

# EXEMPLAR GROWTH & INCOME FUND

Week ending May 20, 2022



May 20th, 2022 Asset Allocation: 28.2% cash; 38.4% bonds; 6.4% commodities (GLD/PSLV ETF) and 27.0% equities\*; 45.0% \$US and 3.5% (non N. American equities)

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)

\*Net exposure to equities

	Last Week*	Year to Date
US 10-yr Yield	-14 bps	+127 bps
Gold	+\$US34	+\$US20
S&P 500	-3.05%	-18.14%
Nasdaq	-3.82%	-27.42%
S&P/TSX	+0.49%	-4.83%
EGIF – Series F	+0.44%	-4.46%

\* May 13, 2022 to May 20, 2022

Last week was another tough week for U.S. equities. Many wonder if we are starting to reach or get close to a bottom. Our view is that we could start to see some bounces, but still believe the trend is lower. The VIX Index finished the week at 29.43, slightly higher than last week. The VIX Index spent the week between 33.11 and 25.51. The VIX range was lower last week (lower high and lower low). Our outlook is the VIX Index stays elevated until a washout - a VIX above 35 or more would probably be a good level to add for a bigger upside trade. We expect volatility to continue. The Fund is very active increasing and decreasing equity exposure. 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 drawdowns continue. Bond yields have gone down the past two weeks as equities went down and the U.S. dollar has been relatively strong. Last week, the earning's report of Walmart and Target disappointed and raised the possibility of 'recession'. The Consumer sectors, Staples and Discretionary were down 8.6% and 7.4% respectively last week.

### A LOOK AT HISTORICAL MARKET BOTTOMS:

Major S&P 500 Selloffs Since 1950				Catalyst For Market Bottom			Catalyst Date		Catalyst Timing From Market Low		Other Information	
Peak	Bottom	Drawdown		PMI Bottom	Dovish Policy Shift	PMI Bottom or Policy Shift	PMI Bottom	Dovish Policy Shift	# Months From PMI Low	# Months From Dovish Policy Shift	Recession?	P/E @ Low
1	Jan-53	Sep-53	-15%	Yes	Yes	Yes	Dec-53	Jul-53	3	-2	Yes	
2	Aug-56	Dec-57	-22%	Yes	Yes	Yes	Jan-58	Nov-57	1	-1	Yes	11.8
3	Aug-59	Oct-60	-14%	Yes	Yes	Yes	Dec-60	Jun-60	2	-4	Yes	16.1
4	Dec-61	Oct-62	-26%	Yes	No	Yes	Aug-62	-	-2	NA	No	15.6
5	Feb-66	Oct-66	-22%	Yes	Yes	Yes	Feb-67	Dec-66	4	2	No	13.4
6	Nov-68	May-70	-36%	Yes	Yes	Yes	May-70	Mar-70	0	-2	Yes	13.6
7	Jan-73	Oct-74	-48%	Yes	Yes	Yes	Dec-74	Jul-74	2	-3	Yes	7.9
8	Sep-76	Mar-78	-19%	Yes	No	Yes	Mar-78	-	0	NA	No	8.2
9	Feb-80	Mar-80	-17%	Yes	Yes	Yes	Jun-80	Apr-80	3	1	Yes	7.2
10	Nov-80	Aug-82	-27%	Yes	Yes	Yes	May-82	Aug-82	-3	0	Yes	7.3
11	Oct-83	Jul-84	-14%	Yes	Yes	Yes	Sep-84	Oct-84	2	3	No	9.9
12	Aug-87	Oct-87	-33%	No	Yes	Yes	-	Oct-87	NA	0	No	10.9
13	Jul-90	Oct-90	-20%	Yes	No	Yes	Jan-91	-	3	NA	Yes	10.5
14	Jul-98	Aug-98	-19%	Yes	Yes	Yes	Oct-98	Aug-98	2	0	No	18.0
15	Mar-00	Mar-03	-49%	Yes	No	Yes	Apr-03	-	1	NA	Yes	15.3
16	Oct-07	Mar-09	-57%	Yes	No	Yes	Dec-08	-	-3	NA	Yes	12.4
17	Apr-10	Jul-10	-16%	Yes	Yes	Yes	Sep-10	Aug-10	3	1	No	12.3
18	Apr-11	Oct-11	-19%	Yes	Yes	Yes	Sep-11	Oct-11	0	0	No	11.8
19	May-15	Feb-16	-14%	Yes	No	Yes	Dec-15	-	-2	NA	No	15.7
20	Oct-18	Dec-18	-20%	No	Yes	Yes	-	Dec-18	NA	0	No	14.5
21	Feb-20	Mar-20	-34%	Yes	Yes	Yes	Apr-20	Mar-20	1	0	Yes	15.1
22	Jan-22	???	???	???	???	???	???	???	???	???	???	???
Average/Hit Rate			-26%	90%	71%	100%	Average Months:		0.9	-0.3		

**EVERY Market Bottom Saw A PMI Bottom Or A Fed Policy Shift!**

Source: Piper Sandler

PMI's may not bottom till the 1st or 2nd quarter of 2023. Will the Fed or Jay Powell pivot before then? What we believe is the Fed cares about the functioning of the markets rather than the level. Credit spreads and ability to raise capital will be key. Credit spreads are creeping up. Last October Carnival Corp (CCL.US) raised money at 6% and last week 10.5%. Credit spreads approaching 250 bps, a level the Fed has pivoted before. Can the Fed this time?

U.S. Corporate BAA 10-Year Spread



Source: Bloomberg

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: Utilities (5.6%), Energy (5.1%), Real Estate (4.9%), Consumer Staples (3.7%), and Health-Care (3.6%) . I've added our Top 10 Equity Holdings below for this week.

**Top 10 Equity Holdings as of May 20, 2022**

- Algonquin Power - AQN
- Wheaton Precious Metals - WPM
- CVS Health Corporation - CVS
- Pembina Pipeline - PPL
- Enbridge - ENB
- Keyera - KEY
- National Bank - NA
- Loblaw – L
- Agnico Eagle - AEM
- Emera - EMA

The Exemplar Growth & Income Series F was -0.44% last week and is -4.46% 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%

Commissions, trailing commissions, management and performance fees and expenses all may be associated with mutual fund and exchange-traded fund (ETF) investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compound total returns net of fees and expenses payable by the fund (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds and ETFs are not guaranteed, their values change frequently and past performance may not be repeated. You will usually pay brokerage fees to your dealer if you purchase or sell securities of an ETF on recognized Canadian exchanges. If the securities are purchased or sold on these Canadian exchanges, investors may pay more than the current net asset value when buying securities of the ETF and may receive less than the current net asset value when selling them.

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](http://www.arrow-capital.com).

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