

**EXEMPLAR PERFORMANCE FUND
SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

For the period since inception to June 30, 2014

This semi-annual Management Report of Fund Performance contains financial highlights but does not contain the complete semi-annual financial statements for Exemplar Performance Fund (the "Fund"). If you have not received a copy of the semi-annual financial statements with the Management Report of Fund Performance, you may obtain a copy of the semi-annual financial statements, at no cost, by calling 877.327.6048, by writing to us at Arrow Capital Management Inc., 36 Toronto Street, Suite 750, Toronto, Ontario M5C 2C5 or by visiting our website at www.exemplarfunds.com or SEDAR at www.sedar.com.

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

Forward-Looking Information

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

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

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

Management Discussion on Fund Performance

Investment Objective and Strategies

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

To achieve the investment objective the Fund invests predominantly in large and mid capitalization Canadian companies. Generally, no more than 20% of the Fund is 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 Arrow. This may result in the Fund's portfolio weightings being substantially different from the weightings of the S&P/TSX Composite Total Return Index (or its successor index).

The Fund may hold cash or invest in short term securities for the purpose of preserving capital and/or maintaining liquidity, based upon the investment 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 may use derivatives such as options, forwards and futures for hedging and non-hedging purposes. Such derivatives may be used to hedge against losses from changes in the prices of the Fund's investments and from exposure to foreign currencies as well as market risk. Derivatives may also be used to obtain exposure to individual securities and markets instead of buying securities directly. If used for non-hedging purposes, the derivatives acquired will be consistent with the investment objectives of the Fund and securities law. Options acquired for non-hedging purposes will not constitute more than 10% of the net assets of the Fund. Generally, no more than 20% of the Fund's portfolio is expected to be invested outside of Canada.

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

Investment Risk

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

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

Results of Operations

For the period from March 25, 2014 (commencement of operations) to June 30, 2014, Series A units of the Fund gained 6.9% while the Canadian benchmark, the S&P TSX Total Return Index, gained 6.4% for the same period. Please refer to the Past Performance section for the performance of the other Series. The performance of the other Series offered by the Fund differs from Series A largely because of varying levels of expenses charged to each series, as explained in the Management Fee section.

As of June 30, 2014, 35.5% of the Fund's net assets (where short positions are netted against long positions in each category) were invested in Canadian equities, 1.1% in U.S. equities and 0.4% in global equities.

The world continues to struggle with a slow and fragile recovery, as demonstrated by events of early 2014. Despite broadly based optimism reigning at the start of the year, the global economy deteriorated suddenly and rapidly in the middle of a very trying

winter in North America, unease in the Emerging Markets (one example being Argentina's devaluation) and several geopolitical crisis - naming Ukraine - as just one of many hotspots. With numerous leading indicators strengthening since the spring, the second half of the year should see improved growth. However, more uncertainty could be on the horizon, as the recovery going forward is likely to prove uneven, with prospects for some countries considerably brighter than for others. While North America and the UK are best positioned for sustained growth, China and the euro area will continue to struggle. As a result, we should see an unusual period of divergence in monetary policies over the next couple of years. While the Bank of England and the Fed begin to contemplate tightening, policymakers in the euro area, and perhaps China as well, will be under increasing pressure to stimulate their underachieving economies. No one knows how markets will deal with this scenario.

We continue to pursue themes of industry consolidation and growth by acquisition as antidotes to slow global economic growth. The Fund's 2 largest holdings, namely AutoCanada and Amaya Gaming Group fit right into this theme. Both companies are on the verge of accelerating their already remarkable growth rates by acquiring businesses within their respective industries. AutoCanada has already closed a record number of deals so far this year. The company is entering the sweet spot of its acquisition strategy for the next few years as an ever increasing number of car dealers are looking to monetize their businesses prior to retiring. Amaya Gaming succeeded in acquiring, at a very reasonable valuation, PokerStars, the world's largest poker website and an ideal platform for expanding operations into the newly regulated US market, where it should capture significant growth potential for years to come.

The speed in recovery of oversold base and precious metal equities caught us by surprise, as we wouldn't have expected these sectors to begin outperforming until the world enters a period of more sustained economic growth. One obvious explanation could be that last year's selloff left sector valuations sufficiently depressed as to appear attractive to investors with very few value alternatives.

With major North American Indexes trading at all-time high levels without having incurred a meaningful correction for the third longest period in recent memory, investors are entering the second half of 2014 with a great deal of apprehension. Equity valuations are stretched while third quarter volatility appears to be consistently unfavorable. It seems inevitable that markets will get roiled by the anticipated BOE and Fed monetary tightening at some point in the future. However on a relative basis, such events should be far more detrimental to fixed income markets than equities. There is the added danger that any one of the numerous geopolitical crisis brewing around the globe could deteriorate sufficiently to force investors to the sidelines. We have adopted a cautious stance, allowing cash from investment funds flow to accumulate over the last month, while we await resolution of the multitude of cross currents facing the markets. We remain constructive on equities in the longer term, as we believe the very weakness of this recovery bodes well for its longevity. We will be looking for buying opportunities on any meaningful third quarter correction, as we are convinced we are nowhere near the end of this market cycle. This fund would be a major beneficiary of market weakness, as a dip would allow us to deploy the considerable cash hoard at better valuations.

Recent Developments

There are no recent developments for the Fund.

Related Party Transactions

On March 6, 2014, Arrow seeded the Fund by investing \$5,000 in Series A units and \$145,000 in Series F units of the Fund. As of June 30, 2014, Arrow held 500 Series A units and 14,500 Series F units of the Fund.

Management Fees

Arrow receives a monthly management fee (the "Management Fee"), calculated as a percentage of the Fund's net asset value as of the close of business on each business day. The Management Fee rate applicable to the Fund is 2.0% per annum for Series A units, 2.3% per annum for Series L units and 1.0% per annum for Series F units. The Fund is also authorized to issue Series I units, for which the Management Fee is negotiable between Arrow and the dealer. For the period since inception to June 30, 2014, Management Fees charged to the Fund equaled \$4,931. The Management Fee is paid in consideration of investment management and administration services. No breakdown of such services was specified in the management agreement. From this Management Fee, the Manager pays fees to the investment advisor (Arrow, in its capacity as such) who provides portfolio management services to the Fund. A portion of the Management Fee paid by the Fund is for trailer fees paid to dealers whose clients hold units of the Fund. The trailer fees are a percentage of the net asset value of the Fund, calculated and payable monthly. The table below outlines the Fund's annual Management Fees and trailer fees.

| ANNUAL RATE (%) | Series A | Series L | Series F | Series I |
|--|----------|----------|----------|------------|
| Management Fees <i>(Annual Rate)</i> | 2.0% | 2.3% | 1.0% | Negotiable |
| Trailer Fees <i>(as a % of Management Fees)</i> | 17.7% | - | - | - |

In addition, the Fund will pay the Manager a performance fee, accrued daily and paid annually, subject to HST (and any other applicable sales taxes), equal to 20% of the amount by which the Fund outperforms the S&P TSX Composite Total Return Index (the "Index"), even in circumstances where the overall performance of the Fund has declined. If the performance of a Series of the Fund in any year is less than the performance of the Index (the "Deficiency"), then no performance fee will be payable in any subsequent year until the performance of the applicable Series of the Fund, on a cumulative basis calculated from the first of such subsequent years has exceeded the amount of the Deficiency. For the period since inception to June 31, 2014, the accrued performance fee equaled \$266.

The Manager incurs operating expenses on behalf of the Fund and charges these expenses to the Fund. For the period since inception to June 30, 2014, the Manager has, in its discretion, agreed to absorb \$30,517 of operating expenses associated with the Fund.

Financial Highlights

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

| SERIES A - NET ASSETS PER UNIT | |
|---|-----------------|
| For the period since March 25, 2014 (date of commencement of operations) to June 30, 2014 | |
| Net Assets, beginning of period¹ | \$ 10.00 |
| Increase from operations: | |
| Total revenue | 0.02 |
| Total expenses | (0.10) |
| Realized gains for the period | 0.06 |
| Unrealized gains for the period | 0.77 |
| Total increase from operations¹: | \$ 0.75 |
| Distributions²: | |
| From income (excluding dividends) | - |
| From dividends | - |
| Return of capital | - |
| Total distributions | - |
| Net Assets, end of period¹ | \$ 10.69 |

| SERIES A - RATIOS AND SUPPLEMENTAL DATA ⁷ | |
|---|-------------|
| For the period since March 25, 2014 (date of commencement of operations) to June 30, 2014 | |
| Net Asset Value ("NAV") ¹ | \$1,033,786 |
| Number of units outstanding | 96,728 |
| Management expense ratio ³ | 3.24%* |
| Management expense ratio before waivers or absorptions ⁴ | 13.60%* |
| Portfolio turnover rate ⁵ | 26.44% |
| Trading expense ratio ⁶ | 0.19%* |

SERIES F - NET ASSETS PER UNIT**For the period since March 25, 2014 (date of commencement of operations) to June 30, 2014**

| | |
|--|-----------------|
| Net Assets, beginning of period¹ | \$ 10.00 |
| Increase from operations: | |
| Total revenue | 0.02 |
| Total expenses | (0.06) |
| Realized gains for the period | 0.06 |
| Unrealized gains for the period | 0.85 |
| Total increase from operations¹: | \$ 0.87 |
| Distributions²: | |
| From income (excluding dividends) | - |
| From dividends | - |
| Return of capital | - |
| Total distributions | - |
| Net Assets, end of period¹ | \$ 10.71 |

SERIES F - RATIOS AND SUPPLEMENTAL DATA⁷**For the period since March 25, 2014 (date of commencement of operations) to June 30, 2014**

| | |
|---|-----------|
| Net Asset Value ("NAV") ¹ | 3,061,370 |
| Number of units outstanding | 285,900 |
| Management expense ratio ³ | 1.85%* |
| Management expense ratio before waivers or absorptions ⁴ | 10.24%* |
| Portfolio turnover rate ⁵ | 26.44% |
| Trading expense ratio ⁶ | 0.19%* |

Series A units and Series F units were launched on March 6, 2014 and began operations on March 25, 2014.

*Ratios have been annualized.

1. The net assets per unit shown are referenced to net assets attributable to holders of redeemable units determined in accordance with International Financial Reporting Standards ("IFRS") and are derived from the Fund's financial statements. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial year. This table is not intended to be a reconciliation of beginning to ending net assets per unit.
2. Distributions, if any, were reinvested in additional units of the Fund.
3. Management expense ratio is based on total expenses (excluding certain taxes, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the year.
4. The Manager has absorbed certain expenses or waived certain fees otherwise payable by the Fund. The amount of expenses absorbed or waived is determined annually at the discretion of the Manager and the Manager can terminate the absorption or waiver at any time.
5. The Fund's portfolio turnover rate can indicate how actively the investment advisor manages the portfolio of investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of its securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.
6. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
7. Ratios and supplemental data, where applicable, are computed using the net asset value of the Fund.

Past Performance

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

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

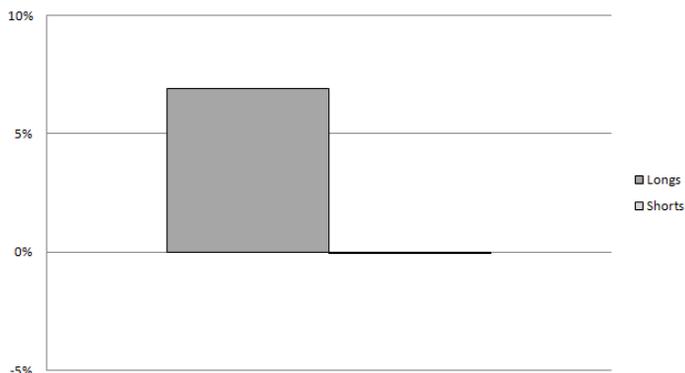
Year-By-Year Returns

The bar chart below illustrates the Fund's performance for the period since inception to June 30, 2014. It shows, in percentage terms, how much an investment made on the first day of each financial year (or since inception) would have grown or decreased.



†Returns shown represent a partial year.

The chart below illustrates the Fund's returns since inception to June 30, 2014 for Series A units by long and short holdings:



Annual Compound Returns (Compound Performance)

The following table shows the total returns of the Fund and for the S&P/TSX Composite Total Return Index (a price weighted index of 300 of the largest, most widely-held stocks traded on the Toronto Stock Exchange) for the period shown ended June 30, 2014. The Relative Performance returns show the performance of the Fund as compared to the benchmark.

| | Since Inception |
|--------------------------------------|-----------------|
| Series A | 6.9% |
| Series F | 7.1% |
| S&P/TSX Composite Total Return Index | 6.4% |

