

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

Performance

Week of August 5, 2022

Arrow Canadian Advantage Alternative Class (Series F):

WTD -0.06%

MTD -0.06%

YTD 0.28%

S&P TSX Composite:

WTD 0.84%

MTD -0.37%

YTD -7.55%

S&P 500:

WTD 0.36%

MTD 0.36%

YTD -13.03%

Fund Commentary

The bull/bear debate intensifies as the stock market gets overbought and economic data from different sources are presenting different pictures.

The bounce in the equity market since late June is a result of inflation fears coming down instead of a growth recovery. The manufacturing PMI data from this week confirmed the bear case as the data reached the lowest level since June 2020, signaling that a recession is imminent. On the other side, the index of prices paid for materials fell by the most since 2010, which can be interpreted as decelerating inflation which might give the Fed more comfort in pivoting. We remain with a bearish view on the equity market as we believe the market is not likely to have bottomed unless the economy starts to recover, which we haven't seen any evidence of yet. We also think it is premature to be entertaining the idea of a Fed pivot.

Friday's job reports in the US were nothing but strong, both payroll adds and wage growth accelerated in July. Whereas in Canada, consensus was calling for 15k additions while the number fell 30.6k. The details were mostly negative with declines across both full-time (13k) and part-time jobs (17k), while wage growth was weaker than expected at 5.4% yoy. Overall the report could take some pressure off of the BoC into the fall as Canada's still tight labour market

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shows signs of waning momentum.

With this month's PMI readings, over 40% of the world now has a manufacturing PMI in contraction territory. All signs point to that trend continuing and that 40% number rising. Clearly services is where the strength is now - we continued to see consumers rotating out of goods and into services in July's PMI stats - however, if wage growth stays sticky, we will see business' margins deteriorating faster as costs remain elevated.

This week we will have most of Q2 earnings out. On the economic front, we will get CPI and the survey results from U. of Mich.

Geographic Equity Exposures (% Total Portfolio including Futures)

ASSET ALLOCATION	NET	GROSS	LONG	SHORT
Canada	4.4	32.7	18.6	-14.1
US	-9.7	31.6	11.0	-20.7
Rest Of World	1.8	2.5	2.2	-0.3
Equities Total	-3.4	66.9	31.7	-35.1
Bonds	12.8	15.4	14.1	-1.3
Commodities	1.1	1.1	1.1	0.0
Total Fund	10.4	83.3	46.9	-36.4

Net equity exposure was increased from -5.1% to -3.4%.

Canada net exposure was increased by 0.7%.

US net exposure was increased from -11% to -9.7%.

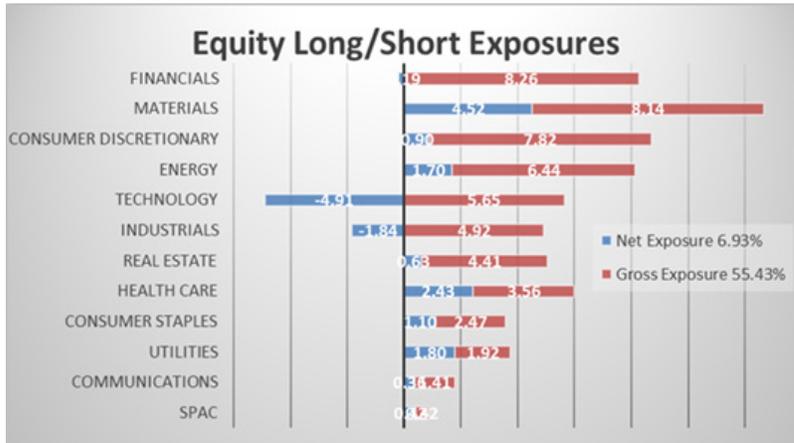
Rest of World net exposure was reduced by 0.3%.

Net bond exposure was reduced by 3.5%.

Net commodity exposure was reduced by 1.7%.

Total fund gross exposure was reduced by 10.5%. Total fund net exposure was reduced by 3.6%.

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



Market Cap Breakdown:



FX Exposures:

FX EXPOSURE	%
CAD	55.1
USD	44.3
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 reduced by 9.7%. USD was increased by 9.7%.

We look forward to reporting back next week.

Historical Performance – As of July 29, 2022

	1-Year	3-Year	5-Year	10-Year
ACAA - Series F	3.30% 1	5.36%	11.38%	10.28%

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