

EXEMPLAR GROWTH AND INCOME FUND

commentary – WEEK ENDING JANUARY 10, 2025



January 10th, 2025 Asset Allocation: 9.8% cash; 21.5% bonds; 6.5% commodities (3.0% GLD ETF/ 1.0 SLV/ 2.5% IBIT) and 62.2% equities*; 23.0% \$US

January 3rd, 2025 Asset Allocation: 14.1% cash; 17.6% bonds; 6.4% commodities (2.6% GLD ETF/ 1.0 SLV/ 2.8% IBIT) and 61.9% equities*; 23.0% \$US

*Net exposure to equities

| | Last Week | Year to Date |
|------------------------------------|-----------|--------------|
| iShares U.S. 7-10 Yr Bond ETF | -1.10% | -1.21% |
| iShares Core Canada Bond Index ETF | -1.30% | -1.43% |
| Gold (GLD ETF) | +1.98% | +2.60% |
| USD/CAD | -0.14% | +0.27% |
| ACWI (ETF) | -1.79% | -0.96% |
| S&P 500 (SPX ETF) | -1.92% | -0.89% |
| Nasdaq (QQQ ETF) | -2.19% | -0.79% |
| S&P/TSX (XIU ETF) | -1.22% | +0.13% |
| EGIF – Series FD | -1.54% | -0.34% |
| EKGIF – Series FD | -1.56% | -0.57% |

January 6, 2025 to January 10, 2025

Gold the only winner so far this year. Coming into 2025, the biggest risks remain a U.S. market with high valuation 23X earnings and high earnings growth expectations of 14%. Trump and his administration bringing change will heighten volatility too. How do we see the economic landscape? Our model forecast has 3 of the next 4 months being a Quad 2. The model is used to front run Fed 'Policy'. But like we experienced with Biden and 'Fiscal Dominance' which staved off a recession, understanding Trump's true policies is a little 'foggy' and influential on the model. The positives that are clear, are tax cuts and deregulation, the negatives from an inflation point of view may be 'massive deportations', tightening immigration and tariffs. Job gains both in the U.S. and Canada came in above expectations and lowered unemployment rates by 10 bps in each country. Bonds and equities sold off on the fresh data as further interest rate cuts are pushed out. Earnings reports begin next week and results above expectations can get the market moving forward again.

| | 4Q24E | 1Q25E | 2Q25E | 3Q25E |
|-----------------------------------|-------|-------|-------|-------|
| GIP Model Quad | 3 | 2 | 3 | 3 |
| Conditional Probability Of Quad 1 | 16.7% | 14.0% | 12.0% | 17.2% |
| Conditional Probability Of Quad 2 | 27.2% | 42.4% | 30.6% | 30.2% |
| Conditional Probability Of Quad 3 | 34.8% | 32.7% | 41.3% | 33.6% |
| Conditional Probability Of Quad 4 | 21.3% | 10.9% | 16.1% | 19.0% |

Source: Hedgeye Risk Management, Jan 8, 2025

“As January goes, so goes the rest of the Year”

The First 5 Days Indicator, according to the Stock Trader's Almanac, the last 48 up First Five Days were followed by full-year gains 40 times, for an 83.3% accuracy ratio and a 14.2% average gain in all 48 years.

- JC Parets, All Star Chart

The Fund is following our view of inflationary growth with caution. Our caution is due to the strength in the U.S. dollar and the rise in 10yr yields by 100 bps since mid-September, both of which have tightened financial conditions. Index remains below 100, positive for markets.

Goldman Sachs U.S. Financial Conditions Index – January 2, 2022 to January 9, 2025



Source: Bloomberg

Last week the Fund added back some gold and added more bonds and duration under the belief a growth scare will occur sometime this year (possibly as early as April or May) which would be in line with what our model is currently forecasting. The yields appear attractive currently and sentiment is quite negative.

The Fund is very active increasing and decreasing equity exposure. The Fund will tactically trade equities, either through outright sales or ‘shorting’. The Fed has refocused on unemployment and doesn’t wish to see the slack in employment grow. The FED has lowered interest rates by 100 bps. The Bank of Canada has made five interest rate cuts so far this year, the latest two being a jumbo 50 bps. The direction of Fed Funds and BoC rate are both lower, but the pace is slower and more uncertain. The probability of a January 29th Fed cut is 3%. Our biggest sectors: Financials (12.5%), Energy (10.5%), Industrials (9.5%), Info Tech (6.4%) and Materials (3.1%). I’ve added our Top 10 Equity Holdings below for this week.

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Top 10 Equity Holdings as of January 10, 2025

1. Canadian Imperial Bank - CM Financials
2. Royal Bank - RY Financials
3. Keyera Corp – KEY Energy - Midstream

| | | |
|-----|-------------------------------|------------------------|
| 4. | Pembina Pipelines - PPL | Energy |
| 5. | MDA Space - MDA | Industrials |
| 6. | National Bank - NA | Financials |
| 7. | Amazon - AMZN | Consumer Discretionary |
| 8. | Bristol-Myers – BMY | Healthcare |
| 9. | Chartwell Retirement – CSH.UN | REITS |
| 10. | Canadian Pacific – CP | Industrials |

The Exemplar Growth & Income Series FD was -1.54% last week and is -0.34% year to date.

Exemplar Global Growth & Income

We launched a Global version of our Exemplar Growth & Income Fund in December of 2021. The Fund has the same investment team and investment process that you are familiar with from the Exemplar Growth & Income Fund but with a Global geographical focus. To help show the portfolio differences, we have included the asset allocation for Exemplar Global Growth & Income as well as the top 10 equity holdings and performance below.

January 10, 2025 Asset Allocation: 21.3% cash; 16.7% bonds; 6.0% commodities and 56.0% equities*; 22.4% \$US, JPY 0%, EUR 0% and 0.2% Other

January 3, 2025 Asset Allocation: 10.1% cash; 25.7% bonds; 6.5% commodities and 57.7% equities*; 23.4% \$US, JPY 1.9%, EUR 0.4% and 0.6% Other

*Net exposure to equities

Top 10 Equity Holdings as of January 10, 2024

| | | |
|-----|----------------------------|------------------------|
| 1. | Alphabet - GOOG | Communication Services |
| 2. | Amazon - AMZN | Consumer Discretionary |
| 3. | META Platforms - META | Communication Services |
| 4. | Microsoft - MSFT | Technology |
| 5. | Nvidia – NVDA | Technology |
| 6. | Apple - AAPL | Technology |
| 7. | Taiwan Semiconductor – TSM | Technology |
| 8. | Essilorluxottica – EL.PA | Healthcare |
| 9. | Franco-Nevada - FNV | Materials |
| 10. | Agnico Eagle Mines – AEM | Materials |

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Thanks,

Arrow Investment Team

Historical Performance – As of December 31, 2024

| | 1-Year | 3-Year | 5-Year | ITD |
|------------------|--------|--------|--------|-------|
| EGIF - Series F | 14.48% | 1.08% | 5.59% | 6.66% |
| EGGIF – Series F | 9.95% | 0.64% | | 0.64% |

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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.