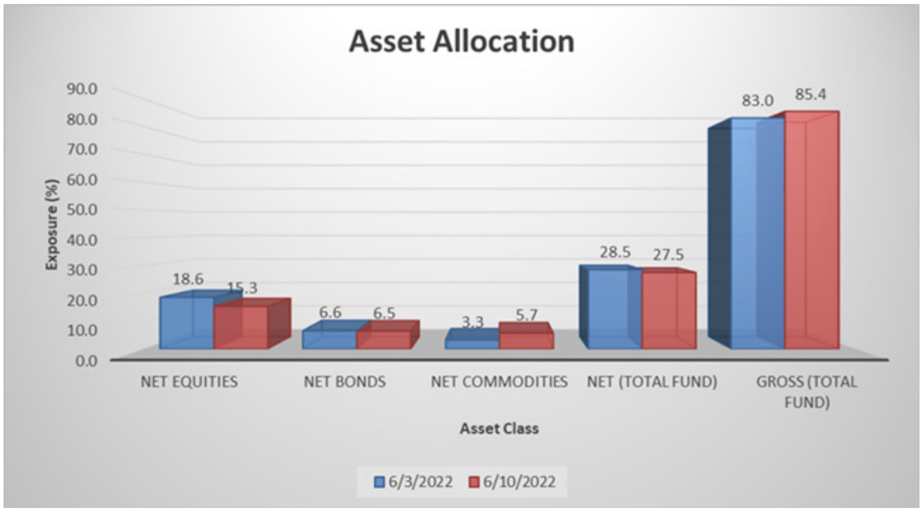


Monthly performance, macro context, current positioning and future expectations.

Performance
Week of June 10th, 2022

Arrow Canadian Advantage Alternative Class (F Class):
WTD 0.45%
MTD 0.51%
YTD 3.19%

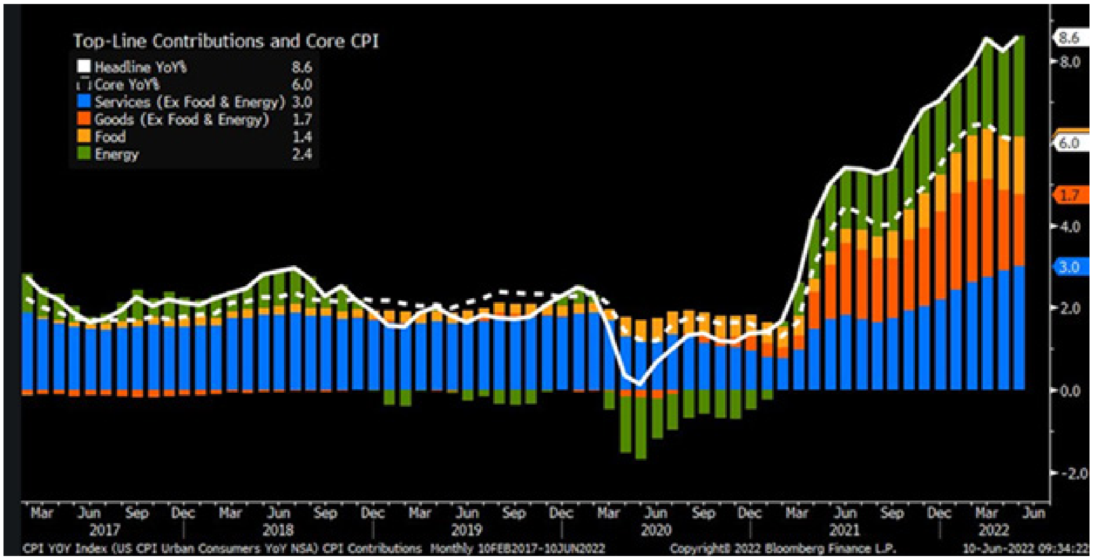
S&P TSX Composite:
WTD -2.48%
MTD -2.19%
YTD -4.47%

S&P 500:
WTD -5.05%
MTD -5.60%
YTD -18.16%

Fund Commentary

The Fund had a very good week, sidestepping the equity market sell-off while earning a small profit. The key reasons for outperforming include long US dollars, short equity exposure and a decent weighting in energy and materials equities. That being said, we continue to be very defensively positioned.

This week all eyes were firmly focused on the May US CPI figures. Usually when everyone is focused on one number it becomes over-hyped but not this time! The headline CPI came in “hot” at 8.6% YoY – ahead of expectations for 8.2%, while core CPI was lower but by less than expected and higher than last month. The real issue was the “diffusion” i.e. the trending higher of inflation across many more sub-sectors – the principle culprit is energy of course as it spills into any and all facets of the economy (think higher refined product prices like gasoline, jet fuel and diesel creeping into prices of goods and services now). The chart below provides a breakdown.



Many components of inflation YoY figures were really crazy – chicken +17.4% (largest ever); Restaurants + 9% (largest ever); Rent +5.2% (largest since 1987); Airfare +37.8% (largest since 1980) – I think you get the picture. The major takeaway was the rising probability of "sticky" inflation staying sticky for a longer time. The market took all this data and simply crushed any thinking of a "pause" this September in the hiking cycle. The short end of the curve was quick to react with the 2yr jumping 25bps on Friday to 3.26% while the 10yr rose a more modest 11bps to 3.15%. The terminal rate rose to 2.86% on the week. The big question is at what level of inflation / rates will make financial conditions tight enough to cause a slowdown in aggregate demand – as the BBG Financial Conditions Index below shows we likely have much more work to do on the downside. While real rates have risen they likely have much more to go now.

The idea of whether we will have a hard or soft landing as the FED raises rates has been debated – the historical evidence as noted by Stan Druckenmiller at this week's Sohn Conference – is simply not good when CPI is north of 5% so a soft landing is a bad bet.

Our views on inflation have not materially changed but certainly the fact that goods inflation is not falling as fast as we would have expected is cause for some concern. That being said, retailer after retailer is saying the same thing about inventories and getting them lower – so we have to believe this happens in the next 3 months via deep discounting. This might be even more dramatic given the University of Michigan's Consumer Sentiment index reading – a total disaster – lowest ever! The FED however may now hike even more aggressively next week if they believe inflation is becoming more embedded in the system – history suggests that a more aggressive approach fits with historical evidence in terms of pre-emptively fighting inflation – they should not follow inflation with small hikes but rather get out ahead of it substantially.

In Canada, the jobs data reported on Friday was solid with the unemployment rate hitting an all-time low. Of course this is a lagging indicator and there were a few knits including falling private sector employment (the Canadians love their public sector!) and hours worked also fell again (vs April). The annual Financial System Review made a few headlines – will not bother to comment as the housing market issues are really all you need to know – home prices up 50% since onset of pandemic and household indebtedness at the top of the global league tables (OK maybe the Aussies and Danes are tough competition). We doubt that the next 150bps+ of tightening for all those variable rate mortgages, along with maturing 5 year fixed's and HELOC's outstanding, will go well for our economy that is too reliant on residential investment. The Canadian dollar will be the release valve here – 1.35 $/CAD is our target.

As you can tell by the above note, when rates start to rise, the weak links get exposed and debt serving issues start to become very important. Looking at credit default swaps and high yield spreads the bad news is beginning to get priced in and the trend is not looking very good.

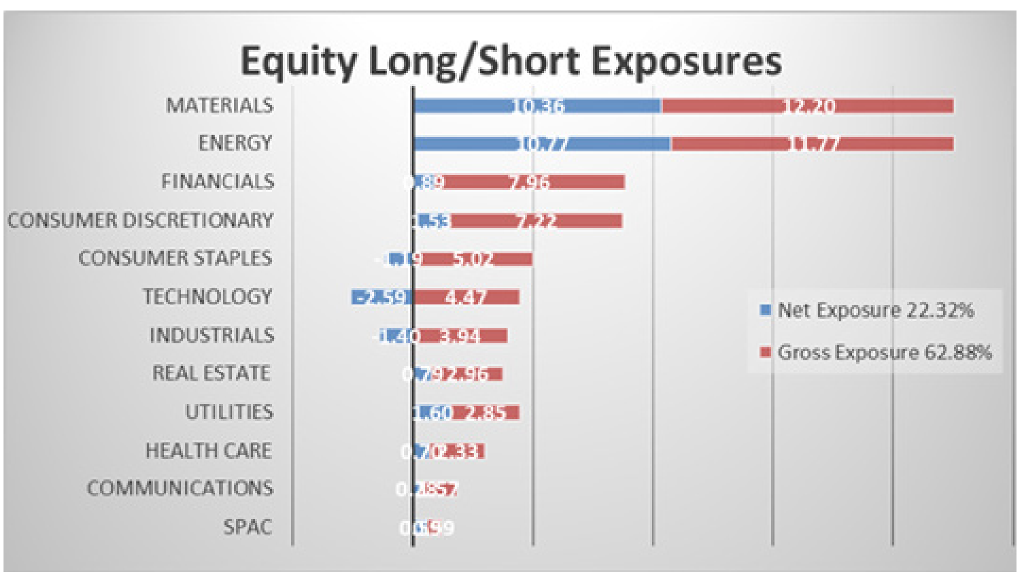
This coming week will feature the FED meeting on the 15th along with PPI, Retail sales, Housing Starts, Industrial Production in the US. That is one heck of a busy data week!

Geographic Equity Exposures (% Total Portfolio including Futures)

ASSET ALLOCATION	NET	GROSS	LONG	SHORT
Canada	13.8	44.8	29.3	-15.5
US	-0.1	23.6	11.8	-11.9
Rest of World	1.6	2.1	1.9	-0.2
Equities Total	15.3	70.5	42.9	-27.6
Bonds	6.5	9.2	7.8	-1.4
Commodities	5.7	5.7	5.7	0.0
Total	**27.5**	**85.4**	**56.4**	**-28.9**

Net equity exposure was reduced by 3.3%
Net bond exposure was reduced by 0.1%.
Net commodity exposure was increased by 2.4% with the addition of a long gold futures position.
Total fund gross exposure was increased by 2.4%. Total fund net exposure was reduced by 1%.

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



We have maintained over weight exposure to energy & materials while also having a net short position in technology.

Market Cap Breakdown

FX Exposures

FX EXPOSURE	%
CAD	65.1
USD	35.8
Other	-0.9
DXY	0.0
Total Fund	100%

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.
CAD was reduced by 1%. USD was increased by 2.5%.

We look forward to reporting back next week.

Historical Performance – As of May 31, 2022

	1-Year	3-Year	5-Year	10-Year
ACAA - Series F	6.11%	16.39%	11.26%	11.08%

Published June 13, 2022.

Commissions, trailing commissions, management and performance fees and expenses all may be associated with mutual fund 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 are not guaranteed, their values change frequently and past performance may not be repeated.

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.