EXEMPLAR GROWTH AND INCOME FUND
commentary - Week ending January 9, 2026

Arrow Capital Management Inc.

January 9th 2026 Asset Allocation: 3.8% cash; 25.1% bonds; 0.3% commodities, and 72.1% equities*; 17.6% $US

January 2nd 2026 Asset Allocation: 3.8% cash; 25.5% bonds; 0.3% commodities, and 71.7% equities*; 19.4% $US
*Net exposure to equities

	Last Week	Year to Date
iShares U.S. 7-10 Yr Bond ETF	+0.23%	+0.15%
iShares Core Canada Bond Index ETF	+0.64%	+0.21%
Gold (GLD ETF)	+4.06%	+4.58%
USD/CAD	+1.08%	+1.23%
ACWI (ETF)	+1.59%	+2.30%
S&P 500 (SPX ETF)	+1.60%	+1.78%
Nasdaq (QQQ ETF)	+2.21%	+2.01%
S&P/TSX (XIU ETF)	+2.05%	+2.62%
EGIF – Series FD	+2.87%	+3.48%
EGGIF – Series FD	+2.73%	+3.62%

January 2, 2026 to January 9, 2026

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

Source: Hedgeye Risk Management, January 2026

As we move into 2026, the investment backdrop remains constructive—but it is evolving. After several years of unusually strong equity returns, markets are entering a more mature phase of the cycle where results are likely to be driven less by valuation expansion and more by underlying fundamentals.

Looking specifically at the first half of the year, we believe the economy is entering what we would describe as a Quad 1 environment—a phase where economic growth is accelerating while inflation continues to decelerate. Historically, this combination has been favourable for risk assets, particularly equities, as earnings growth improves without forcing central banks to tighten policy. Importantly, this view is less about absolute levels and more about the direction and momentum of growth and inflation, which remain supportive early in the year.

One factor that could help sustain this Quad 1 backdrop is the growing contribution from productivity gains tied to artificial intelligence. The AI narrative is beginning to shift from heavy upfront investment toward broader, real-world adoption. As AI tools are integrated into day-to-day business processes, they have the potential to lift productivity, ease capacity constraints, and reduce unit labour costs. At the same time, many companies appear to be approaching incremental hiring more cautiously as workflows are redesigned and efficiency improves. This combination—higher productivity alongside a gradually cooling labour market—can be disinflationary, allowing growth to persist without reigniting inflationary pressures or pushing interest rates meaningfully higher.

That said, starting valuations matter. After a strong multi-year run, particularly in U.S. equities, markets are entering 2026 with elevated valuations and compressed risk premia. While we still expect equities to deliver positive returns over time, those returns are likely to be lower and more volatile than what investors experienced earlier in the cycle. In other words, markets can still move higher, but progress is likely to be more uneven and increasingly dependent on earnings growth rather than sentiment alone.

This late-cycle setup argues for a more selective and diversified approach. We expect market leadership to continue broadening beyond a narrow group of large, AI-related winners toward companies and sectors that benefit from productivity improvements, steady economic growth, and fiscal support. At the same time, parts of the fixed-income and credit markets appear less compelling on a forward-looking basis, with tight spreads limiting upside and offering less protection should growth expectations soften.

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 (12.0%), Industrials (11.1%), Financials (8.9%), Energy (7.1%), and Real Estate (5.3%). I've added our Top 10 Equity Holdings below for this week.

Top 10 Equity Holdings as of Janaury 9, 2025

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

*EGIF Top 10 Equity Holdings exposure: 9.3%

The Exemplar Growth & Income Series FD was +2.87% last week and is +3.48% year to date.

Exemplar Global Growth & Income

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

Source: Hedgeye Risk Management, January 2026

Well, what a start to the year. Head on a swivel comes to mind. Just when you might have thought 2026 may be less "crazy" than 2025 we got:
The U.S. snatching Maduro out of VZ – "stick" for U.S. exceptionalism
The U.S. planning to annex Greenland peacefully or not – "stick" for Europe to get its act together faster
The U.S. defense industry ordered to eliminate buybacks/dividend increases – "stick"
The U.S. defense industry to get another $500 billion in budget – "carrot"
The U.S. government deciding to buy $200 billion of mortgage bonds – "carrot" – got 30yr fixed to 6% - worth it??
Private equity funds told to stop buying up single family homes – "stick" – get affordability up
Credit card rates capped at 10% for a year – "stick"

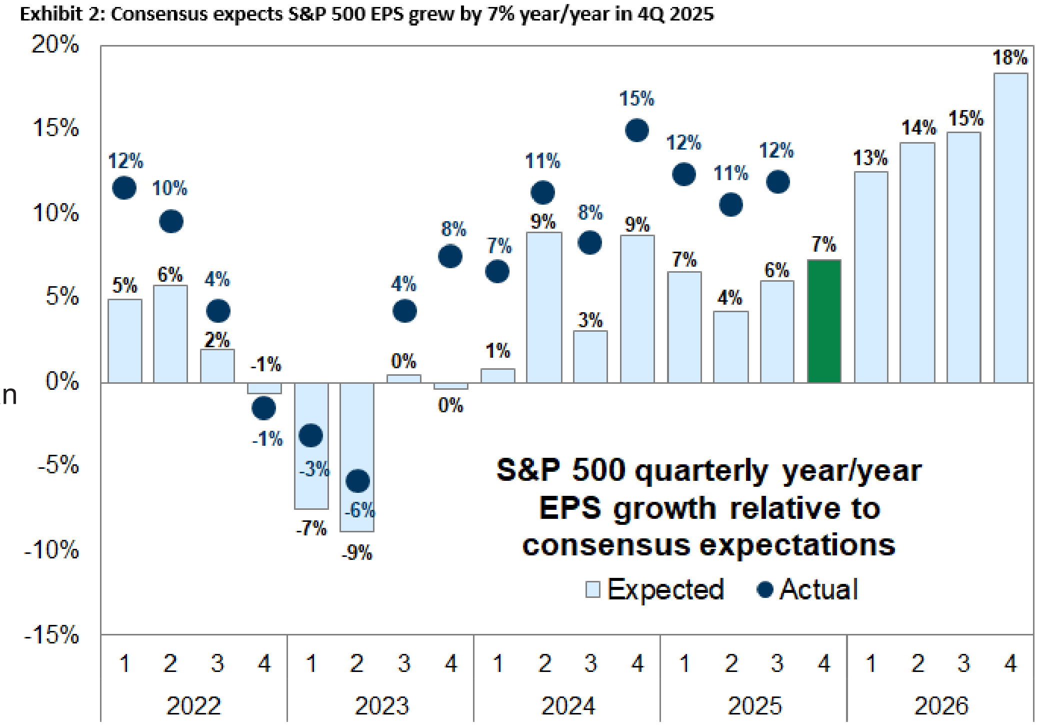
At least the IEEPA ruling did not come on Friday – maybe we get that one on Wednesday this week?!

Do you think maybe we have mid terms coming up later this year? Will monitor the implications of all the above but we will be patient as our initial thoughts are this is more "Art of the Deal" / negotiations / image building for mid-terms. Will see.

The bottom line is that the economic backdrop (monetary and fiscal stimulus) remains very favourable to equities effectively around the world. In the U.S., we will kick off Q4/25 earnings results this week. Here is the short-term history courtesy of Goldman Sachs.

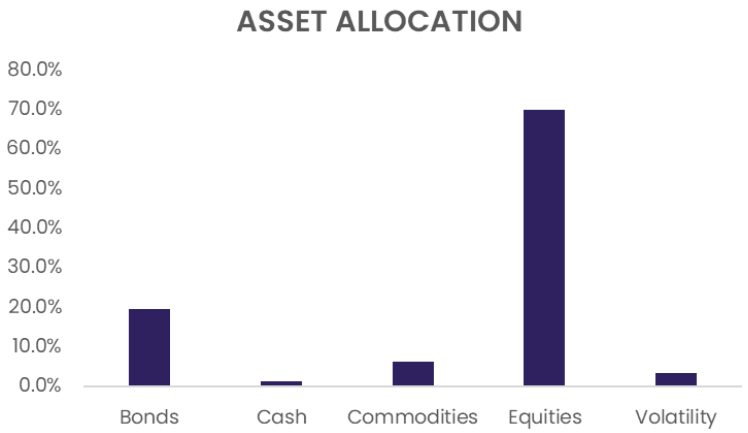
Clearly there is a great deal of positive momentum in earnings going into 2026. It will likely be hard to see multiple expansion so stock selection featuring earnings growth will drive results.

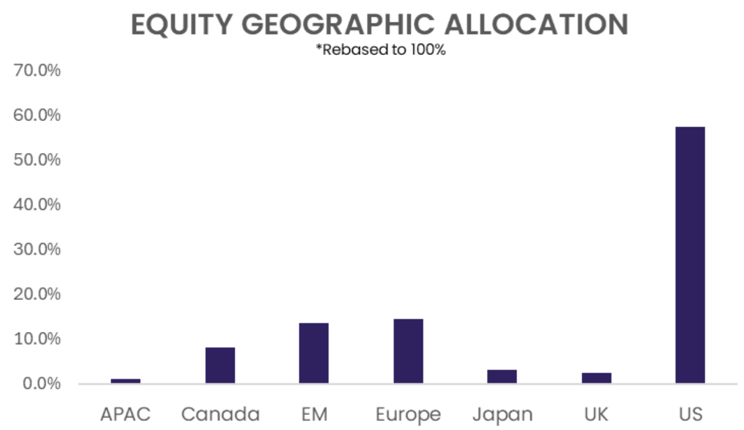
Exhibit 2: Consensus expects S&P 500 EPS grew by 7% year/year in 4Q 2025

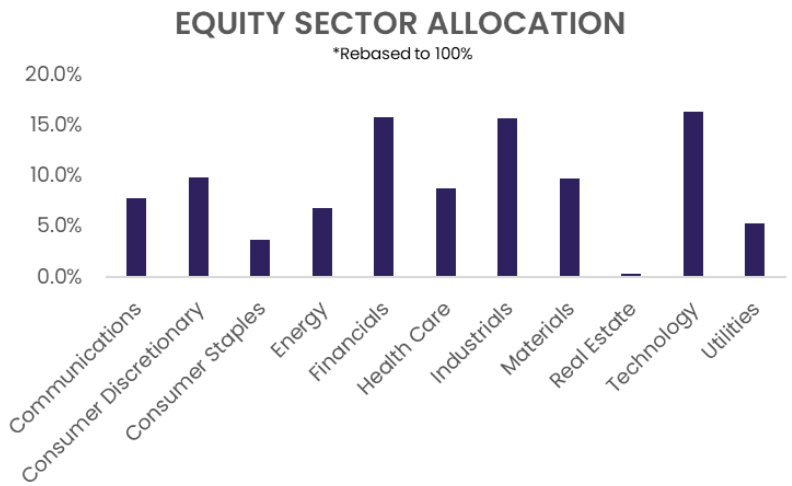


Source: Goldman Sachs

Exemplar Global Growth & Income Asset Allocation – January 9, 2026







Top 10 Equity Holdings as of January 9, 2025

1.	Alphabet – GOOG	Communication Services
2.	Amazon – AMZN	Consumer Discretionary
3.	Nvidia – NVDA	Technology
4.	Apple - AAPL	Technology
5.	Meta Platforms - META	Communication Services
6.	Exxon Mobil - XOM	Energy
7.	Perpetua Resources - PPTA	Materials
8.	Rheinmetall AG - RHM	Industrials
9.	Novo-Nordisk - NVO	Healthcare
10.	Microsoft - MFST	Technology

*EGGIF Top 10 Equity Holdings exposure: 8.0%

The Exemplar Global Growth & Income Series FD was +2.73% last week and is +3.62% year to date.

Thanks,
Arrow Investment Team

Historical Performance – As of December 31, 2025

	1-Year	3-Year	5-Year	10-Year	ITD
EGIF - Series FD	17.53%	9.97%	7.33%	7.86%	7.62%
EGGIF – Series FD	12.09%	6.96%			3.39%

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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.