ARROW CAPITAL MANAGEMENT INC.

Experience. Active Management.

EXEMPLAR GROWTH & INCOME FUND

YEAR-END 2021

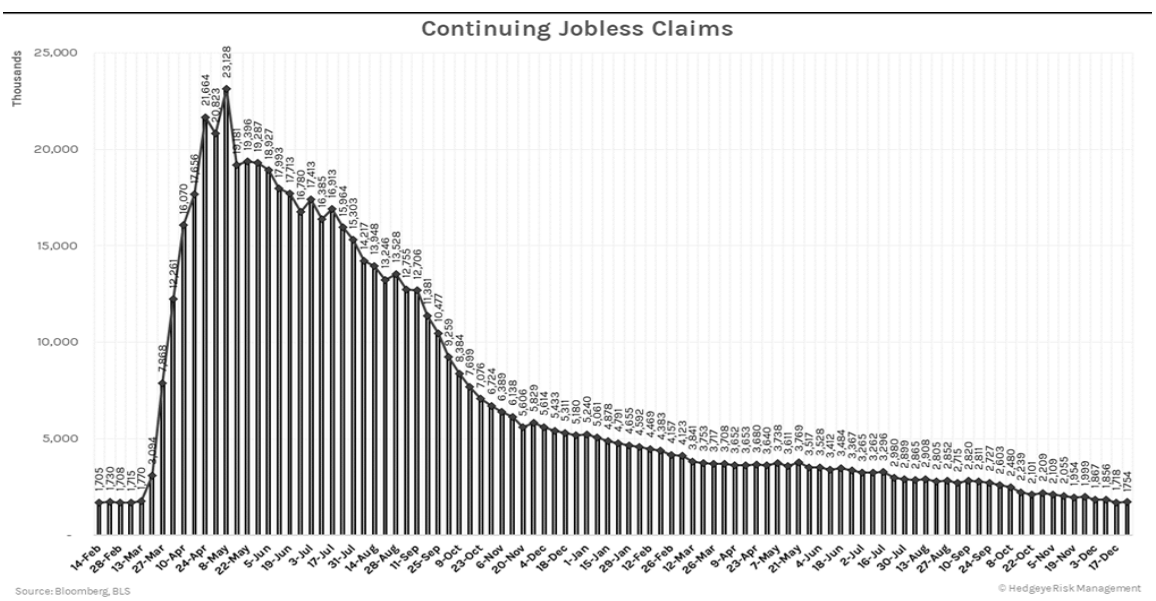
The Exemplar Growth & Income Fund returned 17.37% for the year 2021. The Fund was up 5.07% in the 4th quarter of 2021.

Returns	Q4 2021	2021
Exemplar Growth and Income (F-Class)	**5.07%**	**17.37%**
Blended Benchmark*	5.49%	19.13%
FTSE TMX Canada Universe Bond	1.47%	-2.54%
S&P 500 TR USD	11.03%	28.71%
S&P/TSX Composite TR	6.47%	25.09%

Source: Morningstar Direct, December 2021

The year 2021 continued the rally that was started in November 2020 with the announcement of the Pfizer Covid-19 vaccine. GDP accelerated throughout 2021, except the 3rd quarter, saw a dip which led to a more than 5% correction in September. The market experienced another set back in early December on news of the Omicron variant but recovered on signs the Omicron variant was a lot less deadly. Santa Claus showed up and the last 2 weeks of December the S&P500 was a positive 3.15%. Inflation accelerated throughout 2021, the data is not out yet, but we believe PCE peaked in November. The preceding environment was positive for equity returns and unfavourable for bonds and gold which had negative returns. Although, the Fed admitted inflation was no longer transitory in October, it appears inflation has peaked.

Although equity returns were good last year, every month experienced a pull back of 1-3%. Every month experienced a negative market event from, the hedge fund Achegos blowing up, the rise of Delta variant in the summer, China property developers becoming insolvent in September to the Omicron variant in December. The back drop of accelerating GDP and Inflation was only derailed briefly in the 3rd quarter as the re-opening trade was stalled with the emergence of the Delta variant. Inflation was driven by shortages. Supply chains were interrupted and labour was scarce. The GDP recovery can be shown with the job recovery. Continuing jobless claims have been in steady decline throughout 2021.



Source: Hedgeye Risk Management

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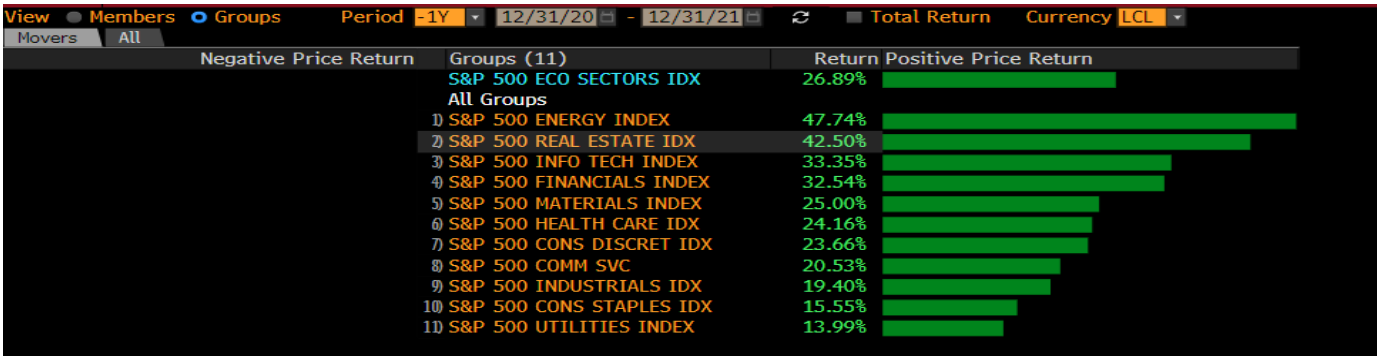
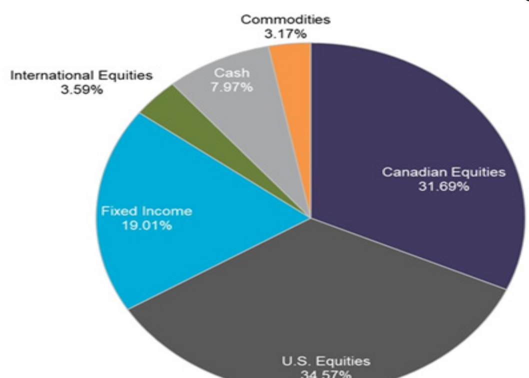
The 2021 returns below for the S&P500 show the inflation sectors (Energy and Real Estate) were best followed by economically sensitives (Info Tech, Financials and Materials). The Inflation sectors performed dramatically better than the defensives (Consumer Staples and Utilities).



Source: Bloomberg

From our perspective we risk manage the economic cycle and forecast both Inflation and GDP growth to determine our asset allocation. We were able to be positioned for the positive equity market and were under weight bonds throughout the year (bonds provided negative returns as the 10year U.S. Treasury yield went up 60bps during the year). Despite the emergence of Omicron, the Fund remained over weight equities and benefitted from the Santa Clause rally at year end.

The forecast for 2022 is for GDP growth to accelerate or a mild deceleration in Q1 2022 and Inflation to decelerate in the first quarter and continue decelerating throughout the year. GDP is likely to begin decelerating in Q2 and the balance of the year. The risk facing the equity market is a Fed policy error of raising interest rates in a decelerating economy. The Fed is already removing quantitative easing and talking of beginning quantitative tightening. The Fed may not be getting any help on the fiscal front as President Biden's 'Build Back Better' remains stalled in the Senate. It will be a more difficult equity market as fiscal stimulus remains sidelined and the Fed is intent on removing liquidity.



Source: Arrow Capital Management Inc, Dec 2021

Thank you for your continued interest in the Fund. For further information, please contact your regional Arrow Capital Management representative or visit our website online at www.arrow-capital.com.

Yours sincerely,

Ted Whitehead
Senior Portfolio Manager

Jim McGovern
Managing Director & CEO

* Blended Benchmark used consists of 80% S&P/TSX Composite TR and 20% FTSE/TMX Canadian Universe Bond.

Unless otherwise stipulated Exemplar Funds' returns are net of all fees, in Canadian dollars, reflect class "F" units and assume reinvestment of all distributions. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the full prospectus before investing. Except as otherwise noted the indicated rates of return are the historical compounded total returns including changes in share or unit value and the reinvestment of all dividends or distributions and do not take into account the sales, redemption, distribution, optional charges or income tax payable by the unitholder or shareholder that would have reduced returns. Mutual funds are not insured or guaranteed by Canada Deposit Insurance Corporation (CDIC) or any other insurer. Mutual funds are subject to risks of loss of capital and income and their values change frequently. Past performance may not be repeated.

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