

Q1 2026 was defined by sharp volatility and divergence between asset classes. Against that backdrop, the Exemplar Performance Fund gained 11.31%, meaningfully outperforming major North American equity indices. We entered the year with a tactically constructive view, supported by stimulative policy tailwinds and improving early cycle indicators. Underlying that positioning was our conviction that a durable rotation was underway...away from large cap growth and toward small cap value. We also believe we are in the early stages of a new commodity bull market, an environment that has historically rewarded real assets and cyclical sectors.

### **Shifting Market Leadership and Narratives**

Commodities delivered a strong start to the year. Gold and silver led initially, staging a sharp rally before reaching what we characterize as a blow off top in precious metals by late January. Leadership then shifted within the commodity complex toward Energy and Fertilizers, accelerated by rising geopolitical risk across the Middle East.

We see symmetry between today's setup and 2022, when growth equities significantly underperformed amid inflation concerns and a broad re-rating of value. That parallel feels increasingly relevant as the current rotation has been amplified by a new source of pressure: mounting anxiety in software. Incremental AI model releases have raised legitimate questions about the durability of certain software business models and, in turn, the valuation multiples that underpinned them.

Separately, private credit continues to weigh on private equity firms and is beginning to affect financials more broadly, a consequence of the meaningful overlap between private credit exposure and the technology ecosystem. This dynamic echoes the concern around Energy in the last downturn, when Energy related issuers comprised a disproportionate share of the high-yield market. We do not believe this process has fully played out and continue to see selective downside risk in software and private credit exposures.

### **Geopolitical Shocks and Policy Implications**

The macro backdrop shifted materially following the U.S. military strike on Iran in early March, introducing a new layer of uncertainty into an already complex environment. In the immediate aftermath, both oil prices and bond yields moved sharply higher.

This development complicates the Federal Reserve's path considerably. Higher energy and commodity prices raise the risk of a re-acceleration in inflation, with meaningful downstream economic effects. Notably, bonds have again failed to behave as a traditional safe haven, with prices falling alongside risk assets, in a pattern reminiscent of 2022. Should the conflict persist, however, the balance of risks could shift: growth fears may begin to overshadow inflation concerns, and bonds could reassert their defensive role. We are watching this transition closely.

Market rate expectations have adjusted quickly, with earlier assumptions around multiple cuts scaled back and some participants even raising the possibility of renewed hikes. While we view that scenario as premature, the current environment will test the Fed's resolve, particularly with incoming Chair Kevin Warsh likely to face heightened political scrutiny from the current administration.

### **Portfolio Positioning and Outlook**

In response to the evolving macro and geopolitical backdrop, we reduced exposure near the end of the quarter, and selectively increased allocations to areas that may benefit from a prolonged conflict. We viewed this volatility as a potential setup for an attractive buying opportunity, contingent on greater clarity around the Middle East, but remaining disciplined and tactical in deploying incremental capital. As of this writing, the US and Iran have both signaled a willingness to de-escalate, and although a full resolution remains illusive still, we see the worst case scenario as off the table. Thus, we've taken exposures back up into the new quarter, while keeping a close eye on the fluid geopolitical situation, as well as volatility of macro variables that could re-introduce a risk off impulse.

Below are three positions that have contributed to Q1's performance that also display the idiosyncratic nature of our ideas.

### Key Single-Stock Contributors

#### **Enerflex (EFX) +33% YTD**

The market continued to reward Enerflex's improving balance sheet, a refreshed management team, and a more disciplined capital allocation framework. Despite the strong move, we believe shares remain attractively valued at approximately 6x EV/EBITDA, a meaningful discount to the roughly 9x commanded by public peers. With natural gas compression markets tight and structural power demand rising, we see a credible path for EFX's multiple to migrate toward the peer group as execution continues.

#### **MSG Sports (MSGS) +24% YTD**

MSGS, owner of the New York Knicks and New York Rangers, was a strong contributor. We view premium sports franchises as a distinct and enduring asset class: live sports content is becoming structurally more valuable, particularly as AI reshapes the broader entertainment landscape. MSGS has historically traded at a meaningful discount to our NAV estimate, reflecting its small-cap profile, limited analyst coverage, and a persistent "owner discount" tied to James Dolan. The announced plan in Q1 to separate the two franchises into independent public companies represents a clear and compelling value unlocking catalyst. We see material additional upside as the NAV discount narrows.

#### **EZCorp (EZPW) +27% YTD**

We view EZCorp, the second-largest pawnbroker in the U.S., as a high quality defensive holding. EZPW is positioned to benefit from the widening K-shaped economy, and is supported by a resilient, collateral-backed business model, with a defensible competitive moat. The company also offers indirect gold exposure through its lending and collateral profile, a meaningful attribute in this uncertain macro environment. EZPW has historically traded at a substantial discount to larger peer FirstCash (FCFS), a gap we believe is not fully justified given the company's improving fundamentals. We like EZPW in both risk-on and risk-off environments, and see room for that discount to narrow as management continues to execute.

As always, please reach out with any questions.

Chung Kim

Historical Performance	1 yr	3 yr	5 yr	10 yr	ITD
Exemplar Performance Fund Ser F	45.61	20.01	10.80	11.19	10.58

Returns as of March 31, 2026

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More information about the Fund can be found on our website [www.arrow-capital.com](http://www.arrow-capital.com). Published April 2026.