

ARROW CANADIAN ADVANTAGE ALTERNATIVE CLASS FEBRUARY 2022

As we write this, we are a few weeks into the Russian invasion of Ukraine. Our hearts go out to the Ukrainian people, and we are humbled by the bravery and resolve that the citizens are exhibiting in defending their homeland. Events like these are truly sobering and we hope for a swift resolution to the conflict.

The Fund returned +3.05% in February, outperforming the TSX and S&P500 CAD that were +0.28% and -3.26% respectively.

	1 yr	3 yr	5 yr	10 yr
Arrow Canadian Advantage Alt CI F	7.12	17.55	11.68	10.31

Returns as of February 28, 2022

As the month progressed, a continuation of January's themes accelerated with long duration assets, most notably Technology, underperforming cyclical sectors.

Increasing concerns of a Russian invasion of Ukraine also elevated volatility, and exacerbated inflationary fears. As you recall, we entered the year with a view that a 'great rotation' may be upon us, stoked by the possibility of persistent inflation, higher rates, and drawdown of Fed liquidity. The Ukraine invasion gives us greater concern that a higher for longer inflationary environment is an increasing risk, placing more pressure on the Fed and ultimately adding to the probability of a Global recession.

As we mentioned in our last commentary, our biggest market worry is this recessionary risk posed by the rapid rise of inflation...these risks have only increased since the last update. Let's be clear...this is not our base case, but the market is smart and forward looking and we will pay close attention to potential market signals.

From a positioning perspective, we continue to own names that benefit from inflation, and avoid/short names that are hurt by inflation. As well, we continue to avoid/short expensive or unprofitable companies that continue to break down to pre-covid levels. In light of the above macro risks, we have reduced our exposure to 're-opening' type plays, as the higher risk of a recession would circumvent any post-covid boost. We also continue to reduce exposure and build our cash position.

If you've followed our Fund holdings, you'll notice some turnover recently in our top holdings. This reflects our style, as we are not dogmatic about our names, and are willing to exit if the thesis has played out or new risks arise. High level, we have been moving to more liquid stocks as we believe this will be at a premium in a more turbulent market. We believe these tactical shifts are that much more important in potential market turning points, as liquidity, sentiment, and narratives all shift aggressively.

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.

Note: This page is not complete without disclaimers on the last page.

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

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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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More information about the Fund can be found on our website www.arrow-capital.com. Published March 2022.