The Fund returned 22.27% in 2025, versus 12.35% and 31.68% for the S&P 500 CAD and TSX Composite, respectively. This marked the first full year of President Trump's second presidential term — and it was anything but boring. Despite Trump's often unpredictable policy actions, broad markets ended the year with above-average returns. As we enter 2026, we are tactically more bullish than we've been in several years and believe we are on the cusp of a durable market rotation. Within this context, stock picking will become ever more important, and we are excited about the Fund's prospects as we enter 2026.

2025 Summary

Markets entered 2025 with a healthy level of optimism, riding the AI trade and the election of Donald Trump for his second presidential term. However, it didn't take long for volatility to return. First came the introduction of DeepSeek, a Chinese AI model touted as a rival to leading North American players, developed at a fraction of the cost. Markets shot first and asked questions later, with a swift drawdown in AI-related names. What was most telling was how the AI theme had broadened beyond the obvious tech and semiconductor plays and into derivatives such as utilities, industrials, and commodities. Internal correlations were extremely high.

Volatility persisted through the first quarter as Trump began to shape policy for his second term. More specifically, tariffs became a clear focus, and it didn't take long for Trump to barrage markets with threats and announcements that far exceeded those of his first term. While there was initially a "boy who cried wolf" reaction, markets quickly took these threats seriously as they persisted and escalated. This culminated in "Liberation Day," when Trump unveiled his international tariff policy, once again spooking markets already on a knife's edge. After a historic bout of volatility across asset classes, Trump ultimately backpedaled — marking the lows of the year in April. For the balance of the year, there was no shortage of issues to worry about: tariffs, risk of an AI bubble, slowing economic growth, Fed independence, private credit markets, elevated valuations, or the threat of a government shutdown. Ultimately, however, the year ended with above-average market returns, amid an economy that remained remarkably resilient — and could very well be on the cusp of re-acceleration.

2026 Outlook

Throughout 2025, we maintained a reasonably cautious tone, with our biggest concern being stagflation. For now, those stagflation fears have proven unwarranted (or premature) as growth and inflation hover at acceptable, "Goldilocks" levels — not too hot, not too cold. We would posit that a confluence of factors, including the wealth effect, immigration, the K-shaped economy, and AI-related capex, have contributed to this trajectory. Irrespective, as we enter 2026, we are tactically more bullish than we've been in years, seeing Goldilocks conditions persisting near term, with tailwinds from both monetary and fiscal policy.

Policy Tailwind

With U.S. midterm elections slated for later this year, Trump's dominant focus will be on maintaining political power. To this end, he will likely do all he can to stimulate the economy — openly pushing for aggressive rate cuts and further fiscal stimulus. Keep in mind, this comes on the back of several already-implemented rate cuts and the passage of the "One Big Beautiful Bill" (OBBB), the effects of which have yet to fully permeate the economy.

Trump has made no bones about what he wants or expects from the Fed. He believes rates should be cut aggressively and has openly clashed with current Chair Jerome Powell. With Powell's term expiring in mid-2026, Trump has floated a number of potential replacements, toggling between Kevin Hassett, Kevin Warsh, and Christopher Waller. Market perception is that all prospective candidates would be highly aligned with the President, though Hassett is viewed as the least credible and independent. Whoever is chosen will likely support Trump's policy direction — at least in the near term — providing another tailwind to the economy.

On fiscal policy, we expect Trump to address the issue of affordability, whether through direct stimulus payments or by pressuring certain industries to ease prices. This will likely be more political theatre than truly economically impactful in the near term. More importantly, the positive effects of OBBB — in the form of tax breaks and deregulation — should start to flow through the economy this year, providing an additional boost.

Market Rotation

Within this Goldilocks backdrop, we see markets setting up for a meaningful rotation. Call it what you will:

- Growth to value
- Big caps to small caps
- U.S. to ex-U.S
- Defensives to cyclicals
- Over-owned to under-owned
- Non-resource compounders to resources

They all rhyme.

However you slice it, markets have become unprecedentedly top-heavy over the past few years — a trend exacerbated by the AI trade. In 2025, there were early signs that a leadership shift may be underway. A perfect storm of factors is driving this, not least Trump's policies, which are bearish for the USD, inflationary, protectionist, and economically stimulative. This has already manifested in certain areas of the market — most notably precious metals, which broke to new highs in 2025. That strength is now broadening into other commodities, including copper, tin, aluminum, and rare earths. We see this as the early innings of a commodity bull market.

As markets digest the possibility of a sustained Goldilocks scenario, we're seeing strength broaden beyond the Mag 7 and AI names — most notably into small caps and cyclicals. Coincidentally (or perhaps not), the Mag 7 and software names have been notable underperformers over the past several months. We're watching closely as prior market darlings and "forever compounders" show signs of narrative fatigue. We believe our open and flexible mandate allows us to adapt to these shifts — a luxury some managers may not have given stylistic or asset-gathering constraints. In short, after years of underperformance, small caps and overlooked companies may finally have their day in the sun, and the breakout of the small-cap index in late 2025 could very well be an early tell.

On AI more specifically, concerns are growing that we may be in an AI bubble — a view we share, given extended valuations in certain segments, along with classic signs of speculation and capital misallocation. Pundits like to compare this to the Internet bubble, but we see it as a mix between the tech bubble of the late 1990s and the "Nifty Fifty" era of the 1970s. The pattern is recognizable: a revolutionary technology, inflationary backdrop, top-heavy indices, and "quality at any price." That said, it's impossible to know whether we are in 1995, 1998, or 2000; while the rhymes are familiar, every market cycle is unique, and we remain open-minded to the possible paths from here.

Risks

Despite our tactically bullish stance, we remain mindful of potential market risks. Although we're in a Goldilocks environment for now, there is a real risk of overheating down the road — reigniting inflation or stagflation fears. With government debt already on an unsustainable trajectory, that combination could prove disastrous. Additionally, geopolitics have moved to the forefront of market risks, as the world order established since WWII faces potential upheaval under Trump's policies. For now, markets have largely taken his emboldened approach in stride, but there is a real risk of miscalculation or unintended consequences — both of which could lead to a reckoning across asset markets.

Thank you again for your continued interest in the Fund. Please don't hesitate to reach out — we're always happy to engage, debate, or commiserate about markets.

Chung Kim

Historical Performance	1 yr	3 yr	5 yr	10 yr	ITD
Exemplar Performance Fund Ser F	22.27	15.37	11.72	9.83	9.82

Returns as of December 31, 2025

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

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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The comparison presented is intended to illustrate the historical performance of the Fund as compared with the historical performance of a widely quoted market index or a weighted blend of widely quoted market indices or other investments. There are various important differences that may exist between the Fund and the stated indices or other investments that may affect the performance of each. The objectives and strategies of the Fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indices. Indexes are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indices. Certain statements contained in this communication are based in whole or in part on information provided by third parties and Arrow Capital Management has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document.

More information about the Fund can be found on our website www.arrow-capital.com. Published January 2026.