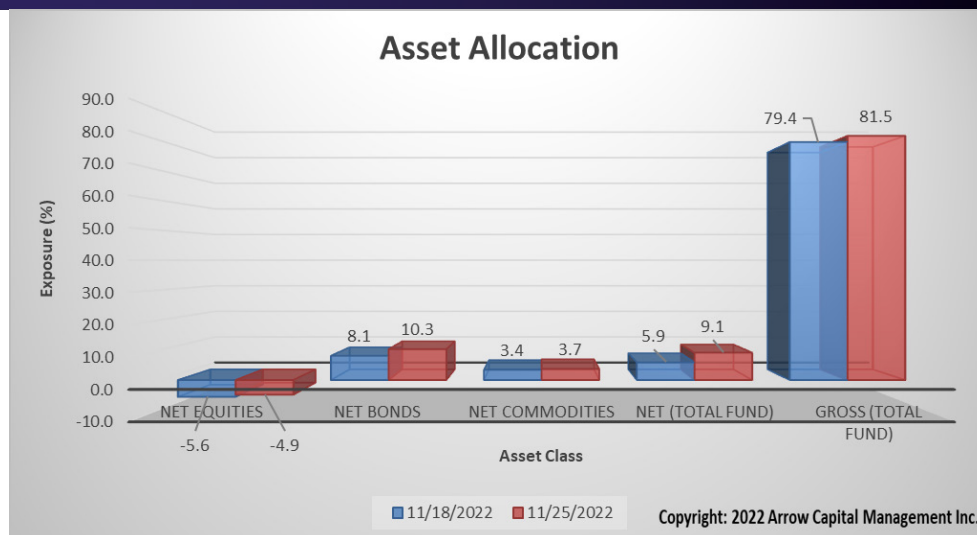


ARROW CANADIAN ADVANTAGE ALTERNATIVE CLASS

Week ending November 25, 2022



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

Performance

November 25th, 2022

Arrow Canadian Advantage Alternative Class (F Class):

WTD -0.09%

MTD -1.77%

YTD 1.28%

S&P TSX Composite:

WTD 2.02%

MTD 4.93%

YTD -3.95%

S&P 500:

WTD 2.02%

MTD 3.98%

YTD -15.53%

Fund Commentary

Another slow week as we continue to be negatively positioned from a risk perspective with a bias to the theme of higher for longer inflation and short term rates. The market has started to move against this view with a focus on growth expectations falling (i.e. recession risks rising) – you can see this in the oil market now and in the resiliency of the market's expectation of the terminal rate remaining in the 4.75%-5% range while the 10 yr yield continues to fall – the upshot is the 2/10 spread continues its march towards record lows. The 10 yr is now below Fed Funds. Our current view is this has been overdone in the short term – the FED is likely to remain hawkish but financial conditions continue to ease putting them in a difficult position given their views on wages/employment levels. A 50bps hike in December is fully baked in with another 50 bps in Q1 23 before an easing cycle is anticipated in 2H 23. Stocks are clearly looking over the valley in terms of pending EPS downgrades based on the rates path so any “surprise” could up end the recent rally quite violently. For 1H 2023 we expect inflation to continue to fall and real GDP in the US to be effectively flat.

The coming week will be key as the data releases are important. We get a number of global PMI's, ISM, updated Q3 US GDP, PCE on Thursday and jobs on Friday. We also have a Powell speech on Wednesday at Brookings along with other FED speakers. In Canada we will get employment, PMI and September GDP this week.

Geographic Equity Exposures (% Total Portfolio including Futures)

ASSET ALLOCATION	NET	GROSS	LONG	SHORT
US	-9.0	34.7	12.8	-21.8
Canada	3.5	32.0	17.7	-14.2
Rest of World	0.6	2.1	1.3	-0.8
Equities Total	-4.9	68.7	31.9	-36.8
Bonds	10.3	10.8	10.5	-0.2
Commodities	3.7	3.7	3.7	0.0
Total	9.1	83.2	46.2	-37.0

Net equity exposure was increased from -5.6% to -4.9%.

Canada net exposure was unchanged.

US net exposure was increased from -10% to -9%.

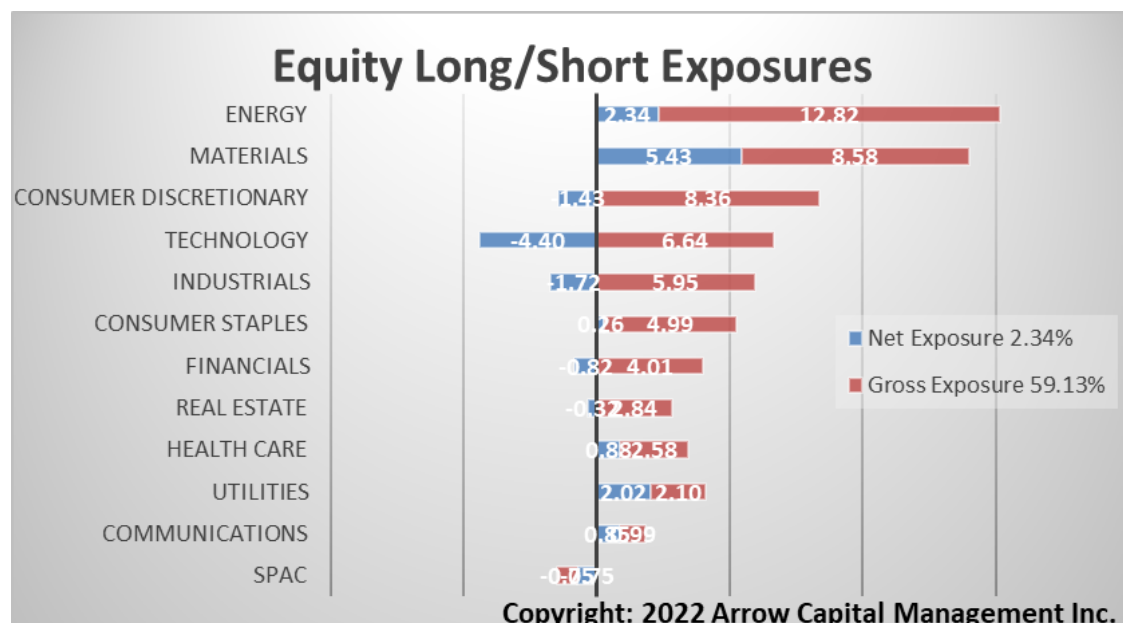
Rest of World net exposure was reduced by 0.3%.

Net bond exposure was increased by 2.2%.

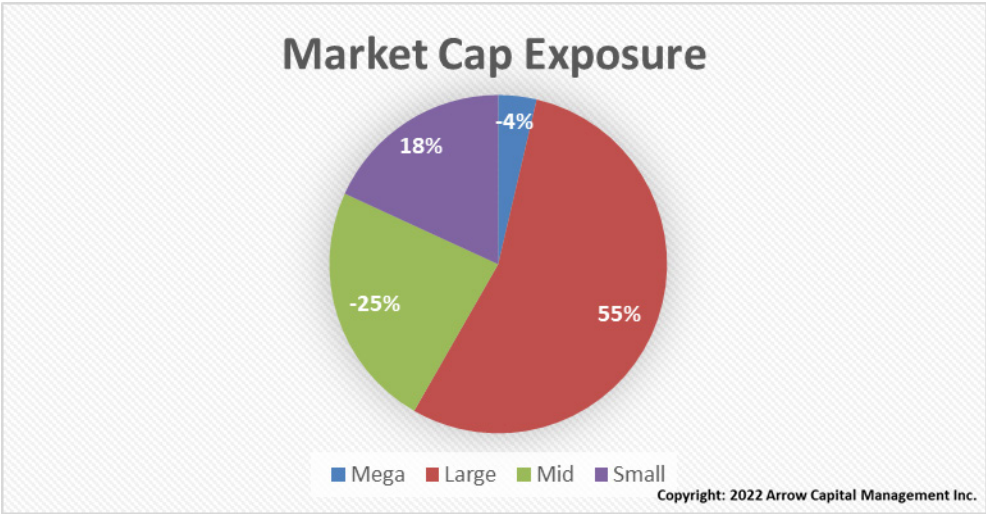
Net commodity exposure was increased by 0.4%.

Total fund gross exposure was increased by 3.2%. Total fund net exposure was increased by 3.2%.

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



Market Cap Breakdown



FX Exposures:

FX EXPOSURE	%
CAD	73.7
USD	27.2
Other	-0.9
DXY	0.0
Total Fund	100.0%

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 5.4%. USD was reduced by 8%. Other FX exposures were increased from -4% to -0.9% and DXY long of 2.3% was sold.

We look forward to reporting back next week.

Thanks,

Arrow Investment Team

Historical Performance – As of October 31, 2022

	1-Year	3-Year	5-Year	10-Year
ACAA - Series F	3.62%	16.46%	11.14%	10.43%

Published November 28, 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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