

ARROW CANADIAN ADVANTAGE ALTERNATIVE CLASS

Week ending May 13, 2022



May 13th, 2022 Asset Allocation: 13.3% net, 75.1% gross equities; 3.6% commodities; 5.5% bonds and 34.4% USD

May 6th, 2022 Asset Allocation: 15.2% net, 90.1% gross equities; 3% commodities; 5.8% bonds and 34.8% USD

Monthly performance, macro context, current positioning and future expectations.

Performance

Week of May 13th, 2022

Arrow Canadian Advantage Alternative Class (F Class):

WTD -0.47%

MTD -0.89%

YTD 2.37%

S&P TSX Composite:

WTD -2.59%

MTD -3.19%

YTD -5.29%

S&P 500:

WTD -2.41%

MTD -2.61%

YTD -15.57%

Fund Commentary

The Fund finished the week down 47bps, against a decline of 2%+ in the S&P500 and the S&P/TSX Composite, as volatility remained stubbornly elevated.

S&P index volatility stayed above 30 and Nasdaq 100 index vol stayed above 40 until Friday. The US Dollar (DXY) was exceptionally strong while Crypto was crashing. Investors were running for safety as TerraUSD (UST) lost its peg with the U.S. dollar and Luna coin collapsed to zero. Some think this is worse than the dot com bubble - depends on where you see the valuation going - we expect more downside in the stock market.

On the economic front, April CPI came out last week. It was a big print for the services components, namely airline fares and shelter, which both printed +19% y/y and +5.1% y/y, respectively. While the base case remains that inflationary pressures are slowly going to dissipate, the latest CPI report shows price pressures are broadening towards the stickier components of the inflation basket- which is not great news for the stock market. We expect to see continued pressure on corporate profits as the major world economies started the tightening cycle.

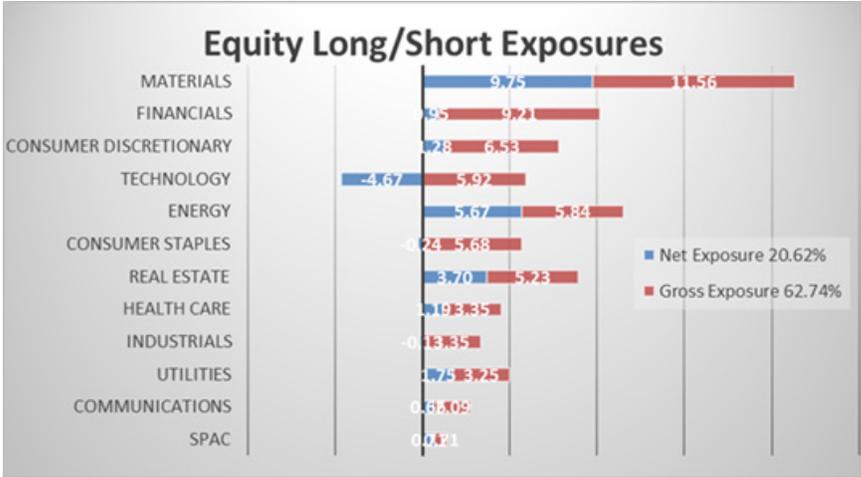
Geographic Equity Exposures (% Total Portfolio including Futures)

ASSET ALLOCATION	NET	GROSS	LONG	SHORT
Canada	12.0	39.1	25.6	-13.6
US	-0.1	33.2	16.5	-16.7
Rest of World	1.4	2.8	2.1	-0.7
Equities Total	13.3	75.1	44.2	-30.9
Bonds	5.5	5.5	5.5	0.0
Commodities	3.6	3.6	3.6	0.0
Total	22.3	84.2	53.2	-30.9

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Net equity exposure was reduced by 1.9% largely via a reduction in Canadian equities.
 Net bond exposure was reduced by 0.3%.
 Net commodity exposure was increased by 0.6%.
 Total fund gross exposure was reduced by 14.7%. Total fund net exposure was reduced by 1.7%.
 Once again, our positioning remains extremely defensive at this juncture.

Sector Exposures (% Long / Short Portfolio of individual companies)



No major changes – still net short technology. Low gross and net exposure.

Market Cap Breakdown



No material changes in the market cap weightings.

FX Exposures:

FX EXPOSURE	%
CAD	64.7
USD	34.4
Other	0.9
DXY	0.0
Total Fund	100.0%

As a reminder, we view foreign exchange as active “bets” that are used to either generate alpha or act as a hedge to the overall portfolio. The Fund’s reference currency (except for the USD class) is the Canadian dollar so any exposures other 100% Canadian dollars are considered “active” positions.

FX Remains unchanged.

We look forward to reporting back next week.

Historical Performance – As of April 30, 2022

	1-Year	3-Year	5-Year	10-Year
ACAA - Series F	6.76%	17.10%	11.56%	10.88%

Published May 16, 2022.

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