

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

## Performance

Week of June 3rd, 2022

### Arrow Canadian Advantage Alternative Class (F Class):

WTD -0.03%  
 MTD (May) -0.61%  
 YTD 2.72%

### S&P TSX Composite:

WTD 0.20%  
 MTD (May) 1.51%  
 YTD -2.04%

### S&P 500:

WTD 1.25%  
 MTD (May) 0.18%  
 YTD -13.80%

## Fund Commentary

The Fund was essentially flat reflecting the current defensive positioning that has been in place for some time now. It was another week with plenty of swings up and down only to close relatively flat. There is a lack of conviction either way in markets with the S&P500 trading in a range of 4000 – 4200.

The big story and focus remains inflation as Ice T reminds us with this “joke”:



I was robbed at a gas station in NJ last night. After my hands stopped trembling..I managed to call the cops and they were quick to respond and calmed me down..... My money is gone.. the police asked me if I knew who did it..I said yes.. it was pump number 9...

10:16 AM · Mar 24, 2022 · Twitter for iPhone

There was no shortage of additional fuel for the front month oil rally. Damien Courvalin at Goldman Sachs noted that the increase in OPEC+ production was too small to fix the structural deficit that is continuing – especially given China coming back online post COVID lockdowns. There is a seemingly never ending fall in inventories of key energy products leading to higher prices. Chevron's CEO Mike Wirth suggested that there are no signs of demand destruction yet he thought another new refinery may never be built again in the US which would only lead to longer term and even higher gasoline and other oil product prices. He further stated that "We need to sit down and have an honest conversation, a pragmatic and balanced conversation about the relationship between energy and economic prosperity, national security, and environmental protection" (Bloomberg June 3rd). Maybe \$5 gas prices in the US gets everyone to the table?

Regular gasoline and diesel prices continue to hit new highs. Could we be near a major price inflection materially higher?

In the short run this will continue to add a narrative that the FED could lean on for continuing to raise rates in its fight against inflation. At the same time workers will start demanding further compensation to offset the effects of inflation and the spiral gathers steam.

The economic news on the week remained overall weaker. While ISM Manufacturing "New Orders" turned up in May so too did "Inventories". The payrolls data was a positive with 390k new jobs vs 318K. Jobs data of course is a lagging indicator so rates took a jump higher. That being said, last week there were a slew of announcements of job freezes or cuts by major employers like Amazon and Telsa. The latter's outspoken leader, after demanding his people get back to onsite premises to work, suggested that he has a "super bad feeling" about the economy. JP Morgan's Jamie Dimon suggested we all brace ourselves for a possible "economic hurricane". Alongside Tesla and Amazon, other tech giants such as Facebook/ Meta, Salesforce, Netflix, Microsoft, Uber, Robinhood- all announcing similar hiring plans- the list goes on... These freezes have been contained largely to 'big tech' thus far, but it is a dynamic we are paying attention to in company commentaries.

This week we will be paying attention to the consumer credit data and critically US CPI data for May.

### Geographic Equity Exposures (% Total Portfolio including Futures)

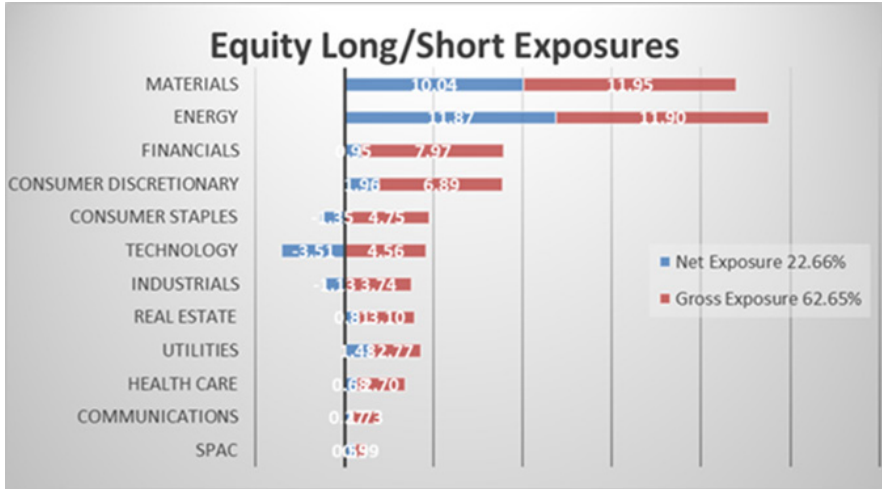
ASSET ALLOCATION	NET	GROSS	LONG	SHORT
Canada	14.8	44.6	29.7	-14.9
US	2.2	26.5	14.4	-12.2
Rest of World	1.6	2.0	1.8	-0.2
<b>Equities Total</b>	<b>18.6</b>	<b>73.1</b>	<b>45.9</b>	<b>-27.2</b>
Bonds	6.6	6.6	6.6	0.0
Commodities	3.3	3.3	3.3	0.0
<b>Total</b>	<b>28.5</b>	<b>83.0</b>	<b>55.8</b>	<b>-27.2</b>

Net equity exposure was reduced by 7.7%.

Net bond exposure was reduced by 7.6% reflecting our preference to holding shorter dated bonds (2yr maturity) while we wait for clearer shorter term signals on headline CPI.

Total fund gross exposure was reduced by 11.5%. Total fund net exposure was reduced by 16.3%.

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



Market Cap Breakdown



No major changes this past week.

FX Exposures:

FX EXPOSURE	%
CAD	66.1
USD	33.3
Other	0.6
DXY	0.0
<b>Total Fund</b>	<b>100%</b>

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 0.7%. USD was increased by 2.1%.

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 6, 2022.

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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).