EXEMPLAR GROWTH & INCOME FUND
Week ending January 27, 2023

January 27th, 2023 Asset Allocation: 6.4% cash; 50.5% bonds; 6.4% commodities (GLD ETF) and 36.7% equities*; 46.0% $US, 4% Yen, and 4.6% (non N. American equities)

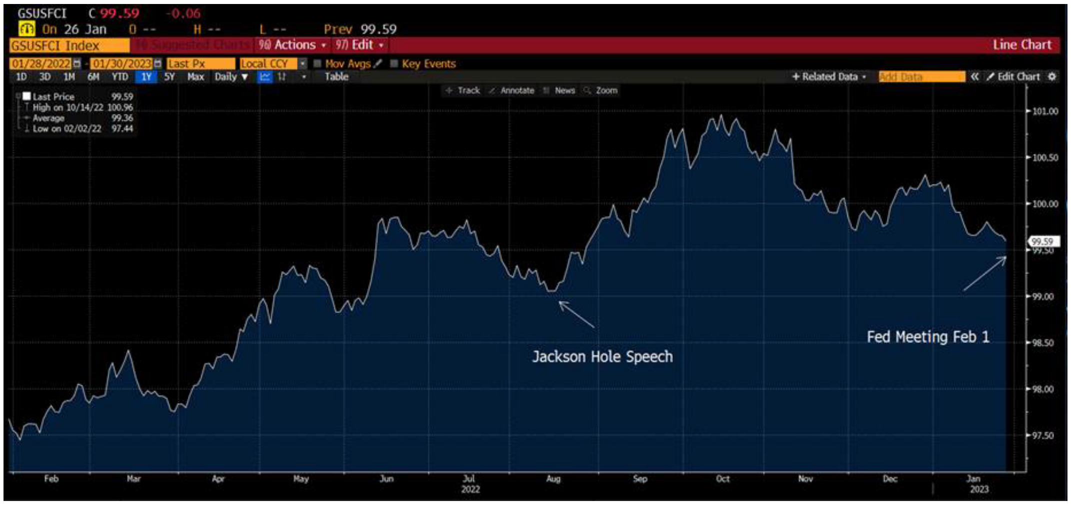
January 20th, 2023 Asset Allocation: 17.2% cash; 47.6% bonds; 7.2% commodities (GLD ETF) and 27.9% equities*; 46.0% $US, 2% Yen, and 4.6% (non N. American equities)
*Net exposure to equities

	Last Week	Year to Date
iShares U.S. 7-10 Yr Bond ETF	-0.16%	+3.38%
Scotia Canada Bond Index	-0.70%	+2.87%
Gold	+0.16%	+5.70%
S&P 500	+2.47%	+6.02%
Nasdaq	+4.32%	+11.04%
S&P/TSX	+1.03%	+6.86%
EGIF – Series F	-0.86%	+0.65%
EGGIC – Series F	+0.16%	+3.01%

January 23, 2023 to January 27, 2023

Not the start to the year for the Fund we wanted as we expect a recession and the market view is 'risk on' so far in 2023. The Fund raised its equity weight but has maintained its allocation to bonds, gold and U.S. dollar. The equity market is excited about China reopening and the prospects of a Fed pause. The Bank of Canada raised rates 25 bps on Wednesday and announced a pause. This move by the Bank of Canada inspired the U.S. market to expect a pause sooner than later. The Fed's dilemma is keep hiking and tank the economy or pause sooner and risk inflation coming back just as China is trying to ramp its economy. As mentioned in my Q1 outlook webinar, a lot of activity is driven by 0dte options (zero days to expiry) and the CTA's. Lowered "Tightening Expectations", "Surprisingly better than feared Economic Growth" and "Forward Growth Expectations" are the top three macro factor contributors to the move higher in the past 1 month period in U.S. equities – Charlie McElligott, Nomura. Our response is raise our equity weight in response to changing dynamics. The market can be driven the other way as Jay Powell on Wednesday could be the force to bring about that change. Financial Conditions may be too loose according to Powell and he may give a similar speech as Jackson Hole, after which Financial conditions tightened into October. Our preferred asset classes and biggest exposures in order: bonds, U.S. dollar, and gold.

<u>Goldman Sachs U.S. Financial Conditions Index</u>



Source: Bloomberg

Bonds should be the best defense against a recession/slowdown and outperform equities. There is a lot of buying power out there as CTA's are 100% short. A short seller turns into a buyer at some point. Other buyers are Pension Funds.

Pension Funds in Historic Surplus Eye $1 Trillion of Bond-Buying

For some of America's biggest bond buyers, the soft-versus-hard-landing debate on Wall Street might be a sideshow. They're getting ready to swoop in with as much as $1 trillion, no matter what happens.
One of the pillars of the trillion-dollar pension fund complex is now awash in cash after struggling under deficits for two decades. This rare surplus at corporate defined-benefit plans, thanks to surging interest rates, means they can reallocate to bonds that are less volatile than stocks — "derisking" in industry parlance.

Source: Bloomberg

CAD/USD

Chart 9

A weak trend in the Canadian dollar against the US dollar (Chart 9) that began in 2022 will continue to play itself out in 2023. The CAD chart broke a top at US$0.77 in 2022 and fulfilled our target in the low US$0.70's where it found support. A triangle consolidation over the past several weeks within its overall downtrend is a continuation formation that in most cases will resolve to the downside. Our 2023 objective is US$0.68 to US$0.70 for the Canadian dollar against the US dollar.

Source: National Bank – Dennis Mark

US Dollar Index Spot Currency

Source: Carter Worth, WorthCharting

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 (5.8%), Energy (5.8%), Utilities (4.3%), REITs (4.1%) and HealthCare (4.0%). I've added our Top 10 Equity Holdings below for this week.

Top 10 Equity Holdings as of January 27, 2023

Pembina – PPL
Agnico Eagle -AEM
Restaurant Brands – QSR
Amdocs – DOX
Emera – EMA
McKesson – MCK
Superior Plus - SPB
Royal Bank - RY
Barrick Gold – ABX
Juniper Networks - JNPR

The Exemplar Growth & Income Series F was -0.86% last week and is +0.65% 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%

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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.