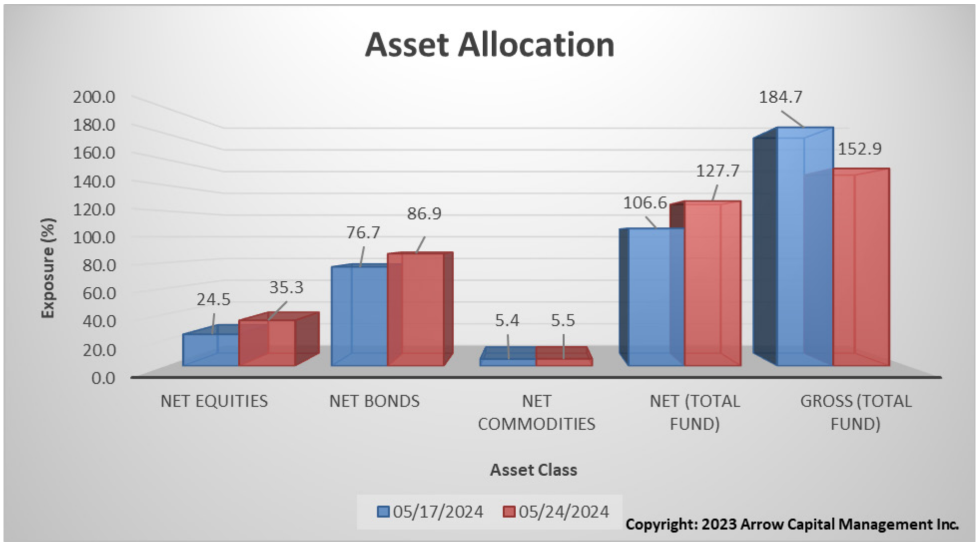

Weekly performance, macro context, current positioning, and future expectations.

Performance

May 24, 2024

Arrow Global Multi-Asset Alternative Class (Series F):

WTD -0.24%
MTD 1.34%
YTD 4.14%

Global Market Summary

Economic survey data released last week challenged the recent patten of softer Q224 data that was at the core of our recent thesis which favoured allocations to rate proxies. Specifically, global composite purchasing manager indices (PMIs) offered signs of some reacceleration of economic activity at the midpoint of Q224. As a result, bond prices have now given up almost 2/3 of the gains made in response to the weaker jobs and inflation data released earlier in May. Perhaps more importantly, short rate easing expectations continue to decline with major bank forecasters now expecting the Fed not to ease until September. Specifically, markets price an approximate 50% chance of a 25bps cut in September and, cumulatively, about 35bps only of easing by year-end. By contrast, the Bank of Canada is expected to ease a total of 55bps by December. The pain trade in fixed income last week was not so much a moderate rise in 10yr yields of ~5bps, but rather the non-consensus flattening in the yield curve as 2yr yields rose about 12bps.

The data, while classified as ‘soft data” vs the “hard data” of GDP jobs, CPI etc., warrants respect indicating that, notwithstanding a record rise in borrowing costs, the economy has in aggregate weathered the impact quite well to date. Nevertheless, we note some conditionality within the US report based upon the business outlook which highlighted uncertainty around future inflation, the associated interest rate policy path coupled with geopolitics and the US election. Furthermore, the employment sub-index remained subdued (<50). Whether this is a sign that businesses still think growth can moderate or a function of labour market supply inelasticity will be a key determination going forward. Consistent with our macro-data driven investment process, we will be comprehensively researching the forthcoming jobs related data forecasts due the first week of June via JOLTS, ADP and, of course, NFP.

It is worth mentioning that the European surveys painted a mildly more comforting picture with signs of growth declines basing out, alongside evidence that average prices for both goods and services rose at their mildest pace in six months. This suggests a lower hurdle to rate cuts for the ECB, in contrast to the Fed. However, the rates markets have already priced a 90% chance of an ECB 25bps rate cut in June and so European bonds - one of our more disappointing recent tactical allocations - continue to trade heavy and with a higher than expected beta to US rates. Despite this, if indeed Europe is seeing a growth improvement with inflation pressures manageable somewhat nullifying the stagflation risk story, a broader risk rally may well take place and we are considering related tactical expressions.

Quality equities continue to trade in a largely distinct and separate manner with the behemoth of NVIDIA heavily influencing sentiment - a critical reminder of the limited diversification of returns within the broader index.

Despite giving up some ground on our rates view, the portfolio continues to capture some alpha through its allocation to various idiosyncratic FX strategies, as mentioned in last week's commentary. We expect to add further exposure in this space as we see opportunities related to the global growth rotation.

We look forward to reporting back next week.

Thanks,
Arrow Investment Team

Historical Performance – As of April 30, 2024

	1-Year	3-Year	5-Year	ITD
AGMAAC - Series F	2.44%	0.68%	3.64%	2.86%

Published May 27, 2024

Effective June 15, the Fund was renamed Arrow Global Multi-Asset Alternative Class (formerly Arrow Global 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.