

To recognize a reasonable rate of return, investors should be prepared to invest for the medium term.

### DISTRIBUTION POLICY

In respect of Series A, U, F, G, I and ETF units, the Fund expects to make a distribution each month based on a target annualized rate of 3.00% of the NAV per unit of the relevant series at the end of the prior year. In respect of Series AI and FI units, the Fund expects to make a distribution each month based on a target annualized rate of 5.00% of the NAV per unit of the relevant series at the end of the prior year. The monthly distributions may be comprised of income, capital gains or capital and are not intended to reflect the Fund's investment performance and should not be confused with "yield" or "income". **A portion of the monthly distribution may include a return of capital. The distribution rate on these series may be greater than the return on the Fund's investments. If the cash distributions to you are greater than the net increase in value of your investment, the distributions will erode the value of your investment.** If the Fund earns more income or capital gains than the distributions, it will distribute the excess each December.

We reserve the right to adjust the amount of the monthly distribution if we consider it appropriate, without notice. There can be no assurance that Series A, AI, U, F, FI, G, I and ETF units will make any distributions in any particular month. Distributions are not guaranteed and may change at any time at our discretion.

**Monthly distributions on units, other than Series ETF units, held in a registered plan are automatically reinvested (without charge) in additional units of the same series of the Fund.**

**Monthly distributions on units, other than Series ETF units, held outside a registered plan are either: (1) automatically reinvested in additional units of the same series of the Fund; or (2) received in cash. Unless we receive written notice that you want to receive distributions in cash, the default is to have distributions automatically reinvested in units of the Fund.**

**Monthly distributions on Series ETF units will be received in cash. A unitholder that subscribes for Series ETF units during the period that is one business day before a distribution record date until that distribution record date will not be entitled to receive the applicable distribution with respect to those Series ETF units.**

The distributions by way of reinvested units are subject to the same fees and expenses as purchased units; whereas if you receive cash distributions the cash received would not be subject to such fees and expenses. For more information about fees and expenses related to holding units, including units received on the automatic reinvestment of distributions, see "Fees and Expenses" on page 17. To receive distributions in cash you (or broker, dealer or

advisor) must provide us a written request that you wish to receive distributions in cash. Please see the back cover for our contact information.

Monthly distributions will generally not be made to holders of units of the Non-Fixed Rate Distribution Series.

Each December, the Fund will make an annual distribution to unitholders (including holders of the Non-Fixed Rate Distribution Series) on the distribution date of its taxable income, if any, for the taxation year to ensure that it is not subject to tax under Part I of the Tax Act. **In each case, distributions will be reinvested by purchasing additional units of the Fund, without charge, unless a written request is submitted to Arrow, requesting distributions be paid in cash instead.**

For more information about distributions, see “*Specific Information About the Mutual Funds Described in this Document – Distribution Policy*” on page 34.

***The distribution rate on a series of units of the Fund may be greater than the return on the Fund’s investments. Any distributions made to you that exceed, in aggregate, the net increase in value of your investment, represent a return of your capital back to you.***

For more information about distributions and tax considerations, see “*Income Tax Considerations for Investors*” on page 23.

The Fund may at its discretion change its distribution policy from time to time.

#### **FUND EXPENSES INDIRECTLY BORNE BY INVESTORS**

You do not pay the Fund expenses directly, but they will reduce the Fund’s returns. The following table is intended to help you compare the cumulative cost of investing in the Fund with the cost of investing in other mutual funds.

This example assumes that (i) you invest \$1,000 in Series A units of the Fund for the time periods indicated and then sell all of your units at the end of those periods; (ii) your investment has an annual 5% return; and (iii) the management fees and operating expenses would be the same throughout the ten year period.

Although your actual costs may be higher or lower based on these assumptions, your costs would be:

<b>Expenses Payable Over</b>	One Year	\$16.75
	Three Years	\$52.86
	Five Years	\$92.76
	Ten Years	\$211.80

See “*Fees and Expenses*” on page 17 for more information about the costs of investing in the Fund.

## EXEMPLAR LEADERS FUND

### FUND DETAILS

<b>Type of Fund:</b>	North American equity
<b>Inception Date:</b>	Series A – August 27, 2007                      Series F – August 27, 2007
<b>Securities Offered:</b>	Trust units of a mutual fund – Series A and F units
<b>Eligibility for Registered Plans:</b>	Yes
<b>Portfolio Advisor:</b>	Arrow Capital Management Inc.

### WHAT DOES THE FUND INVEST IN?

#### Investment Objectives

The investment objective of the Fund is to maximize absolute returns on investments through securities selection and asset allocation. The Fund focuses on achieving growth of capital through superior securities selection and pursues a long-term investment program with the aim of generating capital gains. The Fund attempts to reduce volatility through diversifying the portfolio across both economic sectors as well as across market capitalizations (company size and liquidity). The Fund invests primarily in equity and equity-related securities of North American companies. The Fund may also invest in international companies.

Unitholder approval (given by a majority of votes cast at a meeting of unitholders) is required prior to a change of investment objectives.

#### Investment Strategies

To achieve the investment objectives of the Fund, Arrow:

- makes long term investments of securities of issuers which Arrow believes present the greatest opportunity for capital appreciation; and
- manages the portfolio's sector allocation, increasing and decreasing exposure to different sectors of the market as appropriate.

In selecting investments for the Fund, Arrow primarily focuses on the securities (equity and equity derivatives) of companies which Arrow believes trade at a discount to their intrinsic value. The Fund is invested according to the following guidelines: the assets of the Fund are allocated at the discretion of Arrow to those investment strategies that balance risk, return and liquidity. The portfolio will be positioned in accordance with Arrow's market view. Geographic and sector allocations will vary significantly over time.

The Fund may follow a more concentrated investment approach and, from time to time, over weight certain geographic regions, including North America, and industry sectors such as energy or financial sectors when deemed appropriate by Arrow. This may result in the Fund's portfolio weightings being substantially different from the weightings of the S&P/TSX Composite Total Return Index (or its successor index).

#### *Use of Derivatives*

The Fund may use specified derivatives, such as calls and puts, warrants, index futures, exchange traded funds to:

- gain exposure to individual securities and markets instead of buying the securities directly; and

- manage risk due to changes in prices of the Fund’s investments and from exposure to foreign currencies.

*Securities Lending, Repurchase or Reverse Repurchase Transactions*

The Fund may enter into repurchase transactions, reverse repurchase transactions, and securities lending transactions (described on page 7). The Fund will only do so if there are suitable counterparties available and if the transactions are considered appropriate. The Fund will send unitholders written notice 60 days before it first begins to enter into repurchase transactions, reverse repurchase transactions or securities lending transactions.

*Short Selling*

The Fund may also engage in short selling. Generally speaking, short selling can provide the Fund with opportunities for gains when markets are volatile or declining. While short selling will be used by the Fund as a complement to its primary investment strategy (discussed above), Arrow will utilize the same fundamental analysis in determining whether securities of a particular issuer should be sold short. When the analysis produces a favourable outlook, the investment opportunity is considered for purchase. When the analysis produces an unfavourable outlook, the investment opportunity is considered for a short sale. The Fund will engage in short selling only within certain limits and conditions including: (i) the Fund will short sell only liquid securities that are traded on a stock exchange or certain government bonds, (ii) the Fund will limit its short sale exposure to any single issuer to 5% of the Fund’s net assets and its aggregate short exposure to 20% of its net assets, (iii) the Fund will hold cash cover in an amount (including the Fund’s assets deposited with lenders) that is at least 150% of the aggregate market value of all securities sold short, and (iv) the Fund will deposit collateral only with lenders which are regulated financial institutions or registered dealers in Canada.

*Investment in Other Investment Funds*

The Fund is permitted to invest some of its assets in securities of other investment funds, including other investment funds managed by Arrow or an affiliate or associate of Arrow or securities of a foreign investment fund, provided such investment is consistent with the Fund’s objective and is permitted by Canadian securities laws. See “*Underlying fund risk*” on page 7 of this simplified prospectus.

The Fund may hold all or a portion of its assets in cash or money market securities while seeking investment opportunities or for defensive purposes.

*Portfolio Turnover Rate*

Depending on market conditions, the portfolio advisor’s investment style may result in a higher portfolio turnover rate than less actively-managed investment funds. Portfolio investments may be sold, and the proceeds reinvested, when the portfolio securities no longer meet expectations of continued gains. High portfolio turnover rates can increase portfolio costs and may also increase the likelihood that you will receive taxable capital gains from the Fund. There is no proven relationship between a high turnover rate and the performance of a mutual fund.

*Changes to Investment Strategies*

Arrow may change the Fund’s investment strategies at its discretion without notice or approval.

**WHAT ARE THE RISKS OF INVESTING IN THE FUND?**

Most of the Fund’s assets will be invested in North American equity securities. In addition to market risk, change in legislation risk and series risk, the Fund will be exposed to the following risks which are described on pages 4 through 8:

- currency risk
- equity risk
- securities lending risk
- investment trust risk

- foreign investment risk
- derivatives risk
- underlying fund risk
- liquidity risk
- small company risk
- concentration risk

Arrow has rated this Fund’s risk as medium. Please see “*What are the Risks of Investing in the Fund? – Fund Risk Classification*” on page 33 for a description of how we determined the classification of this Fund’s risk level.

### WHO SHOULD INVEST IN THE FUND?

The Fund is suitable for clients who seek long-term capital appreciation and have a medium risk tolerance.

To recognize a reasonable rate of return, investors should be prepared to invest for longer periods of time.

The Fund may or may not pay out distributions to unitholders in a given year. Therefore, it may be unsuitable for those investors for whom a regular level of income is a key investment objective.

### DISTRIBUTION POLICY

Distributions throughout the year will generally not be made to holders of units of the Exemplar Leaders Fund.

Each December, the Fund will make an annual distribution to unitholders on the distribution date of its taxable income, if any, for the taxation year to ensure that it is not subject to tax under Part I of the Tax Act. **Distributions will be reinvested by purchasing additional units of the Fund, without charge, unless a written request is submitted to Arrow, requesting distributions be paid in cash instead.** For more information, see “*Specific Information About the Mutual Funds Described in this Document – Distribution Policy*” on page 34 of this simplified prospectus.

For more information about distributions and tax considerations, see “*Income Tax Considerations for Investors*” on page 23.

The Fund may at its discretion change its distribution policy from time to time.

### FUND EXPENSES INDIRECTLY BORNE BY INVESTORS

You do not pay the Fund expenses directly, but they will reduce the Fund’s returns. The following table is intended to help you compare the cumulative cost of investing in the Fund with the cost of investing in other mutual funds.

This example assumes that (i) you invest \$1,000 in Series A units of the Fund for the time periods indicated and then sell all of your units at the end of those periods; (ii) your investment has an annual 5% return; and (iii) the management fees and operating expenses would be the same throughout the ten year period.

Although your actual costs may be higher or lower based on these assumptions, your costs would be:

<b>Expenses Payable Over</b>	One Year	\$26.51
	Three Years	\$83.67
	Five Years	\$146.82
	Ten Years	\$335.25

See “*Fees and Expenses*” on page 17 for more information about the costs of investing in the Fund.

## EXEMPLAR PERFORMANCE FUND

### FUND DETAILS

<b>Type of Fund:</b>	Canadian Equity
<b>Inception Date:</b>	Series A – March 6, 2014                      Series I – March 6, 2014 Series AD – March 16, 2015                      Series L – March 6, 2014 Series F – March 6, 2014                      Series LD – March 16, 2015 Series FD – March 16, 2015
<b>Securities Offered:</b>	Trust units of a mutual fund – Series A, AD, F, FD, I, L and LD units
<b>Eligibility for Registered Plans:</b>	Yes
<b>Portfolio Advisor:</b>	Arrow Capital Management Inc.

### WHAT DOES THE FUND INVEST IN?

#### Investment Objectives

The investment objective of the Exemplar Performance Fund is to achieve capital appreciation over both short and long term horizons primarily through the selection and management of shares of Canadian equity securities.

Unitholder approval (given by a majority of votes cast at a meeting of unitholders) is required prior to a change of investment objectives.

#### Investment Strategies

To achieve the investment objectives the Fund will invest predominantly in large and mid-capitalization Canadian companies. The Fund may invest outside of this investment focus to an extent that will vary from time to time but is not typically expected to exceed 40% of its assets at the time of purchase. The Fund may also invest in bonds and other debt instruments if warranted by financial conditions. The Fund will 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 Fund may follow a more concentrated investment approach and, from time to time, over weight certain geographic regions and industry sectors when deemed appropriate by Arrow. This may result in the Fund's portfolio weightings being substantially different from the weightings of the S&P/TSX Composite Total Return Index (or its successor index).

The Fund may hold cash or invest in short term securities for the purpose of preserving capital and/or maintaining liquidity, based upon the Fund manager's ongoing evaluation of current and anticipated economic and market conditions. The Fund may also invest in foreign securities of the same type and characteristics as described above.

The Fund may use derivatives such as options, forwards and futures for hedging and non-hedging purposes. Such derivatives may be used to hedge against losses from changes in the prices of the Fund's investments and from exposure to foreign currencies as well as market risk. Derivatives may also be used to obtain exposure to individual securities and markets instead of buying securities directly. If used for non-hedging purposes, the derivatives acquired will be consistent with the investment objectives of the Fund and securities law. Options acquired for non-hedging purposes will not constitute more than 10% of the net assets of the Fund.

The Fund may invest in foreign securities to an extent that will vary from time to time but is not typically expected to exceed 40% of its assets at the time that foreign securities are purchased.

### *Securities Lending, Repurchase or Reverse Repurchase Transactions*

The Fund may enter into repurchase transactions, reverse repurchase transactions, and securities lending transactions (described on page 7). The Fund will only do so if there are suitable counterparties available and if the transactions are considered appropriate.

### *Investment in Other Investment Funds*

From time to time the Fund may invest in other investment funds, which may be managed by Arrow or an affiliate of Arrow, and may purchase securities of, or enter into specified derivative transactions for which the underlying interest is based on the securities of other investment funds. Such investments may be entered into in conjunction with other strategies and investments in a manner considered most appropriate to achieving the Fund's investment objectives stated above and enhancing returns as permitted by securities regulations. No percentage of net assets is dedicated to such investments. Accordingly, all the assets of the Fund may be invested in other investment funds in accordance with securities legislation including NI 81-102.

### *Short Selling*

The Fund may also engage in short selling. Generally speaking, short selling can provide the Fund with opportunities for gains when markets are volatile or declining. While short selling will be used by the Fund as a complement to its primary investment strategy (discussed above), Arrow will utilize the same fundamental analysis in determining whether securities of a particular issuer should be sold short. When the analysis produces a favourable outlook, the investment opportunity is considered for purchase. When the analysis produces an unfavourable outlook, the investment opportunity is considered for a short sale. The Fund will engage in short selling only within certain limits and conditions including: (i) the Fund will short sell only liquid securities that are traded on a stock exchange or certain government bonds, (ii) the Fund will limit its short sale exposure to any single issuer to 5% of the Fund's net assets and its aggregate short exposure to 20% of its net assets, (iii) the Fund will hold cash cover in an amount (including the Fund's assets deposited with lenders) that is at least 150% of the aggregate market value of all securities sold short, and (iv) the Fund will deposit collateral only with lenders which are regulated financial institutions or registered dealers in Canada.

### *Changes to Investment Strategies*

Arrow may change the Fund's investment strategies at its discretion without notice or approval.

## **WHAT ARE THE RISKS OF INVESTING IN THE FUND?**

Most of the Fund's assets will be invested in Canadian equity securities.

In addition to market risk, change in legislation risk and series risk, the Fund will be exposed to the following risks which are described on pages 4 through 8:

- currency risk
- equity risk
- foreign investment risk
- interest rate risk
- derivatives risk
- underlying fund risk
- investment trust risk
- liquidity risk
- small company risk
- short selling risk
- securities lending risk
- concentration risk

Arrow has rated this Fund's risk as medium. Please see "What are the Risks of Investing in the Fund? – Fund Risk Classification" on page 33 for a description of how we determined the classification of this Fund's risk level.



## WHO SHOULD INVEST IN THE FUND?

This Fund is suitable for investors who seek the long term appreciation potential of Canadian companies and are comfortable with short selling. To invest in this Fund, investors should be able to accept a medium degree of risk.

To recognize a reasonable rate of return, investors should be prepared to invest for medium to long periods of time.

## DISTRIBUTION POLICY

In respect of Series AD, FD and LD units, the Fund expects to make a distribution each quarter based on a target annualized rate of 2.00% of the NAV per unit of the relevant series at the end of the prior year. The quarterly distributions may be comprised of income, capital gains or capital and are not intended to reflect the Fund's investment performance and should not be confused with "yield" or "income". **A portion of the quarterly distribution may include a return of capital. The distribution rate on these series may be greater than the return on the Fund's investments. If the cash distributions to you are greater than the net increase in value of your investment, the distributions will erode the value of your investment.** If the Fund earns more income or capital gains than the distributions, it will distribute the excess each December.

We reserve the right to adjust the amount of the quarterly distribution if we consider it appropriate, without notice. There can be no assurance that Series AD, FD and LD units will make any distributions in any particular quarter. Distributions are not guaranteed and may change at any time at our discretion.

**Quarterly distributions on units held in a registered plan are automatically reinvested (without charge) in additional units of the same series of the Fund.**

**Quarterly distributions on units held outside a registered plan are either: (1) automatically reinvested in additional units of the same series of the Fund; or (2) received in cash. Unless we receive written notice that you want to receive distributions in cash, the default is to have distributions automatically reinvested in units of the Fund.** The distributions by way of reinvested units are subject to the same fees and expenses as purchased units; whereas if you receive cash distributions the cash received would not be subject to such fees and expenses. For example, if your distributions received on your Series L or LD Low Load Units are automatic reinvested in additional units such units would be subject to applicable redemption charges, whereas if such distributions were received in cash they would not be subject to any redemption charges. For more information about fees and expenses related to holding units, including units received on the automatic reinvestment of distributions, see "*Fees and Expenses*" on page 17. To receive distributions in cash you (or broker, dealer or advisor) must provide us a written request that you wish to receive distributions in cash. Please see the back cover for our contact information.

Quarterly distributions will generally not be made to holders of units of the Non-Fixed Rate Distribution Series.

Each December, the Fund will make an annual distribution to unitholders (including holders of the Non-Fixed Rate Distribution Series) on the distribution date of its taxable income, if any, for the taxation year to ensure that it is not subject to tax under Part I of the Tax Act. **In each case, distributions will be reinvested by purchasing additional units of the Fund, without charge, unless a written request is submitted to Arrow, requesting distributions be paid in cash instead.**

For more information about distributions, see "*Specific Information About the Mutual Funds Described in this Document – Distribution Policy*" on page 34.

***The distribution rate on a series of units of the Fund may be greater than the return on the Fund's investments. Any distributions made to you that exceed, in aggregate, the net increase in value of your investment, represent a return of your capital back to you.***

For more information about distributions and tax considerations, see "*Income Tax Considerations for Investors*" on page 23.

The Fund may at its discretion change its distribution policy from time to time.

**FUND EXPENSES INDIRECTLY BORNE BY INVESTORS**

You do not pay the Fund expenses directly, but they will reduce the Fund's returns. The following table is intended to help you compare the cumulative cost of investing in the Fund with the cost of investing in other mutual funds.

This example assumes that (i) you invest \$1,000 in Series A units of the Fund for the time periods indicated and then sell all of your units at the end of those periods; (ii) your investment has an annual 5% return; and (iii) the management fees and operating expenses would be the same throughout the ten year period.

Although your actual costs may be higher or lower based on these assumptions, your costs would be:

<b>Expenses Payable Over</b>	One Year	\$29.80
	Three Years	\$94.04
	Five Years	\$165.03
	Ten Years	\$376.83

See "*Fees and Expenses*" on page 17 for more information about the costs of investing in the Fund.

## EXEMPLAR TACTICAL CORPORATE BOND FUND

### FUND DETAILS

<b>Type of Fund:</b>	Fixed Income
<b>Inception Date:</b>	Series A – June 27, 2014                      Series FI – June 27, 2014 Series AI – June 27, 2014                      Series FN – November 12, 2014 Series AN – November 12, 2014              Series G – June 29, 2015 Series U – June 29, 2015                      Series I – June 27, 2014 Series F – June 27, 2014                      Series L – June 27, 2014
<b>Securities Offered:</b>	Trust units of a mutual fund – Series A, AI, AN, U, F, FI, FN, G, I, and L units
<b>Eligibility for Registered Plans:</b>	Yes
<b>Portfolio Advisor:</b>	Arrow Capital Management Inc. (Portfolio Advisor) East Coast Fund Management Inc. (Sub-Advisor)

### WHAT DOES THE FUND INVEST IN?

#### Investment Objectives

The investment objectives of the Exemplar Tactical Corporate Bond Fund are to generate income and capital appreciation by primarily investing in a diversified portfolio of corporate bonds.

Unitholder approval (given by a majority of votes cast at a meeting of unitholders) is required prior to a change of investment objectives.

#### Investment Strategies

To achieve the investment objectives, the portfolio advisor will use a flexible, tactical approach to invest in a core portfolio of investment grade, non-investment grade and distressed fixed income securities, issued by Canadian or non-Canadian corporations, trusts and international agencies and governments. The Fund is also permitted to invest in convertible bonds and debentures, loans, preferred shares, exchange traded funds and equities. The Fund will attempt to generate profits and protect against the loss of capital through bottom-up security selection. The portfolio will be constructed through purchasing securities which offer high potential returns without taking proportionate risk. Typically these securities will have underperformed the broader market and will not be viewed as attractive investments by many investors.

The Fund seeks to invest in issuers that have good underlying credit quality but that are out of favour and trading at credit spreads considerably wider than historical fair value. The Fund will invest in distressed securities trading well below par and below their recovery value in a default in order to profit from high yields and significant capital gains in either a recovery or a default. The Fund will also invest in shorter term, higher quality investment grade securities on occasion to protect capital while seeking more attractive investment opportunities.

As credit markets move in cycles, the Fund will invest counter-cyclically to realize risk-adjusted returns. As such, the amount of credit risk taken in the portfolio of the Fund will be a function of both individual security valuations and the phases of the credit cycle.

#### *Use of Derivatives*

The Fund may use warrants and derivatives such as options, forwards, futures and swaps for hedging and non-hedging purposes. Such derivatives may be used to hedge against losses from changes in the prices of the Fund's

investments and from exposure to interest rate changes, credit spreads and foreign currencies as well as market risk. Specifically, the Fund will use interest rate swaps and futures to hedge against interest rate changes. Derivatives may also be used to hedge general credit risk and/or obtain exposure to individual securities and markets instead of buying securities directly. If used for non-hedging purposes, the derivatives acquired will be consistent with the investment objectives of the Fund and securities law.

#### *Securities Lending, Repurchase or Reverse Repurchase Transactions*

The Fund may enter into repurchase transactions, reverse repurchase transactions, and securities lending transactions (described on page 7). The Fund will only do so if there are suitable counterparties available and if the transactions are considered appropriate.

#### *Short Selling*

The Fund may also engage in short selling. Generally speaking, short selling can provide the Fund with opportunities for gains when markets are volatile or declining. While short selling will be used by the Fund as a complement to its primary investment strategy (discussed above), Arrow will utilize the same fundamental analysis in determining whether securities of a particular issuer should be sold short. When the analysis produces a favourable outlook, the investment opportunity is considered for purchase. When the analysis produces an unfavourable outlook, the investment opportunity is considered for a short sale. The Fund will engage in short selling only within certain limits and conditions including: (i) the Fund will short sell only liquid securities that are traded on a stock exchange or certain government bonds, (ii) the Fund will limit its short sale exposure to any single issuer to 5% of the Fund's net assets and its aggregate short exposure to 20% of its net assets, (iii) the Fund will hold cash cover in an amount (including the Fund's assets deposited with lenders) that is at least 150% of the aggregate market value of all securities sold short, and (iv) the Fund will deposit collateral only with lenders which are regulated financial institutions or registered dealers in Canada.

#### *Investment in Other Investment Funds*

The Fund is permitted to invest some of its assets in securities of other investment funds, including other investment funds managed by Arrow or an affiliate or associate of Arrow or securities of a foreign investment fund, provided such investment is consistent with the Fund's objective and is permitted by Canadian securities laws. See "Underlying Fund Risk" on page 7 of this simplified prospectus.

#### *Portfolio Turnover Rate*

Depending on market conditions, the sub-advisor's investment style may result in a higher portfolio turnover rate than less actively-managed investment funds. Portfolio investments may be sold, and the proceeds reinvested, when the portfolio securities no longer meet expectations of continued gains. High portfolio turnover rates can increase portfolio costs and may also increase the likelihood that you will receive taxable capital gains from the Fund. There is no proven relationship between a high turnover rate and the performance of a mutual fund.

#### *Changes to Investment Strategies*

Arrow may change the Fund's investment strategies at its discretion without notice or approval.

### **WHAT ARE THE RISKS OF INVESTING IN THE FUND?**

Most of the Fund's assets will be invested in fixed income securities. In addition to market risk, change in legislation risk and series risk, the Fund will be exposed to the following risks which are described on pages 4 through 8:

- credit risk
- currency risk
- derivatives risk
- interest rate risk
- investment trust risk
- liquidity risk

- equity risk
- foreign investment risk
- short selling risk
- securities lending risk

Arrow has rated this Fund's risk as low. Please see "What are the Risks of Investing in the Fund? – Fund Risk Classification" on page 33 for a description of how we determined the classification of this Fund's risk level.

### WHO SHOULD INVEST IN THE FUND?

This Fund is suitable for investors who seek regular monthly income.

To invest in this Fund, investors should be able to accept a low to medium degree of risk.

To recognize a reasonable rate of return, investors should be prepared to invest for the longer term.

### DISTRIBUTION POLICY

In respect of Series A, U, F, G, I, and L units, the Fund expects to make a distribution each month based on a target annualized rate of 5.00% of the NAV per unit of the relevant series at the end of the prior year. In respect of Series AI and FI units, the Fund expects to make a distribution each month based on a target annualized rate of 7.0% of the NAV per unit of the relevant series at the end of the prior year. The monthly distributions may be comprised of income, capital gains or capital and are not intended to reflect the Fund's investment performance and should not be confused with "yield" or "income". **A portion of the monthly distribution may include a return of capital. The distribution rate on these series may be greater than the return on the Fund's investments. If the cash distributions to you are greater than the net increase in value of your investment, the distributions will erode the value of your investment.** If the Fund earns more income or capital gains than the distributions, it will distribute the excess each December.

We reserve the right to adjust the amount of the monthly distribution if we consider it appropriate, without notice. There can be no assurance that the Fund will make any distributions in any particular month. Distributions are not guaranteed and may change at any time at our discretion.

**Monthly distributions on units held in a registered plan are automatically reinvested (without charge) in additional units of the same series of the Fund.**

**Monthly distributions on units held outside a registered plan are either: (1) automatically reinvested in additional units of the same series of the Fund; or (2) received in cash. Unless we receive written notice that you want to receive distributions in cash, the default is to have distributions automatically reinvested in units of the Fund.** The distributions by way of reinvested units are subject to the same fees and expenses as purchased units; whereas if you receive cash distributions the cash received would not be subject to such fees and expenses. For example, if your distributions received on your Series L Low Load Units are automatic reinvested in additional units such units would be subject to applicable redemption charges, whereas if such distributions were received in cash they would not be subject to any redemption charges. For more information about fees and expenses related to holding units, including units received on the automatic reinvestment of distributions, see "Fees and Expenses" on page 17. To receive distributions in cash you (or broker, dealer or advisor) must provide us a written request that you wish to receive distributions in cash. Please see the back cover for our contact information.

Monthly distributions will generally not be made to holders of units of the Non-Fixed Rate Distribution Series.

Each December, the Fund will make an annual distribution to unitholders (including holders of the Non-Fixed Rate Distribution Series) on the distribution date of its taxable income, if any, for the taxation year to ensure that it is not subject to tax under Part I of the Tax Act. **In each case, distributions will be reinvested by purchasing additional units of the Fund, without charge, unless a written request is submitted to Arrow, requesting distributions be paid in cash instead.**

For more information about distributions, see “*Specific Information About the Mutual Funds Described in this Document – Distribution Policy*” on page 34.

***The distribution rate on a series of units of the Fund may be greater than the return on the Fund’s investments. Any distributions made to you that exceed, in aggregate, the net increase in value of your investment, represent a return of your capital back to you.***

For more information about distributions and tax considerations, see “*Income Tax Considerations for Investors*” on page 23.

The Fund may at its discretion change its distribution policy from time to time.

#### **FUND EXPENSES INDIRECTLY BORNE BY INVESTORS**

You do not pay the Fund expenses directly, but they will reduce the Fund’s returns. The following table is intended to help you compare the cumulative cost of investing in the Fund with the cost of investing in other mutual funds.

This example assumes that (i) you invest \$1,000 in Series A units of the Fund for the time periods indicated and then sell all of your units at the end of those periods; (ii) your investment has an annual 5% return; and (iii) the management fees and operating expenses would be the same throughout the ten year period.

Although your actual costs may be higher or lower based on these assumptions, your costs would be:

<b>Expenses Payable Over</b>	One Year	\$21.47
	Three Years	\$67.78
	Five Years	\$118.94
	Ten Years	\$271.58

See “*Fees and Expenses*” on page 17 for more information about the costs of investing in the Fund.

**EXEMPLAR MUTUAL FUNDS**

**Exemplar Growth and Income Fund**

**Exemplar Investment Grade Fund**

**Exemplar Leaders Fund**

**Exemplar Performance Fund**

**Exemplar Tactical Corporate Bond Fund**

Additional information about the Funds is available in the Funds' annual information form, fund facts, management reports of fund performance and financial statements. These documents are incorporated by reference into this simplified prospectus, which means that they legally form part of this document just as if they were printed as a part of this document.

You can obtain a copy of these documents, at your request, and at no cost, by calling toll free 1 (877) 327-6048, (416) 323-0477 or from your financial advisor or by email at [info@arrow-capital.com](mailto:info@arrow-capital.com).

These documents and other information about the Funds, such as information circulars and material contracts, are also available on the Funds' website [www.arrow-capital.com](http://www.arrow-capital.com) or on SEDAR (the System for Electronic Document Analysis and Retrieval established by the Canadian Securities Administrators) at [www.sedar.com](http://www.sedar.com).

**ARROW CAPITAL MANAGEMENT INC.**  
**Manager and Trustee of the Exemplar Mutual Funds**

**Toronto Office (Head Office)**

36 Toronto Street  
Suite 750  
Toronto, Ontario  
M5C 2C5  
Tel: (416) 323-0477  
Fax: (416) 323-3199

**Vancouver Office (Regional Office - Sales only)**

1066 West Hastings Street  
Suite 2300  
Vancouver, British Columbia  
V6E 3X2  
Tel: (778) 373-5445  
Fax: (604) 408-8893

**Calgary Office (Regional Office - Sales only)**

800 – 350 7th Ave. SW  
Calgary, Alberta  
T2P 3N9  
Tel: (403) 668-5546  
Fax: (403) 668-5520