



## **AUDITED FINANCIAL STATEMENTS DECEMBER 2014**

EXEMPLAR LEADERS FUND | EXEMPLAR YIELD FUND | EXEMPLAR PERFORMANCE FUND |

EXEMPLAR INVESTMENT GRADE FUND | EXEMPLAR TACTICAL CORPORATE BOND FUND |

# Exemplar Leaders Fund

## Statements of Financial Position

	Note	As at December 31, 2014	As at December 31, 2013	As at January 1, 2013
<b>Assets</b>				
<b>Current assets</b>				
Financial assets designated at fair value through profit and loss		\$ 30,745,099	\$ 31,983,632	\$ 22,576,921
Financial assets held for trading				
Warrants		170,764	38,962	-
Cash		5,956,804	1,101,808	108,080
Margin deposit		1,404,480	2,246,224	2,956,181
Accrued dividends receivable		66,595	86,619	88,380
Receivable for securities sold		-	525,322	585,856
Receivable for units issued		641	26,697	5,500
		<b>38,344,383</b>	<b>36,009,264</b>	<b>26,320,918</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Financial liabilities held for trading				
Investments sold short		1,105,865	1,247,465	890,909
Payable for securities purchased		948,069	1,188,500	622,918
Accrued dividends payable		386	4,080	237
Payable for units redeemed		52,560	7,000	29,215
Other liabilities	8	82,927	736,973	62,394
		<b>2,189,807</b>	<b>3,184,018</b>	<b>1,605,673</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>\$ 36,154,576</b>	<b>\$ 32,825,246</b>	<b>\$ 24,715,245</b>
<b>Net assets attributable to holders of redeemable units</b>				
Series A		\$ 28,010,297	\$ 25,525,178	\$ 19,580,504
Series F		\$ 8,144,279	\$ 7,300,068	\$ 5,134,741
<b>Number of redeemable units outstanding</b>				
Series A	7	694,810	648,874	640,599
Series F		195,600	181,509	164,685
<b>Net assets attributable to holders of redeemable units per unit</b>				
Series A		\$ 40.31	\$ 39.34	\$ 30.57
Series F		\$ 41.64	\$ 40.22	\$ 31.18

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

"James L. McGovern"

James L. McGovern, Director

"Robert W. Maxwell"

Robert W. Maxwell, Director

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

# Exemplar Leaders Fund

## Statements of Comprehensive Income For the years ended December 31,

	Note	2014 \$	2013 \$
<b>Income</b>			
Net gains on investments and derivatives			
Dividend income	5	823,464	725,092
Dividend expense on short sales	5	(3,021)	(9,554)
Net realized gain (loss) on investments and derivatives	5	2,571,527	1,498,231
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	5	(1,594,491)	6,416,344
Net gains on investments and derivatives		1,797,479	8,630,113
<b>Other Income Items:</b>			
Interest on cash		11,560	17,032
Foreign exchange gain (loss)		65,682	(27,863)
Net change in unrealized foreign exchange gain (loss)		31,546	87,147
Total income (net)		1,906,267	8,706,429
<b>Expenses</b>			
Securityholder reporting fees		231,370	235,989
Management fees	8	567,902	454,686
Performance fees	8	-	605,293
Interest expense		394	-
Audit fees		23,453	20,464
Legal fees		19,080	1,673
Independent review committee fees		5,511	3,848
Custodial fees		9,100	1,557
Security borrowing expenses		9,375	50,285
Commissions and other portfolio transaction costs	8	31,801	23,964
Withholding tax expense		20,152	20,238
Harmonized sales tax		72,451	122,354
Total expenses before manager absorption		990,589	1,540,351
Less: Expenses absorbed by manager	8	-	(21,530)
Total expenses after manager absorption		990,589	1,518,821
Increase (decrease) in net assets attributable to holders of redeemable units		915,678	7,187,608
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>			
Series A	10	656,204	5,647,926
Series F		259,474	1,539,682
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit</b>			
Series A	10	0.96	8.78
Series F		1.34	9.00

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

# Exemplar Leaders Fund

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

		2014 \$	2013 \$
Net assets attributable to holders of redeemable units at beginning of year			
	Series A	25,525,178	19,580,504
	Series F	7,300,068	5,134,741
		<u>32,825,246</u>	<u>24,715,245</u>
Increase (decrease) in net assets attributable to holders of redeemable units			
	Series A	656,204	5,647,926
	Series F	259,474	1,539,682
		<u>915,678</u>	<u>7,187,608</u>
Redeemable unit transactions			
Proceeds from redeemable units issued	Series A	5,783,612	3,191,865
	Series F	1,214,443	901,272
Redemption of redeemable units	Series A	(3,954,697)	(2,895,117)
	Series F	(629,706)	(275,627)
<b>Net increase (decrease) from redeemable unit transactions</b>		<u>2,413,652</u>	<u>922,393</u>
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>		<u>3,329,330</u>	<u>8,110,001</u>
	Series A	28,010,297	25,525,178
	Series F	8,144,279	7,300,068
<b>Net assets attributable to holders of redeemable units at end of year</b>		<u>36,154,576</u>	<u>32,825,246</u>

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

# Exemplar Leaders Fund

## Statements of Cash Flows For the years ended December 31,

	2014 \$	2013 \$
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	915,678	7,187,608
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	(31,526)	(87,147)
Net realized (gain) loss on investments and derivatives	(2,571,527)	(1,498,231)
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	1,594,491	(6,416,344)
Purchase of investments	(16,241,011)	(10,775,079)
Proceeds on sale of investments	18,468,069	10,226,653
Decrease (increase) in accrued dividends receivable	20,024	1,761
Increase (decrease) in accrued dividends payable	(3,694)	3,843
Increase (decrease) in other liabilities	(654,046)	674,579
Decrease (increase) in margin deposit	841,744	709,957
Net cash from (used in) operating activities	2,338,202	27,600
<b>Cash flows from (used in) financing activities</b>		
Proceeds from redeemable units issued	7,024,111	4,071,940
Redemption of redeemable units	(4,538,843)	(3,192,959)
Distributions paid to holders of redeemable units, net of reinvested distributions	-	-
Net cash from (used in) financing activities	2,485,268	878,981
Net Increase (decrease) in cash	4,823,470	906,581
Cash at beginning of the year	1,101,808	108,080
Net change in unrealized foreign exchange gain (loss) on cash	31,526	87,147
Cash at end of the year	5,956,804	1,101,808
Interest received*	11,560	17,032
Dividends received, net of withholding tax*	823,336	706,615
Interest paid*	(394)	-
Dividends paid*	(6,715)	(5,711)
*Included as part of cash flows from operating activities		

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

# Exemplar Leaders Fund

Schedule of Investment Portfolio - As at December 31, 2014

## EQUITY LONG POSITIONS 85.1%

SECURITY NAME	QUANTITY	FAIR VALUE	AVERAGE COST	SECURITY NAME	QUANTITY	FAIR VALUE	AVERAGE COST
<b>CONSUMER DISCRETIONARY 10.0%</b>				<b>INDUSTRIALS 13.0%</b>			
Magna International Inc., Class 'A'	CAD 25,500	\$ 3,210,195	\$ 1,179,292	Boyd Group Income Fund	CAD 9,500	452,200	134,701
Martinrea International Inc.	CAD 40,700	422,059	340,671	DirectCash Payments Inc.	CAD 40,600	789,670	756,049
		3,632,254	1,519,963	Flyht Aerospace Solutions Ltd.	CAD 3,445,000	1,274,650	1,215,051
<b>CONSUMER STAPLES 6.5%</b>				<b>INFORMATION TECHNOLOGY 13.4%</b>			
Input Capital Corp.	CAD 26,400	58,080	53,380	Hexcel Corp.	USD 7,599	365,759	347,208
Neptune Technologies & Bioresources Inc.	CAD 674,600	1,484,120	1,583,629	Norfolk Southern Corp.	USD 7,700	979,121	607,825
Phillip Morris International Inc.	USD 8,700	822,064	550,334	Rocky Mountain Dealerships Inc.	CAD 8,600	81,700	99,663
		2,364,264	2,187,343	Vicwest Inc.	CAD 7,400	92,796	83,888
				WestJet Airlines Ltd.	CAD 19,400	647,184	355,547
						4,683,080	3,599,932
<b>ENERGY 3.3%</b>				<b>MATERIALS 2.3%</b>			
DeeThree Exploration Ltd.	CAD 20,700	105,777	133,421	Cortex Business Solutions Inc.	CAD 1,690,000	152,100	354,533
Freehold Royalties Ltd.	CAD 10,900	208,408	293,210	Descartes Systems Group Inc.	CAD 13,200	227,700	196,176
Mapan Energy Ltd.	CAD 49,500	56,925	99,000	eBay Inc.	USD 2,600	169,273	154,175
RMP Energy Inc.	CAD 73,800	338,004	276,726	Espial Group Inc.	CAD 216,500	370,215	172,554
TransGlobe Energy Corp.	CAD 102,200	492,604	378,635	Global Eagle Entertainment Inc.	USD 13,900	219,466	164,014
		1,201,718	1,180,992	Guestlogix Inc.	CAD 161,300	127,427	179,802
				Guestlogix Inc., Subscription Receipt	CAD 33,300	26,307	31,635
<b>FINANCIAL SERVICES 15.4%</b>				<b>TELECOMMUNICATIONS SERVICES 5.3%</b>			
Alaris Royalty Corp.	CAD 74,100	2,620,176	1,367,815	Kinaxis Inc.	CAD 17,300	320,050	245,754
Callidus Capital Corp.	CAD 1,600	28,000	30,290	Microware Corp.	USD 17,500	943,016	566,437
Element Financial Corp.	CAD 82,000	1,159,480	976,739	NetApp Inc.	USD 17,100	822,273	684,016
Inovalis REIT	CAD 89,900	798,312	861,132	Opsens Inc.	CAD 247,000	175,370	179,700
Northwest International Healthcare Properties REIT	CAD 92,000	184,000	179,148	Sandvine Corp.	CAD 21,300	69,651	67,268
OneRoof Energy Group Inc.	CAD 142,400	78,320	344,997	Silicon Image Inc.	USD 38,800	248,465	215,748
Tricon Capital Group Inc.	CAD 29,300	255,496	197,980	Symbility Solutions Inc.	CAD 175,500	65,812	75,457
VersaPay Corp.	CAD 127,200	179,352	152,640	WebTech Wireless Inc.	CAD 291,990	426,306	566,687
Westaim Corp.	CAD 85,800	261,690	227,370	Wi-LAN Inc.	CAD 119,600	416,208	582,977
		5,564,826	4,338,111	Yangaroo Inc.	CAD 334,000	66,800	100,200
						4,846,439	4,537,133
<b>HEALTH CARE 14.6%</b>				<b>UTILITIES 1.3%</b>			
Acasti Pharma Inc., Class 'A'	CAD 589,000	341,620	717,385	National Fuel Gas Co.	USD 5,400	435,574	329,411
Anthem Inc.	USD 23,500	3,426,058	1,424,568			435,574	329,411
Gilead Sciences Inc.	USD 11,500	1,257,536	672,025				
Kane Biotech Inc.	CAD 1,300,000	45,500	65,000				
NeuroBioPharm Inc.	CAD 13,395	1,340	754				
Telesta Therapeutics Inc.	CAD 200,000	45,000	34,000				
Varian Medical Systems Inc.	USD 1,700	170,612	128,856				
		5,287,666	3,042,588				
<b>Total Equity Long Positions</b>						<b>\$ 30,745,099</b>	<b>\$ 23,274,119</b>

## EQUITY SHORT POSITIONS -3.1%

SECURITY NAME	QUANTITY	FAIR VALUE	AVERAGE COST	SECURITY NAME	QUANTITY	FAIR VALUE	AVERAGE COST
<b>CONSUMER STAPLES -2.1%</b>				<b>MATERIALS -0.5%</b>			
Tesla Motors Inc.	USD (2,900)	\$(748,251)	\$(762,022)	iShares S&P/TSX Global Gold Index ETF	CAD (21,300)	(194,043)	(327,486)
		(748,251)	(762,022)			(194,043)	(327,486)
<b>ENERGY -0.5%</b>				<b>Total Equity Short Positions</b>			
Imperial Oil Ltd.	CAD (2,400)	(120,120)	(124,768)			<b>\$ (1,105,865)</b>	<b>\$ (1,258,330)</b>
iShares S&P/TSX Capped Energy Index Fund	CAD (2,700)	(37,881)	(37,490)				
Trican Well Service Ltd.	CAD (1,000)	(5,570)	(6,564)				
		(163,571)	(168,822)				

## WARRANTS LONG POSITIONS 0.5%

SECURITY NAME	QUANTITY	FAIR VALUE	AVERAGE COST	STRIKE PRICE	MATURITY DATE
<b>FINANCIAL SERVICES 0.1%</b>					
VersaPay Corp.	CAD 68,000	\$ 11,415	-	1.50	Feb/04/2016
		11,415	-		
<b>HEALTH CARE 0.3%</b>					
Acasti Pharma Inc.	CAD 205,000	-	-	1.50	Dec/03/2018
Cynapsus Therapeutics Inc.	CAD 290,000	101,396	73,950	0.81	Apr/15/2019
NeuroBioPharm Inc.	CAD 26,790	-	-	0.75	Apr/12/2015
Telesta Therapeutics Inc.	CAD 100,000	500	12,000	0.30	Sep/23/2019
		101,896	85,950		
<b>INDUSTRIALS 0.0%</b>					
Opsens	CAD 120,000	5,852	-	1.05	Feb/18/2016
		5,852	-		
<b>INFORMATION TECHNOLOGY 0.1%</b>					
Cortex Business Solution	CAD 600,000	-	24,000	0.23	Apr/04/2016
Sensio Technologies	CAD 1,040,000	45,887	-	0.18	Oct/04/2015
		45,887	24,000		
<b>MATERIALS 0.0%</b>					
Falco Resources Ltd.	CAD 117,000	5,714	-	0.60	Nov/14/2015
		5,714	-		
<b>Total Warrant Long Positions</b>					
		<b>\$ 170,764</b>	<b>\$ 109,950</b>		

## **EXEMPLAR LEADERS FUND**

### **DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS**

**December 31, 2014**

The investment objective of the Exemplar Leaders 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 and 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.

#### **RISK MANAGEMENT**

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

The management of these risks is carried out by the Manager and Portfolio Advisor in accordance with Fund's Declaration of Trust.

A general discussion of financial risk management for the Exemplar Funds appears as Note 4: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

#### **Credit Risk**

As at December 31, 2014, December 31, 2013 and January 1, 2013, the Fund had no investments in debt instruments and therefore was not subject to related credit risk.

The Fund is exposed to counterparty credit risk on margin on deposit and receivables for securities sold. The Fund's brokerage agreement requires cash collateral in excess of 150% of the fair value of securities sold short. The Fund's brokerage services are provided BMO Nesbitt Burns which has a credit rating of Aa3 (December 31, 2013: Aa3, January 1, 2013 – A3) as rated by Moody's bond rating services.

The Fund is also exposed to counterparty credit risk on cash and other receivable balances. The Fund's custodial services are provided by CIBC Mellon Trust Company which has a credit rating as rated by Moody's bond rating services of A1 (December 31, 2013: A1, January 1, 2013: Aa3).

The Fund is also exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (December 31, 2013: Aaa, January 1, 2013: Aaa).

#### **Liquidity Risk**

All of the Fund's liabilities are typically due in less than 3 months. Redeemable units are redeemable on demand at the holder's option. However, holders of these instruments typically retain them for a longer period.

#### **Market Risk**

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

##### **(a) Currency Risk**

The tables below indicate the Fund's exposure to USD as at December 31, 2014, December 31, 2013 and January 1, 2013, in Canadian dollar terms. The tables also illustrate the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Non-monetary items include equities and warrants. Monetary items include cash and other current receivables and payables.

December 31, 2014			Impact on net assets attributable to holders of redeemable units			
Currency	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	\$4,099,806	\$10,724,368	\$14,824,174	\$409,981	\$1,072,437	\$1,482,418
United States Dollar - Short	(301,770)	(748,251)	(1,050,021)	(30,177)	(74,825)	(105,002)
Total	\$3,798,036	\$9,976,117	\$13,774,153	\$379,804	\$997,612	\$1,377,416
% of net assets attributable to holders of redeemable units	10.5%	27.6%	38.1%	1.0%	2.8%	3.8%

December 31, 2013			Impact on net assets attributable to holders of redeemable units			
Currency	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	\$1,587,775	\$11,010,810	\$12,598,585	\$158,777	\$1,101,081	\$1,259,858
United States Dollar - Short	-	(735,573)	(735,573)	-	(73,557)	(73,557)
Total	\$1,587,775	\$10,275,237	\$11,863,012	\$158,777	\$1,027,524	\$1,186,301
% of net assets attributable to holders of redeemable units	4.8%	31.3%	36.1%	0.5%	3.1%	3.6%

January 1, 2013			Impact on net assets attributable to holders of redeemable units			
Currency	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	\$574,266	\$5,844,515	\$6,418,781	\$57,427	\$584,451	\$641,878
United States Dollar - Short	-	(346,394)	(346,394)	-	(34,639)	(34,639)
Total	\$574,266	\$5,498,121	\$6,072,387	\$57,427	\$549,812	\$607,239
% of net assets attributable to holders of redeemable units	2.3%	22.2%	24.5%	0.2%	2.2%	2.4%

**(b) Interest Rate Risk**

As at December 31, 2014, December 31, 2013 and January 1, 2013 the Fund did not hold any interest-bearing securities, and therefore was not subject to significant interest rate risk.

**(c) Price Risk**

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

To achieve the investment objective 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.

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

	Impact on net assets attributable to holders of redeemable units		
	December 31, 2014	December 31, 2013	January 1, 2013
5% Increase	\$1,490,500	\$1,538,756	\$1,084,301
5% Decrease	\$(1,490,500)	\$(1,538,756)	\$(1,084,301)

The Fund has the ability to take short positions, in total not exceeding 20% of the Net Asset Value of the Fund. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold short at prices which may be significantly higher than the fair value reflected on the financial statements.



## Concentration Risk

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

The following is a summary of the Fund's concentration risk:

Market Segment	% of net assets attributable to holders of redeemable units		
	December 31, 2014	December 31, 2013	January 1, 2013
<b>Long Positions</b>			
Consumer Discretionary	10.0%	8.4%	6.2%
Consumer Staples	6.5%	8.8%	5.1%
Energy	3.3%	5.9%	10.6%
Financial Services	15.5%	10.1%	9.1%
Health Care	14.9%	14.7%	15.0%
Industrials	13.0%	22.7%	17.0%
Information Technology	13.5%	13.3%	16.2%
Materials	2.3%	6.1%	5.4%
Telecommunication Services	5.3%	4.4%	4.5%
Utilities	1.3%	3.1%	2.2%
<b>Short Positions</b>			
Consumer Discretionary	-	(2.2)%	-
Consumer Staples	(2.1)%	-	-
Energy	(0.5)%	(1.0)%	-
Industrials	-	-	(1.3)%
Information Technology	-	-	(1.4)%
Materials	(0.5)%	(0.6)%	(0.9)%

## FAIR VALUE MEASUREMENT

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

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2014, December 31, 2013 and January 1, 2013:

As at December 31, 2014	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Equities	\$30,717,452	\$26,307	\$1,340	\$30,745,099
Warrants	-	170,764	-	170,764
Total	\$30,717,452	\$197,071	\$1,340	\$30,915,863
<b>Financial liabilities</b>				
Equities sold short	\$(1,105,865)	-	-	\$(1,105,865)
Total	\$(1,105,865)	-	-	\$(1,105,865)

As at December 31, 2013	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Equities	\$31,251,250	\$731,042	\$1,340	\$31,983,632
Warrants	-	38,962	-	38,962
Total	\$31,251,250	\$770,004	\$1,340	\$32,022,594
<b>Financial liabilities</b>				
Equities sold short	\$(1,247,465)	-	-	\$(1,247,465)
Total	\$(1,247,465)	-	-	\$(1,247,465)

As at January 1, 2013	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Equities	\$22,575,581	-	\$1,340	\$22,576,921
Total	\$22,575,581	-	\$1,340	\$22,576,921
<b>Financial liabilities</b>				
Equities sold short	\$(890,909)	-	-	\$(890,909)
Total	\$(890,909)	-	-	\$(890,909)

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

The Portfolio Advisor is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements if any. The Portfolio Advisor obtains pricing from a third party pricing vendor which is monitored and reviewed daily by the finance department. In addition, at each financial reporting date, the Manager reviews and approves all level 3 fair value measurements.

During the year ended December 31, 2014, the Fund transferred equity securities with a fair value of \$728,880 from level 2 to level 1 due to resale restrictions being lifted (December 31, 2013: none).

Most of the Fund's equity positions are classified as level 1 as the securities are actively traded on a recognized exchange and a quoted price is available. Equity positions which have resale restrictions but otherwise trade on the market are classified as level 2.

Warrants are valued using models and valuation techniques commonly used in the industry, including inputs such as underlying stock price, restrictions on exercise and days to expiry. When the inputs that are significant to valuation are generally observable, the warrant is classified as Level 2. Warrants that have significant unobservable inputs are classified as Level 3.

The Fund holds 13,395 Class A shares of NeuroBiopharm Inc. ("Neuro") and 26,790 NeuroBiopharm Inc. warrants which it received by a way of a dividend-in-kind from the parent company of Neuro, Neptune Technologies & Bioresources Inc. ("Neptune"). Neuro is a private company thus the investments are classified as Level 3 for a total amount of \$1,340. The Class A shares of Neuro are determined to have a value of \$0.10 per share, as per the conversion that occurred on April 12, 2011. The warrants, with an exercise price of \$0.75 per warrant, are determined to have a negligible value based using the Black Scholes model.

### Financial Instruments By Category

The following table presents the net gains (losses) on investments and derivatives at FVTPL by category for the years ended December 31, 2014 and 2013.

December 31, 2014

	Net realized gains/(losses)	Net unrealized gains/(losses)	Interest income	Interest expense	Dividend income	Dividend expense	Total
Financial assets at FVTPL:							
Designated as FVTPL	\$3,061,168	\$(1,743,836)	-	-	\$823,464	-	\$2,140,796
HFT	-	60,814	-	-	-	-	60,814
	3,061,168	(1,683,022)	-	-	823,464	-	2,201,610
Financial liabilities at FVTPL:							
HFT	(489,641)	88,531	-	-	-	(3,021)	(404,131)
Total:	\$2,571,527	\$(1,594,491)	-	-	\$823,464	\$(3,021)	\$1,797,479

December 31, 2013

	Net realized gains /(losses)	Net unrealized gains /(losses)	Interest income	Interest expense	Dividend income	Dividend expense	Total
Financial assets at FVTPL:							
Designated as FVTPL	\$1,603,612	\$6,431,811	-	-	\$725,092	-	\$8,760,515
HFT	-	14,962	-	-	-	-	14,962
	<u>1,603,612</u>	<u>6,446,773</u>	<u>-</u>	<u>-</u>	<u>725,092</u>	<u>-</u>	<u>8,775,477</u>
Financial liabilities at FVTPL:							
HFT	(105,381)	(30,429)	-	-	-	\$(9,554)	(145,364)
Total:	<u>\$1,498,231</u>	<u>\$6,416,344</u>	<u>-</u>	<u>-</u>	<u>\$725,092</u>	<u>\$(9,554)</u>	<u>\$8,630,113</u>

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

# Exemplar Yield Fund

## Statements of Financial Position

	Note	As at December 31, 2014	As at December 31, 2013	As at January 1, 2013
<b>Assets</b>				
<b>Current assets</b>				
Financial assets designated at fair value through profit and loss		\$ 7,845,959	\$ 9,773,810	\$ 7,303,970
Cash		882,729	573,307	833,556
Accrued interest receivable		12,402	11,313	7,491
Accrued dividends receivable		28,947	52,672	35,750
Receivable for securities sold		-	-	89,716
Receivable for units issued		26,940	262,166	-
		<b>8,796,977</b>	<b>10,673,268</b>	<b>8,270,483</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payable for securities purchased		245,032	-	26,845
Payable for units redeemed		96,674	400,000	1,079
Distributions payable		-	1,713	-
Other liabilities	8	17,883	17,865	15,685
		<b>359,589</b>	<b>419,578</b>	<b>43,609</b>
<b>Net assets attributable to holders of redeemable units</b>				
		<b>\$ 8,437,388</b>	<b>\$ 10,253,690</b>	<b>\$ 8,226,874</b>
<b>Net assets attributable to holders of redeemable units</b>				
Series A		\$ 5,372,102	\$ 5,612,966	\$ 5,396,367
Series F		\$ 1,897,648	\$ 2,033,904	\$ 531,412
Series I		\$ 813,026	\$ 2,364,867	\$ 2,068,237
Series L		\$ 354,612	\$ 241,953	\$ 230,858
<b>Number of redeemable units outstanding</b>				
Series A	7	523,553	533,469	539,036
Series F		177,161	187,233	52,664
Series I		75,922	220,993	203,495
Series L		34,658	22,998	23,043
<b>Net assets attributable to holders of redeemable units per unit</b>				
Series A		\$ 10.26	\$ 10.52	\$ 10.01
Series F		\$ 10.71	\$ 10.86	\$ 10.09
Series I		\$ 10.71	\$ 10.70	\$ 10.16
Series L		\$ 10.23	\$ 10.52	\$ 10.02

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

"James L. McGovern"

James L. McGovern, Director

"Robert W. Maxwell"

Robert W. Maxwell, Director

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

# Exemplar Yield Fund

## Statements of Comprehensive Income For the years ended December 31,

	Note	2014 \$	2013 \$
<b>Income</b>			
Net gains (losses) on investments and derivatives			
Interest for distribution purposes	5	70,567	50,261
Dividend income	5	422,894	411,930
Net realized gain (loss) on investments and derivatives	5	(235,949)	648,808
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	5	179,571	172,754
Net gains (losses) on investments and derivatives		437,083	1,283,753
<b>Other Income Items:</b>			
Interest on cash		378	4,159
Foreign exchange gain (loss)		4,942	26,052
Net change in unrealized foreign exchange gain (loss)		3,914	1,102
Total income (net)		446,317	1,315,066
<b>Expenses</b>			
Securityholder reporting fees		150,034	207,614
Management fees	8	142,746	118,346
Interest expense		147	-
Audit fees		21,547	40,823
Legal fees		16,707	1,673
Independent review committee fees		5,008	2,515
Custodial fees		9,000	694
Commissions and other portfolio transaction costs	8	5,672	30,690
Withholding tax expense		29,102	34,772
Harmonized sales tax		16,468	14,850
Total expenses		396,431	451,977
Less: Expenses absorbed by manager	8	(151,030)	(209,029)
Total expenses after manager absorption		245,401	242,948
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>200,916</b>	<b>1,072,118</b>
<i>Increase (decrease) in net assets attributable to holders of redeemable units</i>			
Series A	10	71,448	614,432
Series F		66,085	106,569
Series I		62,829	316,515
Series L		554	34,602
<i>Increase (decrease) in net assets attributable to holders of redeemable units per unit</i>			
Series A	10	0.13	1.27
Series F		0.38	1.30
Series I		0.55	1.53
Series L		0.02	1.11

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

# Exemplar Yield Fund

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

		2014 \$	2013 \$
Net assets attributable to holders of redeemable units at beginning of year			
	Series A	5,612,966	5,396,367
	Series F	2,033,904	531,412
	Series I	2,364,867	2,068,237
	Series L	241,953	230,858
		<u>10,253,690</u>	<u>8,226,874</u>
Increase (decrease) in net assets attributable to holders of redeemable units			
	Series A	71,448	614,432
	Series F	66,085	106,569
	Series I	62,829	316,515
	Series L	554	34,602
		<u>200,916</u>	<u>1,072,118</u>
Distributions to holders of redeemable units			
From net investment income	Series A	(158,005)	(193,712)
	Series F	(75,626)	(33,024)
	Series I	(47,715)	(98,700)
	Series L	(10,547)	(12,497)
		<u>(291,893)</u>	<u>(337,933)</u>
From return of capital	Series A	(67,716)	-
	Series F	-	-
	Series I	-	-
	Series L	(4,520)	-
		<u>(72,236)</u>	<u>-</u>
From net realized gains on investments and derivatives	Series A	-	(148,561)
	Series F	-	(40,624)
	Series I	-	(108,508)
	Series L	-	(10,080)
		<u>-</u>	<u>(307,773)</u>
<b>Total distributions to holders of redeemable units</b>		<b>(364,129)</b>	<b>(645,706)</b>
Redeemable unit transactions			
Proceeds from redeemable units issued	Series A	1,122,958	1,038,261
	Series F	216,585	2,095,061
	Series I	-	-
	Series L	244,097	171,355
Reinvestments of distributions to holders of redeemable units	Series A	206,198	332,124
	Series F	74,467	72,493
	Series I	47,715	207,207
	Series L	11,225	14,552
Redemption of redeemable units	Series A	(1,415,747)	(1,425,945)
	Series F	(417,767)	(697,983)
	Series I	(1,614,670)	(19,884)
	Series L	(128,150)	(186,837)
<b>Net increase (decrease) from redeemable unit transactions</b>		<b>(1,653,089)</b>	<b>1,600,404</b>
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>(1,816,302)</b>	<b>2,026,816</b>
	Series A	5,372,102	5,612,966
	Series F	1,897,648	2,033,904
	Series I	813,026	2,364,867
	Series L	354,612	241,953
<b>Net assets attributable to holders of redeemable units at end of year</b>		<b>8,437,388</b>	<b>10,253,690</b>

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

# Exemplar Yield Fund

## Statements of Cash Flows For the years ended December 31,

	2014 \$	2013 \$
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	200,916	1,072,118
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	(3,937)	(1,102)
Net realized (gain) loss on investments and derivatives	235,949	(648,808)
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	(179,571)	(172,754)
Purchase of investments	(4,070,267)	(9,106,834)
Proceeds on sale of investments	6,186,772	7,521,427
Decrease (increase) in accrued interest receivable	(1,089)	(3,822)
Decrease (increase) in accrued dividends receivable	23,725	(16,922)
Increase (decrease) in other liabilities	18	2,180
Net cash from (used in) operating activities	2,392,516	(1,354,517)
<b>Cash flows from (used in) financing activities</b>		
Proceeds from redeemable units issued	1,818,866	3,042,511
Redemption of redeemable units	(3,879,660)	(1,931,728)
Distributions paid to holders of redeemable units, net of reinvested distributions	(26,237)	(17,617)
Net cash from (used in) financing activities	(2,087,031)	1,093,166
Net Increase (decrease) in cash	305,485	(261,351)
Cash at beginning of the year	573,307	833,556
Net change in unrealized foreign exchange gain (loss) on cash	3,937	1,102
Cash at end of the year	882,729	573,307
Interest received*	69,856	50,598
Interest paid*	(147)	-
Dividends received, net of withholding tax*	417,517	360,236

\*Included as part of cash flows from operating activities

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

# Exemplar Yield Fund

Schedule of Investment Portfolio - As at December 31, 2014

## EQUITY LONG POSITIONS 78.0%

SECURITY NAME	QUANTITY	FAIR VALUE	AVERAGE COST	SECURITY NAME	QUANTITY	FAIR VALUE	AVERAGE COST
<b>CONSUMER DISCRETIONARY 0.8%</b>				<b>INDUSTRIALS 11.3%</b>			
EnerCare Inc.	CAD 4,600	\$ 66,700	\$ 63,906	DirectCash Payments Inc.	CAD 25,300	492,085	507,510
		66,700	63,906	Norfolk Southern Corp.	USD 500	63,579	40,977
<b>CONSUMER STAPLES 1.6%</b>				Rocky Mountain Dealerships Inc.	CAD 6,100	57,950	67,919
Nestlé SA, ADR	USD 1,600	135,407	115,126	TAL International Group Inc.	USD 3,800	192,073	157,786
		135,407	115,126	Vicwest Inc.	CAD 11,600	145,464	109,030
<b>ENERGY 9.4%</b>						951,151	883,222
Freehold Royalties Ltd.	CAD 2,200	42,064	59,180	<b>INFORMATION TECHNOLOGY 5.1%</b>			
Kinder Morgan Inc.	USD 3,100	152,160	111,356	Microsoft Corp.	USD 5,000	269,433	142,748
MarkWest Energy Partners L.P.	USD 3,800	296,199	224,494	Wi-LAN Inc.	CAD 47,000	163,560	178,782
Mart Resources Inc.	CAD 73,100	51,170	94,993			432,993	321,530
Tesoro Logistics L.P.	USD 2,000	136,544	116,535	<b>MATERIALS 6.4%</b>			
TransGlobe Energy Corp.	CAD 23,100	111,342	90,573	Plum Creek Timber Co. Inc.	USD 8,500	421,946	421,494
		789,479	697,131	Noranda Income Fund, Class 'A'	CAD 43,900	116,335	166,415
<b>FINANCIAL SERVICES 33.7%</b>						538,281	587,909
Alaris Royalty Corp.	CAD 16,500	583,440	393,403	<b>TELECOMMUNICATIONS SERVICES 8.1%</b>			
American Hotel Income Properties REIT L.P.	CAD 3,600	36,108	36,512	AT&T Inc.	USD 6,000	233,806	233,729
Education Realty Trust Inc.	USD 8,000	339,584	263,743	Verizon Communications Inc.	USD 8,300	450,437	433,238
Inovalis REIT	CAD 67,800	602,064	629,998			684,243	666,967
Northwest International Healthcare Properties REIT	CAD 125,000	250,000	248,415	<b>UTILITIES 1.6%</b>			
Pure Industrial Real Estate Trust	CAD 68,200	302,808	313,254	Boralex Inc., Class 'A'	CAD 2,000	25,700	25,767
Retrocom REIT	CAD 16,400	64,288	67,962	TransAlta Corp.	CAD 10,500	110,460	148,551
Slate Retail REIT, Class 'U'	USD 11,600	140,584	135,528			136,160	174,318
Tricon Capital Group Inc.	CAD 18,800	163,936	143,535				
WP Carey Inc.	USD 4,400	357,821	298,774				
		2,840,633	2,531,124				

Total Equity Long Positions \$ 6,575,047 \$ 6,041,233

## FIXED INCOME LONG POSITIONS 15.0%

SECURITY NAME	COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE	AVERAGE COST
Boyd Group Income Fund	CAD 5.25%	31-Oct-21	100,000	\$ 106,000	\$ 100,000
Element Financial Corp.	CAD 5.12%	30-Jun-19	200,000	218,240	200,000
Fairfax Financial Holdings Ltd.	CAD 7.50%	19-Aug-19	250,000	289,102	287,125
Gibson Energy Inc.	CAD 7.00%	15-Jul-20	100,000	103,500	98,633
Kirkland Lake Gold Inc.	CAD 6.00%	30-Jun-17	250,000	187,500	226,875
Paramount Resources Ltd.	CAD 7.62%	4-Dec-19	50,000	47,000	50,375
Stuart Olson Inc.	CAD 6.00%	31-Dec-19	100,000	97,500	100,000
Videotron Ltd.	CAD 7.12%	15-Jan-20	212,000	222,070	233,200

Total Fixed Income Long Positions \$ 1,270,912 \$ 1,296,208



**EXEMPLAR YIELD FUND**  
**DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS**  
**December 31, 2014**

The investment objective of the Exemplar Yield Fund is to provide consistent and tax efficient monthly income and capital appreciation by investing in a diversified portfolio primarily consisting of Canadian equity, global equity, Canadian corporate bonds, income trusts and REITs.

**RISK MANAGEMENT**

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments present a risk of loss of capital. The maximum loss of capital on long equity and debt securities is limited to the fair value of those positions.

The management of these risks is carried out by the Manager and Portfolio Advisor in accordance with Fund's Declaration of Trust.

A general discussion of financial risk management for the Exemplar Funds appears as Note 4: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

**Credit Risk**

The analysis below summarizes the credit quality of the Fund's debt portfolio at December 31, 2014, December 31, 2013 and January 1, 2013.

Percentage of total debt securities			
Credit Rating*	As at December 31, 2014	As at December 31, 2013	As at January 1, 2013
BBB	22.8%	34.4%	55.6%
BB	25.6%	40.3%	44.4%
B	3.7%	6.1%	-
Not Rated	47.9%	19.2%	-
Total	100.0%	100.0%	100.0%

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

The Fund is also exposed to counterparty credit risk on cash. The Fund's broker and custodial services are provided by CIBC Mellon Trust Company which has a credit rating as rated by Moody's bond rating services of A1 (December 31, 2013: A1, January 1, 2013: Aa3).

The Fund is also exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (December 31, 2013: Aaa, January 1, 2013: Aaa).

**Liquidity Risk**

All of the Fund's liabilities are typically due in less than 3 months. Redeemable units are redeemable on demand at the holder's option. However, holders of these instruments typically retain them for a longer period.

**Market Risk**

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

**(a) Currency Risk**

The tables below indicate the Fund's exposure to USD as at December 31, 2014, December 31, 2013 and January 1, 2013, in Canadian dollar terms. The tables also illustrate the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Non-monetary items include equities. Monetary items include bonds, cash and other current receivables and payables.

December 31, 2014	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary
United States Dollar- long	\$276,871	\$3,189,573	\$3,466,444	\$27,687	\$318,957	\$346,644
United States Dollar- short	(118,449)	-	(118,449)	(11,845)	-	(11,845)
<b>Total</b>	<b>\$158,422</b>	<b>\$3,189,573</b>	<b>\$3,347,995</b>	<b>\$15,842</b>	<b>\$318,957</b>	<b>\$334,799</b>
% of net assets attributable to holders of redeemable units	1.9%	37.8%	39.7%	0.2%	3.8%	4.0%

December 31, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary
United States Dollar	\$10,797	\$3,466,146	\$3,476,943	\$1,080	\$346,614	\$347,694
% of net assets attributable to holders of redeemable units	0.1%	33.8%	33.9%	0.0%	3.4%	3.4%

January 1, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary
United States Dollar	\$132,427	\$2,723,718	\$2,856,145	\$13,243	\$272,372	\$285,615
% of net assets attributable to holders of redeemable units	1.6%	33.1%	34.7%	0.2%	3.3%	3.5%

**(b) Interest Rate Risk**

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2014, December 31, 2013 and January 1, 2013. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable units if the prevailing levels of market interest rates changed by 1.0%, assuming a parallel shift in the yield curve with all other variables held constant.

Term to Maturity	Total Exposure		
	December 31, 2014	December 31, 2013	January 1, 2013
1-3 years	\$187,500	-	-
3-5 years	554,342	\$162,500	-
Greater than 5 years	529,070	664,884	\$517,009
<b>Total</b>	<b>\$1,270,912</b>	<b>\$827,384</b>	<b>\$517,009</b>
Sensitivity:			
Total \$ sensitivity	\$7,514	\$2,178	\$1,204
Total % sensitivity	0.1%	0.00%	0.00%

**(c) Price Risk**

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

To achieve the investment objectives of the Fund, the Portfolio Advisor: (i) will actively manage the asset allocation of the Fund; (ii) will make concentrated investments primarily in Canadian equities, global equities, Canadian corporate bonds, income trusts and REITs; (iii) will invest up to 30% of the assets of the Fund in foreign securities; and (iv) may hold all or a portion of the Fund's assets in cash or money market securities while seeking investment opportunities or for defensive purposes.

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

Impact on net assets attributable to holders of redeemable units			
	December 31, 2014	December 31, 2013	January 1, 2013
5% Increase	\$328,752	\$447,321	\$339,348
5% Decrease	\$(328,752)	\$(447,321)	\$(339,348)

### Concentration Risk

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

The following is a summary of the Fund's concentration risk:

Market Segment	% of net assets attributable to holders of redeemable units		
	December 31, 2014	December 31, 2013	January 1, 2013
Consumer Discretionary	0.8%	1.8%	-
Consumer Staples	1.6%	2.0%	-
Energy	9.4%	16.2%	6.7%
Financial Services	33.7%	28.7%	26.0%
Industrials	11.3%	14.7%	16.4%
Information Technology	5.1%	4.9%	9.8%
Materials	6.4%	10.0%	11.9%
Telecommunication Services	8.1%	4.0%	6.7%
Utilities	1.6%	5.0%	5.0%
Fixed Income	15.0%	8.0%	6.3%

### FAIR VALUE MEASUREMENT

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

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2014, December 31, 2013 and January 1, 2013:

As at December 31, 2014	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Equities	\$6,575,047	-	-	\$6,575,047
Bonds	-	1,270,912	-	1,270,912
<b>Total</b>	<b>\$6,575,047</b>	<b>\$1,270,912</b>	<b>-</b>	<b>\$7,845,959</b>

As at December 31, 2013	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Equities	\$8,946,426	-	-	\$8,946,426
Bonds	-	827,384	-	827,384
<b>Total</b>	<b>\$8,946,426</b>	<b>\$827,384</b>	<b>-</b>	<b>\$9,773,810</b>

As at January 1, 2013	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Equities	\$6,786,961	-	-	\$6,786,961
Bonds	-	517,009	-	517,009
<b>Total</b>	<b>\$6,786,961</b>	<b>\$517,009</b>	<b>-</b>	<b>\$7,303,970</b>

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or

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

The Portfolio Advisor is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements if any. The Portfolio Advisor obtains pricing from a third party pricing vendor which is monitored and reviewed daily by the finance department. In addition, at each financial reporting date, the Manager reviews and approves all level 3 fair value measurements, if applicable.

As at December 31, 2014, December 31, 2013 and January 1, 2013, the Fund did not hold any level 3 financial instruments. There were no transfers between levels 1, 2 and 3 during the years ending December 31, 2014 or December 31, 2013.

**a) Equities**

The Fund's equity positions are all classified as Level 1 as each security is actively traded on a recognized exchange and a quoted price is available.

**b) Bonds**

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

**Financial Instruments By Category**

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2014 and 2013.

December 31, 2014

	Net realized gains /(losses)	Net unrealized gains /(losses)	Interest income	Interest expense	Dividend income	Dividend expense	Total
Financial assets at FVTPL:							
Designated as FVTPL	\$(235,949)	\$179,571	\$70,567	-	\$422,894	-	\$437,083
Financial liabilities at FVTPL:							
HFT	-	-	-	-	-	-	-
Total:	\$(235,949)	\$179,571	\$70,567	-	\$422,894	-	\$437,083

December 31, 2013

	Net realized gains /(losses)	Net unrealized gains /(losses)	Interest income	Interest expense	Dividend income	Dividend expense	Total
Financial assets at FVTPL:							
Designated as FVTPL	\$648,808	\$172,754	\$50,261	-	\$411,930	-	\$1,283,753
Financial liabilities at FVTPL:							
HFT	-	-	-	-	-	-	-
Total:	\$648,808	\$172,754	\$50,261	-	\$411,930	-	\$1,283,753

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

# Exemplar Performance Fund

## Statement of Financial Position As at December 31

	Note	2014
<b>Assets</b>		
<b>Current assets</b>		
Financial assets designated at fair value through profit and loss		\$ 5,224,552
Cash		2,273,461
Margin deposit		172,310
Accrued dividends receivable		7,690
Receivable for securities sold		63,813
Receivable for units issued		100
		<b>7,741,926</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Financial liabilities held for trading		
Investments sold short		124,959
Payable for securities purchased		81,495
Accrued dividends payable		269
Other liabilities	8	13,413
		<b>220,136</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>\$ 7,521,790</b>
<b>Net assets attributable to holders of redeemable units</b>		
Series A		\$ 2,357,412
Series F		\$ 4,960,263
Series L		\$ 204,115
<b>Number of redeemable units outstanding</b>		
Series A	7	216,367
Series F		453,629
Series L		20,124
<b>Net assets per units attributable to holders of redeemable units</b>		
Series A		\$ 10.90
Series F		\$ 10.93
Series L		\$ 10.14

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

"James L. McGovern"

James L. McGovern, Director

"Robert W. Maxwell"

Robert W. Maxwell, Director

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

# Exemplar Performance Fund

## Statement of Comprehensive Income For the period from March 24, 2014 (date of commencement of operations) to December 31, 2014

	Note	2014 \$
<b>Income</b>		
Net gains (losses) on investments and derivatives		
Dividend income	5	31,837
Dividend expense on short sales	5	(1,004)
Net realized gain (loss) on investments and derivatives	5	(16,118)
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	5	327,526
Net gains (losses) on investments and derivatives		342,241
<b>Other Income Items:</b>		
Interest on cash		3,038
Foreign exchange gain (loss)		1,880
Net change in unrealized foreign exchange gain (loss)		(308)
Total income (net)		346,851
<b>Expenses</b>		
Securityholder reporting fees		47,418
Management fees	8	40,967
Performance fees	8	44,240
Interest expense		102
Audit fees		21,502
Legal fees		1,651
Independent review committee fees		4,653
Custodial fees		9,000
Security borrowing expenses		601
Commissions and other portfolio transaction costs	8	1,982
Withholding tax expense		575
Harmonized sales tax		13,571
Total expenses before manager absorption		186,262
Less: expenses absorbed by manager	8	(65,055)
Total expenses after manager absorption		121,207
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>225,644</b>
<i>Increase (decrease) in net assets attributable to holders of redeemable units</i>	10	
Series A		63,195
Series F		160,113
Series L		2,336
<i>Increase (decrease) in net assets attributable to holders of redeemable units per unit</i>	10	
Series A		0.64
Series F		0.58
Series L		0.19

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

# Exemplar Performance Fund

## Statement of Changes in Net Assets Attributable to Holders of Redeemable Units For the period from March 24, 2014 (date of commencement of operations) to December 31, 2014

		2014 \$
Net assets attributable to holders of redeemable units at beginning of period		
	Series A	-
	Series F	-
	Series L	-
		-
Increase (decrease) in net assets attributable to holders of redeemable units		
	Series A	63,195
	Series F	160,113
	Series L	2,336
		225,644
Redeemable unit transactions		
Proceeds from redeemable units issued	Series A	2,413,406
	Series F	5,347,861
	Series L	338,509
Redemption of redeemable units	Series A	(119,189)
	Series F	(547,711)
	Series L	(136,730)
<b>Net increase (decrease) from redeemable unit transactions</b>		<b>7,296,146</b>
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>7,521,790</b>
	Series A	2,357,412
	Series F	4,960,263
	Series L	204,115
<b>Net assets attributable to holders of redeemable units at end of period</b>		<b>7,521,790</b>

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

# Exemplar Performance Fund

## Statement of Cash Flows

For the period from March 24, 2014 (date of commencement of operations) to December 31, 2014

	2014 \$
<b>Cash flows from (used in) operating activities</b>	
Increase (decrease) in net assets attributable to holders of redeemable units	225,644
Adjustment for:	
Net change in unrealized foreign exchange (gain) loss on cash	309
Net realized (gain) loss on investments and derivatives	16,118
Net change in unrealized depreciation in value of investments and derivatives	(327,526)
Purchase of investments	(9,380,755)
Proceeds on sale of investments	4,610,252
Decrease (increase) in accrued dividends receivable	(7,690)
Increase (decrease) in accrued dividends payable	269
Increase (decrease) in other liabilities	13,413
Decrease (increase) in margin deposit	(172,310)
Net cash from (used in) operating activities	(5,022,276)
<b>Cash flows from (used in) financing activities</b>	
Proceeds from redeemable units issued	8,099,676
Redemption of redeemable units	(803,630)
Net cash from (used in) financing activities	7,296,046
Net Increase (decrease) in cash	2,273,770
Cash at beginning of the period	-
Net change in unrealized foreign exchange gain (loss) on cash	(309)
<b>Cash at end of the period</b>	<b>2,273,461</b>
Interest received*	3,038
Dividends received, net of withholding tax*	23,572
Interest paid*	(102)
Dividends paid*	(735)
*Included as part of cash flows from operating activities	

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



# Exemplar Performance Fund

Schedule of Investment Portfolio - As at December 31, 2014

## EQUITY LONG POSITIONS

69.4%

SECURITY NAME	QUANTITY	FAIR VALUE	AVERAGE COST	SECURITY NAME	QUANTITY	FAIR VALUE	AVERAGE COST		
<b>CONSUMER DISCRETIONARY 17.0%</b>				<b>HEALTH CARE 5.2%</b>					
Amaya Inc.	CAD	7,300	\$ 208,415	\$ 143,532	Anthem Inc.	USD	300	43,737	38,125
AutoCanada Inc.	CAD	3,100	137,950	227,115	Concordia Healthcare Corp.	CAD	800	37,400	35,309
Canadian Tire Corp. Ltd., Class 'A'	CAD	1,000	122,740	122,272	Gilead Sciences Inc.	USD	300	32,805	34,950
Cineplex Inc.	CAD	300	13,449	12,230	Knight Therapeutics Inc.	CAD	2,200	15,224	14,930
DHX Media Ltd.	CAD	9,300	90,303	69,559	Merus Labs International Inc.	CAD	40,000	76,000	68,000
Dollarama Inc.	CAD	400	23,760	17,962	Zoetis Inc.	USD	1,500	74,879	73,567
EnerCare Inc.	CAD	8,400	121,800	109,200	Health Care Select Sector SPDR Fund	USD	1,400	111,058	107,864
Gildan Activewear Inc.	CAD	700	45,990	41,957				391,103	372,745
Home Depot Inc.	USD	200	24,355	20,118	<b>INDUSTRIALS 13.0%</b>				
Intertain Group Ltd.	CAD	12,900	170,409	89,944	Alaska Air Group Inc.	USD	400	27,731	22,367
Linamar Corp.	CAD	1,500	106,425	88,030	Badger Daylighting Ltd.	CAD	2,600	68,770	82,356
Lions Gate Entertainment Corp.	USD	400	14,858	14,648	Boyd Group Income Fund	CAD	5,600	266,560	249,713
Madison Square Garden Co., Class 'A'	USD	600	52,386	50,421	Canadian National Railway Co.	CAD	300	24,006	23,254
Marriott International Inc., Class 'A'	USD	500	45,261	38,147	Dirtt Environmental Solutions Ltd.	CAD	5,000	18,000	13,000
Nike Inc., Class 'B'	USD	900	100,389	96,719	Honeywell International Inc.	USD	200	23,183	22,500
			1,278,490	1,141,854	MacDonald, Dettwiler and Associates Ltd.	CAD	800	75,960	67,335
<b>CONSUMER STAPLES 5.7%</b>				<b>INFORMATION TECHNOLOGY 7.7%</b>					
AGT Food and Ingredients Inc.	CAD	3,600	99,144	98,144	Morneau Shepell Inc.	CAD	1,000	17,470	16,592
Alimentation Couche-Tard Inc., Class 'B'	CAD	3,800	185,022	138,691	Newalta Corp.	CAD	6,000	105,840	122,940
Hain Celestial Group Inc.	USD	400	27,049	24,093	Nielsen NV	USD	1,600	83,026	79,581
Kroger Co.	USD	400	29,796	26,053	Stantec Inc.	CAD	1,600	51,088	53,488
Loblaws Cos. Ltd.	CAD	800	49,736	42,979	Textron Inc.	USD	400	19,541	16,644
Pinnacle Foods Inc.	USD	400	16,381	14,096	TransForce Inc.	CAD	1,400	41,426	37,435
Wal-Mart Stores Inc.	USD	200	19,926	18,881	United Parcel Service Inc., Class 'B'	USD	400	51,587	48,734
			427,054	362,937	WestJet Airlines Ltd.	CAD	1,600	53,376	44,394
					WSP Global Inc.	CAD	1,500	52,290	51,058
<b>ENERGY 4.8%</b>							979,854	950,941	
Canadian Energy Services & Technology Corp.	CAD	9,600	60,960	104,813	<b>UTILITIES 0.5%</b>				
Enerflex Ltd.	CAD	2,500	40,975	47,179	American Water Works Co. Inc.	USD	700	43,284	41,160
Inter Pipeline Ltd.	CAD	2,200	79,068	76,076				43,284	41,160
Keyera Corp.	CAD	1,500	121,605	124,017	<b>Total Equity Long Positions</b>				
Painted Pony Petroleum Ltd., Class 'A'	CAD	6,000	55,500	69,525				\$ 5,224,552	\$ 4,892,774
			358,108	421,610	<b>EQUITY SHORT POSITIONS -1.6%</b>				
<b>FINANCIAL SERVICES 6.3%</b>				<b>CONSUMER DISCRETIONARY 17.0%</b>					
Callidus Capital Corp.	CAD	1,400	24,500	25,042	Amaya Inc.	CAD	7,300	\$ 208,415	\$ 143,532
CI Financial Corp.	CAD	3,200	103,328	104,367	AutoCanada Inc.	CAD	3,100	137,950	227,115
FirstService Corp.	CAD	1,000	59,280	57,830	Canadian Tire Corp. Ltd., Class 'A'	CAD	1,000	122,740	122,272
iShares Russell 2000 ETF	USD	40	5,553	4,948	Cineplex Inc.	CAD	300	13,449	12,230
National Bank of Canada	CAD	1,600	79,104	80,712	DHX Media Ltd.	CAD	9,300	90,303	69,559
Prudential Financial Inc.	USD	400	41,977	38,618	Dollarama Inc.	CAD	400	23,760	17,962
Royal Bank of Canada	CAD	300	24,072	22,478	EnerCare Inc.	CAD	8,400	121,800	109,200
Tricon Capital Group Inc.	CAD	15,500	135,160	122,784	Gildan Activewear Inc.	CAD	700	45,990	41,957
			472,974	456,779	Home Depot Inc.	USD	200	24,355	20,118
					Intertain Group Ltd.	CAD	12,900	170,409	89,944
<b>INFORMATION TECHNOLOGY 7.7%</b>				<b>CONSUMER STAPLES 5.7%</b>					
Avigilon Corp.	CAD	900	17,262	16,204	AGT Food and Ingredients Inc.	CAD	3,600	99,144	98,144
Blackhawk Network Holdings Inc.	USD	1,300	56,841	47,206	Alimentation Couche-Tard Inc., Class 'B'	CAD	3,800	185,022	138,691
Constellation Software Inc.	CAD	600	207,264	184,327	Hain Celestial Group Inc.	USD	400	27,049	24,093
Descartes Systems Group Inc.	USD	5,000	85,963	71,898	Kroger Co.	USD	400	29,796	26,053
eBay Inc.	USD	700	45,573	41,153	Loblaws Cos. Ltd.	CAD	800	49,736	42,979
Enghouse Systems Ltd.	CAD	800	33,192	28,076	Pinnacle Foods Inc.	USD	400	16,381	14,096
Hewlett-Packard Co.	USD	800	37,244	32,856	Wal-Mart Stores Inc.	USD	200	19,926	18,881
Kinaxis Inc.	CAD	1,500	27,750	26,768				427,054	362,937
Pure Technologies Ltd.	CAD	3,700	27,343	26,955	<b>ENERGY 4.8%</b>				
Yahoo! Inc.	USD	700	41,019	31,435	Canadian Energy Services & Technology Corp.	CAD	9,600	60,960	104,813
			579,451	506,878	Enerflex Ltd.	CAD	2,500	40,975	47,179
<b>MATERIALS 9.2%</b>				<b>INTERPIPELINE 2.2%</b>					
Agrium Inc.	USD	100	10,988	10,573	Inter Pipeline Ltd.	CAD	2,200	79,068	76,076
Bemis Co. Inc.	USD	2,400	125,875	117,170	Keyera Corp.	CAD	1,500	121,605	124,017
Canfor Corp.	CAD	4,800	142,272	121,977	Painted Pony Petroleum Ltd., Class 'A'	CAD	6,000	55,500	69,525
CCL Industries Inc., Class 'B'	CAD	2,200	276,914	249,207				358,108	421,610
Klondex Mines Ltd.	CAD	44,000	85,800	88,000	<b>FINANCIAL SERVICES 6.3%</b>				
Stella-Jones Inc.	CAD	1,600	52,385	50,943	Callidus Capital Corp.	CAD	1,400	24,500	25,042
			694,234	637,870	CI Financial Corp.	CAD	3,200	103,328	104,367
<b>UTILITIES 0.5%</b>				<b>CONSUMER DISCRETIONARY 17.0%</b>					
American Water Works Co. Inc.	USD	700	43,284	41,160	FirstService Corp.	CAD	1,000	59,280	57,830
			43,284	41,160	iShares Russell 2000 ETF	USD	40	5,553	4,948
					National Bank of Canada	CAD	1,600	79,104	80,712
<b>Total Equity Long Positions</b>				<b>FINANCIAL SERVICES 6.3%</b>					
			\$ 5,224,552	\$ 4,892,774	Prudential Financial Inc.	USD	400	41,977	38,618
					Royal Bank of Canada	CAD	300	24,072	22,478
					Tricon Capital Group Inc.	CAD	15,500	135,160	122,784
								472,974	456,779

Total Equity Long Positions

\$ 5,224,552 \$ 4,892,774

## EQUITY SHORT POSITIONS

-1.6%

SECURITY NAME	QUANTITY	FAIR VALUE	AVERAGE COST	SECURITY NAME	QUANTITY	FAIR VALUE	AVERAGE COST		
<b>ENERGY -0.3%</b>				<b>FINANCIAL SERVICES -1.3%</b>					
Canadian Oil Sands Ltd.	CAD	(200)	\$ (2,084)	\$ (1,903)	Bank of Nova Scotia	CAD	(500)	(33,155)	(34,105)
Enbridge Corp.	CAD	(2,100)	(23,499)	(20,350)	Toronto-Dominion Bank	CAD	(400)	(22,204)	(22,277)
			(25,583)	(22,253)	iShares Russell 2000 ETF	USD	(40)	(5,553)	(5,378)
					iShares S&P/TSX Completion Index Fund	CAD	(1,600)	(38,464)	(36,024)
								(99,376)	(97,784)
<b>Total Equity Short Positions</b>				<b>Total Equity Short Positions</b>					
			\$ (124,959)	\$ (120,037)				\$ (124,959)	\$ (120,037)

Total Equity Short Positions

\$ (124,959) \$ (120,037)

**EXEMPLAR PERFORMANCE FUND**  
**DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS**  
**December 31, 2014**

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.

**RISK MANAGEMENT**

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

The management of these risks is carried out by the Manager and Portfolio Advisor in accordance with the Fund's Declaration of Trust.

A general discussion of financial risk management for the Exemplar Funds appears as Note 4: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

**Credit Risk**

As at December 31, 2014 the Fund had no investments in debt instruments and therefore was not subject to related credit risk.

The Fund is exposed to counterparty credit risk on margin on deposit, cash held at the broker and receivables for securities sold. The Fund's brokerage agreement requires cash collateral in excess of 150% of the fair value of securities sold short. The Fund's prime brokerage services are provided BMO Nesbitt Burns which has a credit rating of Aa3 as rated by Moody's bond rating services.

The Fund is also exposed to counterparty credit risk on cash and other receivable balances. The Fund's broker and custodial services are provided by CIBC Mellon Trust Company which has a credit rating as rated by Moody's bond rating services of A1.

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

**Liquidity Risk**

All of the Fund's liabilities are typically due in less than 3 months. Redeemable units are redeemable on demand at the holder's option. However, holders of these instruments typically retain them for a longer period.

**Market Risk**

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

**(a) Currency Risk**

The table below indicates the Fund's exposure to USD as at December 31, 2014 in Canadian dollar terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Non-monetary items include equities. Monetary items include cash and other current receivables and payables.

Currency	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	\$197,160	\$1,292,266	\$1,489,426	\$19,716	\$129,227	\$148,943
United States Dollar - Short	(45,058)	(5,553)	(50,611)	(4,506)	(555)	(5,061)
<b>Total</b>	<b>\$152,102</b>	<b>\$1,286,713</b>	<b>\$1,438,815</b>	<b>\$15,210</b>	<b>\$128,672</b>	<b>\$143,882</b>
% of net assets attributable to holders of redeemable units	2.0%	17.1%	19.1%	0.2%	1.7%	1.9%

**(b) Interest Rate Risk**

As at December 31, 2014 the Fund did not hold any interest-bearing securities, and therefore was not subject to significant interest rate risk.

**(c) Price Risk**

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

To achieve the investment objective, the Fund will invest predominantly in large and mid capitalization Canadian companies. Generally, no more than 20% of the Fund is expected to be invested outside of this investment focus. 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 the Portfolio Advisor. 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 Portfolio Advisor'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 engages in short selling activities, wherein it borrows securities and sells them to third parties. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold short at prices which may be significantly higher than the fair value reflected on the financial statements.

The impact on net assets of the Fund due to a 5% change in market prices of equity securities is \$254,980 (all other variables held constant).

**Concentration Risk**

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

The following is a summary of the Fund's concentration risk as of December 31, 2014:

Market Segment	% of net assets attributable to holders of redeemable units	
	Long Positions	Short Positions
Consumer Discretionary	17.0%	-
Consumer Staples	5.7%	-
Energy	4.8%	(0.3)%
Financial Services	6.3%	(1.3)%
Health Care	5.2%	-
Industrials	13.0%	-
Information Technology	7.7%	-
Materials	9.2%	-
Utilities	0.5%	-

**FAIR VALUE MEASUREMENT**

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

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2014:

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Equities	\$5,224,552	-	-	\$5,224,552
<b>Total</b>	\$5,224,552	-	-	\$5,224,552
<b>Financial liabilities</b>				
Equities sold short	\$(124,959)	-	-	\$(124,959)
<b>Total</b>	\$(124,959)	-	-	\$(124,959)

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

The Portfolio Advisor is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements if any. The Portfolio Advisor obtains pricing from a third party pricing vendor which is monitored and reviewed daily by the finance department. In addition, at each financial reporting date, the Manager reviews and approves all level 3 fair value measurements, if applicable.

As at December 31, 2014, the Fund did not hold any level 2 or level 3 financial instruments. There were no transfers between levels 1, 2 and 3 during the period ending December 31, 2014.

The Fund's equity positions (long and short) are all classified as Level 1 as each security is actively traded on a recognized exchange and a quoted price is available.

#### Financial Instruments By Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the period ended December 31, 2014.

	Net realized gains /(losses)	Net unrealized gains /(losses)	Interest income	Interest expense	Dividend income	Dividend expense	Total
Financial assets at FVTPL:							
Designated as FVTPL	\$(15,310)	\$332,448	-	-	\$31,837	-	\$348,975
Financial liabilities at FVTPL:							
HFT	(808)	(4,922)	-	-	-	\$(1,004)	(6,734)
<b>Total:</b>	<b>\$(16,118)</b>	<b>\$327,526</b>	<b>-</b>	<b>-</b>	<b>\$31,837</b>	<b>\$(1,004)</b>	<b>\$342,241</b>

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

# Exemplar Investment Grade Fund

## Statement of Financial Position As at December 31

	Note	2014
<b>Assets</b>		
Current assets		
Financial assets designated at fair value through profit and loss		\$ 35,806,314
Financial assets held for trading		
Unrealized gain on options - long		1,430
Unrealized gain on swaps contracts		522,799
Cash		3,668,409
Margin deposit		655,250
Accrued interest receivable		330,827
Receivable for securities sold		2,889,584
Receivable for units issued		322,924
		<b>44,197,537</b>
<b>Liabilities</b>		
Current liabilities		
Financial liabilities held for trading		
Unrealized loss on futures contracts - long		2,738
Unrealized loss on futures contracts - short		66,633
Unrealized loss on swaps contracts		53,737
Margin loan		92,251
Payable for securities purchased		5,985,514
Payable for units redeemed		7,317
Other liabilities	8	45,461
		<b>6,253,651</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>\$ 37,943,886</b>
Net assets attributable to holders of redeemable units		
Series A		\$ 13,673,397
Series AI		\$ 1,935,980
Series F		\$ 20,079,021
Series FI		\$ 2,115,804
Series FN		\$ 139,684
Number of redeemable units outstanding	7	
Series A		1,380,046
Series AI		196,748
Series F		2,021,822
Series FI		214,531
Series FN		14,000
Net assets attributable to holders of redeemable units per unit		
Series A		\$ 9.91
Series AI		\$ 9.84
Series F		\$ 9.93
Series FI		\$ 9.86
Series FN		\$ 9.98

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

"James L. McGovern"

James L. McGovern, Director

"Robert W. Maxwell"

Robert W. Maxwell, Director

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

# Exemplar Investment Grade Fund

## Statement of Comprehensive Income

From the period from July 28, 2014 (date of commencement of operations) to December 31, 2014

	Note	2014 \$
<b>Income</b>		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	5	212,008
Net realized gain (loss) on investments and derivatives	5	(108,933)
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	5	15,667
Net gains (losses) on investments and derivatives		118,742
Other Income Items:		
Foreign exchange gain (loss)		30,627
Net change in unrealized foreign exchange gain (loss)		1,575
Total income (net)		150,944
<b>Expenses</b>		
Securityholder reporting fees		49,359
Management fees	8	84,211
Interest expense		263
Audit fees		14,730
Legal fees		4,983
Independent review committee fees		2,091
Custodial fees		7,500
Commissions and other portfolio transaction costs	8	843
Harmonized sales tax		14,126
Total expense before manager absorption		178,106
Less: expenses absorbed by manager	8	(59,654)
Total expenses after manager absorption		118,452
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>32,492</b>
<i>Increase (decrease) in net assets attributable to holders of redeemable units</i>		
Series A	10	(1,650)
Series AI		1,332
Series F		30,232
Series FI		2,894
Series FN		(316)
<i>Increase (decrease) in net assets attributable to holders of redeemable units per unit</i>		
Series A	10	(0.00)
Series AI		0.01
Series F		0.03
Series FI		0.02
Series FN		(0.02)

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

# Exemplar Investment Grade Fund

## Statement of Changes in Net Assets Attributable to Holders of Redeemable Units From the period from July 28, 2014 (date of commencement of operations) to December 31, 2014

		2014 \$
Net assets attributable to holders of redeemable units at beginning of period		
	Series A	-
	Series AI	-
	Series F	-
	Series FI	-
	Series FN	-
		-
Increase (decrease) in net assets attributable to holders of redeemable units		
	Series A	(1,650)
	Series AI	1,332
	Series F	30,232
	Series FI	2,894
	Series FN	(316)
		32,492
Distributions to holders of redeemable units		
From return of capital	Series A	(108,697)
	Series AI	(27,128)
	Series F	(131,351)
	Series FI	(23,013)
		(290,189)
Redeemable unit transactions		
Proceeds from redeemable units issued	Series A	16,204,843
	Series AI	2,073,927
	Series F	21,079,297
	Series FI	2,242,139
	Series FN	140,000
Reinvestments of distributions to holders of redeemable units	Series A	88,104
	Series AI	13,882
	Series F	73,701
	Series FI	12,754
Redemption of redeemable units	Series A	(2,509,203)
	Series AI	(126,033)
	Series F	(972,858)
	Series FI	(118,970)
<b>Net increase (decrease) from redeemable unit transactions</b>		<b>38,201,583</b>
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>37,943,886</b>
	Series A	13,673,397
	Series AI	1,935,980
	Series F	20,079,021
	Series FI	2,115,804
	Series FN	139,684
<b>Net assets attributable to holders of redeemable units at end of period</b>		<b>37,943,886</b>

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

# Exemplar Investment Grade Fund

## Statement of Cash Flows

From the period from July 28, 2014 (date of commencement of operations) to December 31, 2014

	2014 \$
<b>Cash flows from (used in) operating activities</b>	
Increase (decrease) in net assets attributable to holders of redeemable units	32,492
Adjustment for:	
Net change in unrealized foreign exchange (gain) loss on cash	(1,693)
Net realized (gain) loss on investments and derivatives	108,933
Net change in unrealized depreciation in value of investments and derivatives	(15,667)
Purchase of investments	(87,424,815)
Proceeds on sale of investments	54,220,044
Decrease (increase) in accrued interest receivable	(330,827)
Increase (decrease) in other liabilities	45,461
Decrease (increase) in margin deposit	(655,250)
Net cash from (used in) operating activities	(34,021,322)
<b>Cash flows from (used in) financing activities</b>	
Proceeds from redeemable units issued	41,417,282
Redemption of redeemable units	(3,719,747)
Distributions paid to holders of redeemable units, net of reinvested distributions	(101,748)
Increase (decrease) in margin loan	92,251
Net cash from (used in) financing activities	37,688,038
Net Increase (decrease) in cash	3,666,716
Cash at beginning of the period	-
Net change in unrealized foreign exchange gain (loss) on cash	1,693
<b>Cash at end of the period</b>	<b>3,668,409</b>
Interest received*	40,611
Interest paid*	(263)
*Included as part of cash flows from operating activities	

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



# Exemplar Investment Grade Fund

Schedule of Investment Portfolio - As at December 31, 2014

FIXED INCOME LONG POSITIONS 94.4%

SECURITY NAME		COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE	AVERAGE COST
Algonquin Power Co.	CAD	5.50%	25-Jul-18	201,000	\$ 218,266	\$ 219,582
AltaGas Ltd.	CAD	4.60%	15-Jan-18	979,000	1,045,445	1,047,853
Aon Finance N.S. 1	CAD	4.76%	8-Mar-18	1,800,000	1,933,362	1,930,212
Artis REIT	CAD	3.75%	27-Mar-19	100,000	101,679	101,242
Bell Canada	CAD	4.88%	26-Apr-18	420,000	455,116	455,234
Bell Canada	CAD	4.70%	11-Sep-23	400,000	440,328	439,552
Bell Canada	CAD	4.75%	29-Sep-44	1,000,000	1,027,130	990,990
Bell Canada	CAD	4.40%	16-Mar-18	841,000	897,810	899,483
BRP Finance ULC	CAD	6.13%	30-Nov-16	489,000	525,611	528,604
Choice Properties REIT	CAD	3.55%	5-Jul-18	1,145,000	1,194,624	1,183,946
Cominar REIT	CAD	4.27%	15-Jun-17	1,098,000	1,137,275	1,140,860
Cominar REIT	CAD	2.37%	22-Sep-16	139,000	138,869	139,000
Enbridge Inc.	CAD	1.73%	13-Mar-17	700,000	696,619	701,267
Enbridge Income Fund Holdings Inc.	CAD	2.92%	14-Dec-17	1,468,000	1,493,719	1,495,267
Enbridge Income Fund	CAD	1.98%	21-Nov-16	1,500,000	1,500,510	1,500,000
Enmax Corp.	CAD	3.80%	5-Dec-24	1,000,000	1,015,510	1,000,000
Ford Credit Canada Ltd.	CAD	4.88%	8-Feb-17	978,000	1,034,149	1,034,724
H&R REIT	CAD	5.90%	3-Feb-17	493,000	530,389	532,161
Home Trust Co.	CAD	2.35%	24-May-17	420,000	419,719	418,908
HSBC Bank Canada	CAD	1.79%	21-Jan-16	700,000	702,345	702,924
Hydro One Inc.	CAD	1.65%	3-Dec-16	369,000	370,266	369,838
Leisureworld Senior Care L.P.	CAD	3.47%	3-Feb-21	1,263,000	1,314,233	1,286,345
Loblaw Cos. Ltd.	CAD	4.86%	12-Sep-23	2,000,000	2,223,260	2,221,260
Manitoba Telecom Services Inc.	CAD	4.59%	1-Oct-18	805,000	864,997	862,341
Manulife Bank of Canada	CAD	1.83%	14-Mar-16	330,000	330,898	331,244
National Bank of Canada	CAD	1.38%	11-Sep-15	500,000	500,070	500,000
Penske Truck Leasing Canada Inc.	CAD	3.65%	1-Feb-18	1,000,000	1,036,170	1,038,100
RioCan REIT	CAD	2.87%	5-Mar-18	873,000	888,059	882,825
Rogers Communications Inc.	CAD	4.00%	13-Mar-24	400,000	417,344	413,008
Shaw Communications Inc.	CAD	4.35%	31-Jan-24	1,500,000	1,577,955	1,585,247
TELUS Corp.	CAD	3.75%	17-Jan-25	1,000,000	1,024,850	997,916
Thomson Reuters Corp.	CAD	4.35%	30-Sep-20	800,000	864,824	861,808
Thomson Reuters Corp.	CAD	3.31%	12-Nov-21	212,000	214,718	212,000
Tim Hortons Inc.	CAD	4.20%	1-Jun-17	48,000	48,535	49,301
TransCanada PipeLines Ltd.	CAD	9.45%	20-Mar-18	1,467,000	1,794,317	1,799,598
Ventas Canada Finance Ltd.	CAD	3.00%	30-Sep-19	650,000	653,829	648,134
Ventas Canada Finance Ltd.	CAD	4.12%	30-Sep-24	650,000	671,574	647,413
Videotron Ltd.	CAD	7.12%	15-Jan-20	600,000	628,500	629,250
Videotron Ltd.	CAD	6.88%	15-Jul-21	170,000	182,538	183,388
Videotron Ltd.	CAD	5.62%	15-Jun-25	500,000	497,500	506,250
Westcoast Energy Inc.	CAD	3.43%	12-Sep-24	156,000	158,760	155,934
Citigroup Inc.	CAD	3.39%	18-Nov-21	939,000	956,907	938,765
Goldman Sachs Group Inc.	CAD	5.00%	3-May-18	1,111,000	1,203,502	1,200,946
Kimco North Trust III	CAD	5.99%	13-Apr-18	370,000	411,651	411,873
Navient LLC	USD	5.63%	1-Aug-33	250,000	219,694	238,986
Export-Import Bank of Korea	CAD	2.71%	5-Dec-19	241,000	243,888	241,000

Total Fixed Income Long Positions \$ 35,806,314 \$ 35,674,579

## Schedule 1 - Derivative assets and liabilities

OPTIONS LONG POSITIONS 0.0%

SECURITY NAME	CONTRACTS	EXPIRY DATE	STRIKE PRICE	FAIR VALUE	AVERAGE COST
PUT SWAPTION CDX NA IG S23 1.70	1	18-Mar-15	170	\$ 1,430	\$ 7,998

Total Options Long Positions \$ 1,430 \$ 7,998

SWAP POSITIONS - LONG 1.3%

SECURITY NAME	COST	NOTIONAL VALUE	FAIR VALUE
CDX SP NA IG S22 5Y	\$ 517,469	28,185,000	\$ 522,799

Total Swap Positions - Long \$ 517,469 \$ 522,799

SWAP POSITIONS - SHORT -0.1%

SECURITY NAME	COST	NOTIONAL VALUE	FAIR VALUE
CDS SP NY TIMES COMP	(8,275)	330,000	\$ (12,487)
IRS R CDOR3M P 2.1465	-	610,000	(10,391)
IRS R CDOR3M P 2.117	-	735,000	(11,391)
IRS R CDOR03 P 1.657	-	3,300,000	(8,037)
IRS R CDOR03 P1.5925	-	8,800,000	(11,431)

Total Swap Positions - Short \$ (8,275) \$ (53,737)

FUTURES CONTRACTS - LONG 0.0%

SECURITY NAME	CONTRACTS	EXPIRY DATE	NOTIONAL VALUE	UNREALIZED GAIN/(LOSS)
CANADIAN DOLLAR	8	17-Mar-15	2,987,243 \$	(2,738)
Total Futures Contracts - Long			\$	(2,738)

FUTURES CONTRACTS - SHORT -0.2%

SECURITY NAME	CONTRACTS	EXPIRY DATE	NOTIONAL VALUE	UNREALIZED GAIN/(LOSS)
US TREASURY BOND	(1)	20-Mar-15	(2,987,243) \$	(553)
CANADA 10YR BOND	(77)	20-Mar-15	(5,230,078)	(57,640)
CANADA 5YR BOND	(24)	20-Mar-15	(9,175,240)	(8,440)
Total Futures Contracts - Short			\$	(66,633)

**EXEMPLAR INVESTMENT GRADE FUND**  
**DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS**  
**December 31, 2014**

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

**RISK MANAGEMENT**

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

The management of these risks is carried out by the Manager and Portfolio Advisor in accordance with the Fund's Declaration of Trust.

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn can also increase the potential returns the Fund can achieve. The Investment Advisor uses leverage against assets with satisfactory liquidity characteristics in order to increase return on capital subject to market conditions.

A general discussion of financial risk management for the Exemplar Funds appears as Note 4: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

**Credit Risk**

The analysis below summarizes the credit quality of the Fund's debt portfolio at December 31, 2014.

<b>Credit Rating*</b>	<b>Percentage of total debt securities As at December 31, 2014</b>
AAA	0.0%
AA	4.0%
A	10.6%
BBB	81.1%
BB	4.3%
B	0.0%
Below B	0.0%
<b>Total</b>	<b>100.0%</b>

\* Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Service.

The Fund is exposed to credit risk on swaps and futures contracts. The counterparties to the Fund's swaps are Bank of America and JP Morgan Chase & Co. which have credit rating as rated by Moody's bond rating services of Baa2 and A3, respectively. Futures contracts are exchange traded. Cash collateral has been provided to JP Morgan Chase & Co. in accordance with terms of derivative transaction agreements.

The Fund is also exposed to counterparty credit risk on cash, margin deposits and other receivable balances. The Fund's broker and custodial services are provided by CIBC Mellon Trust Company which has a credit rating as rated by Moody's bond rating services of A1.

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

**Liquidity Risk**

All of the Fund's liabilities are typically due in less than 3 months. Redeemable units are redeemable on demand at the holder's option. However, holders of these instruments typically retain them for a longer period.

From time to time, the Fund may use margin borrowings in one or more of its brokerage accounts. For the period since inception to December 31, 2014, the minimum margin borrowings used was \$0 and the maximum margin borrowings used was \$478,093.

## Market Risk

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

### (a) Currency Risk

The table below indicates the Fund's exposure to USD as at December 31, 2014 in Canadian dollar terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Non-monetary items include non-financial options. Monetary items include futures, bonds, cash, swaps, financial options and other current receivables and payables.

Currency	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	\$924,908	-	\$924,908	\$92,490	-	\$92,490
United States Dollar - Short	(43,489)	-	(43,489)	(4,349)	-	(4,349)
Total	\$881,419	-	\$881,419	\$88,141	-	\$88,141
% of net assets attributable to holders of redeemable units	2.3%	-	2.3%	0.2%	-	0.2%

### (b) Interest Rate Risk

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2014. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable units if the prevailing levels of market interest rates changed by 1.0%, assuming a parallel shift in the yield curve with all other variables held constant.

Term to Maturity	Total exposure December 31, 2014
Less than 1 year	\$500,070
1-3 years	8,927,904
3-5 years	12,942,717
Greater than 5 years	13,435,623
Total	\$35,806,314
Sensitivity:	
Total \$ sensitivity	\$1,487,539
Total % sensitivity	3.9%

### (c) Price Risk

The Fund's policy is to manage price risk through pursuit of a diversified investment program that focuses on investment-grade fixed income securities while utilizing other assets such as options and credit default swaps, to extract relative value and to manage credit exposure.

The Fund engages in short selling activities, wherein it borrows securities and sells them to third parties. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold, not yet purchased, at prices which may be significantly higher than the fair value reflected on the financial statements.

As at December 31, 2014, if the Fund's relevant benchmark index, FTSE TMX Canada All Corporate Bond Index, had increased or decreased by 5%, with all other variables held constant, the net assets attributable to holders of redeemable units of the Fund would have increased or decreased by \$117,161.

## Concentration Risk

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

The following is a summary of the Fund's concentration risk as of December 31, 2014:

Market Segment	% of net assets attributable to holders of redeemable units
	<b>Long Positions</b>
Communications	24.0%
Consumer, Cyclical	2.9%
Consumer, Non-cyclical	12.1%
Energy	9.3%
Financials	31.6%
Government	0.6%
Utilities	13.9%

#### FAIR VALUE MEASUREMENT

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

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2014:

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Bonds	-	\$35,806,314	-	\$35,806,314
Derivatives	\$1,430	522,799	-	524,229
<b>Total</b>	\$1,430	\$36,329,113	-	\$36,330,543
<b>Financial liabilities</b>				
Derivatives	(69,371)	(53,737)	-	(123,108)
<b>Total</b>	\$(69,371)	\$(53,737)	-	\$(123,108)

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

The Portfolio Advisor is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements if any. The Portfolio Advisor obtains pricing from a third party pricing vendor which is monitored and reviewed daily by the finance department. In addition, at each financial reporting date, the Manager reviews and approves all level 3 fair value measurements, if applicable.

As at December 31, 2014, the Fund did not hold any level 3 financial instruments. There were no transfers between levels 1, 2 and 3 during the period ending December 31, 2014.

#### a) Bonds

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

#### b) Derivatives

Derivative assets and liabilities consist of futures contracts, options and interest rate swaps. Long and short futures contracts and options are exchange traded and are classified as Level 1 as they are actively traded on a recognized exchange and a quoted price is available. Interest rate swaps are valued using indicative bid/ask prices from third party broker dealers. The inputs that are significant to valuation are generally observable and therefore interest rate swaps have been classified as Level 2.

### Financial Instruments By Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the period ended December 31, 2014.

	Net realized gains/(losses)	Net unrealized gains/(losses)	Interest income	Interest expense	Dividend income	Dividend expense	Total
Financial assets at FVTPL:							
Designated as FVTPL	\$(2,796)	\$131,737	\$212,008	-	-	-	\$340,949
HFT	67,187	(46,699)	-	-	-	-	20,488
	64,391	85,038	212,008	-	-	-	361,437
Financial liabilities at FVTPL:							
HFT	(173,324)	(69,371)	-	-	-	-	(242,695)
Total:	\$(108,933)	\$15,667	\$212,008	-	-	-	\$118,742

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

# Exemplar Tactical Corporate Bond Fund

## Statement of Financial Position As at December 31

	Note	2014
<b>Assets</b>		
Current assets		
Financial assets designated at fair value through profit and loss		\$ 20,307,526
Financial assets held for trading		
Unrealized gain on futures - short		363
Cash		3,693,981
Margin deposit		142,623
Accrued interest receivable		185,395
Receivable for units issued		17,081
		<b>24,346,969</b>
<b>Liabilities</b>		
Current liabilities		
Financial liabilities held for trading		
Unrealized loss on swap contracts		23,379
Unrealized loss on futures contracts - short		28,672
Payable for securities purchased		2,110,340
Payable for units redeemed		78,959
Other liabilities	8	32,956
		<b>2,274,306</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>\$ 22,072,663</b>
Net assets attributable to holders of redeemable units		
Series A		\$ 3,448,110
Series AI		\$ 265,651
Series AN		\$ 5,346,433
Series F		\$ 9,797,932
Series FI		\$ 1,730,145
Series FN		\$ 1,100,299
Series L		\$ 384,093
Number of redeemable units outstanding	7	
Series A		353,365
Series AI		27,429
Series AN		535,963
Series F		1,000,466
Series FI		178,174
Series FN		110,483
Series L		39,212
Net assets attributable to holders of redeemable units per unit		
Series A		\$ 9.76
Series AI		\$ 9.69
Series AN		\$ 9.98
Series F		\$ 9.79
Series FI		\$ 9.71
Series FN		\$ 9.96
Series L		\$ 9.80

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

"James L. McGovern"

James L. McGovern, Director

"Robert W. Maxwell"

Robert W. Maxwell, Director

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

# Exemplar Tactical Corporate Bond Fund

## Statement of Comprehensive Income From the period from July 28, 2014 (date of commencement of operations) to December 31, 2014

	Note	2014 \$
<b>Income</b>		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	5	188,306
Net realized gain (loss) on investments and derivatives	5	(190,234)
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	5	(30,598)
Net gains (losses) on investments and derivatives		(32,526)
<b>Other Income Items:</b>		
Foreign exchange gain (loss)		(4,012)
Net change in unrealized foreign exchange gain (loss)		940
Total income (net)		(35,598)
<b>Expenses</b>		
Securityholder reporting fees		44,123
Management fees	8	66,475
Interest expense		101
Audit fees		14,730
Legal fees		4,983
Independent review committee fees		2,091
Custodial fees		7,500
Commissions and other portfolio transaction costs	8	753
Harmonized sales tax		10,441
Total expense before manager absorption		151,197
Less: expenses absorbed by manager	8	(62,285)
Total expenses after manager absorption		88,912
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>(124,510)</b>
<i>Increase (decrease) in net assets attributable to holders of redeemable units</i>		
Series A	10	(64,021)
Series AI		(354)
Series AN		(4,574)
Series F		(46,203)
Series FI		(5,763)
Series FN		(3,540)
Series L		(55)
<i>Increase (decrease) in net assets attributable to holders of redeemable units per unit</i>		
Series A	10	(0.11)
Series AI		(0.05)
Series AN		(0.02)
Series F		(0.07)
Series FI		(0.06)
Series FN		(0.04)
Series L		(0.01)

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



# Exemplar Tactical Corporate Bond Fund

## Statement of Changes in Net Assets Attributable to Holders of Redeemable Units From the period from July 28, 2014 (date of commencement of operations) to December 31, 2014

		2014 \$
Net assets attributable to holders of redeemable units at beginning of period	Series A	-
	Series AI	-
	Series AN	-
	Series F	-
	Series FI	-
	Series FN	-
	Series L	-
		-
Increase (decrease) in net assets attributable to holders of redeemable units	Series A	(64,021)
	Series AI	(354)
	Series AN	(4,574)
	Series F	(46,203)
	Series FI	(5,763)
	Series FN	(3,540)
	Series L	(55)
		(124,510)
Distributions to holders of redeemable units From return of capital	Series A	(124,727)
	Series AI	(1,122)
	Series F	(122,679)
	Series FI	(20,078)
	Series L	(315)
		(268,921)
<b>Total distributions to holders of redeemable units</b>		<b>(268,921)</b>
Redeemable unit transactions Proceeds from redeemable units issued	Series A	9,138,605
	Series AI	266,005
	Series AN	5,351,007
	Series F	10,789,936
	Series FI	1,736,258
	Series FN	1,103,839
	Series L	384,463
		384,463
Reinvestments of distributions to holders of redeemable units	Series A	114,627
	Series AI	1,122
	Series F	89,387
	Series FI	19,728
Redemption of redeemable units	Series A	(5,616,374)
	Series F	(912,509)
<b>Net increase (decrease) from redeemable unit transactions</b>		<b>22,466,094</b>
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>22,072,663</b>
	Series A	3,448,110
	Series AI	265,651
	Series AN	5,346,433
	Series F	9,797,932
	Series FI	1,730,145
	Series FN	1,100,299
	Series L	384,093
<b>Net assets attributable to holders of redeemable units at end of period</b>		<b>22,072,663</b>

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

# Exemplar Tactical Corporate Bond Fund

## Statement of Cash Flows

From the period from July 28, 2014 (date of commencement of operations) to December 31, 2014

	2014 \$
<b>Cash flows from (used in) operating activities</b>	
Increase (decrease) in net assets attributable to holders of redeemable units	(124,510)
Adjustment for:	
Net change in unrealized foreign exchange (gain) loss on cash	26
Net realized (gain) loss on investments and derivatives	190,234
Net change in unrealized depreciation in value of investments and derivatives	30,598
Purchase of investments	(32,106,340)
Proceeds on sale of investments	13,740,010
Decrease (increase) in accrued interest receivable	(185,395)
Increase (decrease) in other liabilities	32,956
Decrease (increase) in margin deposit	(142,623)
Net cash from (used in) operating activities	(18,565,044)
<b>Cash flows from (used in) financing activities</b>	
Proceeds from redeemable units issued	28,753,032
Redemption of redeemable units	(6,449,924)
Distributions paid to holders of redeemable units, net of reinvested distributions	(44,057)
Net cash from (used in) financing activities	22,259,051
Net increase (decrease) in cash	3,694,007
Cash at beginning of the period	-
Net change in unrealized foreign exchange gain (loss) on cash	(26)
Cash at end of the period	3,693,981
Interest received*	63,385
Interest paid*	(101)
*Included as part of cash flows from operating activities	

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

# Exemplar Tactical Corporate Bond Fund

Schedule of Investment Portfolio - As at December 31, 2014

## FIXED INCOME LONG POSITIONS

92.0%

SECURITY NAME		COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE	AVERAGE COST
Aon Finance N.S. 1	CAD	4.76%	8-Mar-18	790,000	\$ 848,531	\$ 848,473
Commerzbank AG	USD	8.12%	19-Sep-23	470,000	628,997	606,813
Enbridge Inc.	CAD	1.73%	13-Mar-17	300,000	298,551	300,543
Enbridge Income Fund	CAD	1.98%	21-Nov-16	1,000,000	1,000,340	1,000,000
GFL Environmental Corp.	CAD	7.50%	18-Jun-18	530,000	521,388	535,708
Goldman Sachs Group Inc.	CAD	5.00%	3-May-18	1,000,000	1,083,260	1,082,780
HSBC Bank Canada	CAD	1.79%	21-Jan-16	300,000	301,005	301,253
Hydro One Inc.	CAD	1.65%	3-Dec-16	300,000	301,029	300,681
Leisureworld Senior Care L.P.	CAD	3.47%	3-Feb-21	374,000	389,171	380,821
Loblaw Cos. Ltd.	CAD	3.75%	12-Mar-19	500,000	528,265	522,095
Loblaw Cos. Ltd.	CAD	4.86%	12-Sep-23	275,000	305,698	302,132
Manulife Bank of Canada	CAD	1.83%	14-Mar-16	179,000	179,487	179,675
Medavie Inc.	CAD	0.00%	21-May-24	220,000	221,375	221,122
Metropolitan Life Global Funding I	CAD	2.68%	16-Apr-19	1,000,000	1,019,630	1,009,200
Morgan Stanley	CAD	4.90%	23-Feb-17	680,000	719,916	724,080
National Bank of Canada	CAD	1.38%	11-Sep-15	350,000	350,049	350,000
Navient LLC	USD	4.62%	25-Sep-17	300,000	354,120	342,169
Navient LLC	USD	5.63%	1-Aug-33	900,000	790,898	844,969
Penske Truck Leasing Canada Inc.	CAD	3.65%	1-Feb-18	300,000	310,851	312,147
Postmedia Network Inc.	CAD	8.25%	16-Aug-17	292,108	303,428	301,602
Rogers Communications Inc.	CAD	5.80%	26-May-16	1,000,000	1,053,910	1,053,900
Royal Bank of Canada	CAD	2.98%	7-May-19	1,000,000	1,036,250	1,028,580
Royal Bank of Scotland PLC	CAD	6.67%	5-Oct-17	640,000	707,200	714,689
Royal Bank of Scotland PLC	CAD	10.50%	16-Mar-22	480,000	551,189	552,288
Royal Bank of Scotland PLC	CAD	0.00%	29-Nov-49	40,000	38,800	39,700
Shaw Communications Inc.	CAD	6.15%	9-May-16	1,000,000	1,056,710	1,056,440
Thomson Reuters Corp.	CAD	4.35%	30-Sep-20	500,000	540,515	539,560
Tim Hortons Inc.	CAD	4.20%	1-Jun-17	16,000	16,178	16,434
Toronto-Dominion Bank	CAD	3.23%	24-Jul-24	1,000,000	1,027,880	1,005,830
TransCanada PipeLines Ltd.	CAD	4.55%	15-Nov-41	150,000	156,633	155,560
Ventas Canada Finance Ltd.	CAD	3.00%	30-Sep-19	400,000	402,356	398,852
Videotron Ltd.	CAD	7.12%	15-Jan-20	560,000	586,600	586,116
Videotron Ltd.	CAD	6.88%	15-Jul-21	600,000	644,250	647,250
Videotron Ltd.	CAD	5.62%	15-Jun-25	330,000	328,350	333,300
WTH Car Rental ULC	CAD	2.62%	20-Dec-16	310,000	314,470	314,455
Xplornet Communications Inc.	CAD	13.00%	15-May-17	424,854	443,976	443,976
YPG Financing Inc.	CAD	9.25%	30-Nov-18	892,708	946,270	942,524
<b>Total Fixed Income Long Positions</b>					\$ 20,307,526	\$ 20,295,717

## WARRANTS LONG POSITIONS

0.0%

SECURITY NAME		QUANTITY	FAIR VALUE	AVERAGE COST	STRIKE PRICE	EXPIRATION DATE
<b>TELECOMMUNICATIONS SERVICES</b>						
Xplornet Communications Inc. Warrants	CAD	370	-	-	\$ 0.01	15-May-17
<b>Total Warrants Long Positions</b>			-	-		

Schedule 1 - Derivative assets and liabilities

SWAP POSITIONS 0.0%

SECURITY NAME	NOTIONAL VALUE	FAIR VALUE	COST
PAYB CDS SP NY TIMES COMP	370,000	\$ (14,000)	\$ (9,278)
PAYB IRS R CDOR3M P2.1465	264,000	(4,497)	-
PAYB IRS R CDOR3M P 2.117	315,000	(4,882)	-
<b>Total Swap Positions</b>		\$ (23,379)	\$ (9,278)

FUTURES CONTRACTS - SHORT -0.1%

SECURITY NAME	CONTRACTS	EXPIRY DATE	NOTIONAL VALUE	UNREALIZED GAIN/(LOSS)
US TREASURY BOND	(2)	20-Mar-15	(335,414)	\$ (1,106)
US 10YR TREASURY	(11)	20-Mar-15	(1,618,067)	(6,036)
US 5YR TREASURY	(4)	31-Mar-15	(551,881)	363
CANADA 10YR BOND	(21)	20-Mar-15	(2,908,920)	(16,590)
CANADA 5YR BOND	(26)	20-Mar-15	(3,163,160)	(4,940)
<b>Total Futures Contracts</b>				\$ (28,309)

**EXEMPLAR TACTICAL CORPORATE BOND FUND**  
**DISCUSSION OF NOTES 4 & 5: FINANCIAL INSTRUMENTS**  
**December 31, 2014**

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

**RISK MANAGEMENT**

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

The management of these risks is carried out by the Manager and Portfolio Advisor in accordance with the Fund's Declaration of Trust.

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn can also increase the potential returns the Fund can achieve. The Investment Advisor uses leverage against assets with satisfactory liquidity characteristics in order to increase return on capital subject to market conditions.

A general discussion of financial risk management for the Exemplar Funds appears as Note 4: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

**Credit Risk**

The analysis below summarizes the credit quality of the Fund's debt portfolio at December 31, 2014.

<b>Credit Rating*</b>	<b>Percentage of total debt securities As at December 31, 2014</b>
AAA	1.5%
AA	18.4%
A	5.1%
BBB	42.9%
BB	18.1%
B	6.0%
Below B	0.0%
Unrated	8.0%
<b>Total</b>	<b>100.0%</b>

\* Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Service.

The Fund is exposed to credit risk on swaps and futures contracts. The counterparties to the Fund's swaps are Bank of America and JP Morgan Chase & Co. which have credit rating as rated by Moody's bond rating services of Baa2 and A3, respectively. Futures contracts are exchange traded. Cash collateral has been provided to Bank of America in accordance with terms of derivative transaction agreements.

The Fund is also exposed to counterparty credit risk on cash and other receivable balances. The Fund's broker and custodial services are provided by CIBC Mellon Trust Company which has a credit rating as rated by Moody's bond rating services of A1.

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

**Liquidity Risk**

All of the Fund's liabilities are typically due in less than 3 months. Redeemable units are redeemable on demand at the holder's option. However, holders of these instruments typically retain them for a longer period.

## Market Risk

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

### (a) Currency Risk

The table below indicates the Fund's exposure to USD as at December 31, 2014 in Canadian dollar terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Monetary items include bonds, futures, swaps, cash and other current receivables and payables. Non-monetary items include warrants.

Currency	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	\$1,831,988	-	\$1,831,988	\$183,199	-	\$183,199
United States Dollar - Short	(32,246)	-	(32,246)	(3,225)	-	(3,225)
Total	\$1,799,742	-	\$1,799,742	\$179,974	-	\$179,974
% of net assets attributable to holders of redeemable units	8.2%	-	8.2%	0.8%	-	0.8%

### (b) Interest Rate Risk

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2014. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable units if the prevailing levels of market interest rates changed by 1.0%, assuming a parallel shift in the yield curve with all other variables held constant.

Term to Maturity	Total exposure December 31, 2014
Less than 1 year	\$350,049
1-3 years	7,050,320
3-5 years	6,696,801
Greater than 5 years	6,210,356
Total	\$20,307,526
Sensitivity:	
Total \$ sensitivity	\$650,077
Total % sensitivity	2.9%

### (c) Price Risk

The Fund's policy is to manage price risk through pursuit of a diversified investment program that focuses on investment-grade fixed income securities while utilizing other assets such as options and credit default swaps, to extract relative value and to manage credit exposure.

The Fund engages in short selling activities, wherein it borrows securities and sells them to third parties. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold, not yet purchased, at prices which may be significantly higher than the fair value reflected on the financial statements.

As at December 31, 2014, if the Fund's relevant benchmark index, Bank of America Merrill Lynch US High Yield Master II Total Return Index (CAD), had increased or decreased by 5%, with all other variables held constant, the net assets attributable to holders of redeemable units of the Fund would have increased or decreased by \$14,262.

## Concentration Risk

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

The following is a summary of the Fund's concentration risk as of December 31, 2014:

Market Segment	% of net assets attributable to holders of redeemable units
	<b>Fixed Income Long Positions</b>
Communications	22.5%
Consumer, Cyclical	0.1%
Consumer, Non-cyclical	8.0%
Energy	2.0%
Financial Services	51.2%
Industrials	2.3%
Utilities	5.9%

## FAIR VALUE MEASUREMENT

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

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2014:

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Fixed Income Long	-	\$20,307,526	-	\$20,307,526
Derivatives	363	-	-	363
<b>Total</b>	<b>\$363</b>	<b>\$20,307,526</b>	<b>-</b>	<b>\$20,307,889</b>
<b>Financial liabilities</b>				
Derivatives	(28,672)	(23,379)	-	(52,051)
<b>Total</b>	<b>\$(28,672)</b>	<b>\$(23,379)</b>	<b>-</b>	<b>\$(52,051)</b>

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

The Portfolio Advisor is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements if any. The Portfolio Advisor obtains pricing from a third party pricing vendor which is monitored and reviewed daily by the finance department. In addition, at each financial reporting date, the Manager reviews and approves all level 3 fair value measurements, if applicable.

As at December 31, 2014, the Fund did not hold any level 3 financial instruments. There were no transfers between levels 1, 2 and 3 during the period ending December 31, 2014.

### a) Bonds

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

### b) Derivatives

Derivative assets and liabilities consist of futures contracts and interest rate swaps. Futures contracts are exchange traded and are classified as Level 1 as they are actively traded on a recognized exchange and a quoted price is available. Interest rate swaps are valued using indicative bid/ask prices from third party broker dealers. The inputs that are significant to valuation are generally observable and therefore interest rate swaps have been classified as Level 2.

**c) Warrants**

Warrants are valued using models and valuation techniques commonly used in the industry, including inputs such as underlying stock price, restrictions on exercise and days to expiry. When the inputs that are significant to valuation are generally observable, the warrant is classified as Level 2. Warrants that have significant unobservable inputs are classified as Level 3.

**Financial Instruments By Category**

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the period ended December 31, 2014.

	Net realized gains/(losses)	Net unrealized gains/(losses)	Interest income	Interest expense	Dividend income	Dividend expense	Total
Financial assets at FVTPL:							
Designated as FVTPL	\$16,886	\$11,811	\$188,306	-	-	-	\$217,003
Financial liabilities at FVTPL:							
HFT	(207,120)	(42,409)	-	-	-	-	(249,529)
Total:	\$(190,234)	\$(30,598)	\$188,306	-	-	-	\$(32,526)

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



## **NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2014**

### **1. THE FUNDS**

Exemplar Leaders Fund, Exemplar Yield Fund, Exemplar Performance Fund, Exemplar Investment Grade Fund, and Exemplar Tactical Corporate Bond Fund (the "Funds") are unincorporated open-ended mutual fund trusts created under the laws of the Province of Ontario pursuant to a declaration of trust dated August 27, 2007, as amended from time to time (the "Declaration of Trust").

Arrow Capital Management Inc. ("Arrow") is the manager ("Manager") of the Funds and portfolio advisor ("Portfolio Advisor") of the Exemplar Leaders Fund, Exemplar Yield Fund and Exemplar Performance Fund. The address of the Funds' registered office is 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5.

East Coast Fund Management Inc. is the Portfolio Advisor of the Exemplar Investment Grade Fund and Exemplar Tactical Corporate Bond Fund.

Prior to December 2, 2013, the manager and portfolio advisor of Exemplar Leaders Fund and Exemplar Yield Fund was BluMont Capital Corporation ("BluMont").

On December 2, 2013, Arrow acquired all the outstanding shares of BluMont, resulting in a change of control of BluMont. On April 1, 2014, Arrow and BluMont amalgamated, continuing under the name "Arrow Capital Management Inc.". At a special meeting of unitholders on November 27, 2013, the unitholders of the Funds approved a change of manager from BluMont to Arrow.

The financial statements are as at years ended December 31, 2014, December 31, 2013 and January 1, 2013 and for the years then ending, with the exception of Exemplar Performance Fund, Exemplar Investment Grade Fund and Exemplar Tactical Corporate Bond Fund which are as at the period ended December 31, 2014 and for the period from commencement of operations as indicated below to December 31, 2014.

On March 6, 2014, Arrow launched the Exemplar Performance Fund which commenced operations on March 24, 2014.

On June 27, 2014, Arrow launched the Exemplar Investment Grade Fund which commenced operations July 28, 2014.

On June 27, 2014, Arrow launched the Exemplar Tactical Corporate Bond Fund which commenced operations on July 28, 2014.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **a) Basis of Presentation and Adoption of IFRS**

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). The Funds adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Exemplar Leaders Fund and Exemplar Yield Fund prepared their financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the Chartered Professional Accountant (CPA) Canada Handbook ("Canadian GAAP"). The Funds have consistently applied the accounting policies used in the preparation of their opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

Note 11 discloses the impact of the transition to IFRS on the Funds' reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Funds' financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

These financial statements were authorized for issue by the Manager on March 31, 2015.

#### **b) Financial Instruments**

The Funds recognize financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit and loss ("FVTPL"). Regular way purchases and sales of financial assets are recognized at their trade date. The Funds' long equity positions are designated at FVTPL. The Funds'

short investment positions, warrants, futures, swaps and options, if applicable, are classified as held for trading ("HFT") and are measured at FVTPL. The Funds' obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Funds' accounting policies for measuring the fair value of its investments and derivatives are the same as those used in measuring its net asset value ("NAV") for transactions with unitholders. There were no differences between the net assets attributable to holders of redeemable units used for reporting purposes under IFRS and that used for transactions with unitholders as at December 31, 2014, December 31, 2013 and January 1, 2013.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined on an average cost basis. Realized gains and losses on securities sold short and unrealized appreciation or depreciation on securities sold short are calculated with reference to the average proceeds of the related securities. Average cost does not include amortization of premiums or discounts on fixed income securities.

Interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by a Fund accounted for on an accrual basis.

The Funds do not amortize premiums or discounts received on the purchase of fixed income securities.

Dividend income and expense is recognized in the statement of comprehensive income on the ex-dividend date.

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

**c) Financial Instruments - Fair Value Measurement**

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

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

**d) Impairment of Financial Assets**

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

**e) Foreign Currency Translation**

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

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

**f) Cash**

Cash is comprised of deposits with financial institutions.

**g) Margin Deposit**

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

**h) Margin Loan**

Margin loan represents cash amounts borrowed under a margin agreement with a Fund's broker and is payable upon demand (if applicable).

**i) Forward Currency Contracts**

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

**j) Options**

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

**k) Futures Contracts**

The Funds may purchase or sell exchange traded futures contracts. Futures contracts are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price established in an organized market. Subsequent to initial recognition, changes in fair value are presented in 'Change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. When futures contracts are closed out, the gain or loss is presented in the statement of comprehensive income within 'Net realized gain (loss) on investments and derivatives'.

**l) Credit Default Swap Contracts**

A credit default swap contract is an agreement to transfer credit risk from one party, a buyer of protection, to another party, a seller of protection. The Fund as a seller of protection would be required to pay a notional or other agreed upon value to the buyer of protection in the event of a default by a third party. In return, the Fund would receive from the

counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs. If no default occurs, the Fund would keep the stream of payments and would have no payment obligations.

The Fund as a buyer of protection would receive a notional or other agreed upon value from the seller of protection in the event of a default by a third party. In return, the Fund would be required to pay to the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs.

Premiums received or paid for entering into a credit default swap are included in the statement of financial position as either an asset or liability. Credit default swap contracts are fair valued on each valuation day based upon quotations from independent security pricing sources. The change in the difference between the premium and the fair value is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. Upon closing or expiry of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the statement of comprehensive income.

**m) Interest Rate Swap Contracts**

An interest swap contract is a contractual agreement entered into between the Fund and a counterparty under which each party agrees to exchange periodic fixed or variable payments, based upon a stated notional amount, over the stated life of the agreement. The net differential paid or received is recognized over the life of the agreement as a realized gain or loss on investments. Interest rate swap contracts are fair valued on each valuation day using indicative bid/ask prices from third party broker dealers. The change in fair value is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. Upon closing or expiry of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the statement of comprehensive income.

**n) Commissions and Other Portfolio Transaction Costs**

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

**o) Income and Expense Allocation**

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

**p) Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit**

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to the series divided by the weighted average number of redeemable units outstanding in that series during the period. Refer to Note 10 for the calculation.

**q) Classification of Redeemable Units**

The Funds' redeemable units contain multiple contractual obligations and multiple series of units have been issued which do not have identical features. Consequently, the units do not meet the conditions in IAS 32 to be classified as equity. As a result, the Funds' obligations for net assets attributable to holders of redeemable units are presented at the redemption amounts.

**r) Investments in Structured Entities**

The Funds may invest in underlying funds ("Underlying Funds") that are managed by their respective Investment Advisors and whose investment objectives may range from achieving short-term to long-term income and capital growth. Underlying Funds may use leverage in a manner consistent with their respective objectives and as permitted by their respective governing regulatory authorities. Underlying Funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportionate stake in the respective fund's net assets. The Funds' interest in Underlying Funds as at December 31, 2014 and 2013, and January 1, 2013, held the form of redeemable

units, which are included at their fair value in the Statements of Financial Position which represents the Funds' maximum exposure in these Underlying Funds. The Funds do not provide, and have not committed to provide, any additional significant financial or other support to the Underlying Funds. The change in fair value of each of the Underlying Funds during the periods is included in 'Change in unrealized appreciation (depreciation) of value of investments and derivatives' and 'Net gains (losses) on investments and derivatives' in the Statements of Comprehensive Income.

### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

#### **Use of Estimates**

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

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

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Funds consider observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 4 for further information about the fair value measurement of the Fund's financial instruments.

#### **Use of Judgments**

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

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

##### *Determination if Underlying Funds Meet the Structured Entity Definition*

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

### **4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT**

In the normal course of business, each Fund is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). Please refer to Discussion of Note 4: Financial Instruments – Risk Management for each Fund's specific risk disclosure.

#### **Credit Risk**

The Funds may be exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Where a Fund invests in debt instruments and derivatives, this represents the main concentration of credit risk. The Funds are also exposed to counterparty credit risk on cash, margin deposits and other receivable balances.

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

#### **Liquidity Risk**

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

#### **Market Risk**

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

##### **a) Currency Risk**

The Funds invest in financial instruments and enter into transactions that are denominated in currencies other than the Canadian dollar. Consequently, the Funds are exposed to currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Funds may enter into foreign exchange currency contracts to reduce their foreign currency exposure.

##### **b) Interest Rate Risk**

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

##### **c) Price Risk**

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

#### **Concentration Risk**

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

#### **Capital Risk Management**

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

## **5. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT**

Each Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Please refer to Discussion of Note 5: Financial Instruments – Fair Value Measurement for each Fund's specific risk disclosure.

The three levels of the fair value hierarchy are:

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

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

## 6. INVESTMENT IN UNDERLYING FUNDS

Information related to investments in Underlying Funds is as follows:

### Exemplar Leaders Fund - December 31, 2014

	Fair Value of Fund's Investment in Underlying Fund \$	Net Assets Attributable to Holders of Redeemable Units %	Ownership of Underlying Fund %
Boyd Group Income Fund	452,200	1.3	0.1
Noranda Income Fund	479,915	1.3	0.7
Inovalis REIT	798,312	2.2	0.6
Northwest International Healthcare Properties REIT	184,000	0.5	0.1

### Exemplar Leaders Fund - December 31, 2013

	Fair Value of Fund's Investment in Underlying Fund \$	Net Assets Attributable to Holders of Redeemable Units %	Ownership of Underlying Fund %
Boyd Group Income Fund	377,112	1.2	0.1
Noranda Income Fund	735,760	2.3	0.4
Inovalis REIT	578,790	1.8	0.4
Northwest International Healthcare Properties REIT	141,400	0.4	0.1
Partners Real Estate Investment Trust	112,885	0.3	0.1

### Exemplar Leaders Fund - January 1, 2013

	Fair Value of Fund's Investment in Underlying Fund \$	Net Assets Attributable to Holders of Redeemable Units %	Ownership of Underlying Fund %
Boyd Group Income Fund	201,376	0.8	0.1
Noranda Income Fund	581,560	2.4	0.3
Partners Real Estate Investment Trust	267,458	1.1	0.1

### Exemplar Yield Fund - December 31, 2014

	Fair Value of Fund's Investment in Underlying Fund \$	Net Assets Attributable to Holders of Redeemable Units %	Ownership of Underlying Fund %
Noranda Income Fund	116,335	1.4	0.2
Retrocom Real Estate Investment Trust	64,288	0.8	0.0
Pure Industrial Real Estate Trust	302,808	3.6	0.0
Inovalis Real Estate Investment Trust	602,064	7.1	0.4
Northwest International Healthcare Property REIT	250,000	3.0	0.2
American Hotel Income Properties REIT LP	36,108	0.4	0.0
Education Realty Trust Inc.	339,584	4.0	0.0
MarkWest Energy Partners LP	296,199	3.5	0.0
Slate Retail Real Estate Investment Trust	140,584	1.7	0.1

**Exemplar Yield Fund - December 31, 2013**

	Fair Value of Fund's Investment in Underlying Fund \$	Net Assets Attributable to Holders of Redeemable Units %	Ownership of Underlying Fund %
Noranda Income Fund	541,000	5.3	0.3
Crombie Real Estate Investment Trust	102,600	1.0	0.0
Inovalis Real Estate Investment Trust	536,310	5.2	0.4
Northwest International Healthcare Property REIT	141,400	1.4	0.1
Partners Real Estate Investment Trust	321,000	2.8	0.2
Pure Industrial Real Estate Trust	286,770	2.8	0.0
BP Prudhoe Bay Royalty Trust	423,215	4.1	0.0
MarkWest Energy Partners Limited Partnership	443,014	4.3	0.0
Tesoro Logistics Limited Partnership	166,968	1.6	0.0
Education Realty Trust Inc.	355,990	3.5	0.0

**Exemplar Yield Fund - January 1, 2013**

	Fair Value of Fund's Investment in Underlying Fund \$	Net Assets Attributable to Holders of Redeemable Units %	Ownership of Underlying Fund %
Noranda Income Fund	553,420	6.7	0.3
Partners Real Estate Investment Trust	338,574	4.1	0.2
Pure Industrial Real Estate Trust	424,150	5.2	0.0
Retrocom Mid-Market Real Estate Investment Trust	345,960	4.2	0.1
Terra Nitrogen Company Limited Partnership	425,731	5.2	0.0

**Exemplar Performance Fund - December 31, 2014**

	Fair Value of Fund's Investment in Underlying Fund \$	Net Assets Attributable to Holders of Redeemable Units %	Ownership of Underlying Fund %
Boyd Group Income Fund	266,560	3.5	0.0
Health Care Select Sector SPDR Fund	111,058	1.5	0.0

**7. REDEEMABLE UNITS**

The number of units issued and redeemed at the Net Asset Value is summarized as follows:

**Exemplar Leaders Fund – for the year ended December 31, 2014**

	Redeemable units outstanding at beginning of the year	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding at end of the year
Series A	648,874	142,775	(96,839)	694,810
Series F	181,509	29,047	(14,956)	195,600

**Exemplar Leaders Fund – for the year ended December 31, 2013**

	Redeemable units outstanding at beginning of the year	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding at end of the year
Series A	640,599	91,987	(83,712)	648,874
Series F	164,685	24,755	(7,931)	181,509



**Exemplar Yield Fund – for the year ended December 31, 2014**

	Redeemable units outstanding at beginning of the year	Redeemable units issued	Redeemable units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of the year
Series A	533,469	104,538	19,301	(133,755)	523,553
Series F	187,233	20,716	6,717	(37,505)	177,161
Series I	220,993	-	4,358	(149,429)	75,922
Series L	22,998	22,747	1,050	(12,137)	34,658

**Exemplar Yield Fund – for the year ended December 31, 2013**

	Redeemable units outstanding at beginning of the year	Redeemable units issued	Redeemable units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of the year
Series A	539,036	98,588	31,587	(135,742)	533,469
Series F	52,664	192,403	6,719	(64,553)	187,233
Series I	203,495	-	19,352	(1,854)	220,993
Series L	23,043	16,471	1,389	(17,905)	22,998

**Exemplar Performance Fund – for the period ended December 31, 2014**

	Redeemable units outstanding at beginning of the period	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding at end of the period
Series A	-	227,331	(10,964)	216,367
Series F	-	504,847	(51,218)	453,629
Series L	-	33,748	(13,624)	20,124

**Exemplar Investment Grade Fund – for the period ended December 31, 2014**

	Redeemable units outstanding at beginning of the period	Redeemable units issued	Units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of the period
Series A	-	1,623,506	8,867	(252,327)	1,380,046
Series AI	-	208,084	1,404	(12,740)	196,748
Series F	-	2,112,094	7,410	(97,682)	2,021,822
Series FI	-	225,217	1,291	(11,977)	214,531
Series FN	-	14,000	-	-	14,000

**Exemplar Tactical Corporate Bond Fund – for the period ended December 31, 2014**

	Redeemable units outstanding at beginning of the period	Redeemable units issued	Units issued on reinvestment of distributions	Redeemable units redeemed	Redeemable units issued and outstanding at end of the period
Series A	-	916,425	11,629	(574,689)	353,365
Series AI	-	27,314	115	-	27,429
Series AN	-	535,963	-	-	535,963
Series F	-	1,083,081	9,058	(91,673)	1,000,466
Series FI	-	176,164	2,010	-	178,174
Series FN	-	110,483	-	-	110,483
Series L	-	39,212	-	-	39,212

**8. RELATED PARTY TRANSACTIONS**

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

The Arrow Yield Fund invests in units of the Exemplar Yield Fund. The number of units owned by the Arrow Yield Fund is summarized as follows:

As of December 31, 2014:

Fund	Number of units	Amount (\$)	% of net assets attributable to holders of redeemable units
Exemplar Yield Fund – Series F	131,085	1,403,920	16.6

As of December 31, 2013:

Fund	Number of units	Amount (\$)	% of net assets attributable to holders of redeemable units
Exemplar Yield Fund – Series F	135,385	1,470,690	14.3

As of December 31, 2014, the number of units owned by the Manager for each Fund is summarized as follows:

Fund	Number of units	Amount (\$)	% of net assets attributable to holders of redeemable units
Exemplar Yield Fund – Series A	4,524	46,416	0.6
Exemplar Yield Fund – Series F	501	5,366	0.0
Exemplar Performance Fund – Series A	500	5,450	0.0
Exemplar Performance Fund – Series F	16,192	176,984	2.3
Exemplar Investment Grade Fund – Series A	505	5,005	0.0
Exemplar Tactical Corporate Bond Fund -Series AI	512	4,961	0.0
Exemplar Tactical Corporate Bond Fund -Series FI	66,164	642,452	2.9

As of December 31, 2013, the number of units owned by the Manager for each Fund is summarized as follows:

Fund	Number of units	Amount (\$)	% of net assets attributable to holders of redeemable units
Exemplar Yield Fund – Series A	4,365	45,938	0.5
Exemplar Yield Fund – Series F	483	5,252	0.1

As of January 1, 2013, the number of units owned by the Manager for each Fund is summarized as follows:

Fund	Number of units	Amount (\$)	% of net assets attributable to holders of redeemable units
Exemplar Yield Fund – Series A	4,078	40,821	0.5
Exemplar Yield Fund – Series F	458	4,621	0.1

### Management and Performance Fees

Management fees are calculated and accrued daily and paid monthly and are subject to HST (and any other applicable taxes). The management fee rates are as follows:

Fund	Series						
	A	AI	AN	F	FI	FN	L
Exemplar Leaders Fund	1.80%	n/a	n/a	0.80%	n/a	n/a	1.8%
Exemplar Yield Fund	2.00%	n/a	n/a	1.00%	n/a	n/a	2.25%
Exemplar Performance Fund	2.00%	n/a	n/a	1.00%	n/a	n/a	2.30%
Exemplar Investment Grade Fund	1.30%	1.30%	1.30%	0.80%	0.80%	0.80%	n/a
Exemplar Tactical Corporate Bond Fund	1.75%	1.75%	1.75%	1.0%	1.0%	1.0%	2.0%

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.

In addition, the Funds (except in the case of Exemplar Yield Fund, Exemplar Investment Grade Fund, and Exemplar Tactical Corporate Bond Fund) pay the Manager an annual performance fee (the "Performance Fee"), equal to 20% of the amount by which

the Funds outperform their respective indices. 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). If the performance of a series of a Fund in any year is less than the performance of the indices described below (the "Return Deficiency"), 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.

#### *Exemplar Leaders Fund*

The Exemplar Leaders Fund will pay Arrow an annual 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: (i) 0%; and (ii) the percentage return of the S&P/TSX Composite Total Return Index for the same period.

#### *Exemplar Performance Fund*

A Performance Fee will be payable in all circumstances where the performance of the Fund exceeds that of the S&P TSX Composite Total Return Index, even in circumstances where the overall performance of the Fund has declined in a particular year, but as long as the performance of the Fund is positive since the last date that a performance fee was paid by the Fund. The S&P TSX Composite Total Return Index is comprised of most of the largest companies on the Toronto Stock Exchange as measured by market capitalization with any distributions reinvested.

Each Fund is responsible for all operating expenses incurred by or on behalf of that Fund.

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

	December 31, 2014		December 31, 2013		January 1, 2013	
	Management Fees (\$)	Performance Fees (\$)	Management Fees (\$)	Performance Fees (\$)	Management Fees (\$)	Performance Fees (\$)
Exemplar Leaders Fund	50,662	-	48,730	663,461	36,772	7,117
Exemplar Yield Fund	12,185	-	12,762	-	11,567	-
Exemplar Performance Fund	8,101	-	-	-	-	-
Exemplar Investment Grade Fund	33,567	-	-	-	-	-
Exemplar Tactical Corporate Bond Fund	25,136	-	-	-	-	-

#### **Brokerage Commissions**

Total commissions paid to dealers for the periods ended December 31, 2014 and 2013 in connection with portfolio transactions are as follows:

	December 31, 2014	December 31, 2013
Exemplar Leaders Fund	\$31,801	\$23,964
Exemplar Yield Fund	\$5,672	\$30,690
Exemplar Performance Fund	\$1,982	n/a
Exemplar Investment Grade Fund	\$843	n/a
Exemplar Tactical Corporate Bond Fund	\$753	n/a

Total commissions used to purchase market data services by the Funds for the periods ended December 31 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Exemplar Leaders Fund	\$12,571	-
Exemplar Yield Fund	\$3,242	-
Exemplar Performance Fund	\$1,451	n/a
Exemplar Investment Grade Fund	-	n/a
Exemplar Tactical Corporate Bond Fund	-	n/a

## 9. TAXATION

The Funds qualify as mutual fund trusts under the Income Tax Act (Canada) ("Tax Act"). All of the Funds' net income for tax purposes and sufficient net capital gains realized in any year are required to be distributed to unitholders such that no income tax is payable by the Funds. As a result, the Funds do not record income taxes. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses would not be reflected in the statements of financial position as a deferred income tax asset.

	Non-Capital Loss* (\$)	Capital Loss** (\$)
Exemplar Leaders Fund	94,035	-
Exemplar Yield Fund	-	54,049
Exemplar Performance Fund	130,577	9,124
Exemplar Investment Grade Fund	23,569	6,910
Exemplar Tactical Corporate Bond Fund	74,207	-

\* Non-capital losses can be offset against income in future years for up to 20 years.

\*\* Net Capital losses can be carried forward indefinitely for offset against gains in future periods.

## 10. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the years/periods ended December 31, 2014 and 2013 is calculated as follows:

### December 31, 2014

	Increase (decrease) in net assets attributable to holders of redeemable units (\$)	Weighted average redeemable units outstanding during the period	Increase (decrease) in net assets attributable to holders of redeemable units per unit (\$)
Exemplar Leaders Fund – Series A	656,204	682,585	0.96
Exemplar Leaders Fund – Series F	259,474	193,145	1.34
Exemplar Yield Fund – Series A	71,448	537,573	0.13
Exemplar Yield Fund – Series F	66,085	174,361	0.38
Exemplar Yield Fund – Series I	62,829	113,842	0.55
Exemplar Yield Fund – Series L	554	35,133	0.02
Exemplar Performance Fund – Series A	63,195	99,233	0.64
Exemplar Performance Fund – Series F	160,113	275,158	0.58
Exemplar Performance Fund – Series L	2,336	12,115	0.19
Exemplar Investment Grade Fund – Series A	(1,650)	907,159	(0.00)
Exemplar Investment Grade Fund – Series AI	1,332	135,653	0.01
Exemplar Investment Grade Fund – Series F	30,232	1,092,328	0.03
Exemplar Investment Grade Fund – Series FI	2,894	129,860	0.02
Exemplar Investment Grade Fund – Series FN	(316)	14,000	(0.02)
Exemplar Tactical Corporate Bond Fund – Series A	(64,021)	583,867	(0.11)
Exemplar Tactical Corporate Bond Fund – Series AI	(354)	7,525	(0.05)
Exemplar Tactical Corporate Bond Fund – Series AN	(4,574)	254,230	(0.02)
Exemplar Tactical Corporate Bond Fund – Series F	(46,203)	622,915	(0.07)
Exemplar Tactical Corporate Bond Fund – Series FI	(5,763)	95,342	(0.06)
Exemplar Tactical Corporate Bond Fund – Series FN	(3,540)	95,753	(0.04)
Exemplar Tactical Corporate Bond Fund – Series L	(55)	7,350	(0.01)

**December 31, 2013**

	Increase (decrease) in net assets attributable to holders of redeemable units (\$)	Weighted average redeemable units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit (\$)
Exemplar Leaders Fund – Series A	5,647,926	643,232	8.78
Exemplar Leaders Fund – Series F	1,539,682	171,119	9.00
Exemplar Yield Fund – Series A	614,432	483,146	1.27
Exemplar Yield Fund – Series F	106,569	81,671	1.30
Exemplar Yield Fund – Series I	316,515	206,335	1.53
Exemplar Yield Fund – Series L	34,602	31,212	1.11

**11. TRANSITION TO IFRS**

The effect of the Exemplar Leaders Fund's and Exemplar Yield Fund's transition to IFRS is summarized in this note as follows:

**Transition Elections**

The only voluntary exemption adopted by the Funds upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition (see Note 2) were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, *Investment Companies*.

**Revaluation of Investments at FVTPL**

Under Canadian GAAP, the Funds measured the fair values of their investments in accordance with Section 3855, Financial Instruments - Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Funds measure the fair values of their investments using the guidance in IFRS 13, Fair Value Measurement (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread.

As a result, upon adoption of IFRS an adjustment was recognized in the change in carrying amount of the Funds' investments. The impact of this adjustment was an increase (decrease) in each Funds' net assets attributable to holders of redeemable units as shown below.

**Reconciliation of Equity and Comprehensive Income as Previously Reported Under Canadian GAAP to IFRS****Exemplar Leaders Fund**

Equity	December 31, 2013	January 1, 2013
Equity as reported under Canadian GAAP	\$32,708,573	\$24,603,900
Revaluation of investments at FVTPL	116,673	111,345
Net assets attributable to holders of redeemable units	\$32,825,246	\$24,715,245

Comprehensive income	For the year ended December 31, 2013
Comprehensive income as reported under Canadian GAAP	\$7,182,280
Revaluation of investments at FVTPL	5,328
Increase (decrease) in net assets attributable to holders of redeemable units	\$7,187,608

**Exemplar Yield Fund**

Equity	December 31, 2013	January 1, 2013
Equity as reported under Canadian GAAP	\$10,236,482	\$8,210,845
Revaluation of investments at FVTPL	17,208	16,029
Net assets attributable to holders of redeemable units	\$10,253,690	\$8,226,874

Comprehensive income	For the year ended December 31, 2013
Comprehensive income as reported under Canadian GAAP	\$1,070,939
Revaluation of investments at FVTPL	1,179
Increase (decrease) in net assets attributable to holders of redeemable units	\$1,072,118

### **Classification of redeemable units issued by the Funds**

Under Canadian GAAP, the Funds accounted for their redeemable units as equity. The features of each Fund's redeemable units are not identical and consequently the units do not meet the conditions to be classified as equity. As a result, each Fund's obligations for net assets attributable to holders of redeemable units are financial liabilities under IFRS, presented at the redemption amounts.

### **Statement of cash flows**

Under Canadian GAAP, the Funds were exempt from providing a Statement of Cash Flows. IAS 1 requires that a Statement of Cash Flows to be presented as part of a complete set of financial statements. As such, the Funds have presented a Statement of Cash Flows in the financial statements for the years ended December 31, 2014 and 2013.

## **12. FUTURE ACCOUNTING CHANGES**

### **IFRS 9, Financial Instruments**

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

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2015

### **TO THE UNITHOLDERS AND TRUSTEE OF EXEMPLAR LEADERS FUND, EXEMPLAR YIELD FUND, EXEMPLAR PERFORMANCE FUND, EXEMPLAR INVESTMENT GRADE FUND, AND EXEMPLAR TACTICAL CORPORATE BOND FUND (COLLECTIVELY THE "FUNDS")**

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

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

Prior to December 2, 2013, the manager of the Funds was BluMont Capital Corporation ("BluMont"). On December 2, 2013, Arrow acquired all the outstanding shares of BluMont, resulting in a change of control of BluMont. On April 1, 2014, Arrow and BluMont amalgamated, continuing under the name "Arrow Capital Management Inc.". At a special meeting of unitholders on November 27, 2013, the unitholders of the Funds approved a change of manager from BluMont to Arrow.

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

"James L. McGovern"

"Robert W. Maxwell"

---

JAMES L. MCGOVERN  
Managing Director & CEO

---

ROBERT W. MAXWELL  
Managing Director & CFO

## **Independent Auditor's Report**

### **To the Unitholders of Exemplar Leaders Fund, Exemplar Yield Fund, Exemplar Performance Fund, Exemplar Investment Grade Fund, and Exemplar Tactical Corporate Bond Fund**

We have audited the accompanying financial statements of each of the Funds, which comprise the statements of financial position, comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows as at and for the periods indicated in note 1, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

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

#### **Opinion**

In our opinion, the financial statements of each of the Funds present fairly, in all material respects, the financial position, financial performance and cash flows of each of the Funds as at and for the periods indicated in note 1 in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
March 31, 2015



## **FUND INFORMATION**

### **MANAGER AND PRINCIPAL DISTRIBUTOR**

Arrow Capital Management Inc.  
36 Toronto Street  
Suite 750  
Toronto, ON M5C 2C5  
Telephone: (416) 323-0477  
Fax: (416) 323-3199  
Toll Free: 1 (877) 327-6048

### **REGISTRAR**

RBC Investor Services  
155 Wellington Street West, 5<sup>th</sup> Floor  
Toronto, ON M5V 3L3

### **CUSTODIAN**

CIBC Mellon  
320 Bay Street  
Toronto, ON M5H 4A6

### **AUDITOR**

PricewaterhouseCoopers LLP  
PwC Tower  
18 York Street, Suite 2600  
Toronto, ON M5J 0B2

