

ARROW CANADIAN ADVANTAGE ALTERNATIVE CLASS

JULY 2021

The Arrow Canadian Advantage Fund was down -1.66% in July.

We saw significant divergences for the month as the small cap index underperformed meaningfully, down ~3% vs the S&P +2.5% and the TSX flat. Concerns over the delta variant perpetuated questions of peak growth and an impending economic slowdown. The caution especially hurt re-opening and cyclical companies, and even moreso smaller, less liquid equities as there was a flight to 'quality' and liquidity. Given many of our core names are small/mid cap, the Fund underperformed in light of this dynamic. As well, we continue to be long cyclical equities that will benefit as the economy recovers from the pandemic.

We believe the market is more prone than ever to shifting market narratives, factors, and fund flows, however, ultimately we view fundamentals as the long term arbiter of price. This is the underlying thesis from which we build our core portfolio and we augment these with tactical event driven trading strategies.

We added Dexterra Group (DXT) as a new position this month. Formerly Horizon North Logistics, the company has been re-shaped via acquisition, and is now a diversified business comprised of: facilities management (think GDI), workforce accommodation (think BDI), and modular homes.

With the deal closing at the height of Covid in May/20, the market has overlooked the company transformation. Now running with a leaner cost structure and a renewed focus on a capital light model, DXT is poised to accelerate its growth profile, both organically and through acquisitions. At a current/forward FCF yield of 12%/14% respectively, the valuation provides strong downside support, with meaningful re-rate potential as the company executes on its growth strategy.

Thank you for your continued interest in the Fund. For further information, please contact your regional Arrow Capital Management representative.

Sincerely,

Jim McGovern
Portfolio Manager
Arrow Capital Management Inc.

Chung Kim
Portfolio Manager
Arrow Capital Management Inc.

Effective May 21, 2019, the fund was renamed Arrow Canadian Advantage Alternative Class.

Unless otherwise stipulated Arrow Canadian Advantage Alternative Class returns are net of all fees, in Canadian dollars, reflect series "F" shares and assume reinvestment of all distributions. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Except as otherwise noted the indicated rates of return are the historical annual compounded total returns including changes in share value and the reinvestment of all dividends or distributions and do not take into account the sales, redemption, distribution, or optional charges or income tax payable by the shareholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Portfolio holdings, including the Top Holdings are subject to change without notice.