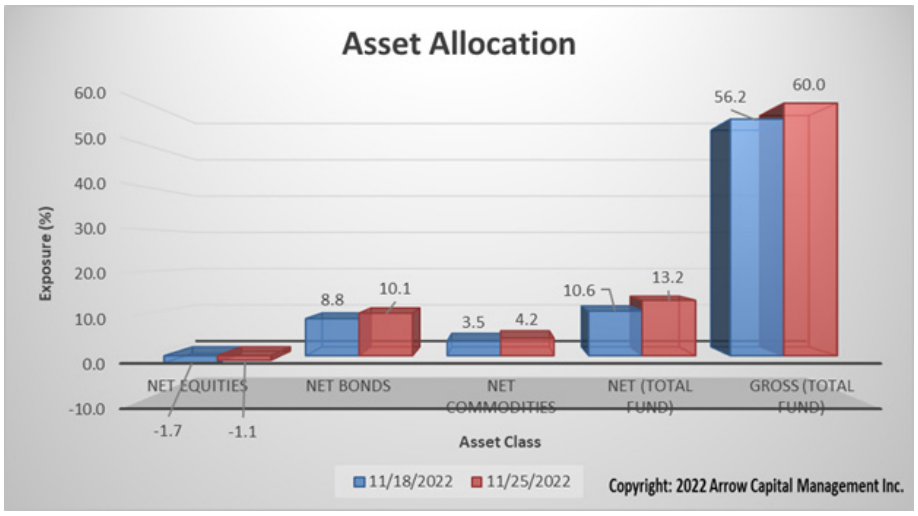


Monthly performance, macro context, current positioning and future expectations.

Performance
Week of November 25th, 2022

Arrow Global Advantage Alternative Class (F Class):
WTD -0.12%
MTD -0.82%
YTD -2.47%

MSCI ACWI:
WTD 1.48%
MTD 6.61%
YTD -17.18%

Global Market Summary

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 other news over the weekend were the demonstrations in China over the zero-covid policies and the lockdowns. It appears an apartment fire that killed a dozen or so people – literally locked-in – was the trigger. The open criticisms of Xi will likely not be tolerated and we will need to see the level of government response. It certainly appears that there are real cracks developing – so either this is growth bullish if lockdowns are eased further or perhaps inflation bullish if supply chains are once again impacted. Our only exposure is a longer dated short $/CNH put option on the more fundamental issues facing China.

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.

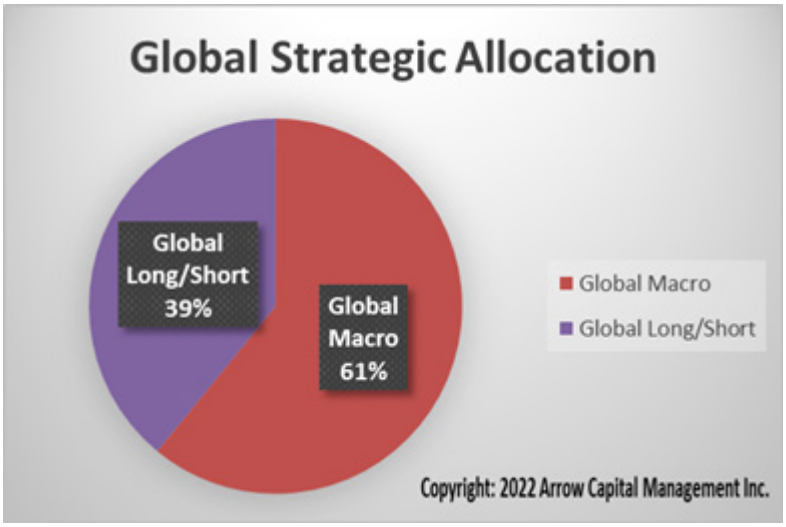
Summary Table
Economic Forecasts (Q4/2022 and Q1/2023)

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

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

Economic Weekly Update

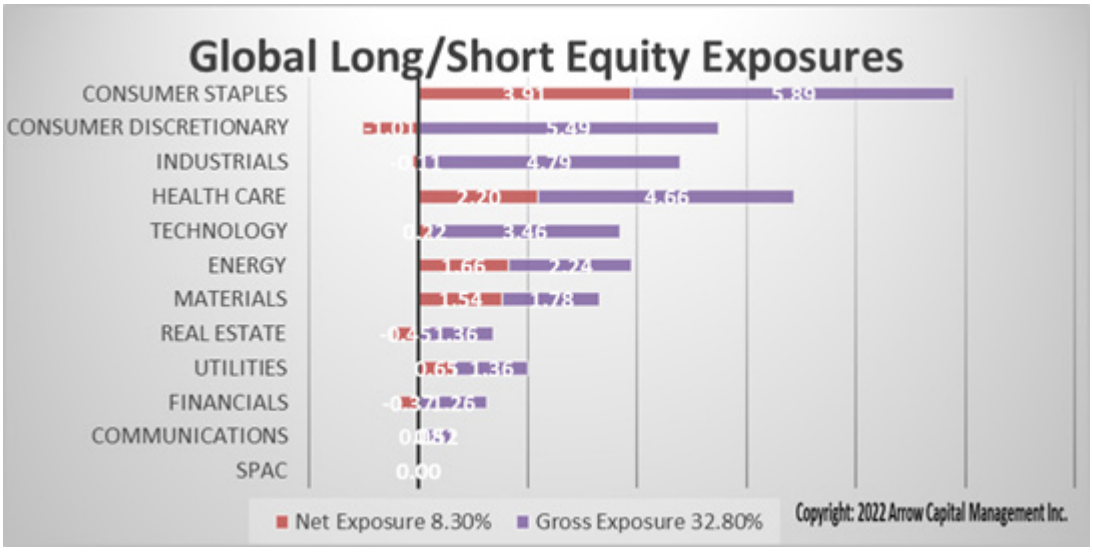
Below is a summary of the week and significant changes.



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:

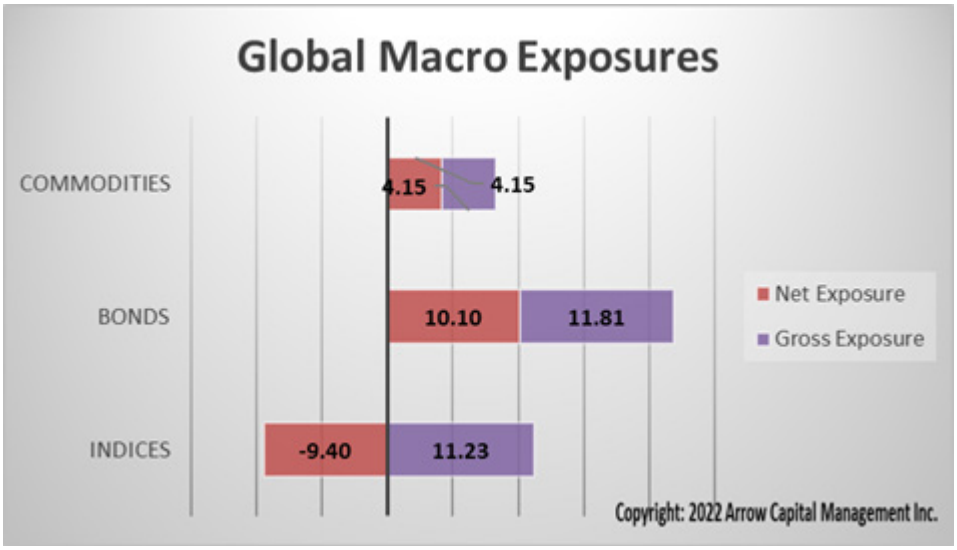
1) Global Sector Exposures (Long / Short Portfolio of individual companies)



The equity market rallied into the U.S. Thanksgiving holiday with very light volume. Now with 98% of S&P 500 companies having reported their calendar Q3 (CQ3) earnings, we can see that the overall EPS growth slowed from 7% in CQ2 to 3.3% as the market largely expected. CQ4 will see the largest drop in sales growth (yoy), which will get reflected in earnings as well. We expect to see earnings deteriorate again in CQ1 when corporates run out of their budget and consumers tighten their belt after the holiday season. Even though both corporates and consumers are still flush with cash, we started to see evidence of capex cuts from large & small businesses as well as huge discounts from retailers as they tried to clean up their inventory after recognizing they ordered too much following the above norm spending pattern over the last two years. This is also demonstrated by the deceleration of commodity inflation, led by household furnishing, apparel, medicare and education.

We remain overweight defensive sectors and are slowly adding to long duration/secular growers as the back end of the yield curve continues to fall. The asset allocation allows us to profit under the market turmoil and we will look for a pivot once the job data further deteriorates (not there yet!).

2) Global Macro Exposures



Total Gross: 27.19%, Total Net: 4.85%

Commodities - Bullish Gold

Commodities were increased by 0.7%.

Bonds – Bullish Duration / Short Credit

Bonds were increased by 1.3%.

Equity Futures – Negative

Index shorts were increased by 1.7%.

Foreign Exchange Positions:

FX EXPOSURE	%
CAD	91.9
USD	8.5
JPY	0.1
Other	0.1
GBP	0.1
AUD	0.0
EUR	-0.8
DXY	0.0
Total Fund	**100.0%**

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

FX – Bullish USD

CAD was increased by 3.5%. USD was reduced by 16.4%. EUR and GBP shorts were covered and DXY long 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	ITD
AGAA - Series F	-0.48%	5.02%		3.64%

Published November 28, 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.

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