September was an up month for the fund, rising +0.58%, slightly lagging the broader markets which rose 2 to 3%. This brings year to date returns for the fund to +9.53%, again lagging the broader markets. September was its usual volatile self, but for the first time in since 2019 stock markets rose for the month, driven primarily by what appears to be continued momentum buying.

The market was led to the upside by utilities, financials, and technology stocks which had strong months on the back of continued momentum carrying these areas higher. The only segment of the market which retreated was energy, which was weighed down by a weaker oil price during the month (which has strongly reversed to the upside in October), but ignored a strengthening natural gas market, which saw prices rise a whopping 37% during September to $2.92 per million BTU.

## WHAT IS GOING ON WITH ENERGY STOCKS?

While the rest of the market rose recently, energy stocks have been sideways to down. This was driven by the oil price falling by 7% in September to $68 per barrel, and increasing worries that the Chinese economy was continuing to weaken, which in turn might lower consumption growth. This led commodity traders to take record short (oversold) positions in the oil markets as they speculate that this may lead to a substantial drop in oil. This drove oil prices lower in the commodity markets as financial investor positions are about 50 times the size of the physical crude oil markets and they can drive many short-term price movements.

Surprisingly, the current physical oil inventory numbers in the oil markets actually indicate the opposite, that the market is very tight and that higher oil prices should in fact be warranted. In addition, the current price moves seems to anticipate that OPEC which controls over 30% of the market for crude oil does not continue to constrain production to levels that would keep oil within the $65-95 trading range that they have been working with over the last several years. OPEC's goal for its member countries is to maximize revenues for their economies and so it is in members best interests to keep production at levels that would ensure higher prices. By historic standards, today's spare capacity within OPEC is at levels that would indicate the cartel will continue to be disciplined to maintain price stability.

While the stock market has been selling off energy stocks recently, the actual financial fundamentals for these companies continue to be extremely robust. All the energy companies in our portfolio generating substantial amounts of free cash flows, have under levered balance sheets, solid reinvestment opportunities, significant insider buying, and either rising dividend profiles or stock buybacks to return increasing streams of cash to shareholders.

A good example is the largest holding in the portfolio, Freehold Royalties. Freehold is an oil and gas royalty company, holding royalties on 7.3 million acres of properties in Canada and the USA. This business is a great low-risk way for shareholders to make money in a historically volatile commodity business. As a royalty company, the company has the lowest costs in the industry and so even in the worst years makes substantial profits, part of which are returned to shareholders as dividends each year. The company has been a publicly traded company since 1997 and has returned $35 per share in dividends to shareholders (250% of today's $14 stock price) in those 27 years. Since it came public it has significantly outperformed the average stock in the market, averaging roughly 12% per year.

You would think with a great business and a great history that the stock would trade at a premium to the average stock in the market, yet in the last year the stock has significantly lagged the market and trades at depressed valuations. Today, the stock trades at a 12% free cash flow yield and 7.7% dividend yield, in a market that trades at valuations over twice that. We believe the stock is worth almost double where it trades at today, but the current market is overlooking companies like Freehold as a large contingent of investors are not even considering energy stocks in their myopic view of short-term trends.

As we have seen with other misvalued companies in the portfolios in recent years, these significantly mispriced situations in the stock market can only last for so long and eventually if public markets don't reprice the stock, competitors or private equity will step in and happily pay a premium for ridiculously undervalued stocks. Look for Freehold and many of our other overlooked stocks to pay us a continuing strong dividend plus produce some significant capital gains over the coming years.

## ZEDCOR RISES 33% ON STRONG GROWTH IN USA

Zedcor Inc. is a small Calgary based security and surveillance company serving primarily the business marketplace. The company supplies technologically advanced surveillance towers with industry leading surveillance monitoring utilizing artificial intelligence. Their service is superior and more cost effective than anything provided by other security companies leading to strong growth. This former niche player is now emerging as an industry leader.

We initiated a small position in the company several years ago upon discovering this excellent business. Over the last several years the company has rapidly grown and evolved its customer base from a small niche business serving mostly resource companies in western Canada to a much broader base of big-name retailers, home builders, and construction companies across Canada and is now seeing strong growth in the much larger US market. This led us to put an additional investment into the company earlier this year to help finance the profitable growth.

We recently received an update from the company, which is showing strong and growing business from its US customers that has led the company to establish manufacturing in the US to support that growth. In addition, the company will be soon establishing a monitoring center in Houston to service its US clientele and allow its Edmonton facility to focus on Canadian operations. The combination of this strong update and more investors starting to notice this leading company led the stock to rise by 33% in September. Look for more positive returns to come from Zedcor over the coming years.

## MORE INSIDER BUYING IN SEPTEMBER

Once again we saw significant insider buys amongst our portfolio holdings in September. The largest corporate insider buying occurred at Cenovus Energy, Enbridge, Gibson Energy, Parex Resources, and Quipt Home Medical. Interestingly, some of these holdings fell during September, despite their excellent fundamentals as the month proved to be a truly inefficient market. Insiders clearly see the same substantial upside opportunity that we do. Buying of stock by insiders at our companies is just one more point of support for the value opportunity present in our holdings, as these are the very people that know their businesses best.

## OCTOBER 31ST.... NEXT LP CLOSING

The next closing for the NR Conservative Growth Fund LP is October 31st, 2024. Please feel free to contact Daria Krikun at 416-364-8591 or Aaron Sniderman at 416-847-3979 for more information or to set up an appointment or call 416-323-0477 to speak with any one of us directly concerning the Conservative Growth LP. Our toll-free number is 1-877-327-6048.

Warmest Regards,

**Alex Ruus, CFA, MBA, P.Eng**
Portfolio Manager
Arrow Capital Management Inc

| Historical Performance | 1 yr | 3 yr | 5 yr | 10 yr | ITD |
|---|---|---|---|---|---|
| NR Conservative Growth Fund LP | 8.22 | 8.64 | 13.05 | 7.05 | 8.85 |

Returns as of September 30, 2024

Commissions, trailing commissions, management fees, performance fees, and expenses all may be associated with investment funds. Please read the offering memorandum 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.

This document is not to be construed as a public offering of securities in any jurisdiction in Canada. Offering of units in the L.P. are made pursuant to the Confidential Offering Memorandum (offering memorandum) only to those investors in all jurisdictions of Canada who meet certain eligibility or minimum purchase requirements. Important information about the L.P. including the L.P.’s fundamental investment objective, is contained in the offering memorandum, a copy of which may be obtained from Arrow Capital Management Inc.

This document is confidential and is intended solely for the information of the person to which it has been delivered. More information about the Fund can be found on our website www.arrow-capital.com. Published October 2024.