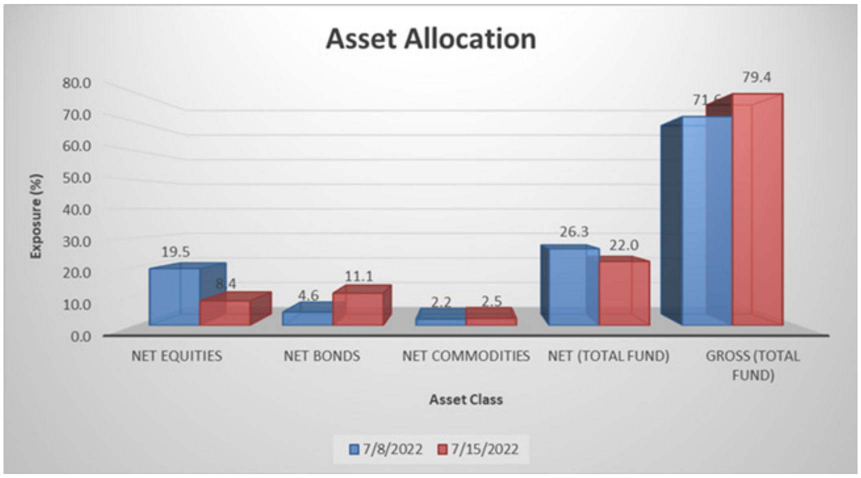
ARROW CANADIAN ADVANTAGE ALTERNATIVE CLASS
Week ending July 15, 2022



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

Performance
Week of July 15, 2022

Arrow Canadian Advantage Alternative Class (Series F):
WTD -0.12%
MTD -0.24%
YTD 0.98%

S&P TSX Composite:
WTD -3.30%
MTD -2.48%
YTD -13.33%

S&P 500:
WTD -0.93%
MTD 2.05%
YTD -18.95%

Fund Commentary

The Fund had a good performance week on the back of weaker equities, stronger bonds and a stronger US dollar.

The big economic release this week was the headline CPI data and there was no way to sugar coat it - it was white hot. The most troubling aspect was the diffuse nature of the beat - more sub-components hitting new highs resulting in a 9.1% YoY result. The market reaction was swift with the front end of the curve ripping higher as the market priced in a higher rate hike path from the FED. Longer term rates fell resulting in a more inverted yield curve and the euro dollar curve brought forward rate CUTS even earlier in 2023. The inflation dynamics remain challenging - while market-based prices for both shorter and longer inflation swaps and break-evens are heading in the right direction (i.e. down) along with many commodity prices, the issue of the stickiness (e.g. OER / rents etc.) signal a “higher for longer “ CPI. However, it seems to us that the idea of lower rates in 2023 is stabilizing equities for now - the market is betting on the FED to hit the economy hard enough to bring about a recession with a softish landing - we find this to be a low probability at this point. The “E” in the P/E ratio for equities will be tested with Q2 / Q3 results that start in earnest this week.

Ultimately it will be the FED that decides when is time to pause or halt the rate hike cycle. FED member Bullard suggested last week that rates will top out at the 3.75% to 4% range. While that may be the case (not our base case), the FED will surely have engineered a hard landing both globally and in the US, adding to their abysmal track record in both forecasting and managing monetary policy.

The Bank of Canada added to the global rate hiking cycle raising rates 100 bps (vs 75bps expected). They pointed to a more “front loading” of policy - hiking more sooner than later in the path to be over the so-called neutral rate. CAD was very volatile on the news rising to over 1.32 only to fall back below 1.31 on Friday. The hiking cycle here into a more levered / cyclical economy is not likely to end well for the Canadian economy. Real estate volumes and prices are likely set to accelerate further to the downside in the coming months - recall that the Canadian economy is roughly 8%-9% comprised of real estate activity.

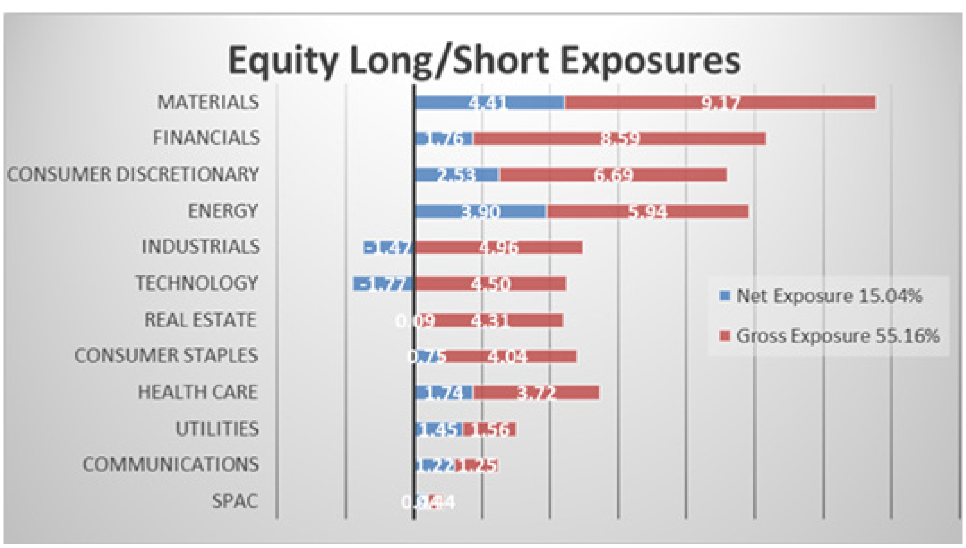
The coming week will feature mostly earnings but on the economic front we will get housing data in the US on Tuesday and Wednesday (housing starts, building permits, mortgage apps, and existing home sales), employment data on Thursday (jobless/ continuing claims), and PMI data on Friday. We also have Canadian CPI data on Wednesday and retail sales on Friday.

Geographic Equity Exposures (% Total Portfolio including Futures)

ASSET ALLOCATION	NET	GROSS	LONG	SHORT
Canada	3.8	31.8	17.8	-14.0
US	2.7	31.6	17.2	-14.4
Rest of World	1.9	2.5	2.2	-0.3
Equities Total	**8.4**	**65.9**	**37.2**	**-28.7**
Bonds	11.1	11.1	11.1	0.0
Commodities	2.5	2.5	2.5	0.0
Total	**22.0**	**79.4**	**50.7**	**-28.7**

Net equity exposure was reduced by 11.1%.
Canada net exposure was reduced by 6.2%.
US net exposure was reduced by 4.7%.
Rest of World net exposure was reduced by 0.3%.
Net bond exposure was increased by 6.5%
Net commodity exposure was increased by 0.3%.
Total fund gross exposure was increased by 7.8%. Total fund net exposure was reduced by 4.3%.

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



Market Cap Breakdown:

FX Exposures:

FX EXPOSURE	%
CAD	63.2
USD	36.2
Other	0.6
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 increased by 3.2%. USD was reduced by 6.5%.

We look forward to reporting back next week.

Historical Performance – As of June 30, 2022

	1-Year	3-Year	5-Year	10-Year
ACAA - Series F	2.48%	15.76%	11.21%	10.91%

Published July 18, 2022.

More information about the Fund can be found on our website www.arrow-capital.com.