

canadian hedgewatch


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MONTHLY REVIEW OF HEDGE FUNDS & ALTERNATIVE INVESTING

MAY 2015 VOLUME 15 ISSUE 5


CANADIAN HEDGE WATCH INTERVIEWS

VERONIKA HIRSCH OF ARROW CAPITAL MANAGEMENT INC.

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- * 2015 TRENDS: INVESTOR-CENTRIC APPROACHES FOR HEDGE FUND GROWTH
 - * AIMA-CANADA EMERGING MANAGERS WORKSHOP FOCUSES ON HEDGE FUND START UPS
 - * AIMA CANADA PANEL FOCUSES ON PRIVATE ASSET INVESTING
 - * BUILDING EFFICIENCY INTO HEDGE FUND OPERATIONS

Canadian Hedge Watch

Interviews Veronika Hirsch of Arrow Capital Management Inc.



Arrow Capital Management is an employee-owned company, founded in 1999. Arrow's expertise in active portfolio management and manager selection is evident in its strong, diverse platform, which provides clients with access to a global selection of actively managed investment funds. Arrow is committed to continuously providing investors with access to a wide range of investment solutions. With over 15 years of service, Arrow Capital has been well respected as a Canadian alternative investment company. In December of 2013, Arrow acquired BluMont Capital Corporation adding the Exemplar range of prospectus-based solutions to its platform, expanding its range of products and catering to a wider client base.

Canadian Hedge Watch You have been successfully running portfolios for a long time, how did you get started in the business?

Veronika Hirsch For my International Business course at McGill, I was assigned a novel about a group of F/X traders and from that moment, the world of finance captivated me. I unsuccessfully applied for several investment positions until I was fortunate to get myself hired into the Investment Department at Prudential while unhappily laboring in the Auditing Department.

CHW Veronika can you provide us with an overview of the Hirsch Performance Fund?

VH The Hirsch Performance Fund was launched in September of 1997 and has had a successful track record since inception. The objective of the Fund is to deliver consistent returns without regard to the Index. The Fund has tremendous flexibility when choosing its investments, but invests primarily in Canadian equities. The securities are chosen from industries which offer the best opportunity for profitable returns at each stage of the economic and market cycle. The Fund only selects companies with exceptional and proven management teams, well defined growth strategies and distinct competitive advantages. I search for event-driven trading opportunities to augment returns. The Fund has compounded 11.2% (as of May 31, 2015) per annum since inception.

CHW How do you make your investment decisions?

VH My experience allows me to recognize and properly evaluate each company's potential. I have been researching companies and talking to management teams since my early days as an analyst at Prudential in the 1980's.

When making investment decisions, I look for exceptional growth potential. I focus on management experience, track record and ability to execute strategies successfully. As even the best business model can only succeed with focused, experienced and driven leaders.

Moreover, I have been able to leverage the relationships and trust built throughout my career to gain access to senior management, helping me make better investment decisions.



Veronika Hirsch
Portfolio Manager



CHW What are the main themes in your portfolio?

VH The focus of the Fund is on growth stocks. In the current macro environment of exceptionally low interest rates and slow economic growth, companies with high organic growth are not common. My strategy has been to concentrate on companies with a successful record of consolidation within their own industry. Thus, I search for companies smart enough to take advantage of the current low interest rate environment to grow by acquisition. Strategic acquisitions help companies achieve faster growth by expanding their client list, products and geographic reach in a timely manner.

In the current low commodity price environment, the Canadian economy will inevitably lag behind the U.S. Therefore, my preference has been for Canadian companies which have successfully grown internationally to the point of having the majority of their sales outside of Canada. By including them in the Hirsch Performance Fund, I am able to give Canadian investors significant global exposure, while enjoying the benefit of meaningful F/X translation gains.

CHW What are the Fund investment benefits?

VH Capital preservation is my top priority. The Hirsch Performance Fund's mandate considers capital preservation its single most important goal. The stringent risk management process helps to generate solid risk-adjusted returns.

Additional benefits include:

Capping the Fund size

Managing capacity of the Fund is essential to my success. I am committed to maintaining consistent returns by staying sufficiently nimble to execute strategy changes.

Active Management

By actively managing the portfolio, I take advantage of market opportunities quickly.

Flexibility in Mandate

Past experience managing long/short strategies has taught me the importance of flexibility. I use the full array of tools at my disposal in the Hirsch Performance Fund to reduce risk and better adapt my strategy to prevailing market conditions.

CHW You mentioned flexibility in mandate, what tools differentiate this fund from other alternative funds?

VH Some of the tools available to me include:

- **"Shorting" or "Cash Management"**

The ability to short allows the Hirsch Performance Fund to generate positive returns even during declining markets. I also use cash management as a tool to mitigate risk and preserve capital during turbulent markets.

Flexibility can take many forms, such as:

- **Free of Capitalization Constraints**

Lack of capitalization limits allows me to search for the best growth stories, found frequently among overlooked mid-caps. Many of my past winners came from mid-caps – these are companies large enough to have a proven track record, yet small enough to generate superior growth.

- **Free of sector or geographic restrictions**

Not having sector and geographic restrictions allows me to focus on industries and companies best suited to prevailing market conditions and the different stages of an economic cycle.

- **Leverage**

I occasionally employ modest leverage to take advantage of opportunities when others are forced to sell good companies (for instance, as a result of fund redemptions in difficult markets). I also use leverage during unusually heavy M/A activity.

- **Hedging Strategy**

Overall, I employ a hedging strategy to reduce the beta of the portfolio. I frequently use individual shorts or include them as part of pair-trades to reduce portfolio volatility. Tactically I use ETFs to reduce risk of overall portfolio during turbulent or declining markets.

CHW What type of investor is the Fund suited to?

VH The Hirsch Performance Fund is intended for investors looking for capital appreciation through active management of an equity portfolio. The Fund should be suitable for investors of any age, provided they can accept a moderate level of risk.

CHW Finally, Veronika, what advice would you give to someone trying to become a portfolio manager?

VH Clearly, the investment world has changed a lot since I started my career, but the basic fundamentals of investing have not. After completing an undergraduate degree, the CFA (Chartered Financial Analyst) designation would be an important next step. Being a PM requires a complex set of skills, which sometimes take a while to hone or acquire. The best place to start would be working for an exceptionally talented PM, and using the time to learn all his/her wisdom and tricks. Then taking all that knowledge and adapting it to one's own abilities and skills. That combination of market wisdom, experience, and one's own unique set of skills cannot fail! The best piece of advice I can give someone is that there is no substitute for hard work. It always pays off in the end. *

Veronika Hirsch is a senior Portfolio Manager with Arrow Capital Management Inc. managing the Exemplar Performance Fund, Exemplar Canadian Focus Portfolio and the Hirsch Performance Fund on the Arrow platform. Ms. Hirsch is a respected Canadian equity manager with over 25 years investment experience. Prior to joining Arrow, Ms. Hirsch was Chief Investment Officer at BluMont where she was Portfolio Manager of various Exemplar Funds. In 1999, Ms. Hirsch co-Founded Integrated Asset Management Corp. (IAM). Previously, she served as a Vice President and Portfolio Manager at AGF, as well as Fidelity Management. She began her career in the investment industry as a Portfolio Trader at Prudential, later rising to Vice President and Portfolio Manager. Ms. Hirsch is a highly regarded Canadian investment manager making frequent appearances on BNN and on other popular business media outlets. Ms. Hirsch holds a Bachelor of Commerce degree from McGill University and is a Fellow of Life Management Institute.

Hirsch Performance Fund (A Class) Canadian Equity

As of 5/31/2015

Manager Profile

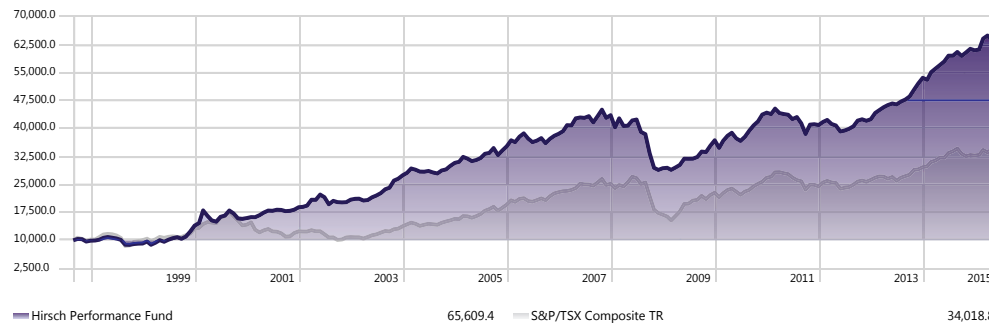


Veronika Hirsch
B. Comm, FLMI,
Portfolio Manager

Veronika Hirsch is a senior Portfolio Manager with Arrow Capital Management Inc. managing the Exemplar Performance Fund, Exemplar Canadian Focus Portfolio and the Hirsch Performance Fund on the Arrow platform. Prior to joining Arrow, Ms. Hirsch was Chief Investment Officer and Portfolio Manager of various Exemplar Funds at BluMont. In 1999, Ms. Hirsch co-founded Integrated Asset Management Corp. (IAM). Previously, she served as a Vice President and Portfolio Manager at AGF, as well as at Fidelity. She began her career in the investment industry at Prudential. Ms. Hirsch holds a B.Com and is a Fellow of Life Management Institute.

Investment Growth

Time Period: 9/1/1997 to 5/31/2015



Calendar Year Returns

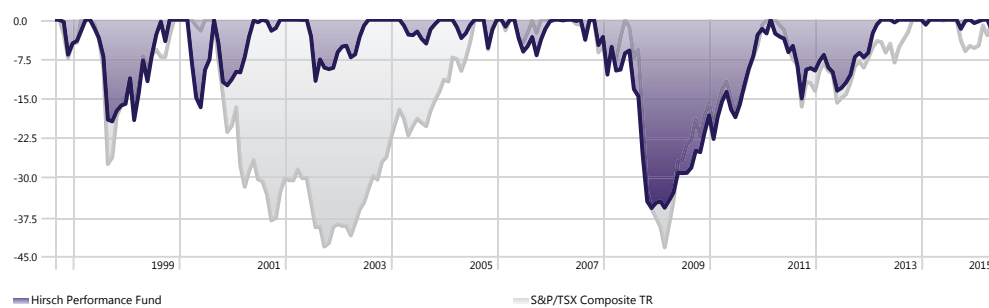
	YTD	2014	2013	2012	2011	2010	2009
Hirsch Performance Fund	7.48	13.79	26.18	3.74	-7.47	20.14	25.53
S&P/TSX Composite TR	3.79	10.55	12.99	7.19	-8.71	17.61	35.05

Trailing Returns

	YTD	1 mo	3 mo	6 mo	1 year	3 years	5 years	10 Years	15 Years
Hirsch Performance Fund	7.48	2.96	2.24	6.80	13.04	18.69	11.90	7.59	10.33
S&P/TSX Composite TR	3.79	-1.22	-0.72	3.34	5.80	12.58	8.07	7.51	5.80

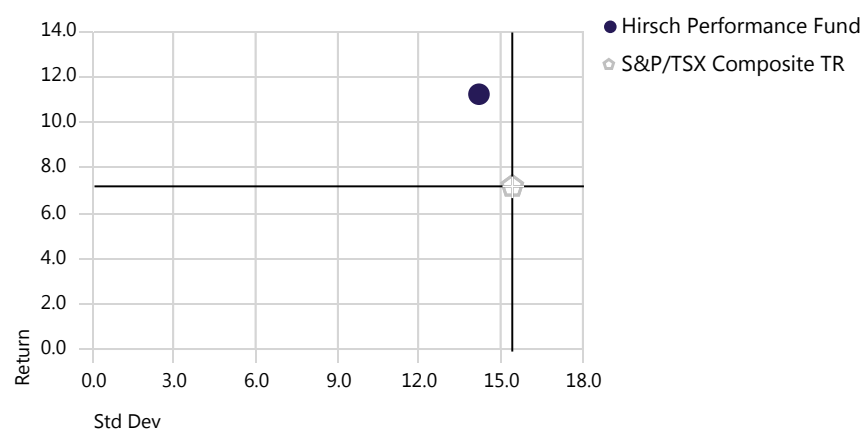
Drawdown

Time Period: 9/1/1997 to 5/31/2015



Risk-Reward

Time Period: 9/1/1997 to 5/31/2015



Fund Strategy

The objective of the Hirsch Performance Fund is to deliver consistent returns by investing primarily in Canadian securities. The Fund invests in a concentrated portfolio of securities chosen from those industries that the Manager believes offers the best opportunity for profitable returns at each stage of the economic and market cycle. The Fund invests in companies with proven management ability, well defined growth strategies and distinct competitive advantages. The Manager searches for event-driven trading opportunities to augment returns.

Risk

LOW MEDIUM HIGH

Performance

	Fund Class A	S&P/TSX Comp TR
Cumulative Return	556.09	240.19
Return	11.18	7.14
Std Dev	14.18	15.43
Alpha	5.22	0.00
Beta	0.69	1.00
Correlation	0.75	1.00

Fund Details

Fund Code 'A' Class: AHP 500
Management Fee 'A' Class: 1.00%
Incentive Fee: 20% above 5% net
Prime Broker: Scotia Capital Inc.
Auditor: PWC
Administrator: RBC Investor & Treasury Services

*Purchase Frequency: Weekly
Redemption Frequency: Weekly

*Minimum for accredited investors \$25,000 and \$150,000 for non-accredited investors
*Minimum investment for non-accredited investors with a Risk Acknowledgement Form \$25,000 only for residents of BC, Newfoundland and Labrador, New Brunswick and Nova Scotia.

Please see the Offering Memorandum for additional information.

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Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2015	0.34	4.77	1.29	-1.97	2.96								
2014	-0.94	3.82	1.76	1.65	1.71	2.68	0.01	1.66	-1.73	1.54	1.61	-0.64	13.79
2013	3.98	1.66	1.77	1.31	0.90	-0.51	1.61	1.17	1.74	3.75	3.33	2.86	26.18
2012	2.01	1.26	-2.56	-0.97	-3.94	0.63	1.17	1.71	3.77	0.83	-0.92	0.95	3.74
2011	-0.86	3.33	-2.64	-0.57	-0.44	-2.65	1.26	-3.91	-6.89	6.47	0.30	-0.50	-7.47
2010	-5.48	5.36	3.73	2.10	-3.85	-1.80	2.97	4.38	3.54	2.65	4.37	1.17	20.14
2009	0.38	-1.83	2.19	2.29	5.54	-0.05	0.07	1.43	4.44	-0.33	4.99	4.14	25.53
2008	-7.41	5.89	-4.75	0.21	3.42	0.57	-7.81	-1.57	-13.24	-11.75	-1.94	1.57	-32.65
2007	1.85	4.09	-0.13	4.62	0.53	-0.24	1.06	-3.82	3.86	4.12	-4.82	1.62	12.95
2006	4.57	-1.31	4.04	2.34	-3.64	-2.52	1.08	1.83	-3.56	3.19	2.15	1.41	9.53
2005	1.00	4.20	-1.45	-2.07	0.94	1.64	3.58	0.73	3.88	-5.36	3.67	3.29	14.45
2004	2.41	4.15	-1.13	-1.73	-0.10	0.70	-1.42	-0.92	2.82	1.04	3.23	2.67	12.13
2003	1.12	0.16	-2.30	0.59	3.59	2.20	2.93	4.55	1.77	7.89	1.96	3.43	31.32
2002	0.62	1.74	8.11	-0.04	6.69	-3.17	-8.75	4.61	-1.68	-0.30	0.27	3.30	10.75
2001	1.66	-0.12	3.30	4.17	3.10	-0.29	1.54	-0.32	-1.78	0.52	1.70	3.58	18.22
2000	4.89	23.19	-8.07	-7.35	-2.15	8.53	2.21	8.05	-4.34	-7.73	-0.76	1.27	14.50
1999	5.77	-8.94	6.20	7.36	-4.26	5.62	4.24	2.46	-3.69	5.55	12.01	13.04	52.64
1998	0.55	1.94	5.17	2.06	-1.65	-1.87	-3.62	-12.94	-0.41	2.51	1.18	0.41	-7.59
1997								3.60	-0.44	-6.23	2.27		

Important Information: This document is not to be construed as a public offering of securities in any jurisdiction in Canada. Offering of units in the Fund are made pursuant to the Confidential Offering Memorandum (offering memorandum) only to those investors who meet certain eligibility or minimum purchase requirements. Important information about the fund including the fund's fundamental investment objective is contained in the offering memorandum, a copy of which may be obtained from Arrow Capital Management Inc. Please read the offering memorandum carefully before investing. The information and materials in this document are for informational purposes only. They are not intended as investment, financial or other advice. The information included in this document is not an offer to sell. While the information and material in this document are believed to be accurate at the time they are prepared, Arrow Capital Management Inc. (and its affiliates, subsidiaries or sub-advisors) cannot give any assurance that they are accurate, complete or current at all times. Past returns are not necessarily indicative of future performance. Actual results will vary. This document is confidential and is intended solely for the information of the person to which it has been delivered. Source: Morningstar Direct 2015 Morningstar Research Inc. All Rights Reserved. The information herein is proprietary to Morningstar or its content providers. It may not be copied or distributed and is not warranted to be accurate, complete or timely. Morningstar and its providers are not responsible for damages or losses arising from any use of this information. Past performance may not be repeated. These pages are not complete without the Disclaimer(s).

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