



**BLUMONT**  
CAPITAL



**EXEMPLAR  
LEADERS FUND**

## **EXEMPLAR LEADERS FUND (FORMERLY NORTHERN RIVERS CONSERVATIVE GROWTH FUND) SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

For the period ended June 30, 2013

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

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

### **Forward-Looking Information**

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

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

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

## **Management Discussion on Fund Performance**

### **Investment Objective and Strategies**

The investment objective of the 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.

To achieve the investment objectives of the Fund, the Manager: (i) makes long term investments of securities of issuers which the Manager believes present the greatest opportunity for capital appreciation; and (ii) manages the portfolio's sector allocation, increasing and decreasing exposure to different sectors of the market as appropriate.

In selecting investments for the Fund, the Manager primarily focuses on the securities (equity and equity derivatives) of companies which the Manager 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 the Manager to those investment strategies that balance risk, return and liquidity. The portfolio will be positioned in accordance with the Manager'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 the Manager. 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 use specified derivatives, such as calls and puts, warrants, index futures and exchange traded funds.

The Fund may also engage in short selling as a result of relief it obtained from the Canadian securities regulatory authorities. 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.

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.

### **Investment Risk**

The risks of investing in the Fund remain as stated in the Fund's simplified prospectus. There were no material changes to the Fund over the period that affected the overall level of risk.

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

### **Results of Operations**

For the six month period ending June 30, 2013, Series A units of the Fund returned 13.93% (net of expenses) while the S&P/TSX Composite Total Return Index posted a loss of 0.88%. Please refer to "Past Performance" section for performance information of the other series. The performance of the other series of the Fund differs from Series A units due largely to a varying level of expenses charged to each series, as explained in the management fees section.

The first half of 2013 was a solid period of positive performance for the fund in the midst of choppy global equity markets which showed larger divergences, as the Canadian stock market dropped while the US market rose. The

divergences reflect generally weaker commodity markets this year, while broader US and Global consumer companies are performing better on the back of a slowly strengthening US economy.

While the vast majority of holdings in the fund rose in the first half, there were a few drags on performance. The most significant detractors from fund performance came from Espial, Ventripoint, Vendtek, PanOrient Energy, Just Energy, Cortex Business Solutions, and our short position on Westport Innovations.

Positive contributors were plentiful in the first half, as the majority of holdings rose. Most notable were gains of over 62% from 5 portfolio holdings; Neptune Technologies, Sierra Wireless, Softchoice, Kapstone Packaging, and Webtech Wireless.

The single largest contributor to fund performance in the last 6 months was Neptune Technologies & Bioresources. Neptune is a producer and marketer of krill oil-derived phospholipid dietary supplements NKO (Neptune Krill Oil) and EKO which have extremely attractive benefits for cardiovascular health. Neptune stock rose 70% in the first half of 2013 on the back of solid business developments at the company as it rebuilds its manufacturing capacity in Quebec. The company and its majority owned subsidiary are also nearing completion of pivotal phase 2 trials for its potentially blockbuster pharmaceutical product, Capre, for the treatment of cholesterol.

As has been the case in prior years we were also the beneficiary of a number of takeovers in the portfolio during the first half of the year. Portfolio holdings: Softchoice, Iberian, and Winstar all disappeared from the portfolio during the first half as a result of takeovers. The takeover of Softchoice was the most satisfying, resulting in a 67% gain in the first half, as private equity firm Birch Hill saw the huge undervaluation in the company's share price and pounced at the opportunity to buy the company at \$20.00 per share. We believe these takeovers are indicative of the substantial discounts to intrinsic value that all our portfolio holdings trade at. When the public markets are unwilling to properly value well run companies, frequently corporate acquirers will swoop in to take advantage of the compelling opportunities.

With the choppy markets in the first half, we were able to find a number of attractive new positions for the portfolio. The most important new positions that we added were LyondellBasell, Innovalis REIT, Kapstone Packaging, National Fuel Gas, Plum Creek Timber, Netapp Inc., and Element Financial. All were trading at substantial discounts to their intrinsic values and we expect solid gains to come from these investments. Kapstone was already one of our top performers this year, rising 63% from our purchase price.

A number of holdings were sold during the first half of 2013, due to either reaching our price objectives, takeovers, or to shortfalls in their performance. Positions sold were Longview Oil, Niko Resources, Winstar, Iberian, Kirkland Lake Gold, Major Drilling, CI Financial, Softchoice, Western Union, and Apple.

Overall portfolio structure is designed to take advantage of a continued slow recovery from the great recession of 2008-2009 and is invested in undervalued equities. The top 10 holdings in the portfolio represent over 50% of the portfolio assets. The portfolio remains well diversified. The largest sector weighting are Healthcare, Financials, and Technology.

The first half of 2013 saw a continuation of the slow global recovery from the "great recession" of 2008-09. We are seeing a stronger performance from the world's largest economy in the USA despite some cutbacks starting to occur by governments. The world's second largest economy in China continues to grow smartly, albeit at a lower percent increase than in prior years. Meanwhile the European Union continues to muddle through a recession that is dampening the overall level of economic growth.

Global equity markets in the first half recognized the mixed nature of the ongoing recovery, with most resource stocks lagging while consumer sectors outperformed.

Our portfolio made solid gains in this environment on the back of impressive fundamental developments specific to our holdings and by taking advantage of volatility to selectively add new positions.

The second half of 2013 will see a continuation of the slow economic recovery we have witnessed over the last several years. The emerging middle class in emerging economies will drive increased consumption and global trade, benefitting all countries. Global equity markets will likely have positive returns in the second half of 2013, as continuing recovery and solid corporate profits drive the market up. Fiscal and economic concerns will cause at least one correction, scaring investors out of the market at the wrong time. Large volatility and diverging individual stock performance will provide another year of opportunity for those disciplined investors willing to focus on buying fundamentally strong and inexpensive businesses. In this environment, we look for the Exemplar Leaders fund to do very well.

### Related Party Transactions

There are no related party transactions to report for the period ended June 30, 2013 other than the management and related fees as discussed below.

### Management Fees

BluMont Capital Corporation (the “Manager”) receives a monthly management fee (the “Management Fee”), calculated as a percentage of the Fund’s net asset value as of the close of business on each business day. The Management Fee rate applicable to the Fund is 1.80% per annum for Series A units and 0.80% per annum for Series F units. For the period ended June 30, 2013, Management Fees charged to the Fund equaled \$226,306 (2012 - \$204,406). The Management Fee is paid in consideration of investment management and administration services. No breakdown of such services was specified in the management agreement. From this Management Fee, the Manager pays fees to the investment advisor (BluMont Capital, in its capacity as such) who provides portfolio management services to the Fund. A portion of the Management Fee paid by the Fund is for trailer fees paid to dealers whose clients hold units of the Fund. The trailer fees are a percentage of the net asset value of the Fund, calculated and payable monthly. The table below outlines the Fund’s annual Management Fees and trailer fees.

ANNUAL RATE (%)	Series A	Series F
Management Fees <i>(Annual Rate)</i>	1.80%	0.80%
Trailer Fees <i>(as a % of Management Fees)</i>	45.01%	-%

In addition, the Fund will pay the Manager annually a performance fee (the “Performance Fee”), subject to HST (and any other applicable sales taxes), 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 of the Fund from January 1 to December 31 exceeds the greater of: i) 0% and ii) the percentage return of the S&P/TSX Composite Total Return Index for the same period. If the performance of a Series of the Fund in any year is less than the performance of the applicable index described above (the “Deficiency”), then no incentive fee will be payable in any subsequent year until the performance of the applicable Series of the Fund, on a cumulative basis calculated from the first of such subsequent years has exceeded the amount of the Deficiency. For the period ended June 30, 2013, the accrued Performance Fee equaled \$747,731 (2012 – \$417,668).

The Manager incurs operating expenses on behalf of the Fund and charges these expenses to the Fund. For the period ended June 30, 2013, the Manager has, in its discretion, agreed to (defer)/absorb \$(8,297) (2012 – \$38,053) of operating expenses associated with the Fund.

## Financial Highlights

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

### SERIES A - NET ASSETS PER UNIT

For the period ended June 30, 2013 and for the years ended December 31,

	2013	2012	2011	2010	2009
<b>Net Assets, beginning of period<sup>1</sup></b>	\$ 30.43	\$ 27.85	\$ 27.95	\$ 25.09	\$ 19.73
Increase from operations:					
Total revenue	0.42	0.88	0.61	0.92	0.67
Total expenses	(1.38)	(0.91)	(0.86)	(0.86)	(0.78)
Realized gains (losses) for the period	1.06	(0.07)	0.29	3.97	0.11
Unrealized gains (losses) for the period	4.09	2.52	(0.09)	5.59	6.43
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	\$ 4.19	\$ 2.42	\$ (0.05)	\$ 9.62	\$ 6.43
<b>Distributions<sup>2</sup>:</b>					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	1.94	-
<b>Total distributions</b>	-	-	-	1.94	-
<b>Net Assets, end of period<sup>1</sup></b>	\$ 34.61	\$ 30.43	\$ 27.85	\$ 27.95	\$ 25.09

### SERIES A - RATIOS AND SUPPLEMENTAL DATA<sup>7</sup>

For the period ended June 30, 2013 and for the years ended December 31,

	2013	2012	2011	2010	2009
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$22,397	\$19,605	\$16,990	\$17,928	\$1,727
Number of units outstanding	642,979	640,599	608,002	641,742	68,818
Management expense ratio <sup>3</sup>	8.43%*	2.95%	2.97%	3.22%	3.53%
Management expense ratio before waivers or absorptions <sup>4</sup>	8.37%*	3.20%	3.74%	5.24%	6.22%
Portfolio turnover rate <sup>5</sup>	28.05%*	54.93%	73.67%	73.34%	73.60%
Trading expense ratio <sup>6</sup>	0.11%*	0.14%	0.21%	0.12%	0.37%

### SERIES F - NET ASSETS PER UNIT

For the period ended June 30, 2013 and for the years ended December 31,

	2013	2012	2011	2010	2009
<b>Net Assets, beginning of period<sup>1</sup></b>	\$ 31.04	\$ 28.15	\$ 27.96	\$ 25.28	\$ 19.69
Increase from operations:					
Total revenue	0.43	0.89	0.63	0.69	0.67
Total expenses	(1.49)	(0.60)	(0.55)	(0.66)	(0.55)
Realized gains (losses) for the period	1.07	(0.11)	0.25	1.98	(0.04)
Unrealized gains (losses) for the period	4.13	2.71	(0.20)	2.79	6.43
<b>Total increase (decrease) from operations<sup>1</sup>:</b>	\$ 4.14	\$ 2.89	\$ 0.13	\$ 4.80	\$ 6.51
<b>Distributions<sup>2</sup>:</b>					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	2.43	-
<b>Total distributions</b>	-	-	-	2.43	-
<b>Net Assets, end of period<sup>1</sup></b>	\$ 35.21	\$ 31.04	\$ 28.15	\$ 27.96	\$ 25.28

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

For the period ended June 30, 2013 and for the years ended December 31,

	2013	2012	2011	2010	2009
Net Asset Value ("NAV") (000s) <sup>1</sup>	\$5,993	\$5,133	\$4,380	\$3,628	\$3,096
Number of units outstanding	169,149	164,685	155,153	129,977	122,467
Management expense ratio <sup>3</sup>	8.95%*	1.92%	1.89%	2.54%	2.48%

Management expense ratio before waivers or absorptions <sup>4</sup>	8.89%*	2.17%	2.66%	4.13%	5.16%
Portfolio turnover rate <sup>5</sup>	28.05%*	54.93%	73.67%	73.34%	73.60%
Trading expense ratio <sup>6</sup>	0.11%*	0.14%	0.21%	0.12%	0.37%

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

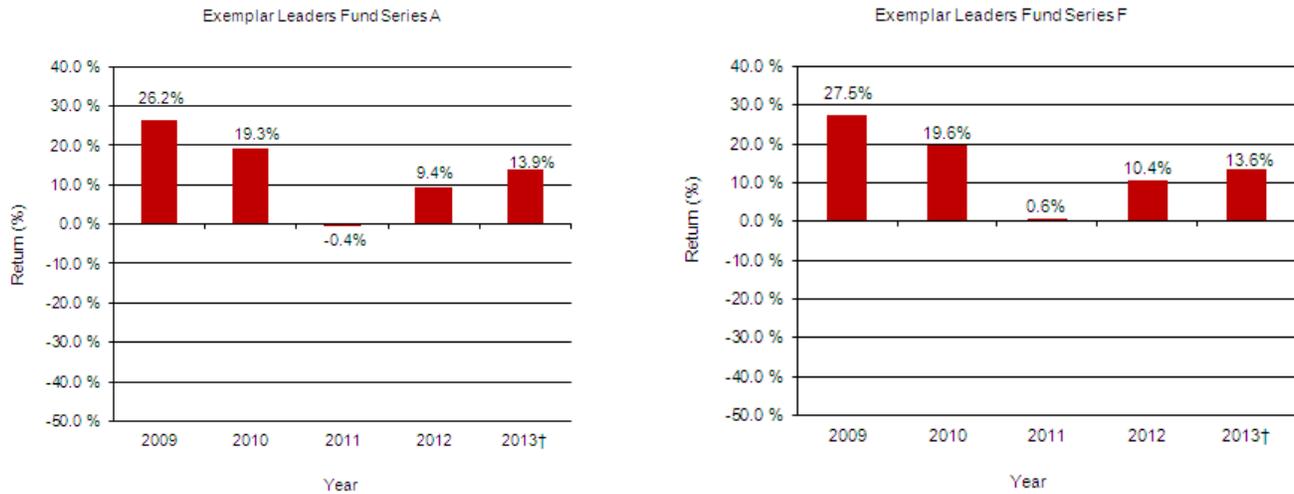
### Past Performance

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

The indicated rates of return are historical annual compounded total returns including changes in unit value and do not take into account sale, redemption, distribution or other optional charges, that, if applicable, would have reduced returns or performance. An investment in the Fund is not guaranteed. Its value changes frequently and how the Fund has performed in the past does not necessarily indicate how it will perform in the future.

## Year-By-Year Returns

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



†Return shown represents a partial year.

## Annual Compound Returns (Compound Performance)

The following table shows the annual compound total returns of the Fund, and for the S&P/TSX Composite Total Return Index (a price weighted index of 300 of the largest, most widely-held stocks traded on the Toronto Stock Exchange) for the periods shown ended June 30, 2013. The Relative Performance returns show the performance of the Fund as compared to the benchmark S&P/TSX Composite Total Return Index.

	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year	Annualized Since Inception	Cumulative Total Return
Series A	0.99%	6.78%	13.93%	14.45%	16.37%	4.38%	7.18%	50.75%
Series F	1.00%	6.48%	13.58%	14.21%	17.24%	5.28%	7.87%	56.56%
S&P/TSX Composite Total Return Index	-3.76%	-4.08%	-0.88%	7.90%	5.38%	-0.34%	1.15%	6.88%

## Summary of Investment Portfolio as at June 30, 2013

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

<b>Top 25 Holdings</b>	<b>% of Net Assets</b>	<b>Regional Weightings</b>	<b>% of Net Assets</b>
<b>Long Positions</b>		<b>Long Positions</b>	
Wellpoint Inc.	8.7%	Canada	61.5%
Magna International Inc.	6.9%	U.S.	25.5%
Alaris Royalty Corporation	6.6%	Global	4.7%
Neptune Technologies & Bioresources Inc.	5.7%	Other Assets, Net of Liabilities	11.3%
Philip Morris International Inc.	4.4%		
Horizon North Logistics Inc.	4.3%	<b>Short Positions</b>	
LyondellBasell Industries NV 'A'	4.0%	Canada	(3.0)%
BCE Inc.	3.7%		
WestJet Airlines Limited	3.5%		
Noranda Income Fund	2.4%		
Wi-LAN Inc.	2.4%	<b>Sector Weightings</b>	<b>% of Net Assets</b>
Sierra Wireless Inc.	2.2%	<b>Long Positions</b>	
Gilead Sciences Inc.	2.1%	Energy	6.4%
Inovalis Real Estate Investment Trust	2.1%	Basic Materials	5.0%
KapStone Paper & Packaging Corporation	2.1%	Industrials	13.5%
Acasti Pharma Inc.	2.1%	Consumer Discretionary	8.4%
Norfolk Southern Corporation	2.0%	Consumer Staples	4.4%
Microsoft Corporation	2.0%	Health Care	19.3%
WebTech Wireless Inc.	2.0%	Financials	10.6%
DirectCash Payments Inc.	1.4%	Information Technology	11.5%
ZCL Composites Inc.	1.3%	Telecommunication Services	8.4%
National Fuel Gas Company	1.2%	Utilities	2.1%
RMP Energy Inc.	1.2%	Exchanged Traded Funds	2.1%
		Other Assets, Net of Liabilities	11.3%
<b>Short Positions</b>		<b>Short Positions</b>	
Trican Well Services Limited	(1.1)%	Basic Materials	(0.6)%
Westport Innovations Inc.	(1.3)%	Energy	(1.1)%
		Industrials	(1.3)%
<b>Total</b>	<b>71.9%</b>		
<b>Total Net Assets</b>	<b>\$28,209,951</b>		