This year seems like a broken record, as every month is faced with significant angst and volatility…April was no different, as the S&P500 was -9%, Nasdaq -13%, and the TSX -5%. The Fund returned -0.39% for the month. Our long positions continue to be focused on stocks and sectors that will benefit from a persistently longer inflationary environment, and we continue to avoid the Tech space.

We have always seen the biggest risk as the potential for demand destruction/recession risk, leading to a cascading, indiscriminate drawdown. In the latter half of April, we believe some signs of this more widespread risk started to show, and as we write this, those fears have continued through the first 2 weeks of May. More specifically, commodity stocks that had been standouts year to date, experienced significant weakness post Q1 earnings, and safe haven sectors such as Utilities, Staples, and REITs are starting to exhibit topping characteristics.

In light of this, we continue to reduce risk and exposure.

Despite the complex macro cross currents, our reasons for caution are rather simple. We believe the market has been aided for many years by low rates, benign inflation, and excess liquidity, which stoked speculative activity that in hindsight, may have peaked in early 2021. However, as the Fed tries to fight inflation, it is being forced to pull liquidity faster, creating heightened risk and volatility, all at a time that growth is slowing as the benefit of the fiscal stimulus wanes.

So, despite a painful month and year thus far, if we take a step back, we have retrenched only a portion of the covid gains over the past 2 years. The S&P500 is still up 25%, and the Nasdaq is up 30% since Feb/20. We've seen the covid poster childs like Peloton and Zoom completely roundtrip their covid gains, and I don't see why the broad markets can't similarly roundtrip given the current backdrop. This is not a prediction, but more of us being open minded to the possibilities as we digest new information.

With all of us conditioned for many years to buy every dip, it's tempting to view the current weakness as a compelling buying opportunity. Sentiment, positioning, and technical indicators all support this idea, however we're not yet convinced, as the jury's still out on the Fed's ability to engineer a soft landing in the face of unpredictable macro factors such as the Ukraine invasion and Chinese covid policy.

As well, we have yet to see a true capitulation, and the weakness to date, although material, has generally been orderly. Retail investors have yet to truly sell this market, and ARKK continues to see consistent inflows. In our view, these aren't the marks of a bottom, and if anything, opens up the possibility for further dislocation as sentiment and flows could still get more negative.

Within this framework, we could see violent bear market rallies like late March, and we are always looking to be opportunistic where we can. However, it's clearly a very difficult investing environment, so capital preservation is of paramount importance.

As always, happy to provide more detail on our thoughts, and welcome any feedback.

Sincerely,

Chung Kim
Portfolio Manager
Arrow Capital Management Inc.

ASSET CLASS	INDEX NAME	MTD%	YTD%
EQUITY INDICES	US Large Cap	-8.7	-12.9
	US Mid Cap	-7.1	-11.6
	US Small Cap	-7.8	-13.0
	CAN Large Cap	-5.0	-1.3
US FACTORS	Anti-Beta	8.0	12.0
	Momentum	3.7	0.1
	Quality	1.1	-1.8
	Size	0.8	1.1
	Value	8.1	19.7
US SECTORS	Consumer Discretionary	-12.3	-20.7
	Consumer Staples	2.3	1.1
	Energy	-1.6	36.9
	Financials	-9.7	-11.2
	Health Care	-5.0	-7.9
	Industrials	-7.6	-10.6
	Information Technology	-11.2	-18.7
	Materials	-3.8	-4.6
	Real Estate	-4.2	-9.5
	Communication Services	-15.5	-25.5
	Utilities	-4.3	-0.1
BONDS	US 2 Year	-0.5	-2.9
	US 5 Year	-1.7	-6.5
	US 10 Year	-3.0	-8.5
	US 30 Year	-6.2	-13.1
	US Investment Grade	-6.6	-14.4
	US High Yield	-3.9	-8.1
COMMODITIES	Energy	13.4	67.7
	Grains	6.7	33.2
	Industrial Metals	-6.4	14.8
	Livestock	-6.8	-1.5
	Precious Metals	-3.7	2.8
	Softs	0.8	8.7
CURRENCIES	Australian Dollar	-5.6	-2.8
	Canadian Dollar	-2.8	-1.7
	Swiss Franc	-5.2	-6.3
	Euro	-4.7	-7.3
	British Pound	-4.3	-7.1
	Japanese Yen	-6.2	-11.3
	New Zealand Dollar	-7.0	-5.4
	US Dollar	4.5	6.1

Equity markets dropped sharply in April, with the S&P 500 falling almost 9%. Almost every sector struggled, with relative outperformance in defensive and inflation linked sectors.

From a factor perspective, all factors finished positively – as a reminder the factors listed above are market and sector neutral so they will generally perform well in a strongly declining market.

As one of the key themes this year, bonds declined alongside equities as the market priced in even more rate hikes. Exiting March, the market was expecting 8 hikes, however by the end of April this had moved up to 10 hikes. In another words, rate expectations at the end of March were for 2.4%, and this increased to 2.9% by the end of April. At the start of the year, markets expected the Fed Funds rate to be at 0.8% by the end of 2022.

Commodities had a mixed performance in the month, with Energy and Grains continuing their outperformance while the remaining sectors gave back gains from earlier this year.

While bonds have proved to be difficult as a hedging asset during this drawdown, the US dollar continues to act like a strong one – it finished the month with large gains relative to every other developed market.

As always, happy to provide more detail on our thoughts, and welcome any feedback.

Sincerely,

Ahson Mirza, CFA
Portfolio Manager
Arrow Capital Management Inc.

Chung Kim
Portfolio Manager
Arrow Capital Management Inc.

Historical Performance	1 yr	5 yr	10 yr	15 yr	20 yr
Arrow Performance Fund Cl A	3.75	13.18	10.64	6.65	8.77

Returns as of April 30, 2022

Commissions, trailing commissions, management and performance fees and expenses all may be associated with mutual fund investments. Offering of units in the Arrow Performance Fund (the "Fund") are made pursuant to the Confidential Offering Memorandum (OM) only to those investors who meet certain eligibility or minimum purchase requirements. Important information, including the fund's fundamental investment objective is contained in the OM which may be obtained from Arrow Capital Management Inc. Please read the OM before investing.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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The comparison presented is intended to illustrate the historical performance of the Fund as compared with the historical performance of a widely quoted market index or a weighted blend of widely quoted market indices or other investments. There are various important differences that may exist between the Fund and the stated indices or other investments that may affect the performance of each. The objectives and strategies of the Fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indices. Indexes are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indices. Certain statements contained in this communication are based in whole or in part on information provided by third parties and Arrow Capital Management has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document.

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