Overview

The Fund posted a return of 5.17% (F class) in Q1, 2024.

Global economic growth was once again led by the US as the rest of the world, while positive, was very muted. It is not a surprise then to see US equities once again near the top of the leaderboard. Inflation has also been more "sticky" in the US (close to 3%) leading to stronger nominal growth. The central bank's goal of 2% inflation seems unlikely without a marked slowdown in US activity or large pick-up in productivity. While there is certainly promise with the rapid developments in AI, a big step up in productivity is unlikely to unfold in the immediate future.

Except for Japan, inflation rates in Europe and elsewhere have continued to fall more consistently. Consequently, government bond markets outside of the US have outperformed.

The combination of persistent US inflation and robust nominal growth, alongside some supply concerns – whether fundamental deficits in industrial metals/ agricultural products or production curbs in oil (OPEC) – was positive for commodity prices. The Fund does take the opportunity to have commodities in the portfolio as both a diversifier and as useful hedge against elevated levels of inflation.

Asset Allocation

Asset Class	Benchmark	Exposure as of 1Q24	Exposure as of 4Q23	Change
Equities	50%	59.0%	42.3%	+16.7%
Fixed Income	40%	28.4%	32.9%	-4.5%
Commodities	10%	9.4%	6.6%	+2.8%
Cash	0%	3.2%	18.2%	-15.0%

For the quarter, the Fund generated a return of +5.17% while our benchmark generated a return of +3.72%*.

With our economic forecast of economic growth and generally sticky but falling inflation, the Fund was slightly overweight equities; underweight bonds; and positive on commodities for the quarter.

Equities

Select performance of Regions:

Region	ETF	Total Return
Global	ACWI US	+8.21%
US	SPY US	+10.05%
Non-US	EFA US	+5.99%
Emerging Markets	EEM US	+2.16%

In terms of geographic performance, the US once again was a top performer. It makes up 60% of the ACWI index so being underweight is difficult! The only competitive market in terms of returns in Q1 was Japan up 11.4%. While Japan's economic performance (growth and inflation) should not have been conducive to good returns, investors are looking at the combination of corporate reforms, wage gains generating modest inflation and a move out of NIRP, as the recipe for rising stock prices and we concur. Our current allocation is as follows:

In terms of sectors, we are slightly underweight technology and overweight industrials.

	Arrow Global G&I	ACWI	Overweight/ Underweight
Real Estate	1.96%	2.10%	-0.14%
Utilities	3.26%	2.44%	0.82%
Materials	6.67%	4.66%	2.01%
Consumer Staples	7.31%	6.70%	0.61%
Energy	8.06%	4.64%	3.42%
Health Care	8.66%	11.13%	-2.47%
Communications	9.05%	8.33%	0.72%
Consumer Discretionary	10.67%	10.26%	0.41%
Industrials	12.78%	9.44%	3.34%
Financials	14.57%	13.97%	0.60%
Information Technology	17.00%	26.33%	-9.33%

In terms of equity factors, we remain overweight large cap vs small cap stocks and growth vs value factors. As this rally is broadening globally, we have been increasing value and small/mid cap stock allocations.

Fixed Income

The Bloomberg Global Aggregate Bond index returned -2.04% for the quarter. Our fixed income allocations have been very underweight government bonds and duration in favour of lower duration investment grade bonds and Emerging Market government bonds. As a result, the Fund had flat performance in fixed income. We expect to be invested in government bonds at some point later this year.

Commodities

The broad-based Invesco DB Commodity Index returned +4.22% for the quarter.

We maintained a near fully invested position in commodities over the quarter. We have had gold as a 40% - 50% weight of our commodity exposure. The balance of our exposure has been in energy, agricultural and industrial metal commodities. These positions are very actively traded given the higher levels of volatility associated with them.

The performance of commodities in general and especially gold, has benefited the Fund. Our commodity exposure generated a return of 11.04% during the quarter.

Foreign Exchange

The Fund closed with the following foreign exchange exposures:

FX Exposure	Weight
CAD	51.3%
USD	35.4%
JPY	5.3%
EUR	4.7%
GBP	2.8%
Other	0.5%
AUD	0.0%
Total Fund	100.0%

We view FX as both a hedge (we will have large US$ exposure during difficult markets) or as a diversifier during positive global growth periods. The key foreign exchange position is the Canadian dollar versus primarily the US dollar but also the Euro, Yen, and British pound. Over the quarter, the Canadian dollar fell against the US dollar by 2.3%. The fund had exposure to the US$ of roughly 30-40% over the quarter so this contributed to our performance.

Concluding Thoughts

Our outlook for the second quarter is mixed. The strong momentum in stocks has been a function of decent economic growth supporting profit growth along with some excitement about artificial intelligence. Government spending in the US remains buoyant but the issuance of US government debt continues to move higher to levels that are likely unsustainable. Unemployment has remained relatively low and wages relatively high, but we are starting to see moderation in both. Whether we get a “soft landing”, a “no landing” scenario, or a recession in 2024 is a matter of probabilities which have been shifting back and forth. In the context of our macro model (Growth, Inflation, Policy), given the stickiness of inflation at this juncture, we expect growth to be the variable that will toggle the US economy between Reflation and Stagflation this year. As a reminder, the common denominator in both regimes is firmer inflation. Our asset allocation mix will adapt to the shifting probabilities of each of these regimes throughout the remainder of the year.

*Our internal benchmark is not a traditional 60/40 or 50/50 stock to bond benchmark used by most of our peers. Rather we include commodities as this improves the overall risk/return ratio. We have back tested an allocation of 50% stocks / 40% bonds / 10% commodities and this model has generated lower volatility and better risk adjusted returns over the long run. As you would expect, it is especially good during inflationary periods. You can see the impact in Q1 below for example given the poor performance of bonds versus commodities. Feel free to ask your wholesaler for further details if you like.

	Benchmark Weight	Underlying Index	Q1 Performance
Equities	50%	MSCI ACWI	+8.21%
Bonds	40%	Bloomberg Global Aggregate Bond Index	-2.04%
Commodities	10%	Invesco DB Commodity Index	+4.22%
Benchmark Performance			+3.72%

Historical Performance	1 yr	ITD
Exemplar Global Growth & Income Fund - Ser FD	4.03	-1.12

Returns as of March 31, 2024

Effective April 16, 2024, Series A and F Shares of Exemplar Global Growth and Income Class were re-designated as Series AD and FD Shares, and Series AN and FN Share were re-designated as Series A and F Shares.

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. Published April 2024.