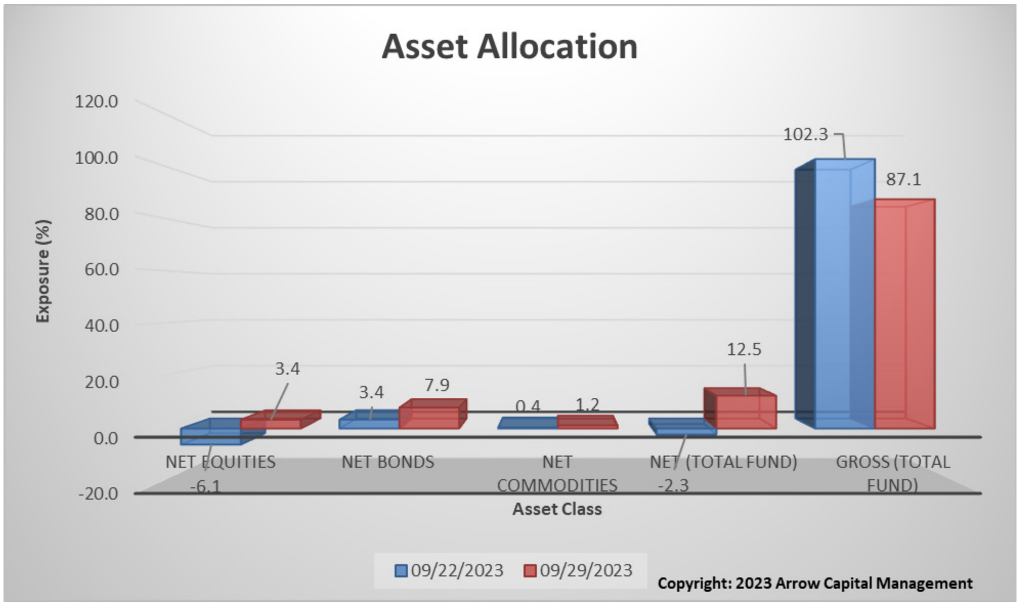


Weekly performance, macro context, current positioning, and future expectations.

Performance
September 29, 2023

Arrow Long/Short Alternative Class (F Class):
WTD -0.21%
MTD (September 2023) 1.53%
YTD -1.88%

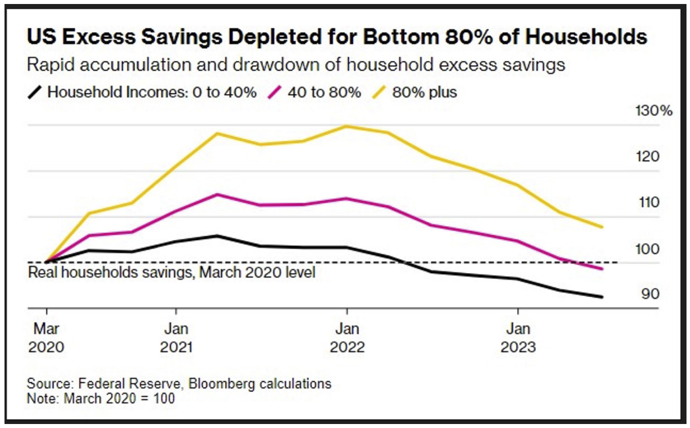
S&P TSX Composite
WTD -1.21%
MTD (September 2023) -3.70%
YTD 0.81%

S&P 500:
WTD -0.74%
MTD (September 2023) -4.87%
YTD 11.68%

Fund Commentary

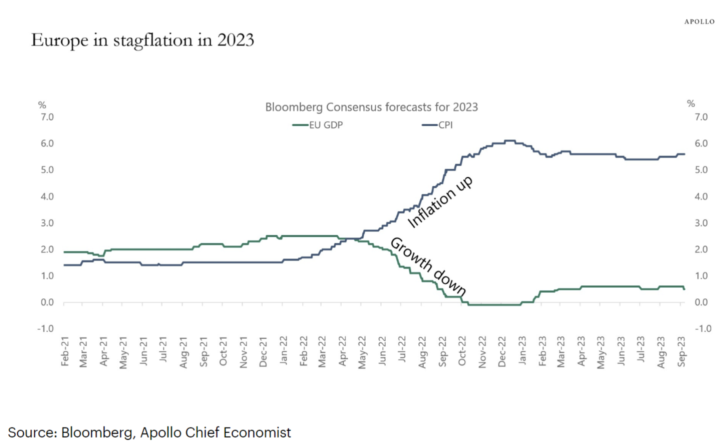
September proved a challenging month for markets with risk assets pressured and the USD generally a safe harbour. Accordingly, financial conditions were tighter over the month. From an economic perspective, global macro data pointed to further signs of divergence across major economies. Yet, as we highlighted in last week's commentary, most developed market central banks are aligned with respect to their determination to get inflation back down to target bands. This necessary "higher for longer" (H4L) stance is manifesting differently between countries and regions with its effect on relative GDP profiles becoming increasingly evident. The strength in the USD speaks to this reality as the US economy continues to show more resilience in the face of high real rate settings. Anecdotally, recent labour force data in Mexico also added to the idea that North America's economic health in the aggregate currently looks better than elsewhere. That said, we see some headwinds that should not be ignored even while employment in the US seems healthy and consumption well supported. Specifically, the first chart below (Chart 1) illustrates how the post-Covid consumption boom has started to deplete savings across cohorts. These indicators compel us to be increasingly vigilant around US employment data and associated high frequency signals, such as Continuing Claims, for any signs of deterioration. Any such signals, which certainly have not been forthcoming yet, allied to the savings pattern in Chart 1 would have notable implications for the US GDP outlook.

Chart 1: US Excess Savings Pattern

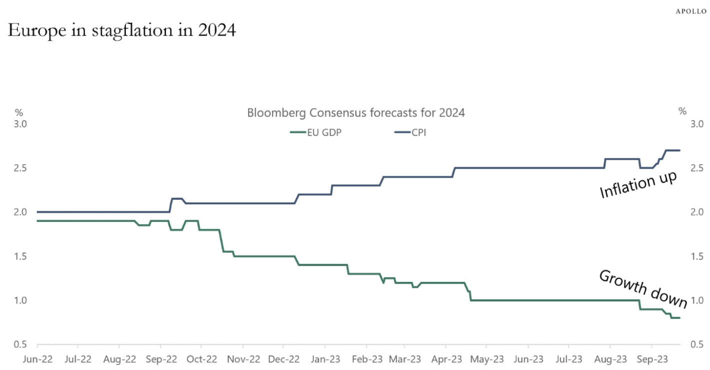


Returning to the overarching H4L scenario, we are considering the possibility of whether a stagflationary regime awaits some economies and markets. Readers will recall that, just a few months ago, the UK was being singled out as uniquely vulnerable to this risk. Since then, Europe has encountered increasing signs of a weakening growth outlook alongside sticky inflation. This week though brought some relief on the CPI front, in absolute terms, as pan-European releases were all softer than forecast. Nevertheless, relative to target, these are still considerably higher than the ECB policymakers are comfortable with. Further, oil prices and related supply shock risks continue to complicate the outlook. We have refenced in previous weeklies, the ECB's increasing acknowledgement of growth downside risks because of a rate setting they deem necessary to curb inflation. Without a fiscal response to mitigate the GDP risk, we continue to see this combination as a headwind to the Euro currency. Historically, policymakers have combatted stagflation by fighting the inflation battle first with the expectation that success in this regard leads to growth reigniting later. The poor performance of Eurozone stocks, when set against those in US indices, suggests that asset prices are discounting such a scenario and continued economic divergence. The chart below (Chart 2) provides more evidence that a consensus view is moving towards the idea that the Eurozone will be keeping the UK company.

Chart 2: European Growth and Inflation Consensus Forecasts 2023/2024



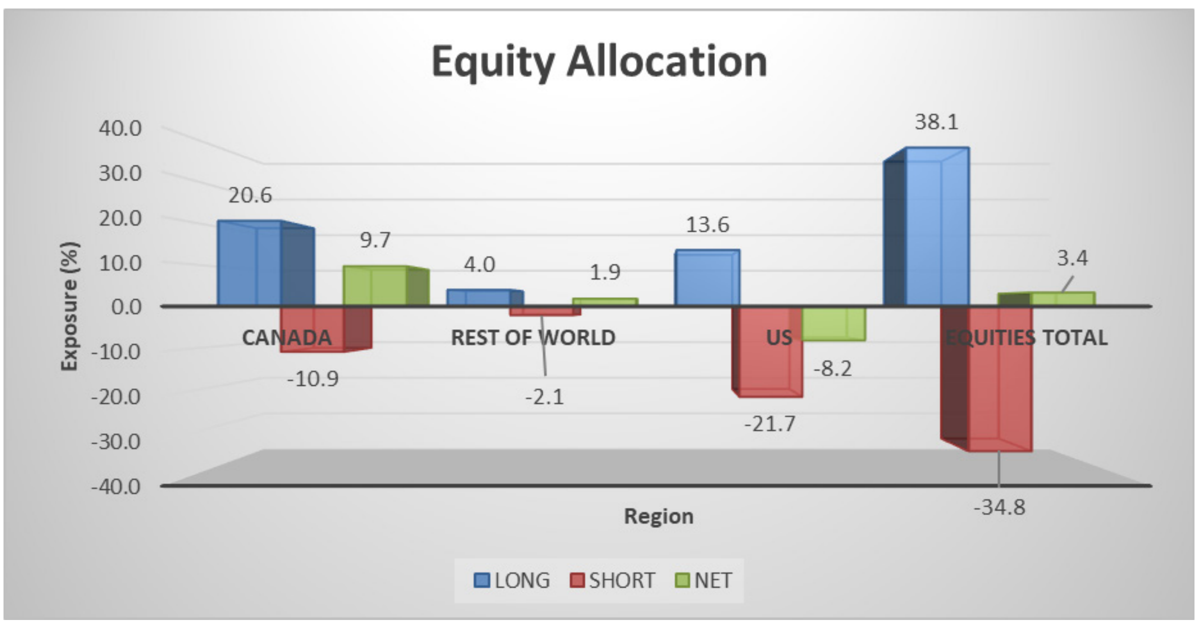
Source: Bloomberg, Apollo Chief Economist



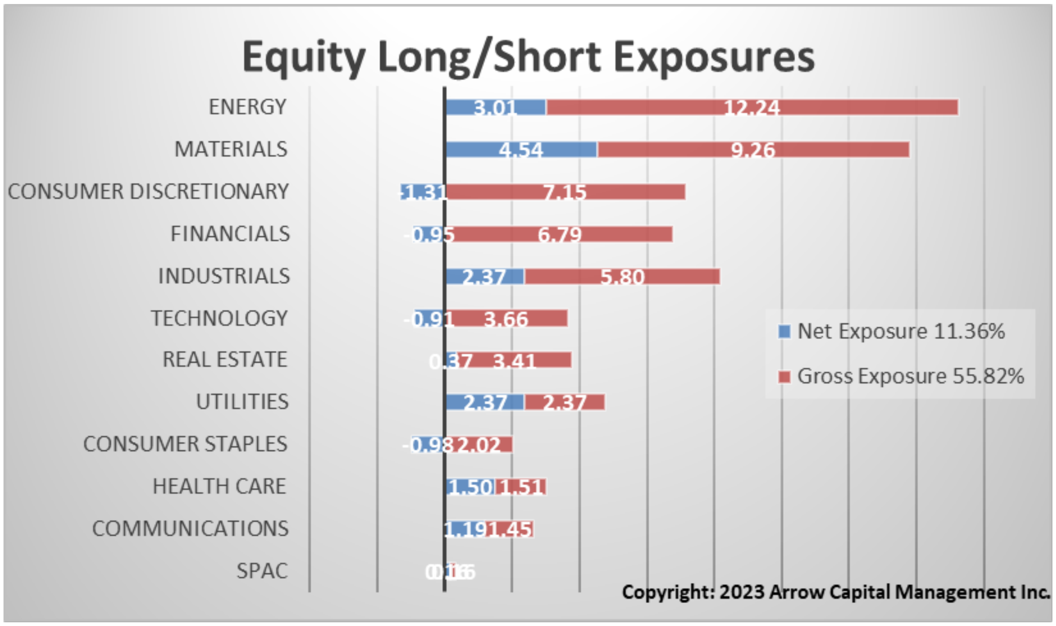
Source: Bloomberg, Apollo Chief Economist

Europe's stagflation risks are complicated by issues such as demographics, but high real rates risk impacting other economies in time as well. Historically, real assets perform well in such an environment. In a multi-asset context this suggests that commodities have some value as a core allocation. While Gold may struggle in the face of higher real rates, a broad mix of other commodities should offer meaningful diversification as the asset class has historically exhibited a positive correlation with inflation. Moreover, geopolitical and climate related supply shocks would be captured via this exposure.

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 September 30, 2023

	1-Year	3-Year	5-Year	10-Year
ALSAC - Series F	-2.62%	11.25%	9.44%	8.69%

Published October 2, 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.

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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.