January 13th, 2023 Asset Allocation: 16.9% cash; 47.7% bonds; 7.2% commodities (GLD ETF) and 28.2% equities*; 41.0% $US, 2% Yen, and 3.7% (non N. American equities)

January 6th, 2023 Asset Allocation: 12.7% cash; 48.7% bonds; 7.4% commodities (GLD ETF) and 31.2% equities*; 41.0% $US, 1% Yen, and 3.3% (non N. American equities)
*Net exposure to equities

	Last Week	Year to Date
iShares U.S. 7-10 Yr Bond ETF	+0.60%	+2.05%
Scotia Canada Bond Index	+1.54%	+3.01%
Gold	+2.95%	+5.26%
S&P 500	+2.67%	+4.16%
Nasdaq	+4.82%	+5.85%
S&P/TSX	+2.75%	+5.03%
EGIF – Series F	+0.48%	+1.77%

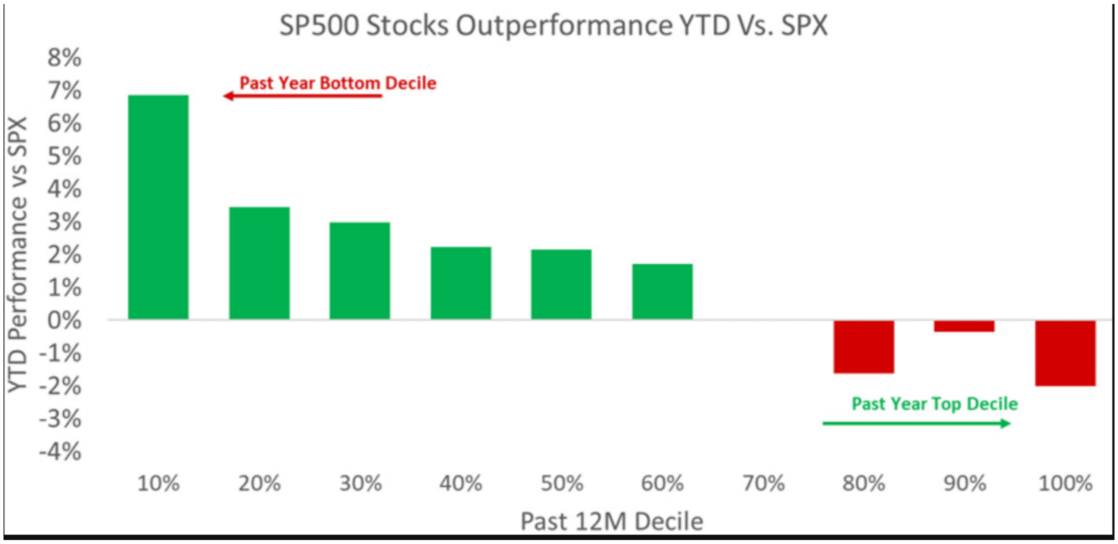
January 9, 2023 to January 13, 2023

Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria. - Sir John Templeton.

Wise words by a famous investor. It wasn't our best week but we did move the ball forward. The Fund revised its sector weights and took profits on half of our 10-Yr Canada bonds. Is the current pessimism birthing a new bull market? After all the S&P 500 is up 11.8% since Oct 12/22 and up 4% YTD. Our view is still no, but it is a significant bounce. The rally has been led by the losers of last year and high beta names. What happened mid October last year, is 'the market' priced in maximum hawkishness and has been disbelieving the Fed Funds target ever since. Last August, the Fed reaffirmed its desire for tighter financial conditions at Jackson Hole and a market sell off ensued. The set up looks the same and Jay Powell may want to crush the current optimism in February. The optimism is broad based: bonds, gold, North American Equities, China, Europe, Emerging markets and even crypto. Is the weakness in the U.S. dollar helping (vs CAD down 1.2% and U.S. dollar Index down 1.3% YTD)? Does the Fed want a weaker U.S. dollar? On Friday Import prices were up 0.4% MoM and Export prices down 2.6% in December both much worse than expected. Input prices up and selling prices down does not sound good for profits. A strong U.S. dollar would reverse that situation. I think the Fed would like a strong U.S. dollar to help quell inflation.

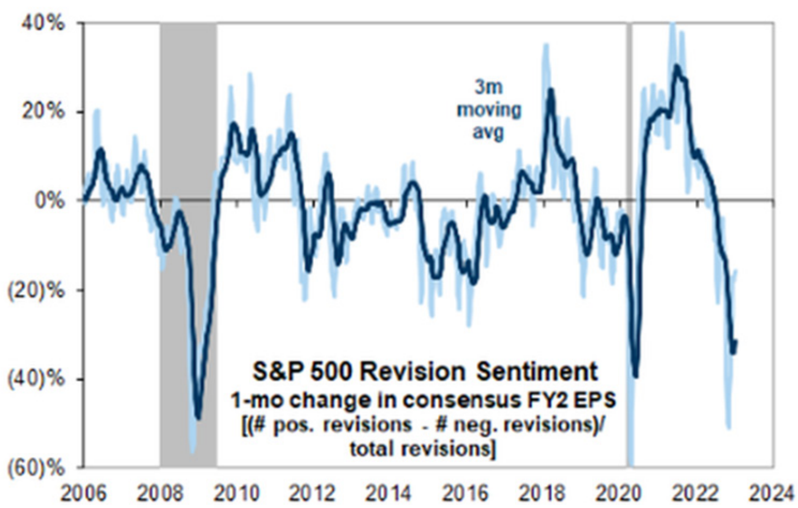
U.S. Federal Funds Target Rate vs GS U.S. Financial Conditions Index

Source: Bloomberg



Source: *Nomura*

The hope in the market is a repeat of 2019. The Fed paused in January 2019 and began cutting rates in June 2019. Earnings were unchanged but the market multiple expanded. The S&P 500 was up almost 30% in 2019 and all was right with the world. Today earnings are being revised down and there is still a further two to three Fed hikes coming. The world is in a worse place (War, Covid, Inflation). Could all these troubles be vanquished in 2023? I hope so. Our view is there are opportunities this year, some short term and some long term. Bonds and gold are two asset classes we prefer. They will be volatile like the other asset classes but I think less so.



Source: *Nomura*

Downward earnings revisions have been extreme and have only looked like this in the past recessions (2000 and 2008) – Jan Hatzius Goldman Sachs

Last year was all about inflation and the need to raise rates and as a result P/E multiples contracted. 2023 is all about growth and when the recession will arrive. We have seen housing rollover, manufacturing orders rollover, the next will be profits and employment. We expect a rollover in earnings to start appearing this earnings season. Last year inflation helped companies increase prices but this year our belief is a deceleration in inflation will negatively impact earnings. Employment or layoffs will be a consequent of lower profits.

The Fund is very active increasing and decreasing equity exposure. The Fund is positioned for further deceleration in GDP growth and a deceleration in inflation. The Fund will tactically trade equities, either through outright sales or 'shorting'. The Fed is focused on reducing inflation and will continue to raise the Fed Funds rate into the 1st quarter of 2023. Our biggest sectors are: Materials (5.5%), HealthCare (4.9%), Energy (4.7%), Industrials (4.1%) and Utilities (4.0%). I've added our Top 10 Equity Holdings below for this week.

Top 10 Equity Holdings as of January 13, 2023
Pembina – PPL
McKesson – MCK
Agnico Eagle -AEM
Barrick Gold – ABX
Raytheon – RTX
Amdocs – DOX
Emera – EMA
Restaurant Brands – QSR
Campbell Soup -CPB
Keyera - KEY

The Exemplar Growth & Income Series F was +0.48% last week and is +1.77% year to date.

Historical Performance – As of December 31, 2022

	1-Year	3-Year	5-Year	ITD
EGIF - Series F	-8.73%	5.08%	4.69%	6.72%

Published January 16, 2023

Commissions, trailing commissions, management and performance fees and expenses all may be associated with mutual fund and exchange-traded fund (ETF) 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 and ETFs are not guaranteed, their values change frequently and past performance may not be repeated. You will usually pay brokerage fees to your dealer if you purchase or sell securities of an ETF on recognized Canadian exchanges. If the securities are purchased or sold on these Canadian exchanges, investors may pay more than the current net asset value when buying securities of the ETF and may receive less than the current net asset value when selling them.

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 Exemplar Growth and Income Fund (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.