EXEMPLAR GROWTH AND INCOME FUND
commentary - Week ending December 12, 2025

Arrow Capital Management Inc.

December 12th 2025 Asset Allocation: 3.6% cash; 25.2% bonds; 0.6% commodities, and 70.6% equities*; 18.7% $US

December 5th 2025 Asset Allocation: 4.1% cash; 25.3% bonds; 1.3% commodities, and 69.2% equities*; 18.8% $US
*Net exposure to equities

	Last Week	Year to Date
iShares U.S. 7-10 Yr Bond ETF	-0.74%	+7.70%
iShares Core Canada Bond Index ETF	-1.66%	+1.91%
Gold (GLD ETF)	-0.37%	+58.23%
USD/CAD	-0.47%	-2.89%
ACWI (ETF)	+0.44%	+21.23%
S&P 500 (SPX ETF)	+0.33%	+17.24%
Nasdaq (QQQ ETF)	+1.00%	+22.01%
S&P/TSX (XIU ETF)	-0.02%	+26.11%
EGIF – Series FD	+0.06%	+16.78%
EGGIF – Series FD	-0.50%	+11.97%

December 5, 2025 to December 12, 2025

Quad Forecast	4Q25E	1Q26E	2Q26E
Canada	Quad 3 (GDP ↓, Inflation ↑)	Quad 1 (GDP ↑, Inflation ↓)	Quad 2 (GDP ↑, Inflation ↑)
United States	Quad 2 (GDP ↑, Inflation ↑)	Quad 1 (GDP ↑, Inflation ↓)	Quad 4 (GDP ↓, Inflation ↓)

Source: Hedgeye Risk Management, November 2025

Markets ended last week on a constructive note following the final central bank meetings of the year. While the Federal Reserve's 25 basis point rate cut was widely expected, the more important driver of the market reaction was the tone of the accompanying messaging. Going into the meeting, investors were braced for a more hawkish shift given still-elevated inflation and growing debate within the Fed. Instead, policymakers struck a more balanced and cautious note, which markets interpreted as reassuring.

In Canada, the Bank of Canada held interest rates steady and reiterated that current policy settings remain appropriate. Governor Macklem acknowledged recent improvements in economic data but emphasized that the economy continues to operate with spare capacity and faces ongoing uncertainty, particularly related to global trade. Importantly, the Bank pushed back against expectations that rates might need to rise in 2026, signaling that the focus remains on supporting the economy through a soft patch rather than preparing for renewed tightening.

South of the border, the Fed delivered its third consecutive rate cut, though the decision was not unanimous. Several policymakers expressed concern that inflation remains above target, and subtle changes to the Fed's statement suggested the central bank may be preparing to pause further easing early next year. Chair Powell reinforced this point by noting that, after substantial rate cuts over the past year, it may be appropriate to allow more time to assess how the economy evolves.

That said, the Fed's message was notably less hawkish than markets had feared. Chair Powell highlighted ongoing weakness in the labour market and warned that employment data could deteriorate further, underscoring the Fed's sensitivity to downside economic risks. At the same time, updated forecasts showed lower inflation expectations alongside slightly stronger growth assumptions, suggesting increased confidence that inflation pressures will ease without requiring restrictive policy. Most policymakers continue to expect interest rates to move modestly lower over time, and Chair Powell made clear that a rate hike is not the next likely step.

Equity markets responded positively to this combination of cautious optimism and policy flexibility. Canadian equities reached new record highs, while U.S. markets saw continued rotation beneath the surface. Small-cap stocks outperformed large-cap technology names, which paused after some disappointing earnings reports from high-profile companies. These moves point to a gradual broadening of market leadership as investors look beyond the narrow group of stocks that have dominated returns.

As we wrap up the year, we want to thank our investors and advisors for their continued trust and support. This will be our final weekly note of the year, and we will resume our regular updates in January. We wish you and your families a happy holiday season and a healthy start to the new year. As always, we remain available to discuss the fund, the markets, or any questions you may have.

Sector Breakdown and Top Holdings

The Fund is prepared for multiple outcomes and using market swings to add or remove exposures. Our biggest sectors: Materials (11.8%), Industrials (11.0%), Financials (8.6%), Energy (7.6%), and Real Estate (5.1%). I've added our Top 10 Equity Holdings below for this week.

Top 10 Equity Holdings as of December 12, 2025

1.	Schmid Group – SHMD	Industrials
2.	Chartwell Retirement – CSH.UN	REITS
3.	Base Carbon - BCBN	Financials
4.	Manulife - MFC	Financials
5.	Canadian Imperial Bank - CM	Financials
6.	Tenaz Energy - TNZ	Energy
7.	Premium Brands - PBH	Consumer Staples
8.	Canadian National Railway – CNR	Industrials
9.	Bombardier – BBD-B	Industrials
10.	MDA Space – MDA	Industrials

*EGIF Top 10 Equity Holdings exposure: 9.5%

The Exemplar Growth & Income Series FD was +0.04% last week and is +16.82% year to date.

Exemplar Global Growth & Income

Quad Forecast	4Q25E	1Q26E	2Q26E
Europe	Quad 3 (GDP ↓, Inflation ↑)	Quad 4 (GDP ↓, Inflation ↓)	Quad 2 (GDP ↑, Inflation ↑)
China	Quad 3 (GDP ↓, Inflation ↑)	Quad 4 (GDP ↓, Inflation ↓)	Quad 1 (GDP ↑, Inflation ↓)
Japan	Quad 4 (GDP ↓, Inflation ↓)	Quad 1 (GDP ↑, Inflation ↓)	Quad 3 (GDP ↓, Inflation ↑)

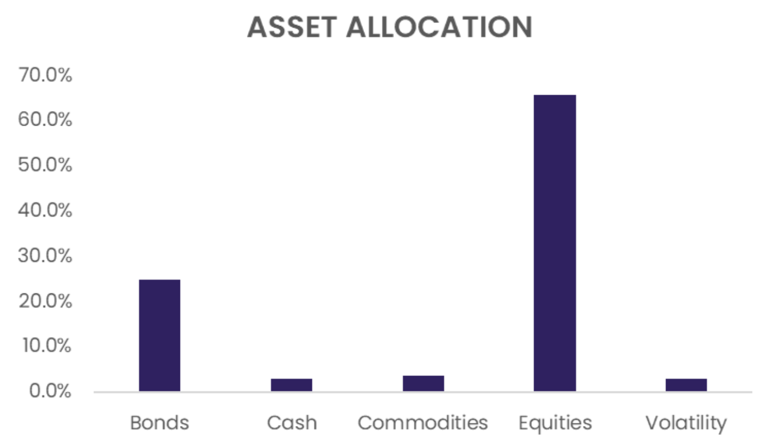
Source: Hedgeye Risk Management, November 2025

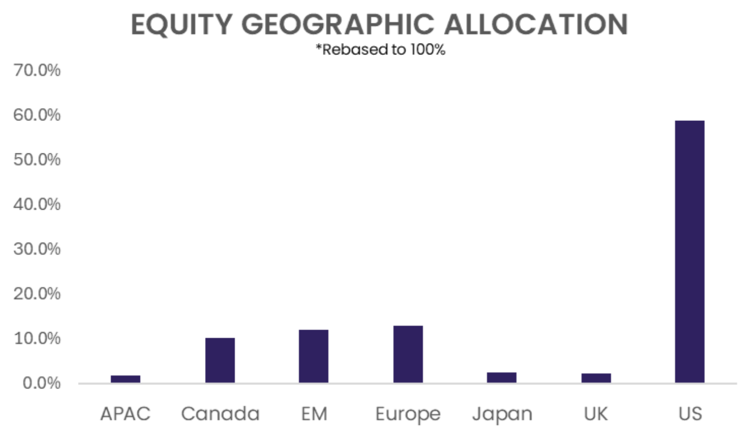
This coming week we will get the NFP and CPI in the U.S. The market will likely view these numbers with some trepidation given the impact of the shutdown in some of the sampling/reporting. The market is firmly focused on the jobs picture in the U.S. as signalled by Fed Chair Powell during his presser post the 25-bps rate cut. The FED added a timely and hefty bills buying program in support of bank reserves ensuring ample liquidity in the system – this is not QE (in QE the FED buys coupons), but it does show the FED is vigilant for any funding stress in markets. The market is pricing 3-3.25% as the terminal rate by October of next year. The 10 yr UST was quite volatile on the week with the yield closing close to 4.2% and with the yield curve steepening again. The USD fell and gold rose in sympathy – the debasement trade continues. This has been a shot in the arm for equity sectors with a value tilt like financials and more broadly speaking EM. We will likely be adding some further duration in fixed income to the portfolios. Our view is that inflation is not an issue (see chart below on the 1-year inflation swap – at 2.41%). We are in the camp that tariffs are deflationary over the medium term.

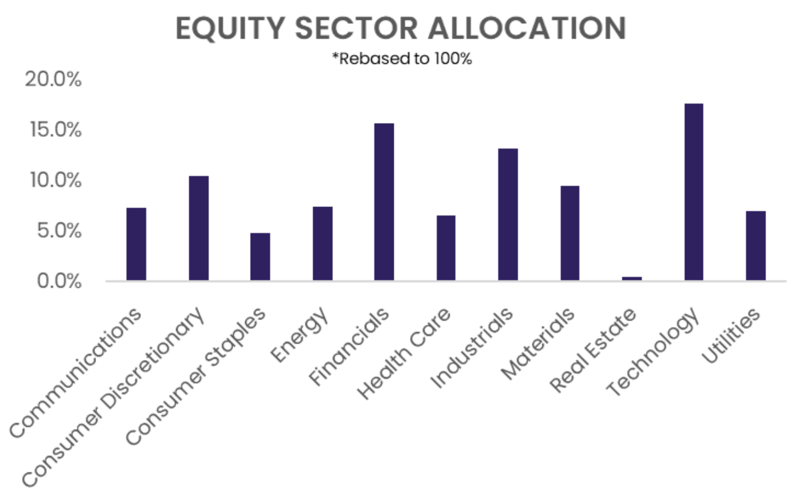
Source: Bloomberg

AI related equities took a tumble towards the end of the week based on the ORCL and AVGO results. AI related names are richly valued and any hint of delays or slowdowns in the AI buildout would be very negative for the broad markets. From a risk management perspective having some left tail protection on at all times seems necessary should the AI narrative take a negative turn. On the other side of the hyperscalers are the power generators – GE Vernova had stunning guidance and expectations for Siemens Energy continue to rise. Both are core portfolio holdings.

As we get closer to 2026, the transition to a QUAD 1 in Q1 2026 also creates an opportunity for a broadening of the market which we are now seeing. Technically, there are many “laggards” coming to life – not just mid and small cap stocks (which tend to be more value focused) but look at the charts of Visa, Chubb, XRT (retail), GM, Magna, healthcare, rails etc. All these companies are certainly cheaper than tech in general and are getting a bid for both fundamental (improving real GDP expectations) and technical reasons.







Top 10 Equity Holdings as of December 12, 2024

1.	Apple - AAPL	Technology
2.	Alphabet – GOOG	Communication Services
3.	Amazon – AMZN	Consumer Discretionary
4.	Citigroup - C	Financials
5.	Wells Fargo - WFC	Financials
6.	APA Corp - APA	Energy
7.	Meta Platforms - META	Communication Services
8.	Nvidia – NVDA	Technology
9.	Baker Hughes - BKR	Energy
10.	Warby Parker - WRBY	Healthcare

*EGGIF Top 10 Equity Holdings exposure: 6.8%

The Exemplar Global Growth & Income Series FD was -0.03% last week and is +11.95% year to date.
Thanks,
Arrow Investment Team

Historical Performance – As of November 30, 2025

	1-Year	3-Year	5-Year	10-Year	ITD
EGIF - Series FD	14.44%	9.35%	7.48%	7.74%	7.62%
EGGIF – Series FD	9.75%	6.93%			3.57%

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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.