The Fund was -6.99% for the month vs -6.43% for the SPX and -8.71% for the S&P/TSX. For the first 6 months of the year, the Fund is -7.99% vs -18.26% for the SPX and -9.87% for the S&P/TSX.

June was once again an historic month in the markets, with continued inflation/recession fears driving volatility and further losses.

As a reminder of our views coming into the month, we've been long stocks that benefit from inflation (commodities) and short those that are hurt by inflation (Tech/consumer). Within this framework, our biggest concern was the risk of a recession in which few risk assets would be safe. Although this recession risk has been growing through the year, we did not have this as our base case, and if it came it would be 2023 at the earliest. However, with the recent inflation updates coming in hotter than expected, we believe the FED will continue to be hawkish and our base case is starting to shift to assuming a recession is inevitable, and possibly earlier. As well, we saw Oil and Copper fall precipitously this month…ominous market signals.

Despite the fall in markets year to date and broad talk of potential recession risks, we do not believe the market has fully priced in this scenario and the risk/reward continues to be unfavorable for equities.

Although every recession is different, on average, earnings fall ~20% from the peak. Amazingly, forecasters are still assuming EPS growth next year…this needs to come down. In recessionary times, market multiples will erode to ~15x on average. Using some simple math, these assumptions would infer potential downside risk of S&P500 earnings to 200 (from 240 this year), and a target of 3,000 on a 15x multiple. This implies ~20% more downside from current levels, and a peak to trough drawdown of ~40%.

From a timing standpoint, markets tend to bottom ~6 months prior to the end of a recession and co-incident with the bottoming of leading economic indicators. We may be a year away from this.

So how are we positioned? We've continued to reduce our exposures, both gross and net. We've been covering our shorts to protect against a potential bear market rally and also reduced our longs as recessionary risks are starting to hit all risk assets.

Our job is to continually assess the risk/reward of financial markets. In 2020/21, we believed the proposition was in our favour to move up the risk curve and meaningfully participate in markets…the Fund benefited nicely. But for the foreseeable future, we believe risk mitigation and capital preservation will be more important and we are being patient in looking for further attractive risk/reward opportunities.

As always, happy to provide more detail on our thoughts, and welcome any feedback.

Sincerely,

Chung Kim
Portfolio Manager
Arrow Capital Management Inc.

Historical Performance	1 yr	3 yr	5 yr	ITD
Exemplar Performance Fund Ser F	-8.01	10.20	8.60	8.31

Returns as of June 30, 2022

Commissions, trailing commissions, management and performance fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compound total returns net of fees and expenses payable by the fund (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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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The comparison presented is intended to illustrate the historical performance of Exemplar Performance Fund (the “Fund”) as compared with the historical performance of a widely quoted market index or a weighted blend of widely quoted market indices or other investments. There are various important differences that may exist between the Fund and the stated indices or other investments that may affect the performance of each. The objectives and strategies of the Fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indices. Indexes are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indices. Certain statements contained in this communication are based in whole or in part on information provided by third parties and Arrow Capital Management has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document.

More information about the Fund can be found on our website www.arrow-capital.com. Published July 2022.