

The first quarter of 2026 was defined by a regime shift in market leadership and a breakdown in traditional correlations. Against a backdrop of intensifying Middle East conflict and a sharp recalibration of central bank expectations, the Fund returned 1.15% for the quarter and 5.77% YTD as of April 30th, compared to a blended benchmark return of 1.0% for the quarter. This quarter was an excellent demonstration of our ability to navigate elevated volatility and uncertainty within financial markets, with tactical shifts to overweight commodities and underweight duration generating alpha.

The first cracks in leadership structure appeared in software and high-multiple growth. US software stocks fell approximately 26% in the quarter as investors grew concerned that new AI capabilities would threaten the traditional SaaS model. The unwind reflected a deeper questioning of whether incumbent software business models can sustain their pricing power and margin structure in a world where AI-native competitors replicate core functionality at a fraction of the cost.

As the AI narrative was being repriced, the late-February outbreak of conflict in the Middle East forced a broader risk-off response. The Fund protected investors from left tail risk as our macro model shifted to Quad 3 on March 2nd, a risk-off regime characterized by decelerating GDP and accelerating inflation. Consequently, the team grossed down high-multiple growth exposure and rotated into real assets and inflation beneficiaries.

Fixed income offered limited shelter in Q1, but quality and duration discipline mattered. Government bond markets sold off sharply as higher energy prices fueled inflation concerns, and markets shifted abruptly from pricing rate cuts to rate hikes. The Fed held at 3.50–3.75% in March, and the market-implied probability of a December cut collapsed to roughly 26%. The Fund reduced duration as the inflation impulse built and tilted into quality credit, which limited drag from our fixed-income sleeve.

Looking ahead, we believe this is an environment that will continue to reward active asset allocation. The micro setup has been notably strong this earnings season and our macro model is currently signalling Quad 2, a risk-on regime characterized by accelerating GDP and accelerating inflation. The team remains focused on following our top-down macro process to be positioned on the right side of market risk while identifying idiosyncratic company-specific stories.

Thanks,
Arrow Investment Team

Historical Performance	1 yr	3 yr	ITD
Exemplar Global Growth and Income Fund Ser FD	18.37	8.69	4.47

Returns as of April 30, 2026

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The rates of return are used only to illustrate the effects of the compound growth rate and are not intended to reflect future values or returns on investment in an investment fund.

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