

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

Performance

Week of July 22, 2022

Arrow Canadian Advantage Alternative Class (Series F):

WTD -0.57%

MTD -0.81%

YTD 0.40%

S&P TSX Composite:

WTD 3.20%

MTD 0.64%

YTD -10.55%

S&P 500:

WTD 2.55%

MTD 4.66%

YTD -16.88%

Fund Commentary

Markets rallied on the back of both a very oversold market and a growing belief that lower bonds yields and reduced pace of FED tightening is in the cards. The Fund gained on its long US treasury positions (as 10yr rates broke decisively through 3%) but lost in FX (long USD positions softened) and equity shorts were hurt by the stock market bounce. We are in the camp that believes the second shoe will be falling in 2H of 2022 but will stay attuned to any changes in FED policy that would impact our positioning.

On the week, the US reported continued weakness in housing data, rising jobless claims and a shocking “flash” Services PMI below 50 – a recessionary indicator. The FED will be keeping an eye on claims – while the net increase over the past 3 months is troubling, we are well below the 400k level where the FED will really start to be concerned. With inflation data staying sticky high in our models through the balance of the year, the market may be early in testing the FED’s inflation fighting resolve.

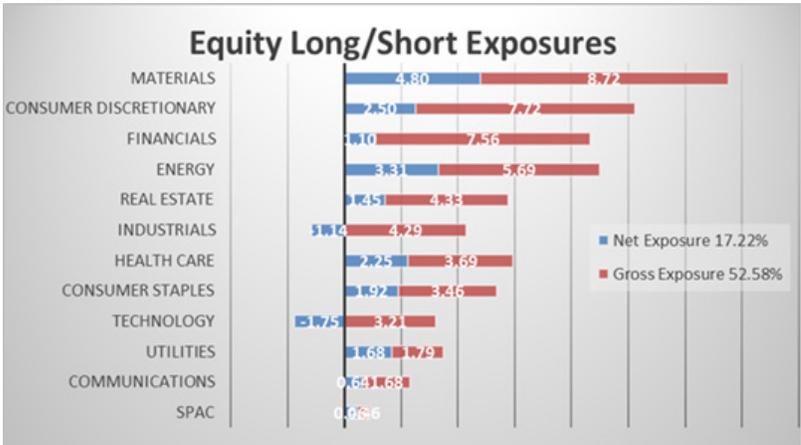
This coming week is another very, very busy one. We get the FED and Powell’s always entertaining presser; the first look at Q2 GDP in the US and a huge swath of S&P 500 earnings – including all the “biggies” – AAPL/GOOG/META etc.

Geographic Equity Exposures (% Total Portfolio including Futures)

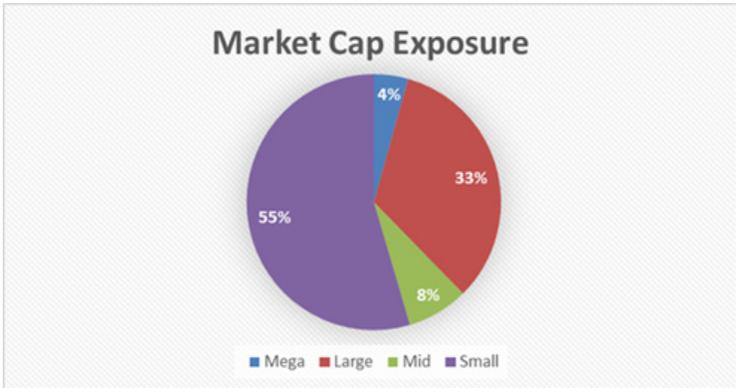
ASSET ALLOCATION	NET	GROSS	LONG	SHORT
Canada	8.1	30.8	19.5	-11.3
US	3.3	24.9	14.1	-10.8
Rest of World	2.3	2.4	2.3	-0.1
Equities Total	13.8	58.1	35.9	-22.2
Bonds	19.4	19.4	19.4	0.0
Commodities	2.5	2.5	2.5	0.0
Total	35.7	80.1	57.9	-22.2

Net equity exposure was increased by 5.4%.
 Canada net exposure was increased by 4.3%.
 US net exposure was increased by 0.6%.
 Rest of World net exposure was increased by 0.4%.
 Net bond exposure was increased by 8.3%
 Net commodity exposure was unchanged.
 Total fund gross exposure was increased by 0.7%. Total fund net exposure was increased by 13.7%.

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



Market Cap Breakdown:



FX Exposures:

FX EXPOSURE	%
CAD	59.7
USD	39.7
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 than 100% Canadian dollars are considered “active” positions.

CAD was reduced by 3.5%. USD was increased by 3.5%.

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 25, 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.