

EXEMPLAR GROWTH & INCOME FUND

Week ending May 13, 2022



May 13th, 2022 Asset Allocation: 28.9% cash; 38.6% bonds; 6.3% commodities (GLD/PSLV ETF) and 26.2% equities*; 40.0% \$US and 3.5% (non N. American equities)

May 6th, 2022 Asset Allocation: 31.7% cash; 36.0% bonds; 6.5% commodities (GLD/PSLV ETF) and 25.8% equities*; 38.0% \$US and 3.6% (non N. American equities)

*Net exposure to equities

	Last Week*	Year to Date
US 10-yr Yield	-20 bps	+141 bps
Gold	-\$US71	-\$US14
S&P 500	-2.41%	-15.57%
Nasdaq	-2.80%	-24.54%
S&P/TSX	-2.59%	-5.29%
EGIF – Series F	+0.11%	-4.88%

* May 6, 2022 to May 13, 2022

It was another rough week in which most asset classes were down again. The VIX Index finished the week at 28.91. The VIX Index spent the week between 35.48 and 28.78. The VIX range was tighter last week. Our outlook is the VIX Index stays elevated until a washout - a washout has not happened yet in our view. We expect volatility to continue. Our current asset allocation is due to our expectation that GDP will decelerate more from here, especially May through June and inflation will moderate after May. Our view is the environment has turned into Quad 4. The environment is challenging but we expect bond yields to go down and U.S. dollar to go up if the drawdown continues. Bond yields finally went down as equities went down and the US dollar has been strong and is helping our performance.

In 11 of 12 S&P 500 drawdowns of at least 17.9% (where we on Thursday), bond yields rallied as equities continued to decline.

- Michael Kantrowitz, Piper Sandler.



Source: Michael Kantrowitz, Piper Sandler

Headlines from last week

Yesterday saw the strongest TRIN reading since early last year, as short covering and repositioning ahead of the weekend provided some much-needed relief. The bulls should love the sub 0.5 TRIN, 92% Up Volume, and powerful 12:1 Up Volume to Down Volume. Unfortunately, breadth was mediocre, and credit barely budged from cycle highs. In downtrends, the threshold for confirmation is understandably higher, which is why we need to see a cluster of bullish signals (e.g., early '19, March '20) to suggest that the low is in. As you could probably guess, outside of an additional 3-5% move, I have my doubts.

Rob Ginsburg, Wolfe Research May 14th, 2022

Good news: market stopped going down (for now at least). Bad news is HF performance destruction continued. Our Most Rolling Short Basket (GSCBMSAL) squeezed +8%. Popular HF Longs underperformed Crowded Shorts (GSPRHVMS) by 4%. Would not be surprised to see the cover bid extend into Monday followed by another fairly violent move lower at some point midweek.

John Flood, Goldman Sachs May 13th, 2022

We are starting to get a lot of inbounds from clients asking if it is time to start looking for “recovery plays” in the form of high-beta names that have been beaten down most. We do not think this is the time to be adding cyclical to the portfolio. Sure, we could see some short-term relief when we finally see some meaningfully lower inflation readings, however everything we look at suggests we are only in the early innings of this global slowdown story. High-beta stocks will be most at risk until we eventually see a trough in leading indicators (likely in mid to late 2023).

Michael Kantrowitz, Macro Strategist Piper Sandler May 13th, 2022

The Fund is positioned for further deceleration in GDP growth and a roll over in inflation. The Fund will tactically trade equities, either through outright sales or ‘shorting’. A Ukraine/Russia diplomatic agreement appears to be dead for the moment. The Fed is trying to tighten liquidity conditions to tame inflation.

Our biggest sectors are: Energy (5.6%), Real Estate (5.4%), Utilities (5.4%), Consumer Staples (3.9%), and Industrials (3.6%) . I've added our Top 10 Equity Holdings below for this week.

Top 10 Equity Holdings as of May 13, 2022

Algonquin Power - AQN
 Wheaton Precious Metals - WPM
 CVS Health Corporation - CVS
 Pembina Pipeline - PPL
 Enbridge - ENB
 Loblaw – L
 National Bank - NA
 CME Group - CME
 Baker Hughes - BKR
 Prologis - PLD

The Exemplar Growth & Income Series F was +0.11% last week and is -4.88% year to date.

Historical Performance – As of April 30, 2022

	1-Year	3-Year	5-Year	ITD
EGIF - Series F	3.78%	7.95%	7.94%	8.18%

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