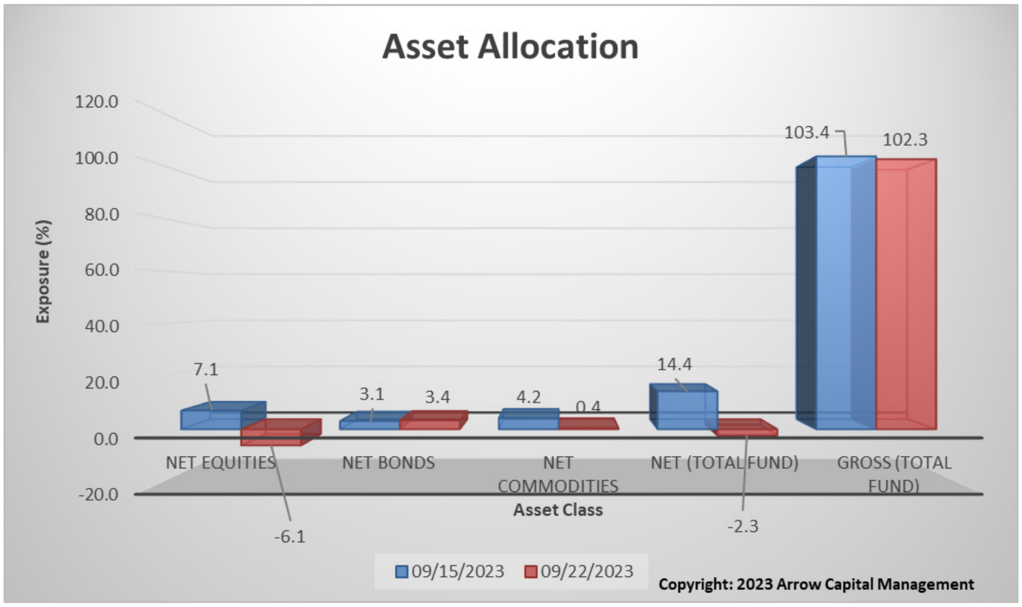
ARROW LONG/SHORT ALTERNATIVE CLASS
(Formerly Arrow Canadian Advantage Alternative Class) Week ending September 22, 2023



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

Performance
September 22, 2023

Arrow Long/Short Alternative Class (F Class):
WTD 0.71%
MTD 1.74%
YTD -1.67%

S&P TSX Composite
WTD -4.08%
MTD -2.53%
YTD 2.04%

S&P 500:
WTD -2.93%
MTD -4.16%
YTD 12.52%

Fund Commentary

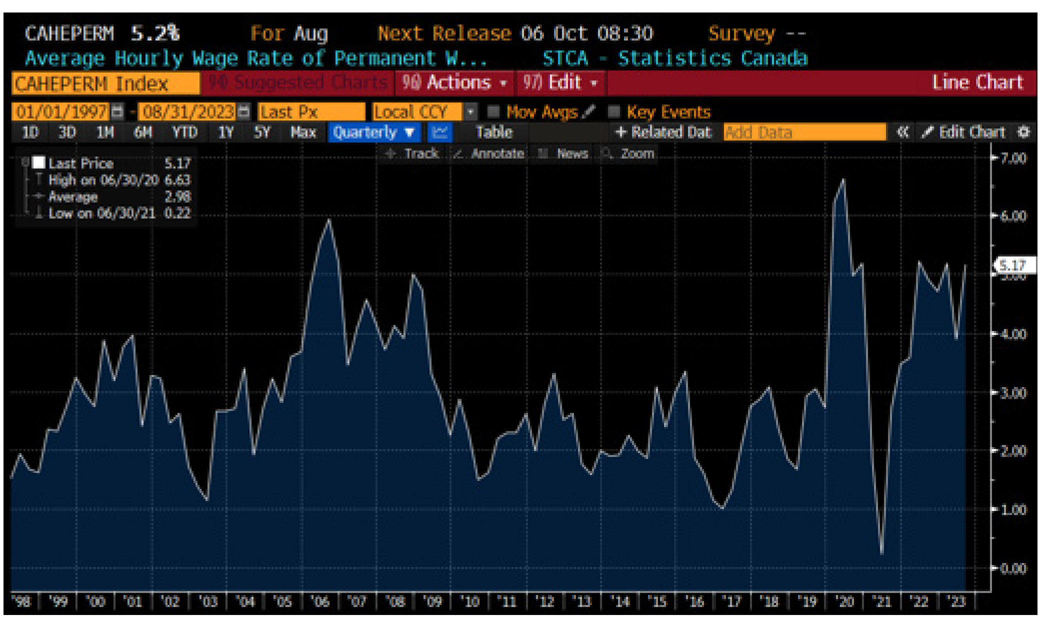
Central Bank	Rate Decision	Signal/Bias/Outlook
Federal Reserve	No Change	Tightening/H4L
Swiss National Bank (SNB)	No Change	Tightening/H4L
Bank of England	No Change	Tightening/H4L
Norges Bank (Norway)	+25bps	Tightening/H4L
Riksbank (Sweden)	+25bps	Tightening/H4L
Bank of Japan	Unchanged	Dovish
Central Bank of China Taiwan (CBCT)	No Change	Hawkish/H4L
South African Reserve Bank	No Change	Hawkish/H4L

We start this week's commentary with a broad review of the various central bank decisions that took place last week (see table above). While there were notable variations in growth outlooks, a largely common sense of purpose remained to combat ongoing sticky inflation. Depending upon region, this latter strategy may be conducted through potential further policy rate shifts this year, e.g., Fed and Norges signals or via balance sheet reduction (quantitative tightening), as voiced by the Bank of England. Either way, the "Higher For Longer" (H4L) mantra persists. Meanwhile, as referenced in previous commentaries, the divergence in growth outlooks reflects the differences in regional growth outcomes. Readers should contrast the upward revision to its GDP forecast by the Fed, which accompanied the news that members had reduced their own expectations for the degree of policy easing they expect next year ("dot plots"), with the downbeat GDP outlook shared by Taiwan's policymakers, for example. The CBCT foresee GDP declining by ¼% this year to 1.4%, producing the weakest rate of expansion since 2009. And this is in a country which dominates semi-conductor manufacturing globally. This strikes us as an intriguing outlook when we consider valuations in market leader names in the semis space.

Chair Powell, in his Q&A session, referred once again to the fact that real interest rates sit markedly above neutral. The willingness of central banks to accept this cost, with the distinct exception of the Bank of Japan (at this point), is proof of the price they are prepared to pay in terms of growth to regain control of inflation. Negative output gaps, i.e. actual GDP below potential GDP, will be the result of this restrictive rate setting. Forward earnings expectations will need to adjust for this reality.

Though not featured on the central bank roll call this week, the Bank of Canada was top of mind after CPI data was reported above forecast. The Canadian picture continues to cloud as recent growth outcomes were poor, yet the labour market data exhibits ongoing tightness, illustrated by the Average Hourly Wage Rate of Permanent Workers, recently reported at an elevated 5.2% YoY (See Chart 1 below). This apparent inelasticity in workers is happening though against a backdrop of significant immigration to Canada which, theoretically, should add supply to the jobs market. Instead, the immigration pulse is being felt more in the housing and rental market where lack of supply relative to demand is inflating rents and further complicating the inflation picture. In sum, Canadian rates markets have added another 10bps of expected tightening by year-end since before the CPI report. If validated by further formal BoC monetary tightening, this may well intensify the developing vulnerability in the Canadian economy that leads to our continued negative outlook for USDCAD.

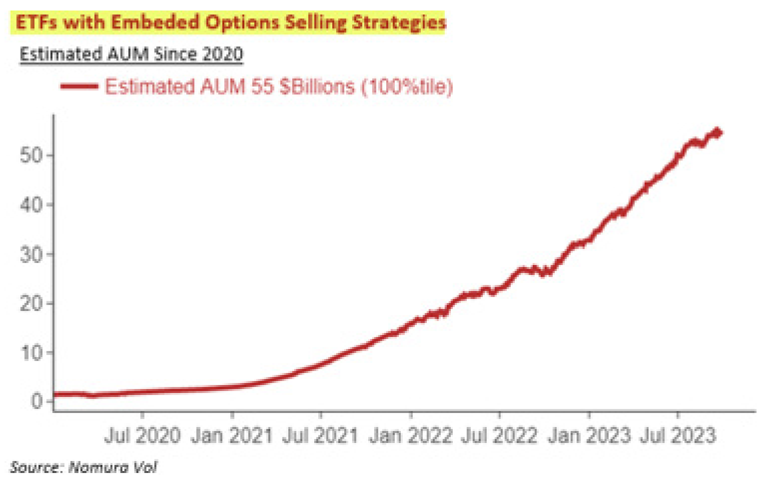
Chart 1: Average Hourly Wage Rate of Permanent Workers YoY%



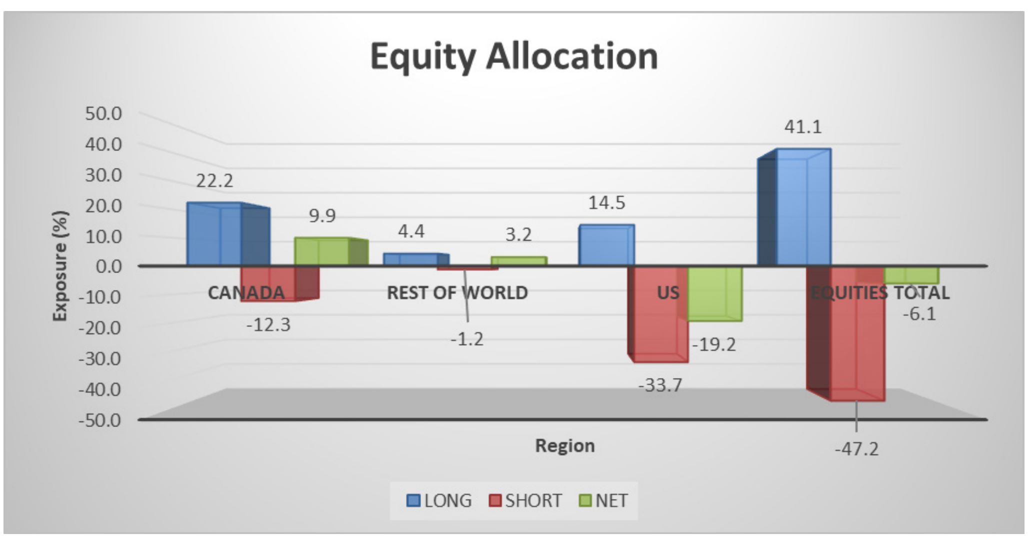
Source: Bloomberg

Globally, risk assets and longer duration bonds could not withstand the barrage of central bank hawkishness that accumulated over the week. Yield curves steepened while equities were sold aggressively at the same time. Though we have seen false dawns of possible extended bearish moves earlier this year, we highlight the fact that going into Q4, markets will have to deal with not only the ongoing monetary policy uncertainty but also the potential effects of another US Government standoff, the recommencement of US student loan repayments and elevated energy prices. Additionally, liquidity is increasingly at a premium in most markets. A dominant theme in the equity space this year has been short-dated volatility selling (termed "Vol Control" by practitioners). The growth in this market has been exponential, as shown in Chart 2 below. These strategies seek to constrain outsized intraday price moves and have been particularly successful through 2023 in a market where the underlying market trend has been positive. However, last Thursday's +15% move in the VIX index was a reminder of the fragilities in these strategies in the event of a sustained move higher in volatility.

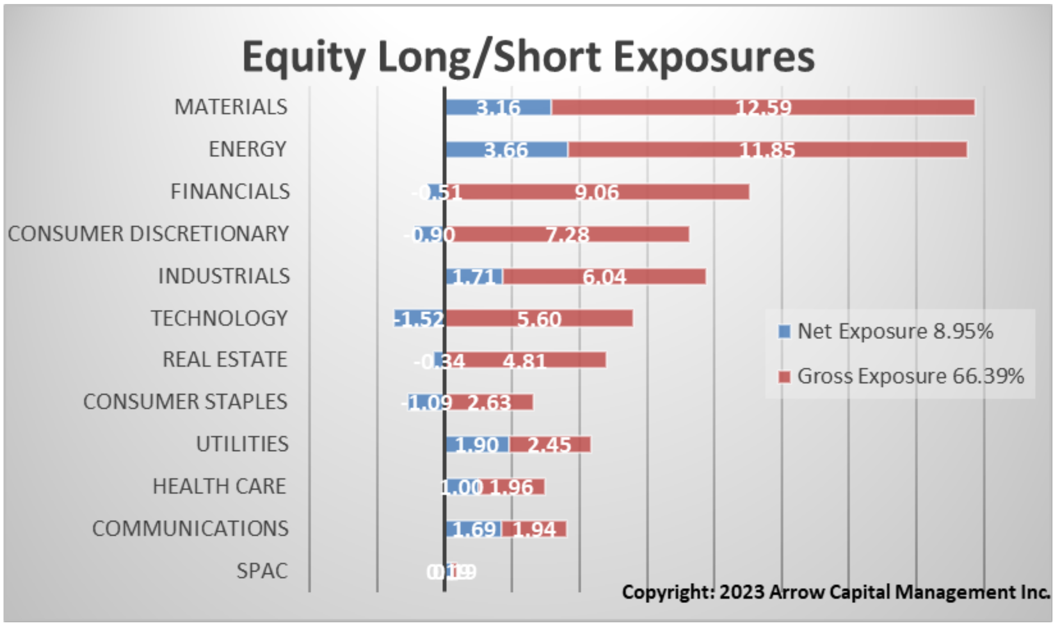
Chart 2: Growth in Volatility Selling Strategies



Equity Allocation (% Total Portfolio including Futures)



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



We look forward to reporting back next week.

Thanks,
Arrow Investment Team

Historical Performance – As of August 31, 2023

	1-Year	3-Year	5-Year	10-Year
ALSAC - Series F	-2.18%	10.70%	8.98%	8.77%

Published September 25, 2023

Effective June 15, the Fund was renamed Arrow Long/Short Alternative Class (formerly Arrow Canadian Advantage Alternative Class).

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.