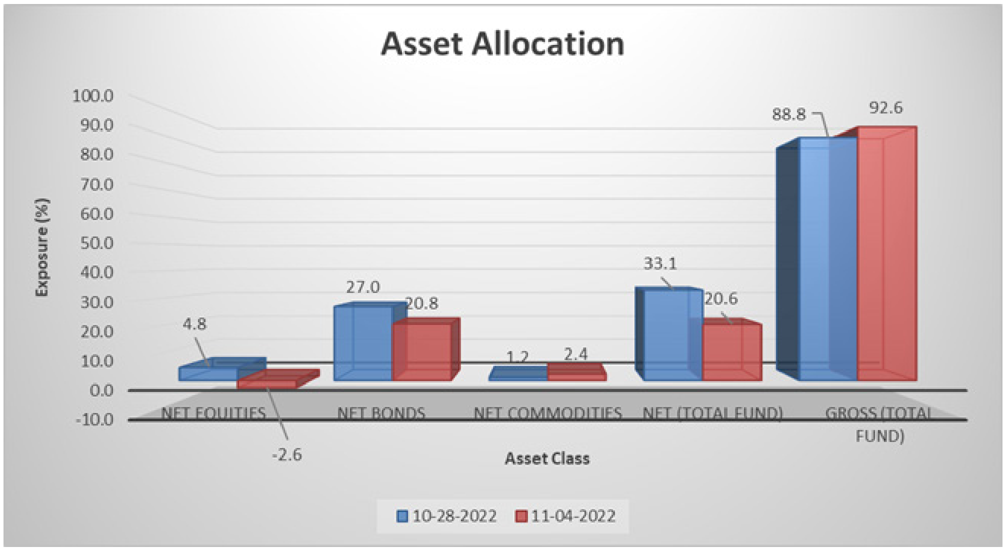


Monthly performance, macro context, current positioning and future expectations.

Performance
November 4th, 2022

Arrow Canadian Advantage Alternative Class (F Class):
WTD 0.28%
MTD 0.06%
YTD 3.17%

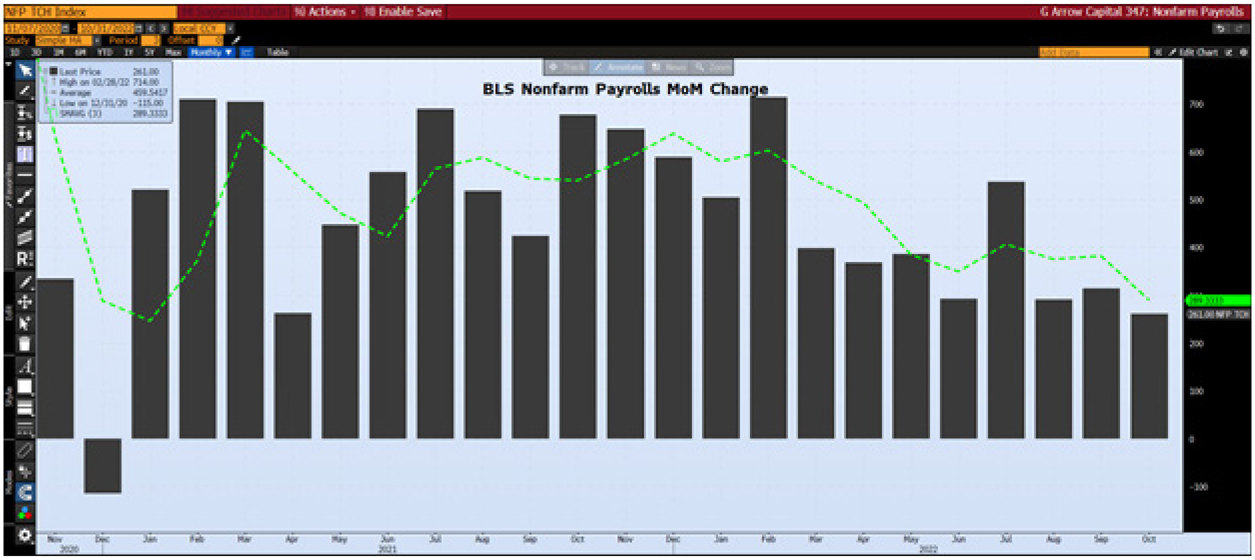
S&P TSX Composite:
WTD -0.11%
MTD 0.12%
YTD -8.35%

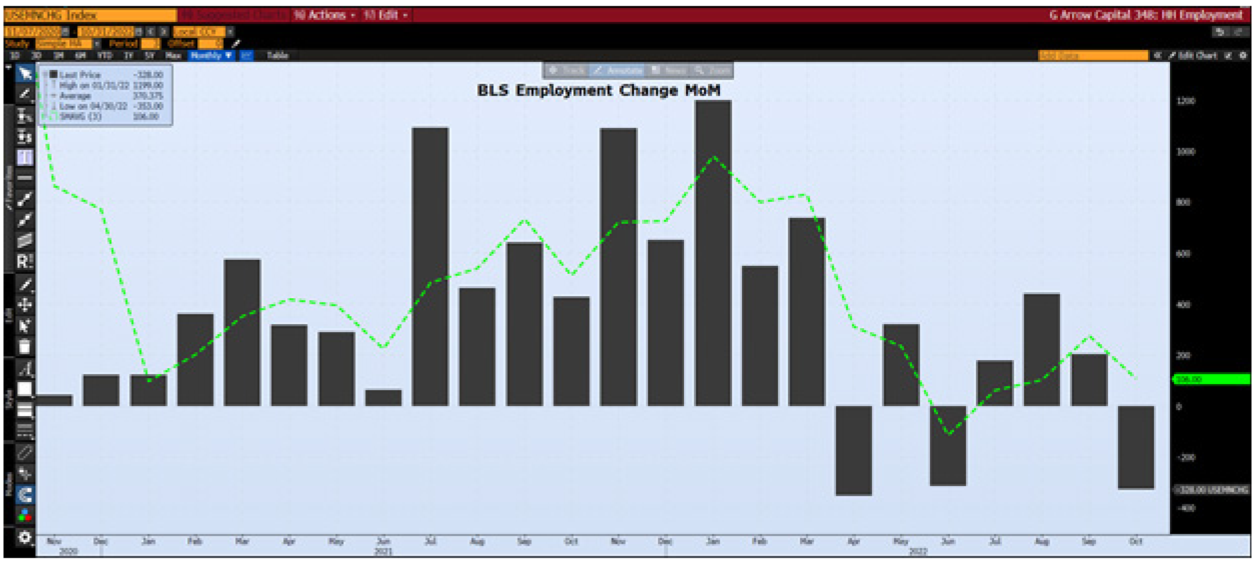
S&P 500:
WTD -3.35%
MTD -2.62%
YTD -20.89%

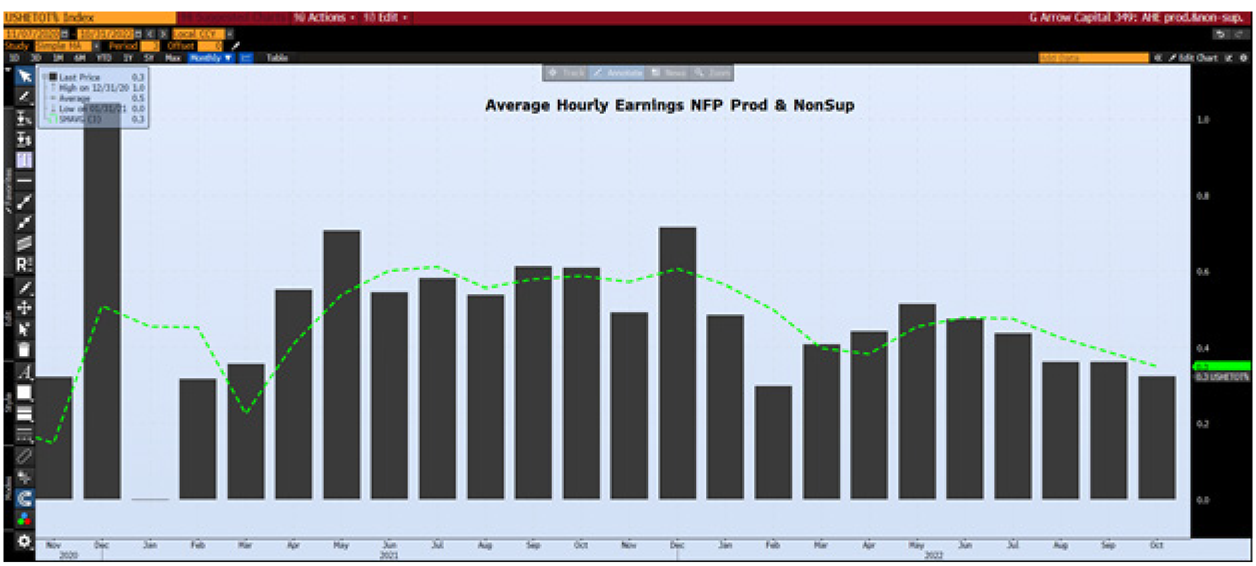
Fund Commentary

The Fund ended a volatile week up slightly. We are running low risk exposures currently given the heightened level of non-fundamental factors impacting securities markets – US elections, China Covid policy etc., etc.

The two big events of the week were the FOMC on Wednesday and the NFP on Friday. Coming into the FOMC, the market had expectations of a possible pivot and they got it – but it was hawkish! FED Chair Powell went out of his way to let everyone know that the rate hike pause was pre-mature, rates would be higher for longer and that doing too much tightening was preferable to too little. The terminal rate expectations shot higher and that led to a nasty sell-off in the bond market, especially the short-end, and further curve inversion. The NFP report was quite strong although payrolls growth is now slowing from elevated levels. The more “noisy” Household Survey of employment though was decidedly less positive especially in full time job market. The NFP report did little to change the path of the FED.


BLS Nonfarm Payrolls MoM Change


BLS Employment Change MoM


Average Hourly Earnings NFP Prod & NonSup

One release that gets little fanfare is the Treasury's QRA (Quarterly Refunding Announcement). The release (in two parts Monday and Wednesday this past week) saw some bad news for the long term bond bulls. Specifically, this quarter's issuance will be up $150 billion more than expected (either spending is higher and/or receipts are lower) and the Treasury General Account (think of this as the checking account for the US government) expected to close at $700bn (up from current $550 bn). In calendar Q1'23, issuance will rise even further than expected as well. More supply = lower prices all things being equal. As well, there was no announced "bond buyback" and no cancellation of the 20yr bond (some speculation this would be retired in favour of more traded maturities – a silly idea tbh) which created a tough bond market heading into the FOMC. The mix of bills and coupons was also not radically altered to improve the coupon supply issue. So with more supply (thanks as well to QT), a decent economy and sticky inflation, the outlook for long term treasuries remains poor.

Elsewhere, the Bank of England hiked 75bps but the GBP was hit hard with Bailey's comments that the terminal rate of 5.25% in the market was too aggressive. The equity market was having a decidedly bearish week until Friday's news of a potential relaxation of the zero-tolerance Covid policy in China. That triggered a substantial rally in risk assets and a big fall in USD crosses – especially versus AUD and CAD. A re-opening in China is likely very bullish for the value and cyclical trades. However, on Saturday, China re-iterated no change in its policy so we will see how much if any of those gains are erased. The move though continues to show how 'wired' the market is too any good news given the current 'negative' positioning. It also helps lend credence to the old adage that nobody really wins in a bear market given the sharp counter trend rallies. We agree it is difficult but we are trying while more importantly preserving capital. In Canada the employment data was released on Friday which showed a huge gain versus expectations. The job losses over the summer were more than offset but in aggregate the past 6 months is net net sluggish at best. CAD rallied up partially on this news plus the China re-opening narrative. We expect a 25bps hike by the BoC in December and that may be it for a while.

This week we will get the mid-term election results in the US. It appears there is a strong likelihood of a split Congress with Georgia, Pennsylvania and Arizona shaping up to be the key battleground states for the Senate. If we get "gridlock" this may help markets as it is viewed as positive with lower spending and therefore less issuance and lower rates. Polling is a real challenge so will stay the course with positioning and simply fade any big moves one way or another. We get the CPI release on Thursday – we are generally in line with consensus – but the next CPI release will hold more signal power as evidence of the path and pace of inflation.

Geographic Equity Exposures (% Total Portfolio including Futures)

ASSET ALLOCATION	NET	GROSS	LONG	SHORT
Canada	2.2	35.1	18.7	-16.5
US	-5.0	32.4	13.7	-18.7
Rest of World	0.2	1.5	0.9	-0.7
Equities Total	**-2.6**	**69.0**	**33.2**	**-35.8**
Bonds	20.8	21.2	21.0	-0.2
Commodities	2.4	2.4	2.4	0.0
Total	**20.6**	**92.6**	**56.6**	**-36.0**

Net equity exposure was reduced from 4.8% to -2.6%.

Canada net exposure was reduced by 0.8%.

US net exposure was reduced from 0.5% to -5%.

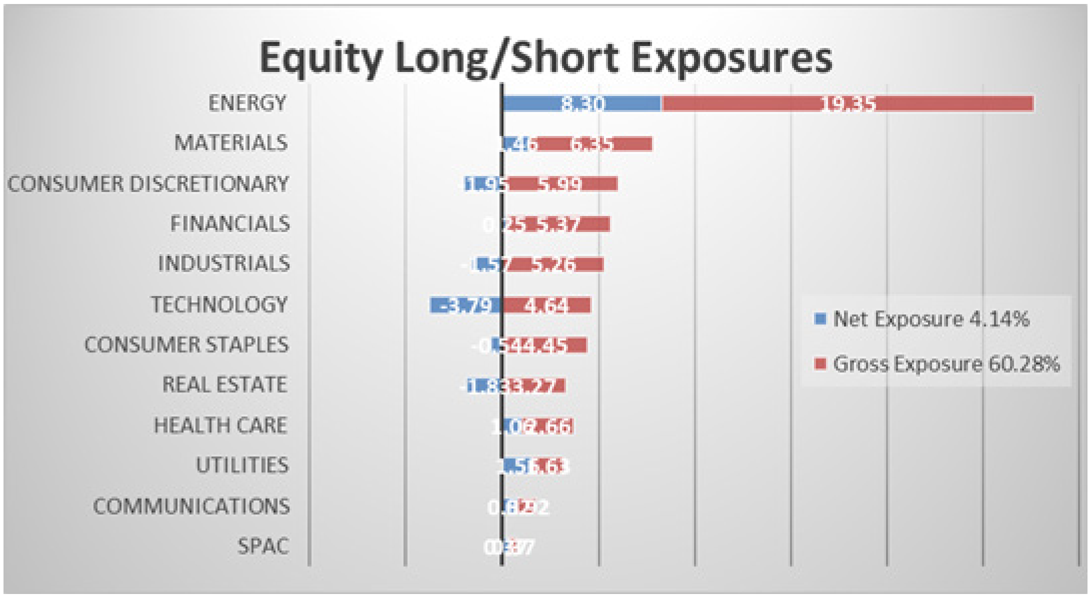
Rest of World net exposure was reduced by 1.1%.

Net bond exposure was reduced by 6.2%.

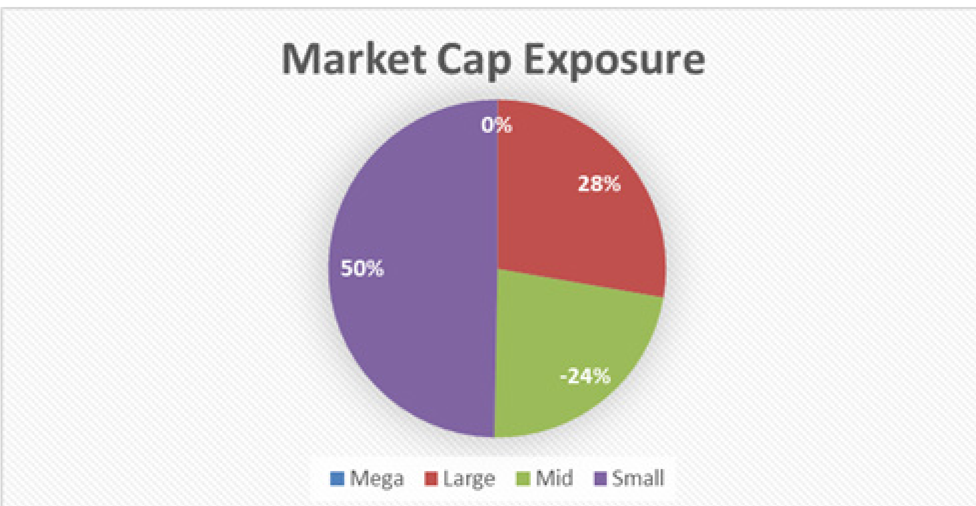
Net commodity exposure was increased by 1.2%.

Total fund gross exposure was increased by 3.8%. Total fund net exposure was reduced by 12.4%.

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



Market Cap Breakdown



FX Exposures:

FX EXPOSURE	%
CAD	68.5
USD	32.4
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 7.6%. USD was reduced by 6.8%.

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 7, 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 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.