

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

Performance

Week of November 18th, 2022

Arrow Global Advantage Alternative Class (F Class):

WTD 0.39%

MTD -0.70%

YTD -2.35%

MSCI ACWI:

WTD 0.20%

MTD 5.06%

YTD -18.39%

Global Market Summary

The Fund had a decent week on the back of our strong results in our long/short book. We had a high/positive hit rate especially on the short side in discretionary and industrials.

Rather than speaking on markets maybe a brief comment on US politics. While we spend most of our time trying to map and forecast the business cycle, policy (monetary/fiscal/geo-political) issues all play a role in both the path and rate of change of inflation and economic growth – so it is important to have a view and monitor these developments closely. This past week we caught up with the Piper (ex Cornerstone) Policy strategist veteran Andy Laperriere for an update post US mid-terms and we gleaned several important take-aways.

Firstly, with Congress now officially divided, we have entered a lame duck session and so, not much should be expected in terms of passing outstanding legislation save for further defense spending, political “investigations” (aka grand standing) and most likely a debt-ceiling showdown. The latter is the most important as much higher rates, continued big deficits and a high level of debt to GDP will offer canon fodder for the GOP to press back against tax/spend initiatives. Andy notes that we are likely to see in excess of \$200 bn in potential fiscal tightening in 2023. On the margin, this will remove some of the growth potential in the US economy.

Secondly, the mid terms produced some interesting developments wrt the 2024 elections. The failure of Trump backed tickets and the resilience of the Dems. On the former, Andy notes that the Trumps odds of winning the ticket rise if a large number of candidates run for the nomination otherwise the odds favour DeSantis as the nominee. While Trump has a rock solid core, his chances (based on the mid terms) are diminished to win versus DeSantis wrt the swing/independent voter. On Biden, polling suggests his own party would prefer someone else. Biden celebrated his 80 birthday this past weekend – the first sitting President to achieve that milestone. That being said, any actuary will tell you time is running short on his life expectancy so, if he was planning to step down, it would make the most sense to do so in the next few months. That being said, this is entirely his decision; gone are the days of the “smoke-filled” room where the party brass crowns a successor. Ditto for the GOP as proven demonstrably by Trump. We reviewed all the possible candidates / outcomes on both sides and while entertaining it is simply too early.

The coming week features US Thanksgiving on Thursday so it will be quiet. Aside from the slate of FED speakers and the FED minutes on Wednesday we don't expect much in the way of fireworks. If you recall last year we got the Omicron news on Thanksgiving – that was wild – hopefully nothing major this week. We will stick with our positions but we do believe December could be a real challenging month for markets.

Summary Table
Economic Forecasts (Q4/2022 and Q1/2023)

Country	Q4 Outlook	Q1 Outlook
US	D	D
Canada	D	D
Eurozone	I	D
China	G	I
Japan	I	G

D= Deflation / G= Real Growth / R= Inflationary Growth / I = Inflation

Economic Weekly Update

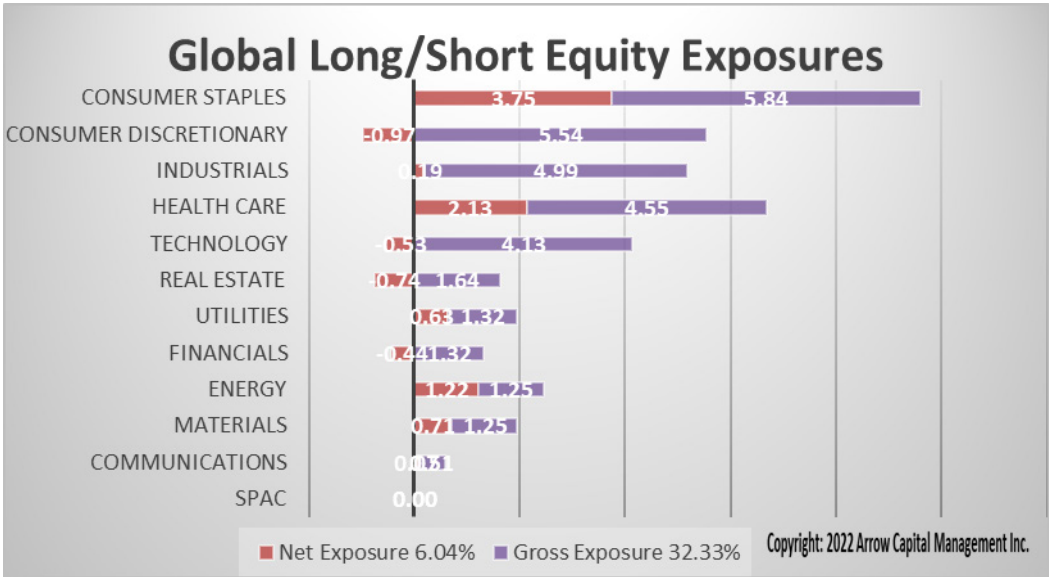
Below is a summary of the week and significant changes.



The portfolio is divided into 2 parts – a Global Long/Short part (individual securities) and a Global Macro part that focuses on liquid futures, ETF's etc. across FX, Commodities, Fixed Income and Equities.

Summary of our current positioning:

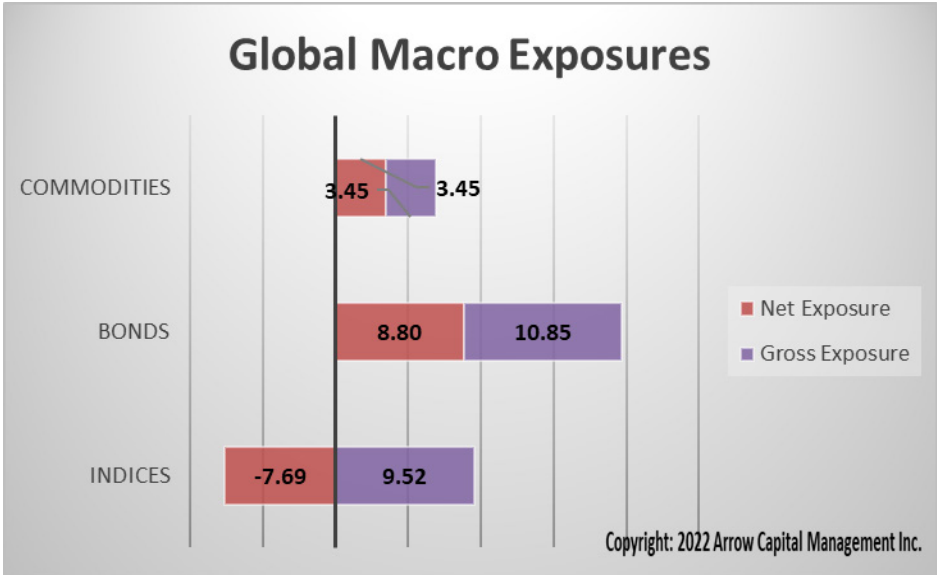
1) Global Sector Exposures (Long / Short Portfolio of individual companies)



Both S&P 500 and the world index(ACWI) were slightly down last week with defensive sectors, i.e. staples, utilities and health care, significantly outperforming consumer discretionary and cyclical sectors(energy, reits, materials and financials). Consumer discretionary is the area that we have plenty alpha shorts which have created decent alpha so far as a result of their disappointing earnings.

William Sonoma(WSM) and Floor & Decor(FND) are two examples within our home products short, which will be competing against a 50% growth in 2023 at a three year stack. With the housing market slowing dramatically, are these two really able to grow double digit in their top line again in 2023 as consensus expects? We really doubt that. WSM did already see the FY23 earnings estimate come down 7% after they missed by a cent in Q3, however, with their discounting ramped up and demand really slowing, is it possible to see the EPS getting anywhere closer to the pre-pandemic level, i.e. around \$4, vs. staying at current \$16 EPS for the next three years? We still think there's decent downside on the "darling" names within the consumer space. On the other side, those companies that were impacted by supply chain congestion over the last two years should see a tailwind as the supply chain continues to improve.

2) Global Macro Exposures



Total Gross: 23.83%, Total Net: 4.56%

Commodities - Bullish Gold

Commodities were reduced by 1.32%. We are long Gold and Silver Futures and December 23 Oil Futures.

Bonds – Bullish Duration / Short Credit

Bonds were increased by 1.15%. The bulk of our exposure is in the US 5 yr. Treasury Note Future.

Equity Futures – Negative

Index shorts were reduced by 2.26%. We are short the S&P 500 and S&P/TSX 60 Futures. We are also short a Goldman Sachs Basket of Non Profitable Tech Companies.

Foreign Exchange Positions:

FX EXPOSURE	%
CAD	88.4
USD	24.9
Other	0.1
AUD	0.0
JPY	-0.7
GBP	-2.3
EUR	-10.5
DXY	3.1
Total Fund	100.0%

* We have included the delta adjusted totals to the FX summary above.

FX – Bullish USD

CAD was reduced by 4.4%. USD was increased by 16.4%. GBP short was increased by 2.2%. EUR short was increased by 9.6%.

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	ITD
AGAA - Series F	-0.48%	5.02%		3.64%

Published November 21, 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.

This document is provided as a general source of information and should not be considered personal, legal, accounting, tax or investment advice, or construed as an endorsement or recommendation of any entity or security discussed. Every effort has been made to ensure that the material contained in this document is accurate at the time of publication. Market conditions may change which may impact the information contained in this document. All charts and illustrations in this document are for illustrative purposes only. They are not intended to predict or project investment results. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies.

Certain statements in this document are forward-looking. Forward-looking statements (“FLS”) are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as “may,” “will,” “should,” “could,” “expect,” “anticipate,” “intend,” “plan,” “believe,” or “estimate,” or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what Arrow Capital Management and the portfolio manager believe to be reasonable assumptions, neither Arrow Capital Management nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

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.