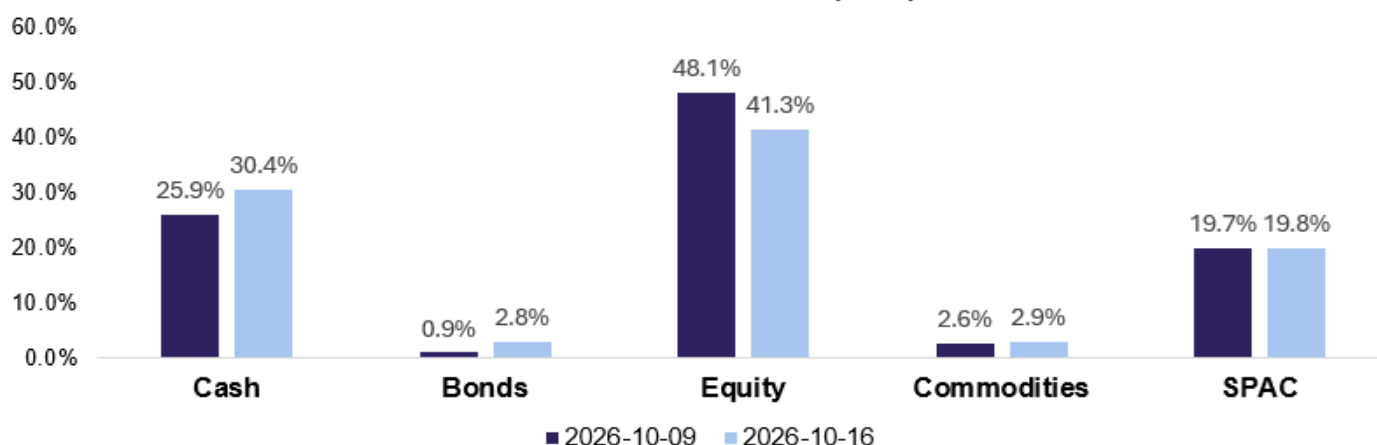


ARROW LONG/SHORT ALTERNATIVE FUND

commentary – Week ending October 16, 2026



ASSET ALLOCATION (NET)



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

Performance

October 16, 2026

Arrow Long/Short Alternative Fund (F Class):

WTD -1.53%

MTD -1.92%

YTD 7.08%

S&P/TSX 60 (XIU ETF):

WTD 2.05%

MTD 3.48%

YTD 17.17%

S&P 500 (SPY ETF):

WTD -1.97%

MTD 0.08%

YTD 12.80%

Fund Commentary

Although markets were generally flat to up last week, we did see some notable divergences, the most interesting being Last week brought broad based weakness in the US. SPY/Nasdaq/Russell fell 2%/4%/3% respectively. Canada bucked the trend, up 1.5%, led by Energy and Banks. The AI trade continued to get sold, with Semis down 10%+ on the week and the fears manifesting most acutely in the weaker parts of the complex, namely CoreWeave, whose slide drove negative sentiment all week.

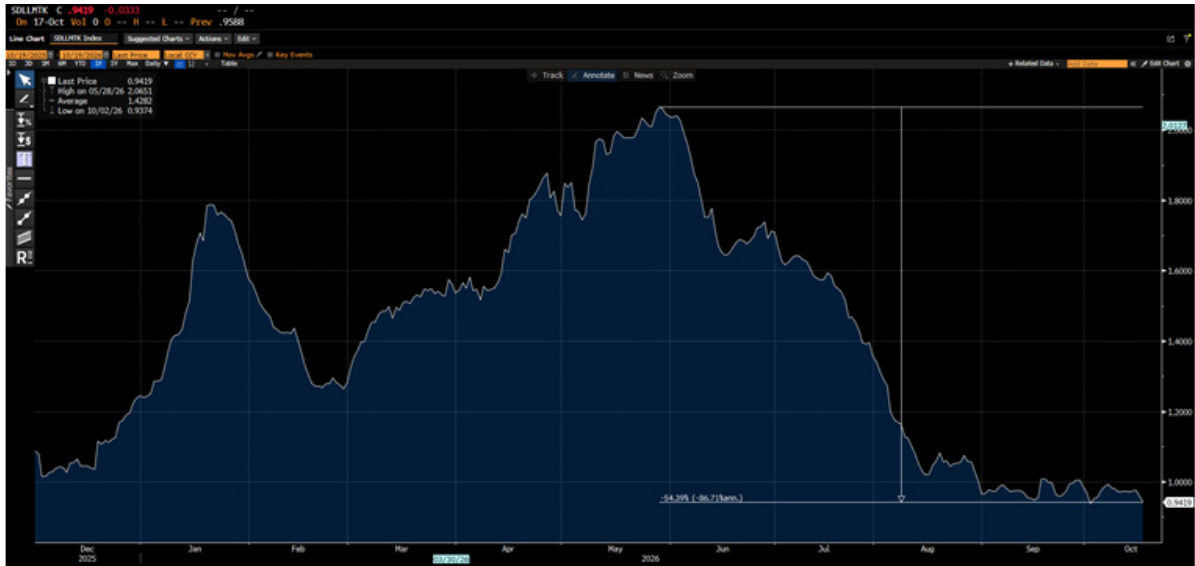
As we wrote last week, we are watching the AI trade closely, and it is worth refreshing our high-level view.

We believe AI is in a bubble. As with historical technological buildouts like the internet and the railroads, we see material risk of overbuilding, with ultimate returns failing to support the massive capex being committed. The trick, as

always, is timing and sequencing, and looking for relevant market signals to gauge where we sit on the bubble arc.

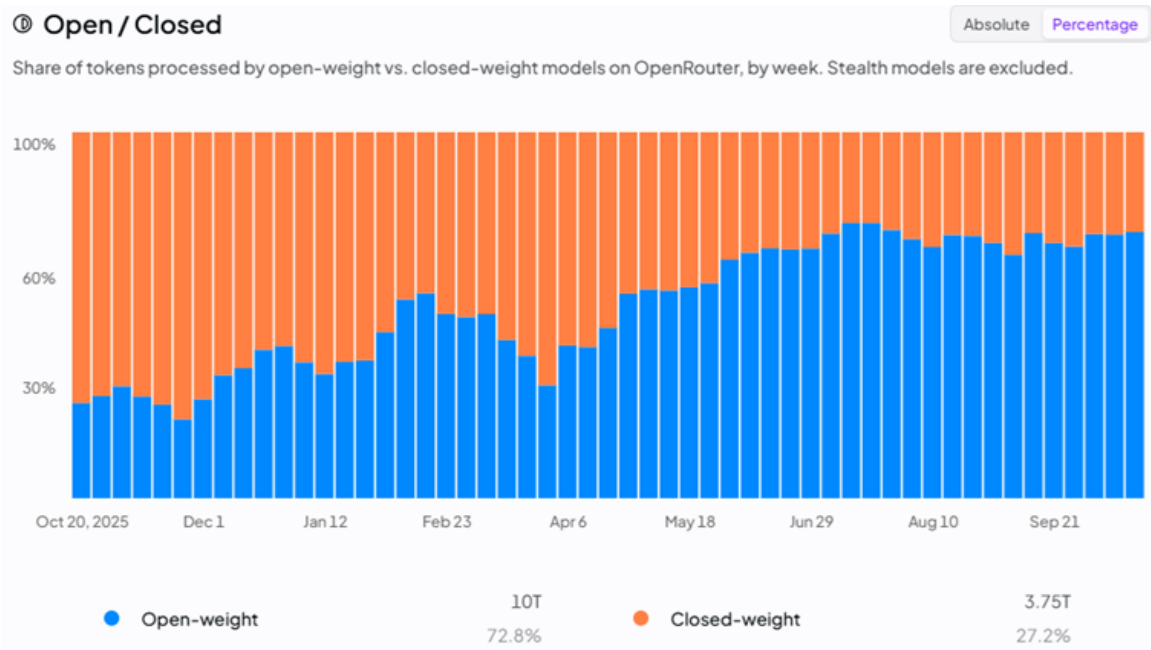
What has been gnawing at us over the past few months is the tension between the rapid adoption of AI and the rapidly declining cost of tokens. On one hand, we are only at the beginning of the demand curve. On the other, token costs have fallen precipitously since the token maxing days earlier this year (see Bloomberg chart below - proxy for token costs). As an extension to this, open-source models have steadily taken share and now account for more than 70% of token volume (see below). That elicits a further question: will models become commoditized, and if so, what are the knock on effects?

LLM Token Expenditure Index - measures price/million tokens



Source: Bloomberg

Tokens processed - Open vs Closed



Source: Openrouter

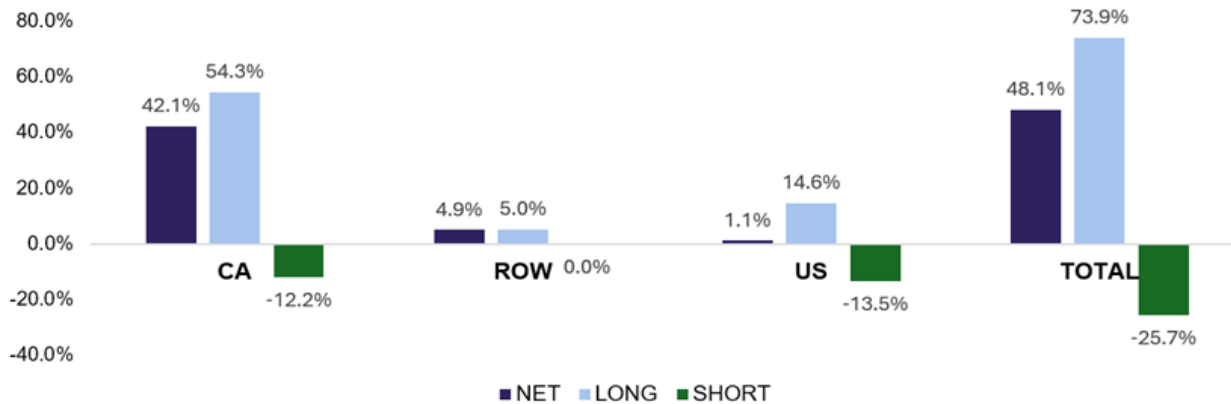
Our answer? We see material risk of model commoditization. If this plays out, the most at risk would be Anthropic

and OpenAI, but we would expect it to infect the broader AI ecosystem as well, including the Mag7 and the market as a whole. The US market has effectively become an AI ETF, so we do think out loud about an unwind of the AI trade becoming a genuine market event rather than a contained one.

That said, while we believe these risks are growing, our near-term base case is unchanged - we still expect a rally into year end, led by a rotation into the most beaten down corners of the market, namely small caps, cyclicals, and non-AI names. Looking further out, given our aforementioned thoughts on AI, we see 2027 potentially shaping up to be a consequential year for the AI trade and the market as a whole, and risk mitigation and nimble trading will become more important as we head into next year.

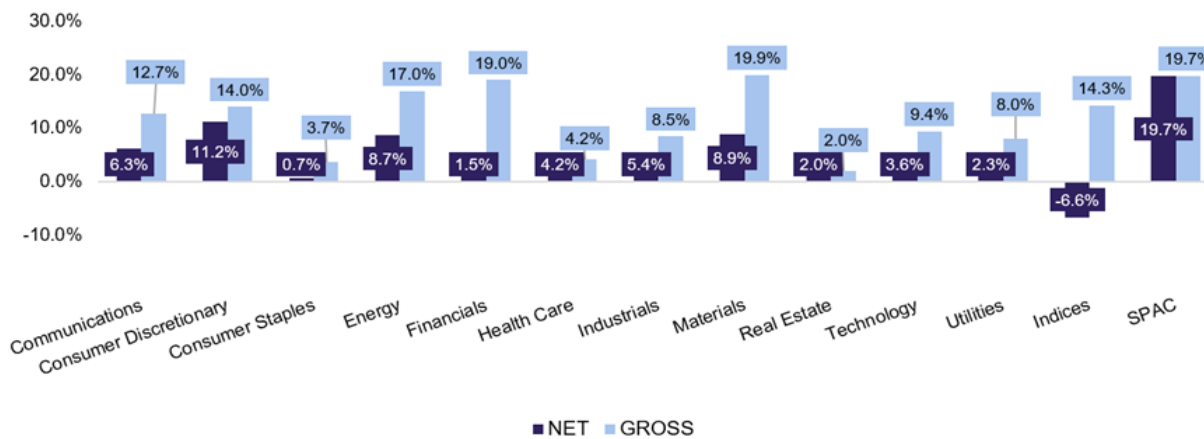
Equity Allocation (% Total Portfolio including Futures)

EQUITY REGION BREAKDOWN



Sector Exposures (% Long / Short Portfolio of individual companies)

EQUITY LONG/SHORT EXPOSURE



We look forward to reporting back next week.

Thanks,
Arrow Investment Team

Historical Performance – As of September 30, 2026

	1-Year	3-Year	5-Year	10-Year	ITD
ALSAF - Series F	13.05%	10.20%	6.61%	8.80%	9.61%

Published October 19, 2026

Effective June 25, 2024 Arrow Long/Short Alternative Class was merged into Arrow Long/Short Alternative Fund as part of the corporate class fund merger. Effective June 15, 2023, the Fund was renamed Arrow Long/Short Alternative Class (formerly Arrow Canadian Advantage Alternative Class).

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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.

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