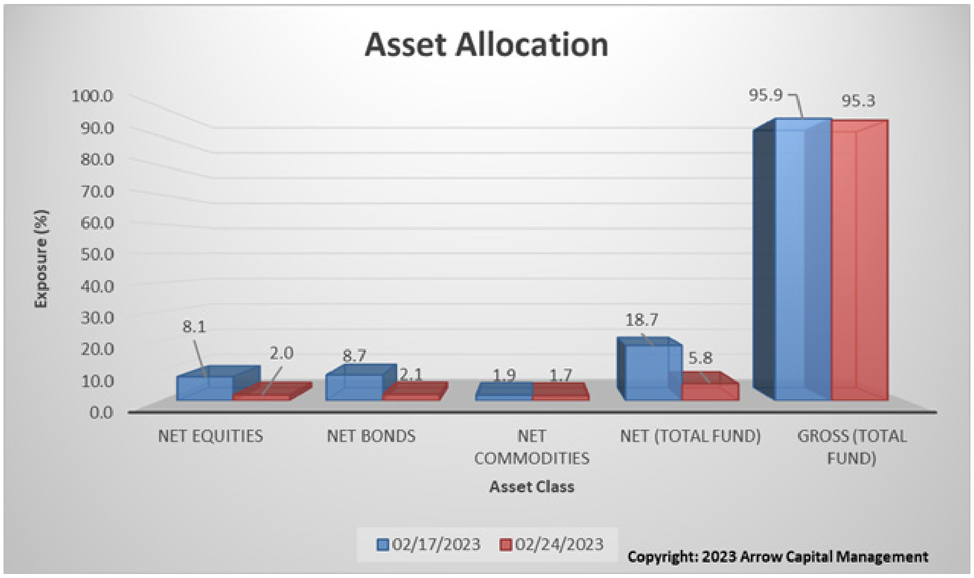


Weekly performance, macro context, current positioning, and future expectations.

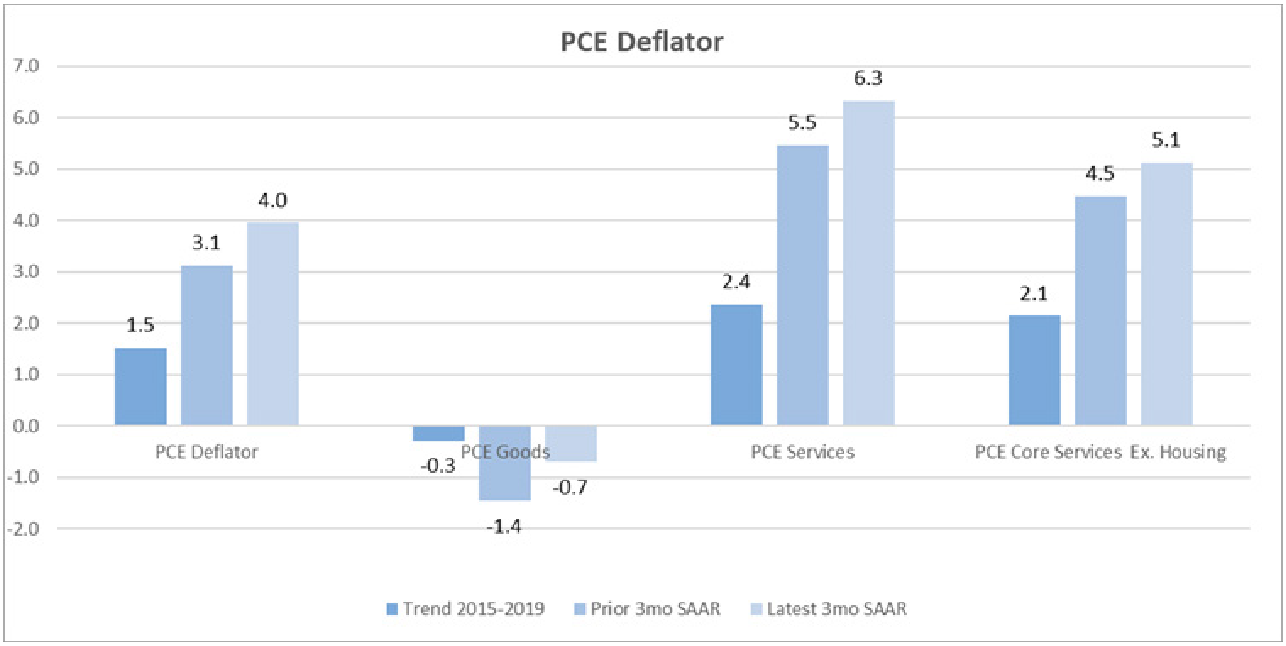
Performance
February 24, 2023

Arrow Canadian Advantage Alternative Class (F Class):
WTD 0.46%
MTD -0.95%
YTD -1.53%

S&P TSX Composite
WTD -1.88%
MTD -2.64%
YTD 4.30%

S&P 500:
WTD -2.94%
MTD -2.61%
YTD 3.40%

Fund Commentary
The FED has been in a battle to slow inflation down before it becomes embedded in the system. To fight this war they have raised the FED Funds rate from effectively 0% all the way to 4.5% - 4.75% and they are planning more. This week the release of the FED's "favourite" measure of inflation, core PCE (personal consumption expenditures) rose to 4.7% on a YoY basis and also higher MoM confounding market expectations for an expected fall. The 2yr UST closed at 4.81% - a new cycle high. The 3 month SAAR's across the board for Core Services PCE ex housing as well is over 5% and headed in the wrong direction.



Other measures of inflation reported earlier 'pre-warned' this was likely but still markets want to believe the inflation war is over. There is no question headline inflation will continue to slow BUT by how much and how fast are now critical questions – the path of inflation going forward will be key. The challenge is not unique to the US but is becoming a global phenomenon as Japan, ANZ, Europe and elsewhere are battling as well. At this point one cannot help but wonder if inflation is becoming more entrenched and the FED and other CB's are losing the battle. The "good" news for the FED is it appears the economy is slowing as shown by the lower Q4 2022 GDP revisions reported this week – albeit slowly. The Atlanta Fed model is way up for Q1 but our view is the retail sales number was overly flattering and this will come in with February data. Our view is that the only way for the FED to "win" is for financial conditions to be tight enough to impact corporate profits to then impact employment – especially in the service sector. Here the FED also appears to be losing as financial conditions have net-net loosened since peaking in October last year.

Personal income and spending data was also released with spending still robust and personal disposable income growing 2% MoM and 8.1% YoY – very healthy indeed. Unemployment remains very low and no where near the levels the FED believes will signal a fall off in aggregate demand. All this noted, there are plenty of signs "under the hood" that indicate that things are slowing and we expect this to show in the hard data in the next few quarters. For now, assuming the data before the March FOMC does not deteriorate, expect the market to remain firm on its expectations of a terminal rate in the US to be in the 5.3% - 5.5% range i.e. rates hikes in March, May and June of 25 bps each (maybe 50bps in March). The idea of a "soft landing" has been altered to a "higher for longer" environment just as the economy decelerates raising the probabilities of an “accident” or hard landing.

In US housing, existing home sales continued very weak – down 12 straight months in a row. However, new home sales handily beat expectations – this dynamic suggests that high mortgage rates are creating disincentives to move while the supply of new homes remains tight.

Elsewhere in Canada, CPI for January came in below expectations for both headline and core readings. While home prices continue to fall in Canada, rental rates continue to rise – CIBC’s CEO spoke out on the growing social issues/ stresses of rapidly rising immigration and the shortage of rental units – our rental inflation is calculated very differently when translated into CPI from the US but just ask any family living in a major Canadian city about what inflation is really running at - 5% will not be their answer! The rates markets are pricing in another hike by the BoC – will see on March 8 when the BoC meets. We remain short the C$ as the primary way to profit on the growing imbalances in the economy.

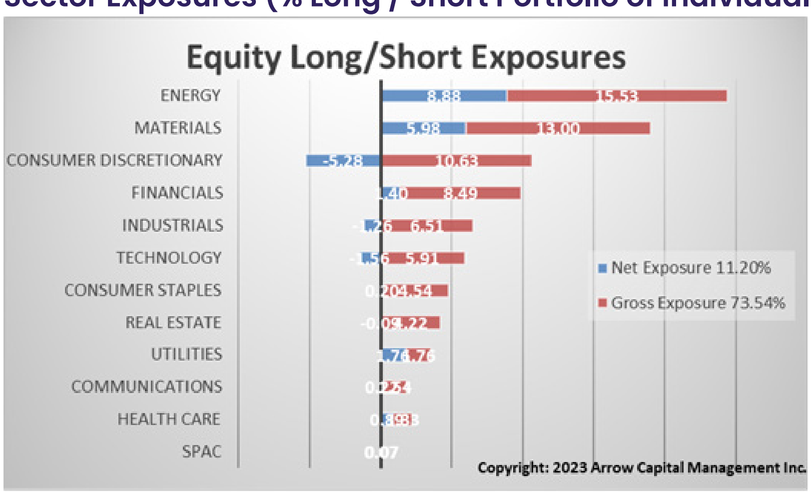
This coming week will be watching out for Canadian GDP data, US PMI’s along with global versions as well, Japanese inflation (Tokyo) etc. another busy week on the data front.

Geographic Equity Exposures (% Total Portfolio including Futures)

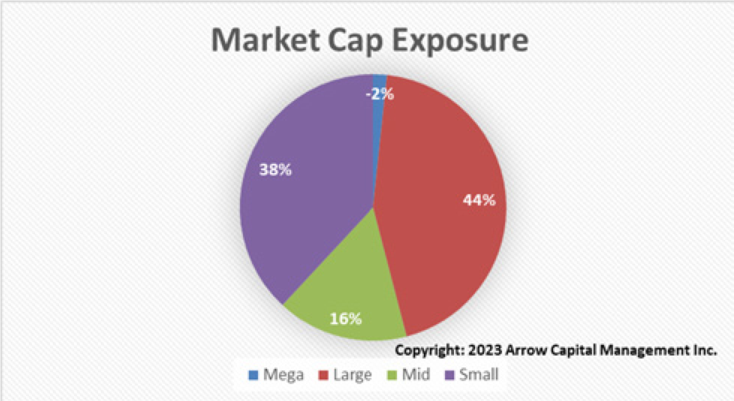
ASSET ALLOCATION	NET	GROSS	LONG	SHORT
US	-16.1	43.0	13.5	-29.6
Canada	16.9	38.9	27.9	-11.0
Rest of World	1.2	5.1	3.2	-2.0
Equities Total	**2.0**	**87.1**	**44.6**	**-42.6**
Bonds	2.1	6.5	4.3	-2.2
Commodities	1.7	1.7	1.7	0.0
Total	**5.8**	**95.3**	**50.6**	**-44.7**

Net equity exposure was reduced from 8.1% to 2%.
Canada net exposure was increased by 0.6%.
US net exposure was reduced from -10.9% to -16.1%.
Rest of World net exposure was reduced by 1.5%.
Net bond exposure was reduced by 6.6%.
Net commodity exposure was reduced by 0.2%.
Total fund gross exposure was reduced by 0.6%. Total fund net exposure was reduced by 12.9%.

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



Market Cap Breakdown



FX Exposures:

FX EXPOSURE	%
CAD	67.6
USD	36.3
Other	-3.9
DXY	2.4
Total Fund	102.4%

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 reduced by 4.2%. USD was increased by 5.1%. Other was reduced from -3% to -3.9%. DXY was reduced by 1.8%.

We look forward to reporting back next week.

Thanks,

Arrow Investment Team

Historical Performance – As of January 31, 2023

	1-Year	3-Year	5-Year	10-Year
ACAA - Series F	3.79%	13.81%	10.54%	9.84%

Published February 27, 2023

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.