

EXEMPLAR
MARKET NEUTRAL PORTFOLIO

MANAGER'S
COMMENTARY

APRIL 30, 2012

The Exemplar Market Neutral Portfolio posted returns of 0.24% in April.

The S&P 500 fell 4% in the first half of April before recovering in the latter half of the month. The initial declines were caused by continued turmoil in Europe, as both Spain and the UK officially fell back into recession. Spain, whose unemployment rate approached 25%, took centre stage in the European drama as Standard & Poors cut their credit rating for the second time this year (this time two notches) on concerns the country will have to provide further fiscal support to banks as the economy continues to contract. News also broke that the government of the Netherlands, one of Europe's few remaining AAA-rated countries, resigned due to extreme pressure from opposition parties regarding the severity of austerity measures. Lastly, French elections caused a stir as both opposition parties posted solid gains, bringing into doubt a second term for President Sarkozy.

Equities recovered in the latter half of the month, lifted by strong U.S. corporate earnings (75% of S&P 500 companies reporting in April beat analysts' forecasts), including a notably impressive earnings report from Apple Inc., the largest company in the S&P 500. The Fund's defensive positions provided protection across the portfolio in the early half of the month, allowing us to take advantage of a 35% spike in the VIX to set up structures that will generate meaningful yield going forward. These structures helped mitigate hedging costs and allowed the Fund to capture a positive return in an environment which saw declines in most risk assets. We continue to position the portfolio for flat or declining markets, anticipating further opportunities to increase exposures and yield generation.

The Exemplar Market Neutral strategy is designed to generate meaningful returns in most environments while providing protection against market declines, much lower volatility than equity markets and negligible interest rate risk.

Thank you for your continued support

Commissions, trailing commissions, management fees, performance fees and expenses may all be associated with mutual fund investments. The indicated rates of return are the historical annual compounded total returns, including changes in share values and reinvestment of all distributions, and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder which would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the prospectus before investing.

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