Arrow Asset Management
Australian Emerging Opportunities Fund

Valid to April 2024

INVESTMENT RATING: **STRONG**

PRODUCT COMPLEXITY: **RELATIVELY SIMPLE**

PROPOSED FUND DETAILS
Investment Manager: Arrow Asset Management
Investment Structure: Unregistered unit trust
Wholesale/Retail: Wholesale
Category: Australian microcap equity and unlisted companies (up to 10%)
Investment Style: Long-only, benchmark-unaware, style-neutral
Inception: TBA
Management Fee: 1.25% p.a., calculated and payable monthly in arrears
Performance Fee: 20% of returns exceeding the benchmark, subject to a high watermark, payable every quarter, and on Redemption
Benchmark: 6.5% p.a. (net of management fee and cost recovery fees)
Investment Objective: Long-term growth in both capital and income by investing in Australian listed equities and unlisted companies.

Model Portfolio Performance

Arrow Emerging Opportunities (Model Portfolio)		S&P ASX Small Ordinaries Index	Relative Performance
1 Year	-9.91%	-13.17%	+3.26%
3 Years			
Inception	-5.04% p.a.	-8.61% p.a.	+3.57% p.a.

Review Summary

The Arrow Australian Emerging Opportunities Fund (the 'Fund') is an unregistered wholesale unit trust managed by Arrow Asset Management ('Arrow'), a boutique, fundamental, long-only fund manager focusing on Australian micro-cap equities.

Arrow believes that the Australian micro-cap investment universe is under-researched due to institutional and regulatory constraints. This inefficiency creates an opportunity for skilled and experienced investors to add value through fundamental company analysis.

The investment process is style-agnostic. It seeks to identify companies with an absolute return upside potential of at least 20% and a catalyst that will result in this potential being realised within 2-3 years.

The investment team is comprised of two portfolio managers that have worked together successfully since 2006. During this time, they have built an impressive long-term track record.

Arrow is a start-up fund management business. Investing in the Arrow Australian Emerging Opportunities Fund is an opportunity to get in on the ground floor with a proven team. That said, investors need to remember that the business is new and evolving. They will need to weigh the trade-off between the investment potential of the Fund, which we rate Strong, and Arrow's business and governance processes, which are typical of an early-stage asset management business.

The proposed Fund is currently being managed in real-time as a model portfolio. At present, there are no assets managed by the firm. A wholesale unregistered unit trust will be launched once a $10M capital raise has been completed.

Consequently, this report and rating apply to Arrow's investment capabilities (i.e., team and strategy) and the investment team's long-term track record. It does not apply to the proposed Fund. Investors should be cognizant that investing in Australian micro-caps equity and unlisted assets carries increased liquidity and volatility risk.

Investment Rating & Foresight Complexity Indicator

A STRONG rating indicates a strong conviction that the Fund can deliver a risk-adjusted return in line with its investment objectives.

Assignment of a RELATIVELY SIMPLE Foresight Complexity indicator reveals that the Fund invests predominantly in listed assets and has an absolute return objective. The strategies used to outperform may include investments in illiquid or less frequently traded securities with small market capitalisation. Portfolio exposure may also include private investments in businesses that plan to list over a short period of time.

PROPOSED FUND DETAILS

Trust	Arrow Australian Emerging Opportunities Fund (ABN TBA)
Trustee	Arrow Asset Management Pty. Ltd. (AFSL: 483442)
Investment Manager	Arrow Asset Management Pty. Ltd. (AFSL: 483442)
Investment Objective	To outperform its benchmark, an absolute return of 6.5% per annum, net of management fees and cost recovery fees, over rolling three-year periods.
Investment Strategy	Fundamental, long-only, high-conviction portfolio of Australian micro-cap equities. The strategy is style-agnostic. Stocks are selected based on risk-adjusted potential absolute return over a two to three-year investment horizon. Position size is a function of estimated upside and liquidity.
KEY FEATURES	
Fund Inception	TBA
Domicile	Australia
Legal Structure	Unit trust – Wholesale unregistered managed investment scheme
Platform Providers	N/A
Geographic Mandate	Australia
Benchmark	6.5% p.a. net of management fees and cost recovery fees
Open	Yes
Valuation	Daily
Management Fee	1.25 p.a.%
Performance/Ongoing Fees	20% of the return above the Benchmark
Funds Under Management	TBA
Minimum Initial Investment	$100,000
Subsequent Investment	$50,000
Investment Timeframe	Five years +
Distributions	Dividends & franking paid as per direct equity holdings to investors
Redemption Option	Minimum redemption of $50,000
PRIMARY CONTACT	
Name & Title	Issam Eid, Portfolio Manager
Email Address	ieid@arrowam.com.au
Principal Business Address	Level 17, 14 Martin Place, Sydney, NSW, 2000
Telephone Number	
Website	www.arrowam.com.au

Investment Profile

HISTORY/BACKGROUND

Arrow Asset Management Pty. Ltd. (ABN 23 609 172 983) is a long-only Australian equity, boutique asset management business based in Sydney, Australia. The business was launched in late-2021 and holds an Australian Financial Services Licence (AFS Licence: 483442)

The business is ultimately a wholly-owned subsidiary of Polyhedra Capital Pty. Ltd. as the Trustee for the Polyhedra Trust. This trust structure is associated with a similar trust structure that is the 100% ultimate beneficial owner Petra Capital Pty. Ltd ('Petra Capital'). Petra Capital is a stockbroking firm that was founded in Sydney in 2008 by George Marias. George Marias is the sole director of Petra Capital and is also a director of Arrow Asset Management Pty. Ltd.

The Arrow Australian Emerging Opportunities Fund (ABN: TBA) will be the first fund managed by the firm. The Fund will be an unregistered wholesale unit trust. Arrow offers the Fund directly to wholesale clients.

Arrow is a start-up asset manager. The Fund has yet to launch as there are currently no assets under management. Consequently, Arrow has yet to earn management or performance fees from the Fund. The shareholders are committed to funding Arrow for three years.

The fund is currently being managed in real-time as a model portfolio. Fund launch is expected upon completion of a $10M capital raise. Model portfolio performance has been negative on an absolute basis since inception. This is unsurprising given the 2022 bear market. Relative performance versus the ASX S&P Small Ordinaries Index has been positive.

The investment team are not currently shareholders of Arrow. They are not members of Arrow's board. The investment team's remuneration includes a competitive salary and a share of the performance fee earned by the Fund. Remuneration is largely dependent on performance and is therefore aligned with client outcomes.

Importantly, the investment team has complete control of the Fund's investment process. Their independence has been contractually agreed to by Arrow and the investment team.

It is not unusual for an early-stage funds management business to start with a 'minimum viable product' and bootstrap its way to best practice over time. Arrow plans to do this as the Fund grows. For example, the team plans to add a dealer/resources analyst once the Fund reaches $75M in assets under management.

We are pleased to note that the investment team are committed to investing the bulk of their personal capital into the Fund once it launches.

Investors in the Fund need to weigh Arrow's business and governance arrangements, which are typical of a start-up, versus the opportunity to invest alongside a team of seasoned professionals with an enviable track record of successfully investing in smaller companies.

OBJECTIVE

The Fund aims to outperform its benchmark, an absolute return of 6.5% per annum, net of management fees and cost recovery fees, over rolling three-year periods.

FUNDS UNDER MANAGEMENT

Arrow aims to launch the Fund with a seed investment of $10M. The fund will close to new investments at $400M. Arrow's Portfolio Managers, Issam Eid and Rajeev De Silva, have considerable experience managing small-cap and micro-cap equity strategies of this size.

INVESTMENT UNIVERSE

The Fund's primary focus is on Australian-listed micro-cap equities. Arrow defines micro-caps as companies with a market capitalisation between $40M and $600M.

Arrow has the flexibility to hold up to 10% of the portfolio in the shares of a company whose market cap exceeds $600M. This helps to avoid the situation where Arrow is forced to sell out of strong performer due to an arbitrary size cut-off. There is also the flexibility to invest up to 10% of the Fund in unlisted investments that are on track to list in the next 24 months.

Investment Philosophy

Micro-caps – stocks with market capitalisations less than $600M – are under-researched due to a lack of broker coverage. Arrow believes that broker coverage of micro-cap stocks will continue to decline as the investment industry adjusts to increases in passive investment and the impacts of regulations (e.g. MiFID II).

These changes create a favourable environment for a highly experienced investment team to identify attractive investment opportunities by fundamentally analysing companies.

The micro-cap investment universe is a mixed bag of exciting growth and poor quality, value-destructive companies. As a result, the potential for the active management of micro-cap stocks to add value is attractive.

In many cases, it is easier for smaller companies to grow their revenue and earnings faster than larger companies. At the same time, institutional constraints restrict many investors from investing in these companies at an early stage. Consequently, select micro-cap stocks may offer intrepid stock-pickers a rare win-win: promising growth prospects at an attractive valuation.

Investment Strategy

Active management of a concentrated portfolio of micro-cap shares listed in Australia, the majority having a market capitalisation between $40M and $600M.

Stocks are selected using a fundamental, bottom-up approach. The Fund is style-agnostic, investing in opportunities across three investment styles: value, growth and quality. Valuation is always an important consideration.

Stocks must be assessed to have a minimum of 20% upside in absolute terms. The team also seeks to identify catalysts likely to close the valuation discount over a two to three-year horizon.

The investment strategy has a strong focus on quality. Avoiding poor companies is especially important in the micro-cap investment universe, as lower levels of liquidity often result in large and sudden price movements following company news or events.

The result is a portfolio of 30-50 stocks. This is a high-conviction portfolio in the micro-cap investment universe, where the need for liquidity often limits position size.

The Fund uses an absolute return hurdle as its benchmark rather than a market capitalisation-weighted index. Most market capitalisation-based indices don't cover the micro-cap investment universe accurately. For example, the median market capitalisation of the S&P ASX Small Ordinaries Index is $1,264M (as at 28/02/2022), more than double the upper limit of the Fund's target market capitalisation range.

The Fund has limited scope to hold shares in companies with a market capitalisation greater than $600M and unlisted companies, which are expected to list within the next 24 months.

Portfolio turnover at the team's previous fund has averaged approximately 60% over the last three years. Model portfolio turnover has been higher (averaging 15.7% per month to December 2022). The increase in turnover is unsurprising, given the 2022 bear market.

Arrow does not consider or report on Environmental, Social or Governance (ESG) factors on a stand-alone basis. That said, the investment team do consider many of these factors as part of each company's quality score (see the 'Investment Process' section below).

The Fund uses a well-considered investment strategy based on deep knowledge and experience of what works and doesn't work in the micro-cap investment universe. It is implemented in a disciplined manner by a team of highly-experienced investors with an enviable long-term track record of success. The Arrow Australian Emerging Opportunities Fund is likely to outperform its absolute return benchmark over a full investment cycle.

Investment Process

Arrow's investment process is consistent with the firm's investment philosophy and is implemented in a disciplined manner. There are three main steps to this process: idea generation, stock selection and portfolio construction. The team's decades of experience investing in small-cap and micro-cap stocks guide each stage of the process.

IDEA GENERATION

Arrow generates investment ideas through a combination of the following:

- Proprietary screens

- Broker research
- Industry contacts
- Expert networks

Proprietary identifies stocks that are statistically cheap across a range of quantitative and qualitative metrics. Stocks that do not have revenues of at least $10M and positive operating earnings (EBITDA) are excluded from the screening process. This means that biotech stocks are generally avoided.

The remaining 1,700-1,800 stocks are subjected to three screens:

- Value – Valuation relative to earnings, dividends and enterprise value
- Quality – Profitability (ROE and ROIC) and debt
- Growth – Sales growth and price momentum

This results in a list of approximately 200 names. Each of these companies is subjected to more detailed analyses. The team values the business and assigns a fundamental quality score to each company. The quality score is based on Arrow's proprietary research and considers the following attributes:

- Industry
- Franchise
- Management
- Capital structure
- Industry cycle
- Financial risk

Stocks are ranked based on a 50:50 combination of valuation and business risk assessment (quality) scores. Approximately 60 names are then selected for the team's watchlist.

STOCK SELECTION

The team will define an investment thesis for each company on the watchlist. In practice, this involves answering the following four questions:

- Does the valuation upside justify the risk profile?
- What do we know that the market does not know?
- What are the key variables which can impact our valuation?
- What catalysts will help close the valuation gap?

Company meetings and discussions with industry contacts and expert networks are key ingredients in this research.

Portfolio holdings must be assessed to have a minimum of 30% upside in absolute terms. The team also seeks to identify catalysts likely to close the valuation discount over a two to three-year horizon.

This investment thesis is then revisited or tested as new information arises.

ESG

Arrow does not consider or report on Environmental, Social or Governance (ESG) factors on a stand-alone basis. That said, the investment team do consider many of these factors as part of each company's quality score. The table below illustrates how key ESG metrics map across Arrow's proprietary quality score.

Industry	Business	Management	Cycle
Mining, Carbon	Environmental Impact	Independence	Environmental & Social Tailwinds/Headwinds
Recycling, Renewable Energy	Fair Remuneration and Working Conditions	Shareholder Alignment	
Responsible & Sustainable Sourcing of Materials/Supplies/Products		Diversity, Inclusion & Equity	
Ethical Customer Acquisition & Sales Practices			

Arrow will engage with company management on an ad hoc basis, generally in response to a company's actions. These interactions are usually initiated by the portfolio manager and discussed with the rest of the team.

SELL DECISIONS

A security will be sold or reduced if the investment thesis no longer holds, if the stock has appreciated such that its absolute return upside has been realised, or to make room for a more suitable investment opportunity.

RESOURCES

Arrow's proprietary screens are run using FactSet. The portfolio is managed using Iress. The team has an extensive network of industry and broker relationships. Arrow does not enter into soft-dollar arrangements.

Petra Capital is an associated entity of Arrow. It is a broker specialising in small-cap and micro-cap equities. There are protocols in place to ensure proper separation between the two businesses.

Portfolio Construction

Arrow considers the following inputs when constructing the Fund's portfolio:

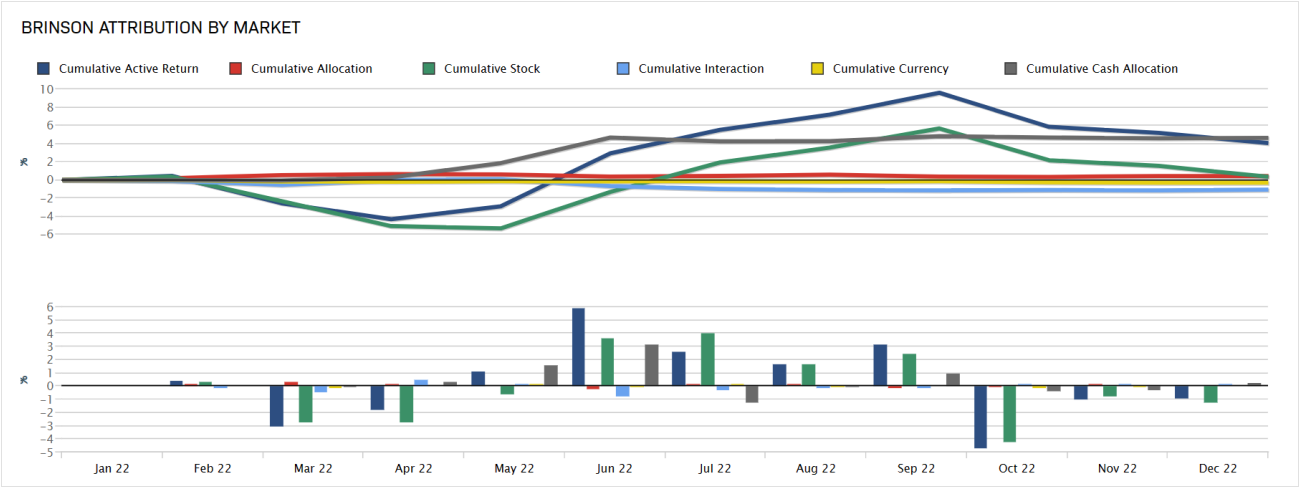
- Absolute, risk-adjusted return
- Business quality
- Liquidity
- Sector exposure/concentration risk
- Portfolio construction constraints (see the 'Risk Management' section below)

Position size is a function of conviction (a combination of upside, catalyst and business quality) and liquidity.

The Fund does not use a market capitalisation index when constructing the portfolio, managing risk or calculating performance and performance fees.

Up to 50% of the Fund's assets may be held in cash or cash equivalents. The Fund's cash allocation will depend on market conditions. The Fund's cash exposure is an outcome of Arrow's fundamental, bottom-up investment process and not the result of a top-down tactical asset allocation decision.

Cash has been a key driver of the model portfolio's risk and return since inception. The model portfolio held just over 20% cash in April, May and June 2022. This contributed +4.71% since inception to the model portfolio's return.



Risk Management

Risk is monitored and managed daily at both security and portfolio levels. Security-level risk is managed by monitoring how company news, corporate investments, industry developments, economic conditions and regulatory changes affect each holding's quality score and valuation. Any material deterioration in a position's absolute return potential or quality score will result in the position being sold.

At the portfolio level, the team focuses primarily on liquidity and underlying industry exposure (not just the GICS sector) or concentration risk.

The Fund has an absolute return target. Consequently, the Fund does not use a market capitalisation-weighted index as a starting point for portfolio construction or a risk management benchmark (i.e. tracking error).

PORTFOLIO RISK LIMITS

Risk Factors	Proposed Range or Limit
Number of Positions	Maximum of 50
Market Cap	Minimum of $40M, maximum of $600M
Maximum Exposure to Any Company	Minimum of 1%, maximum of 5% at purchase and a 10% absolute position-size limit
Maximum Position Size	10%

Maximum Holdings Outside of Micro-cap	10% in unlisted securities 10% in securities with a market capitalisation greater than $600M.
Limit to Small Cap Stocks	N/A
Sector/Industry Exposure	Sector/Industry exposure is monitored and managed at the underlying industry exposure level. There are no formal constraints for sector/industry exposure.
Tracking Error	N/A
Beta	N/A
Cash Holdings	Maximum of 50%

Leverage, derivatives, short selling, and stop losses are not used. Securities lending is not permitted.

Investment Team

Issam Eid and Rajeev De Silva are the two senior investment professionals responsible for the Fund. Together, they have more than 25 years of experience in researching and investing in Australian small-cap and micro-cap companies. The team has a long history together, with their collaboration beginning in 2006. The core principles underlying their investment philosophy and process have remained mostly the same over this time.

Research responsibilities are shared between the two portfolio managers. They jointly share responsibility for investment decisions. The combination of two senior portfolio managers helps to reduce key person risk.

Arrow plans to grow the team as the Fund grows. There is a plan to add a dealer/resource analyst once the Fund's assets under management reach $75M.

The investment team are renumerated with a combination of a competitive market-based salary and a share of any performance fees. They do not currently own equity in the firm. Both portfolio managers are committed to investing the bulk of their personal capital into the Fund.

Team members, their responsibilities, and experience are shown in the table below:

Name	Role/Responsibility	Years of Experience	Years at Arrow
Issam Eid	Portfolio Manager	19	Less than 12 months
Rajeev De Silva	Portfolio Manager	16	Less than 12 months

Issam Eid (Portfolio Manager) – Issam has almost 20 years of experience in financial markets and investing. For the past 19 years, his focus has been on small-cap companies. Issam has held risk management, dealing and portfolio management roles at major institutions such as Macquarie Bank, ING, Credit Suisse and boutique investment manager Sigma. His extensive management of small company portfolios has provided him with a wealth of experience across various businesses, strategies and management teams. His significant involvement in two start-up financial services businesses has provided him with valuable insight into managing growing businesses and the complexities of designing and implementing their strategies.

Issam holds a Bachelor of Business from the University of Technology, Sydney and is Chartered Financial Analyst (CFA)

Rajeev De Silva (Portfolio Manager) – With extensive experience in equities, Rajeev has worked across a variety of markets, including finance, healthcare, technology and IT services. Rajeev has focused on small-cap Australian companies over the last 16 years. Prior to joining Arrow, Rajeev worked at major financial institutions such as JP Morgan, ING, Credit Suisse and boutique investment manager Sigma. He began his career in Sri Lanka, and he was involved in one of the first fundamental-based research teams in that market. Doing bottom-up research and kicking tyres were his key learnings from these early days and still drive his need to meet new companies and keep an open mind to new ideas.

Rajeev holds a Master of Business (MBA) from Monash University.

Business Management

Arrow's Board of Directors (Board) comprises George Marias and Anthony Christelis. The Board meets regularly and as required. George Marias is also the sole director of Polyhedra Capital Pty Ltd as Trustee for the Polyhedra Trust, the ultimate owner of Arrow.

Arrow's key staff are listed below:

- George Marias – Director, Arrow Asset Management
- Anthony Christelis – Director, Arrow Asset Management
- Danielle Smith – Compliance Manager, Petra Capital
- Issam Eid – Portfolio Manager, Arrow Asset Management
- Rajeev De Silva – Portfolio Manager, Arrow Asset Management

Arrow outsources its administration, compliance, distribution, HR, payroll, bookkeeping, financial management and other support functions to Petra Capital, which is an associated entity.

Petra Capital's compliance manager reports directly to the Arrow Board.

Performance

The Arrow investment team has a long-term track record managing small-cap and micro-cap portfolios with the following firms:

- Macquarie Bank – March 2003 to May 2004
- ING Investment Management – June 2004 to May 2007
- Credit Suisse Asset Management – June 2007 to April 2009
- Sigma Funds Management – May 2009 to October 2019
- Salter Brothers – July 2020 to October 2021

The two members of the investment team, Eid and DeSilva, have worked together since 2006. The team's investment track record demonstrates their investment skill and impressive performance over several market cycles. Though their investment philosophy and process have remained pretty consistent, their investment mandate has changed over time. Micro-cap stocks made up roughly half of the team's portfolios during their early years, but the emphasis on micro-caps increased during the team's stint at Salter Brothers. This change in investment mandate makes apples-with-apples comparisons with market capitalisation-weighted indices over time challenging.

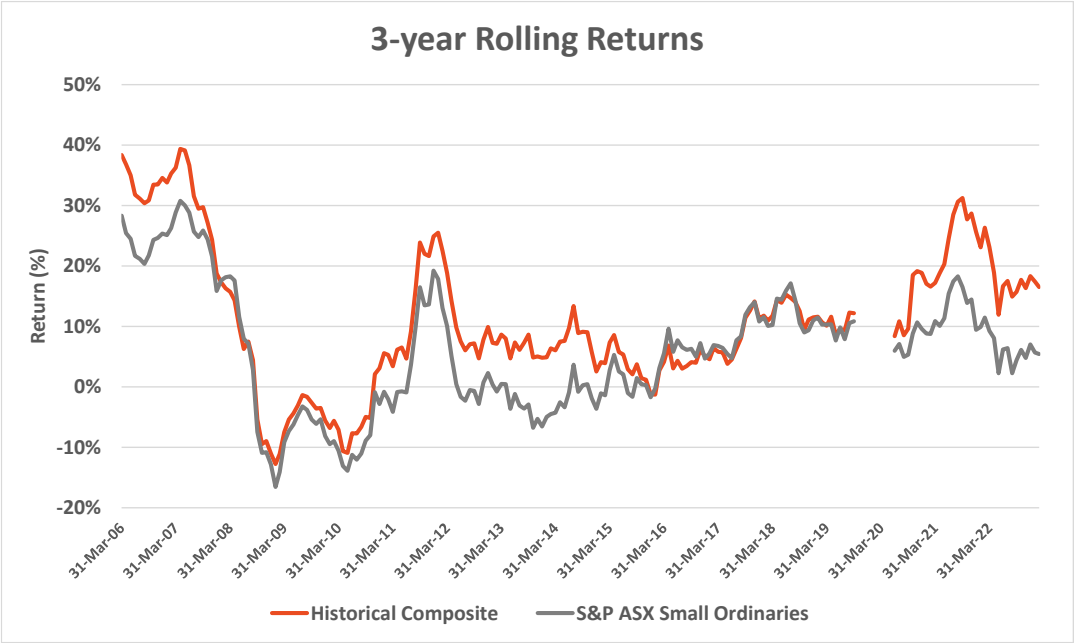
The flexibility to hold up to 50% in cash and to allocate up to 10% to unlisted companies are new portfolio construction parameters that were not present in earlier investment mandates. These changes mean that the Fund's exposure to market, illiquidity and volatility risks will differ meaningfully from the team's previous investment mandates. Historical risk metrics, such as tracking error and industry sector exposure, may not be directly comparable over time.

The Fund invests on an absolute return basis. Market capitalisation-weighted benchmarks are not used in portfolio construction, risk management and performance measurement (where the benchmark is hurdle rate of return). Consequently, the evolution of the team's investment mandate over time does not preclude our rating the Fund as 'XXX'.

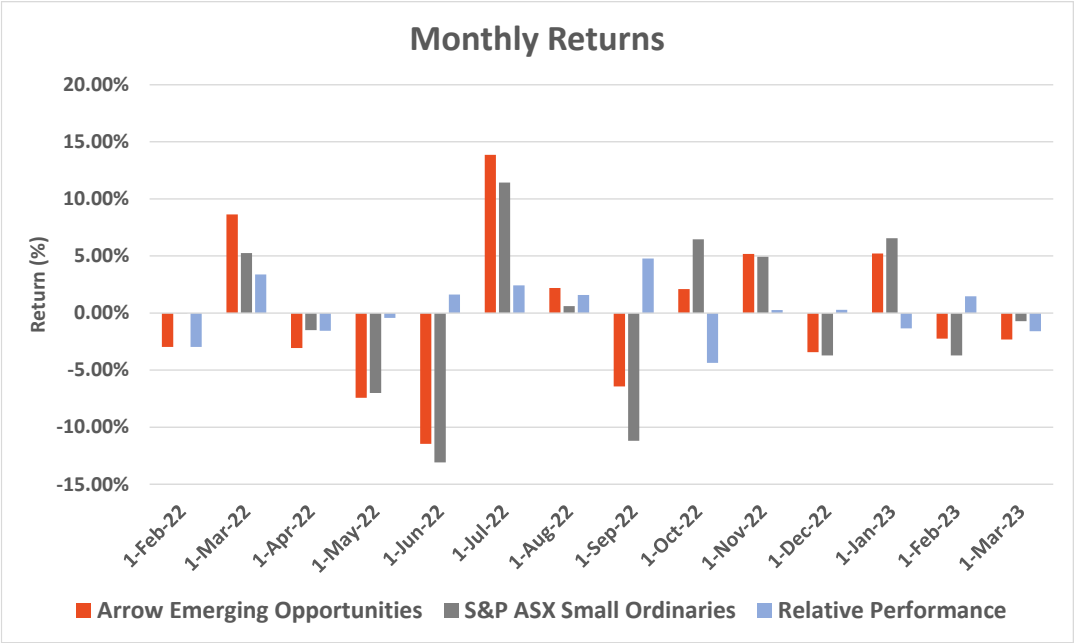
RETURNS OVER TIME VS BENCHMARK

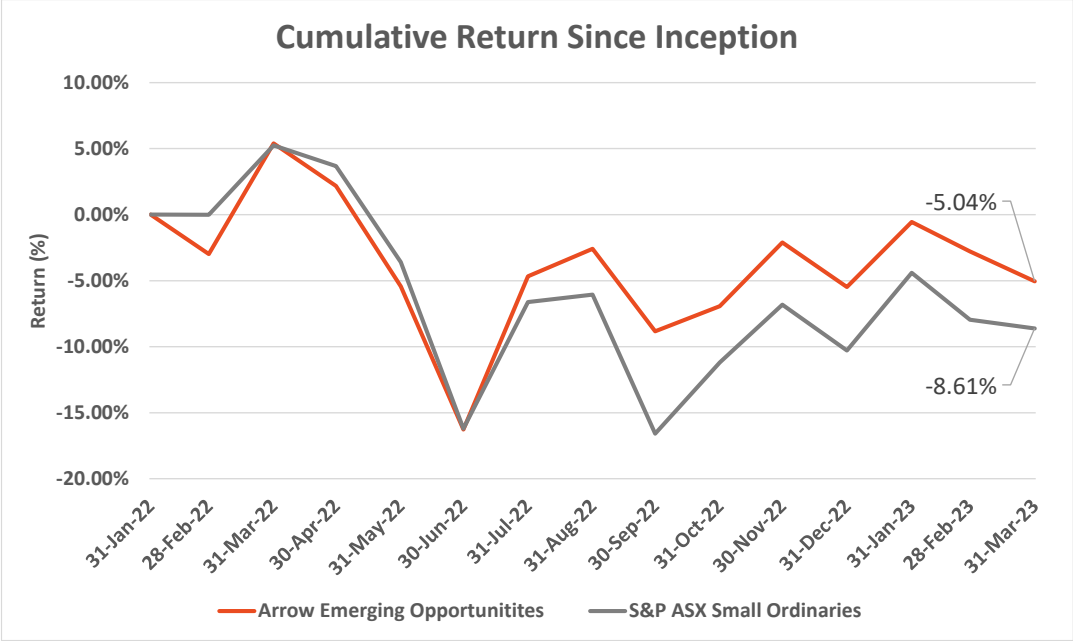
The Fund has underperformed on an absolute return basis since inception, delivering a cumulative return of -5.04%, excluding management fees and costs. This is understandable, given the 2022 bear market. That said, the investment team has clearly and consistently outperformed the S&P ASX Small Ordinaries Index.

The chart below shows the team's composite historical returns across various firms, ("Historical Composite"), over rolling three-year periods, from March 2003 through to October 2021, versus the S&P ASX Small Ordinaries Index. The break in the data series represents a time period where the team were not actively managing a portfolio (November 2019 – June 2020).



The charts below show the monthly and cumulative returns for the Arrow Emerging Opportunities Fund's model portfolio, the S&P ASX Small Ordinaries and relative performance. Arrow has outperformed on a relative basis in 8 out of 14 months (57%) since inception.





The model portfolio's outperformance (+3.57%) since inception is consistent with the team's long-term track record (median rolling 3-year outperformance = 4.7%) and the 2022 bear market.

The portfolio characteristics presented below are indicative as of March 2023.

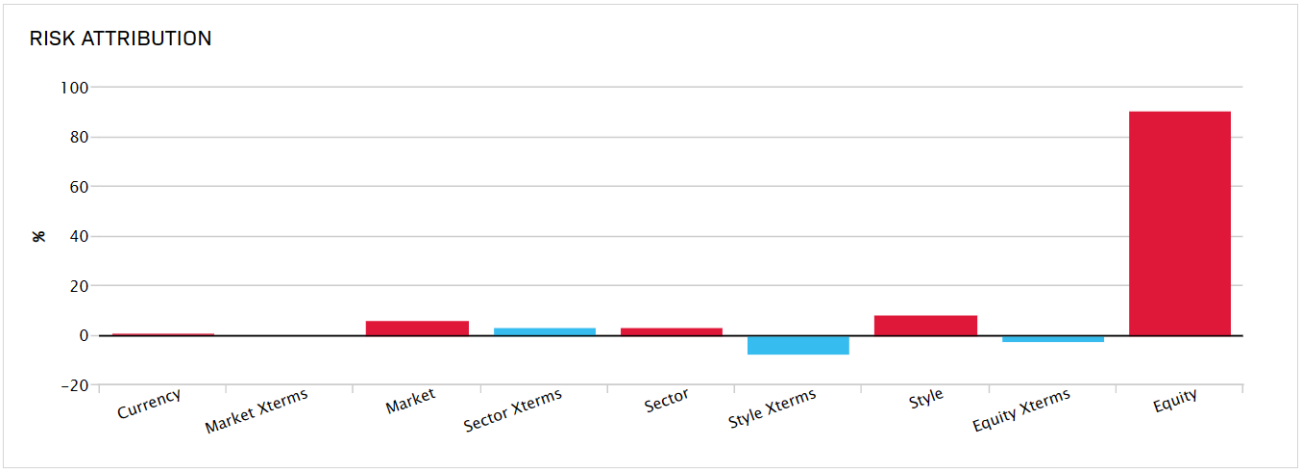
INDICATIVE PORTFOLIO CHARACTERISTICS (MARCH 2023)

Asset Sector	Details	Weights/ Ratio (%)
Cash	Custodian	17%
Equity – Listed		83%
Equity – Top 5	Propel Funeral Partners Ltd. (PFP) 4.24% Genex Power Ltd. (GNX) 3.76% DGL Group (DGL) 3.65% Viva Leisure Ltd. (VVA) 3.45% A2B Australian Ltd. (A2B) 3.15%	18.25%
Equity – Unlisted	N/A	0%
Dividend Yield (12M)	Cap-Weighted	1.6%

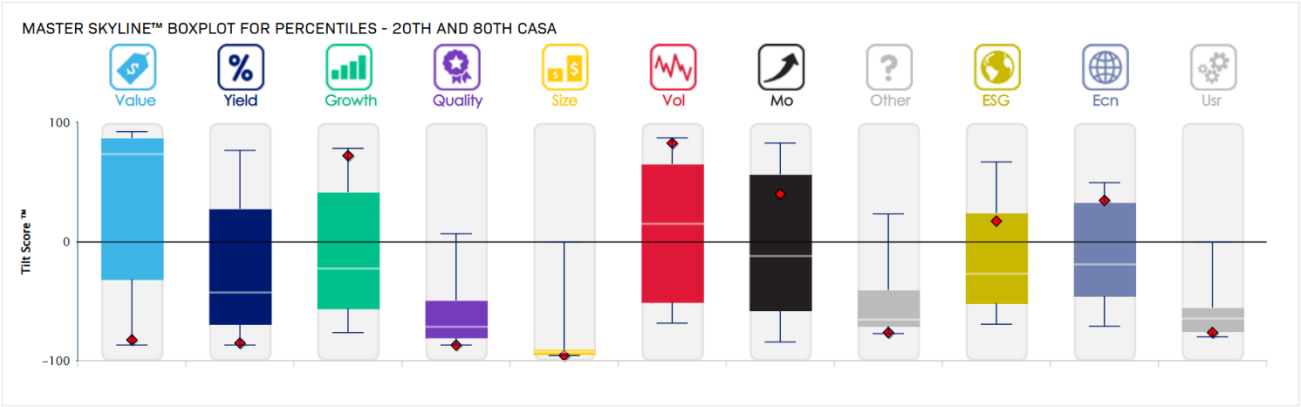
INDICATIVE PORTFOLIO RISK AND STYLE EXPOSURE

The model portfolio has an estimated volatility of 20.3% (as at 31/12/2022). This is consistent with Arrow's focus on micro-cap equities. For perspective, this is higher than the estimated volatility of the S&P ASX Small Ordinaries Index (19.9%). The chart below breaks down the model portfolio's volatility into its constituent risk exposures.

Equity, or stock-specific risk, accounts for just over 90% of the model portfolio's volatility. This result confirms that Arrow's focus is on stock picking. Model portfolio risk and returns are likely to be driven primarily by the performance of Arrow's stock selection and not by residual or unintended risk exposures (i.e. style or sector).



The chart below compares the Fund's style exposures to the S&P ASX Small Ordinaries Index. It shows the current style exposure as well as the range, 25th and 75th percentile levels over the three years to 28/2/2022.



Value, Growth and Momentum exposures have varied widely over time. This is in line with the fund's style-agnostic, go-anywhere investment approach. The negative quality exposure needs to be interpreted in the context of the Fund's investment universe. All other things being equal, micro-cap stocks are typically lower quality relative to small- and large-cap stocks. Consequently, the fund can invest in higher-quality micro-cap companies and still appear to have a negative quality exposure relative to the S&P ASX Small Ordinaries Index. The fund's positive exposure to volatility is also consistent with its focus on micro-cap stocks.

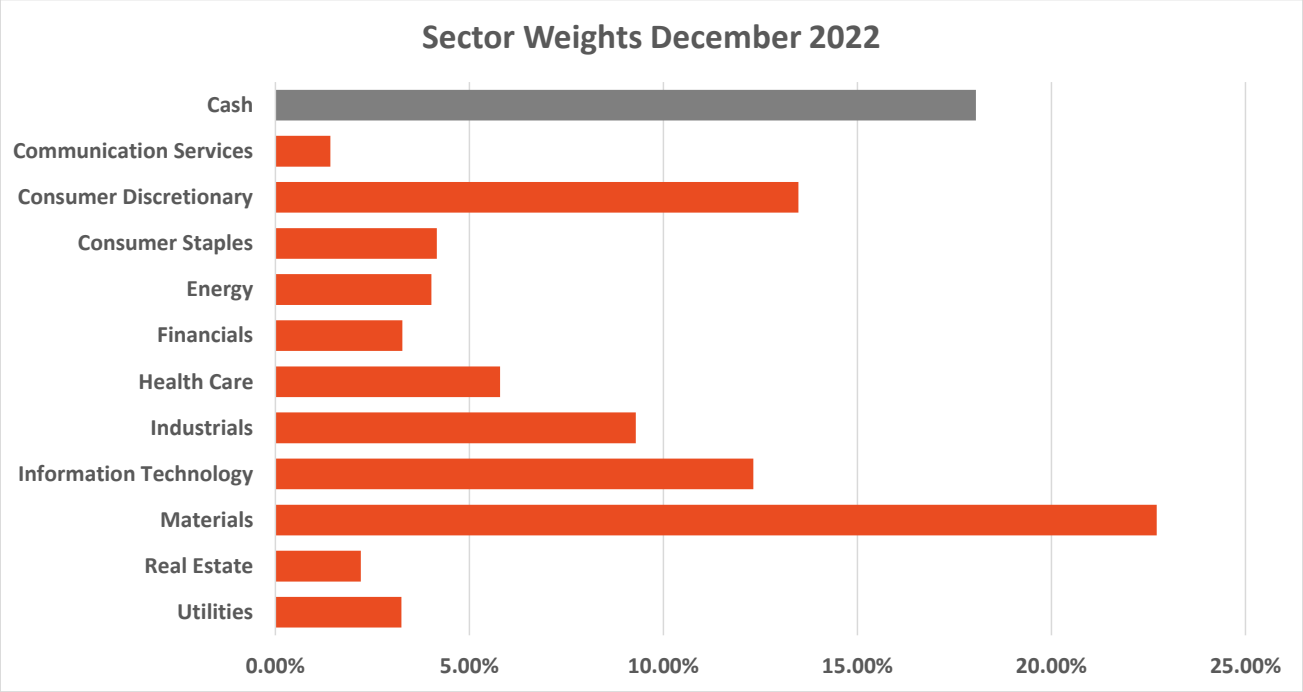
Below are the main differences between this risk snapshot and our previous report (March 2022):

- Negative Value exposure (flat in March 2022)
- Positive Momentum exposure (negative in March 2022)
- Bias against Yield has increased

These shifts are a result of the team taking advantage of the opportunity to upgrade the earnings growth characteristics of the portfolio during the 2022 bear market.

SECTOR WEIGHTING

Sector weighting is an outcome of stock selection. This includes Arrow's quality rank, which considers industry characteristics and the industry cycle/outlook as two of its six constituents. The indicative portfolio is relatively diversified across sectors. Cash accounts for almost a third of the portfolio. The cash allocation is an outcome of Arrow's bottom-up investment process rather than a top-down asset allocation decision.



Compliance

The Fund is a wholesale unregistered unit trust. Consequently, it has not appointed a Responsible Entity to manage the trust. Mainstream Fund Services Pty. Ltd. acts as the Fund's administrator and custodian. Compliance requirements of the Fund are managed by Petra Capital Pty. Ltd. Petra Capital is an associated entity. George Marias is the sole Director of Petra Capital Pty. Ltd.

Arrow's systems and data are maintained separately in the Cloud from Petra Capital Pty. Ltd.

Arrow is now operating out of its own office independent of Petra Capital Pty Ltd.

The compliance manager is Danielle Smith. Smith reports to George Marias and Anthony Christelis, Arrow's two Directors. George Marias is the sole Responsible Manager for Arrow's Australian Financial Services Licence.

Smith, Eid, De Silva, Marias and Christelis also form a compliance working group.

Trades are peer-reviewed by Eid and De Silva, and Smith is notified of every trade.

Transparency & Reporting

The Fund's portfolio is managed using Iress and Factset. These independent, institutional-grade software platforms enable the team to monitor and manage the Fund's portfolio in real time.

Clients are provided with quarterly reporting. The reports detail the Fund's overall performance and the performance of noteworthy stocks. Arrow also reports on the Fund's style, sector, concentration and liquidity exposures.

THIRD-PARTY & SERVICE ADVISORS

Fund Administrator	Mainstream Fund Services Pty. Ltd. (AFSL: 303253)
Custodian	Mainstream Fund Services Pty. Ltd. (AFSL: 303253)
Lawyers	Mccullough Robertson
Auditors/Taxation Advisor	Thomas Hopper & Partners (Audit) Kamper Chartered Accountants (Accounting)
Compliance Plan Auditor	N/A
Compliance Services	Petra Capital (AFSL: 317944)
Insurance Provider	Chubb (Professional indemnity, crime, directors' and officers' insurance) CGU Insurance (Public products and liability)
IT Support	Tango Technology
Analytics/Portfolio Software	Iress, Factset

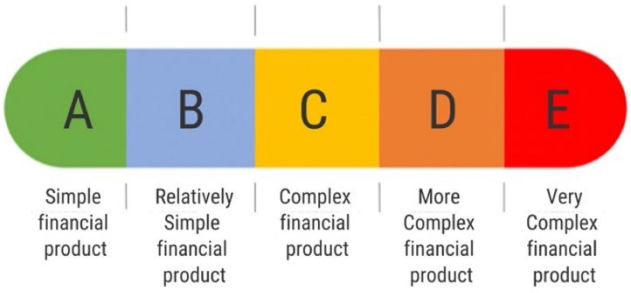
Investment Rating Scale

The Foresight Analytics' Analytics investment rating is an opinion on how well we believe a fund will perform against a range of risks.

Rating	Definition
Superior	Indicates the highest level of confidence that the fund can deliver a risk-adjusted return in line with the investment objectives of the fund.
Very Strong	Indicates a very strong conviction that the fund can deliver a risk-adjusted return line with the investment objective of the fund.
Strong	Indicates a strong conviction that the fund can deliver a risk-adjusted return in line with the investment objective of the fund.
Competent	Indicates that the fund may deliver a return in line with the fund's relevant benchmark.
Weak	Indicates a view that the fund is unlikely to deliver a return in line with the investment objective of the fund and or meet the return of its benchmark.

Foresight Complexity Indicator

Foresight Complexity Indicator (PCI) highlights the complexity of an investment by its terms and conditions' structure and transparency that may affect the investor's return.



Investment Rating & Foresight Complexity Methodology

Foresight Analytics and Ratings' methodology for its investment rating and research can be downloaded from its website.

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