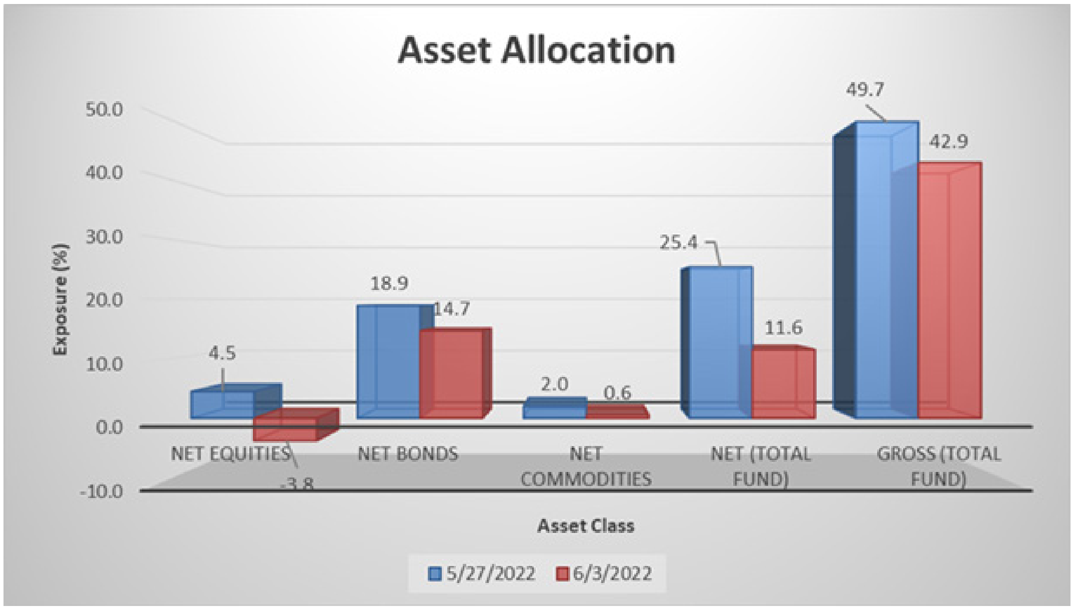
ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS
Week ending June 3, 2022



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

Performance
Week of June 3, 2022

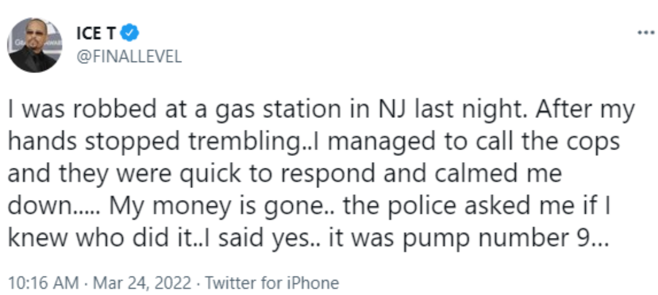
Arrow Global Advantage Alternative Class (F Class):
WTD -0.28%
MTD (May) -0.18%
YTD -2.59%

MSCI ACWI:
WTD -0.56%
MTD (May) 0.18%
YTD -14%

Global Market Summary

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”:



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 sign 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".

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

Summary Table
Economic Forecasts (Q2/2022 and Q3/2022)

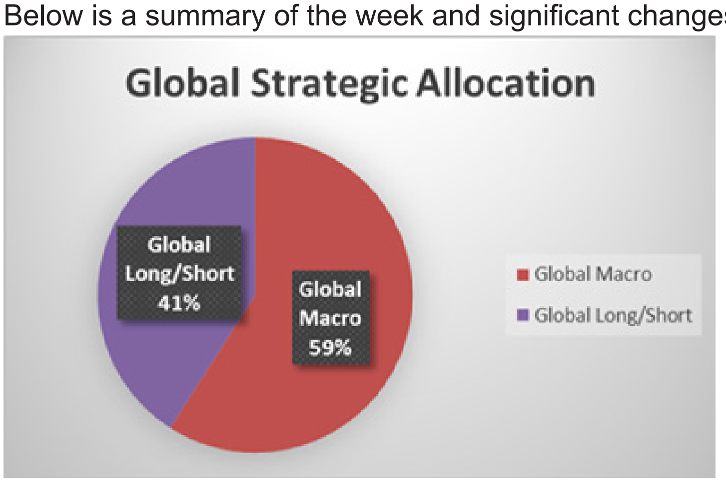
Country	Q2 Outlook	Q3 Outlook
US	D	G
Canada	G	D
Eurozone	D	D
China	R	R
Japan	R	G

D= Deflation / G= Real Growth / R= Inflationary Growth / I = Inflation

Q2 in the US remains more in the Inflationary "I" zone in the first part (April / May) and then Deflationary "D" as base effects kick in for real.

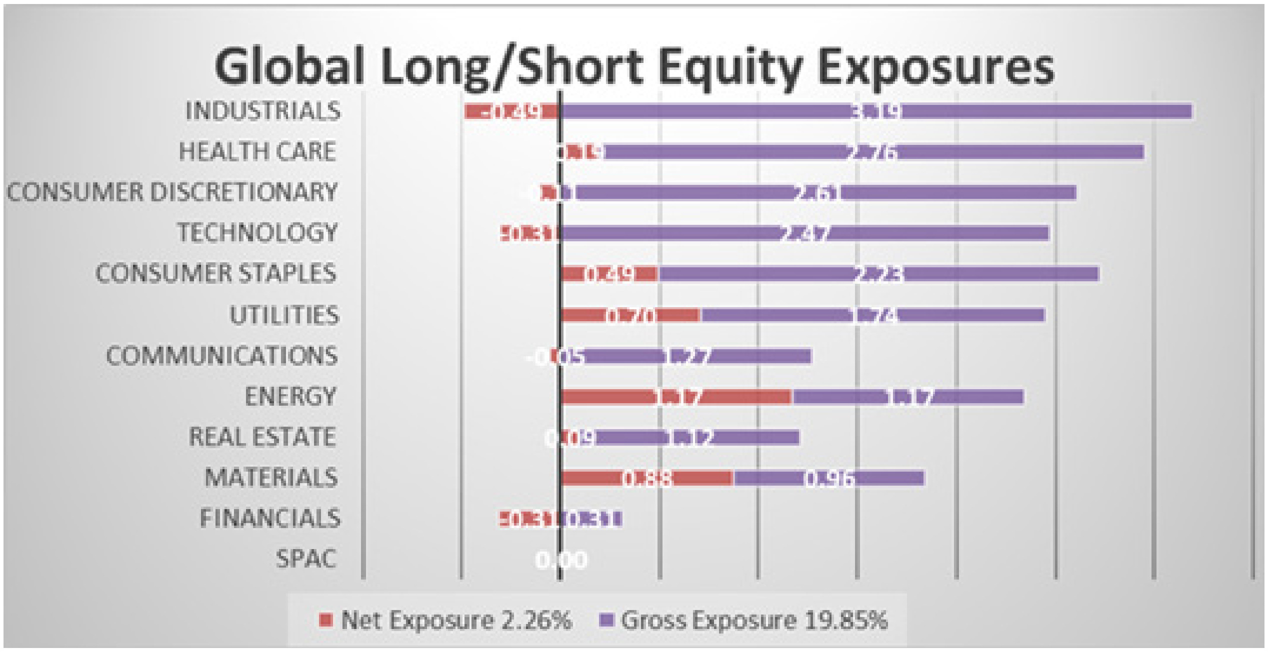
Economic Weekly Update

Below is a summary of the week and significant changes.



The portfolio is divided into 2 parts – a Global Long/Short part (individual securities) and a Global Macro part that focuses on liquid futures, ETF's etc. across FX, Commodities, Fixed Income and Equities.

1) Global Sector Exposures (Long / Short Portfolio of individual companies)



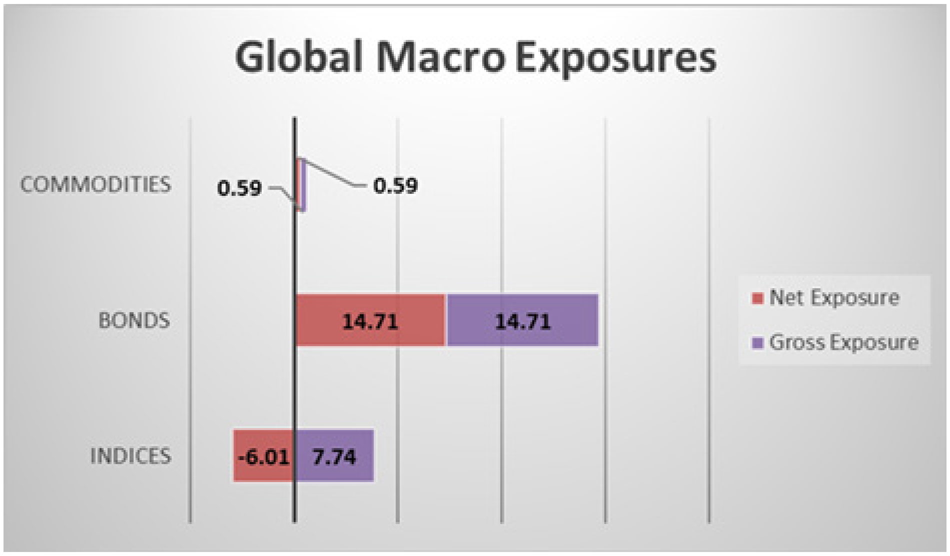
We made no substantial changes to our sector positioning this past week, as we incrementally added some shorts back to the portfolio.

We have to be incredibly selective with cyclical longs in Quad 4, and PCAR is one we believe stands out. There is a compelling mix of idiosyncratic catalysts that make PCAR shares interesting in this environment, which were further illuminated in their capital markets day this past week. At a high level, the main areas of focus were the opportunity in zero emission vehicles and stickiness of margins. Zero emission vehicles carry higher margins which should pad margins in the next leg of growth. Further, Daimler truck- the leading player in this oligopolistic market- is set to charge higher prices for their trucks going forward, which other participants in this oligopoly will gladly follow. This leaves PCAR with two compelling avenues for margin expansion, on top of what they have already experienced.

We have also noticed a number of companies have pursued hiring freezes and in some cases direct layoffs. As mentioned earlier, the most recent to join the party is Tesla, who is debating cutting 10% of their workforce while also currently freezing hiring. It has been said Elon has done this due to a 'super bad feeling' about the economy- but who knows the motivations behind his actions. Other tech giants such as Facebook/ Meta, Salesforce, Netflix, Microsoft, Amazon, Uber, Robinhood- all announcing similar plans- the list goes on… These freezes have been contained largely to 'big tech' thus far, but it is a dynamic we are paying close attention to in company commentaries.

One cyclical space we are getting less negative on is semiconductors. Although unit sales are down, particularly in PC and mobile phones, pricing turned out to be fairly strong according to April data from the Semiconductor Industry Association. Tailwind from China reopening and recovering auto sector will be helping with demand from here. However, it's likely we will continue to see a deceleration in semis as a result of both loosening supply and a potentially moderating demand, so we will keep a neutral stance.

2) Global Macro Exposures



Total Gross: 23.0%, Total Net: 9.3%

Commodities – Bullish Gold
We reduced our gold futures on Thursday and will be looking to re-enter the position when the USD takes a breather. $1800 seems like a good short term level. We have a small silver position and no other commodity positions at this time.

Bonds – Bullish Duration / Short Credit

We closed our high yield bond short but are looking to re-load this week. We sold our 10 yr Treasury position and added to our 2 yr position. Will wait for the CPI print but tactically think 3% on the 10 yr may occur this week.

Equity Futures – Negative

We continue to remain short US equities although we have added global and EM equity indices as a partial hedge. These should outperform / work if the USD come under pressure although at this point our base case is bullish USD.

Foreign Exchange Positions:

FX EXPOSURE	%
CAD	95.1
USD	6.2
EUR	0.7
JPY	0.1
GBP	-0.4
Other	-0.5
AUD	-1.3
DXY	0.00
Total Fund	100%

FX – Bullish USD

We added some longer term optionality with an outright call on USD/CAD and an option on the USD/JPY at the 145 level for 2 years. JPY remains under intense pressure as a funding currency and should either oil continue its rise or the FED continue its rate hikes as suggested by the terminal rate, JPY should weaken to the 150 level.

We look forward to reporting back next week.

Historical Performance – As of May 31, 2022

	1-Year	3-Year	ITD
AGAA - Series F	-0.39%	5.01%	3.82%

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