

EXEMPLAR GROWTH & INCOME FUND

Week ending June 17, 2022



June 17th, 2022 Asset Allocation: 36.0% cash; 39.7% bonds; 7.1% commodities (GLD/PSLV ETF) and 17.2% equities*; 44.0% \$US and 3.7% (non N. American equities)

June 10th, 2022 Asset Allocation: 43.5% cash; 37.5% bonds; 6.5% commodities (GLD/PSLV ETF) and 12.5% equities*; 43.0% \$US and 3.7% (non N. American equities)

*Net exposure to equities

	Last Week*	Year to Date
US 10-yr Yield	+6 bps	+170 bps
Gold	-\$US32	+\$US13
S&P 500	-5.79%	-22.90%
Nasdaq	-4.78%	-30.98%
S&P/TSX	-6.63%	-10.80%
EGIF – Series FN	+0.25%	-5.59%

* June 10, 2022 to June 17, 2022

Last week, equities followed through to the downside. The VIX Index finished the week at 31.12, 4 points higher than the week before. The VIX Index spent the week between 35.05 and 27.76, a higher range. A move by the VIX Index above 40 may happen this week before Funds 'buy the dip' for Month-end and Quarter-end. We expect volatility to continue. Oil (WTI) had a big move at the end of the week, down \$US8 or almost 7% to close at \$109.56. Could be a sign demand is cooling. The 10-Yr US bond yield hit 3.49% on Tuesday and Thursday before closing the week at 3.22%. To get the peak in yields, oil has to peak. The XLE or Energy sector could be peaking. Looks over bought. Energy is our second largest sector weight at the moment, however most of our Energy names are in the interest sensitive pipelines.

U.S. Energy Sector - XIE



Source: Bloomberg

WTI & U.S. 10-Yr Yields



Source: Bloomberg

There is a high correlation between peaks in WTI oil prices and peaks in 10-Yr US Treasury Yields.

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 through June and inflation will peak soon. Our view is the environment is a Quad 4. The environment is challenging but we expect bond yields to peak and U.S. dollar to go up if equity drawdowns continue. The U.S. dollar is our biggest exposure and was a big contributor to our performance last week. Our thoughts are the U.S. dollar will strengthen and break out to new highs as the Fed ratchets up rates and starts quantitative tightening. The equity drawdown and strengthening U.S. dollar are helping to tighten Financial Conditions.

Goldman Sachs U.S. Financial Conditions Index



Source: Bloomberg

The Fund is positioned for further deceleration in GDP growth and a roll over in inflation (but stay high). The Fund will tactically trade equities, either through outright sales or 'shorting'. The Fed is tightening liquidity conditions to tame inflation. Quantitative tightening started June 1st.

Our biggest sectors are: Utilities (5.6%), Energy (5.5%), Consumer Staples (3.9%), Industrials (3.6%) and HealthCare (3.2%). I've added our Top 10 Equity Holdings below for this week.

Top 10 Equity Holdings as of June 17, 2022

Algonquin Power - AQN
Wheaton Precious Metals - WPM
CVS Health Corporation - CVS
Pembina Pipeline - PPL
Enbridge - ENB
Parkland -PKI
Franco Nevada - FNV
CME Group - CME
Keyera- KEY
National Bank - NA

The Exemplar Growth & Income Series FN was +0.25% last week and is -5.59% year to date.

Historical Performance – As of May 31, 2022

	1-Year	3-Year	5-Year	ITD
EGIF - Series F	0.77%	6.85%	7.66%	7.85%

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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.

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