

WILL EMERGING MARKETS GROWTH CONTINUE DESPITE SLUGGISH GROWTH PROSPECTS GLOBALLY?

Europe's debt woes seem captive to political wrangling that resembles the acrimony over the U.S. debt ceiling only a few months ago. It is perhaps this uncoordinated policy response, centered on one-size-fits-all ECB policy, that means otherwise solvent countries are facing impossibly high interest rates on their debts. The comparison between Italy and the UK has surfaced in the financial press recently, where UK interest rates are far below the headline rate of inflation, and yet it is Italy that is being punished. The longer-term problem is how any of these countries can create sufficient economic growth while expenditure is cut at all levels. And while the U.S. looks comparatively better placed, it still has years of public and private sector de-leveraging to go. China must manage a tricky transition to more consumption and less state-directed investment. All told, a very tough environment for investors.

According to London-based Lombard Street Research, 2012 is shaping up to be a sluggish year for the global economy. Indeed, Goldman Sachs recently issued a report that forecasts a multi-year slump in developed countries, as austerity by both governments and households bites. One question is whether emerging countries, and the countries that supply them with essential resources, can weather the storm. This is critical to investors who have profited from the decade-long commodity boom, which had previously shrugged off the 2008 financial crisis with ease. High-quality government bond yields are at generational lows, and in many cases below the rate of inflation, while broader equity markets are exposed to lower growth-rate assumptions. There are few places left to hide.

Despite the bleak current outlook, it is likely that the next few years will provide patient long-term investors with excellent entry points to the main asset classes with the exception of sovereign bonds. These look expensive by any measure. Last month, risky assets rallied sharply following a nasty decline that left many markets deep in bear territory. While macro-economic issues will likely create volatile markets for years to come, this is also providing good entry points for careful investors who have done their homework. As always, avoiding large losses is the most important objective so a well-hedged approach or good amounts of dry powder are essential.

If you are an advisor or investor and want to learn how you can employ more actively managed strategies in portfolio construction, please contact us. Thank you for your support of Arrow.

Regards,

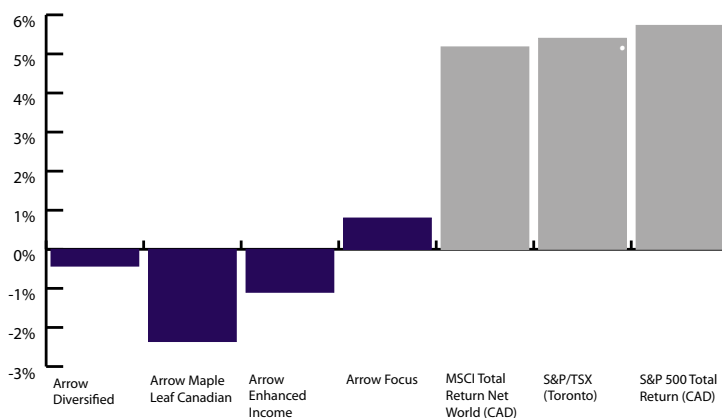


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Arrow Fund of Funds Class A Performance vs Index for October 2011



Arrow Diversified Fund

- We posted a slightly negative month (down 0.43%) as markets surged in October.
- Three of our four strategy buckets were positive but were offset by our macro book which was down about 8% on the month; Macro had been a big contributor all year but the big move up in the market hurt our negative positioning.

Arrow Maple Leaf Canadian Fund

- We were down 2.4% for the month as the S&P/TSX rebounded 5.6% (still down approximately 7% on the year).
- On the manager side, our Canadian special situations managers posted a solid month.

Arrow Focus Fund

- The Fund had a positive month (up 1%) as our weighting in the resource side helped performance.
- The Fund also benefitted from an allocation to our U.S. convertible manager, Raven Rock.

Arrow Enhanced Income Fund

- The Fund was down about 1.1% on the month; we made money in U.S., Asian and Canadian convertibles.
- Our macro book had a negative impact on the fund as the losses more than offset the gains made in other areas of the books.

AS AT OCTOBER 30, 2011

Fund	1 month	3 months	6 months	YTD	1 year	2 year	3 year	4 year	5 year	Ann. ITD*	Inception
Portfolio Series ¹											
Arrow Diversified Fund	-0.4	-5.2	-7.5	-7.0	-4.4	0.8	2.4	-2.5	-0.3	2.6	January 1, 2002
Arrow Maple Leaf Canadian Fund	-2.4	-4.9	-6.3	-5.2	-1.5					2.5	January 1, 2010
Arrow Focus Fund	0.8	-8.0	-11.1	-11.6	-6.7	3.2	2.9	-4.2	-1.0	3.5	July 1, 2001
Arrow Enhanced Income Fund	-1.1	-3.4	-3.8	-4.0	-3.2	1.4	4.9	-1.1	0.6	0.5	January 1, 2005
Global Series ¹											
Enso Global Fund	9.6%	-39.1	-50.9	-55.6	-46.0	-7.7	6.7	-6.2	-2.6	2.4	July 31, 2002
Income Series Funds ¹											
Arrow High Yield Fund ³	1.5	-3.0	-3.1	0.5	3.2	8.2	9.2	6.6	6.4	5.4	January 1, 2002
COR U.S. Equity Income Fund	3.1	-3.0	-1.8	2.2	6.7	5.2	2.5	-11.8		-9.7	March 1, 2007
East Coast Investment Grade Fund	0.3	-3.1	-3.2	-2.2						-2.2	January 1, 2011
Marret Resource Yield Fund	1.7	-4.3	-4.6	-3.0	3.3	11.5	11.3	-1.3		-0.1	February 1, 2007
Raven Rock Income Fund	3.0	0.4	0.8	6.0	8.2					12.8	March 1, 2010
North American Series ¹											
Act II New Media Fund	-1.3	-8.4	-9.9	-3.4	0.0	5.7	3.3			3.8	January 1, 2008
AFC Capital Fund	-2.0	-13.3	-15.7	-15.2	-12.4	-7.3	-1.2			-0.3	January 1, 2008
Curvature Market Neutral Fund	-1.3	0.5	2.4	5.5	10.1	6.4				5.4	August 1, 2009
Goodwood Value Fund	2.3	-13.4	-17.3	-21.5	-22.2	-6.0	5.2	-12.9	-9.9	-0.2	June 29, 2001
JC Clark Opportunities Fund	0.4	-7.2	-9.5	-13.4	-12.7	-4.4	-0.5	-2.7		-2.0	August 31, 2007
RCM Opportunities Fund	2.5	-6.1	-15.7	-7.9	-1.2					-2.5	May 1, 2010
SG U.S. Market Neutral Fund	2.0	1.2	-0.1	4.2	5.6	-0.6	-1.8	3.3		3.4	January 1, 2007
Principal Protected Notes ²											
Arrow Multi-Strategy Notes, Series 1	0.4	-2.3	-1.9	3.1	6.0	6.0	2.9	-1.4	-0.5	2.3	June 30, 2003
Arrow Multi-Strategy Notes, Series 2	0.3	-2.7	-2.8	1.8	4.4	4.6	2.3	-1.8	-0.8	1.3	October 31, 2003
Arrow Multi-Strategy Notes, Series 3	-1.2	-5.5	-7.0	-4.7	-2.6	1.0	-0.3	-3.7	-2.2	-0.3	March 31, 2004
Arrow Multi-Strategy Notes, Series 4	-1.9	-5.0	-6.0	-3.9	-1.8	0.9	-1.2	-3.9	-2.4	-0.2	June 30, 2004
Arrow Multi-Strategy Notes, Series 5	-1.8	-4.9	-5.7	-3.6	-1.9	1.0	-1.1	-3.8	-2.4	-0.4	October 31, 2004
Arrow Multi-Strategy Notes, Series 6	-1.4	-4.8	-5.9	-3.2	-1.7	2.0	0.9	-2.2	-0.8	-0.6	April 1, 2005
Arrow Multi-Strategy Notes, Series 7	-1.0	-3.9	-4.8	-2.2	-1.0	2.2	1.1	-2.4	-1.1	-0.8	September 1, 2005
Arrow Multi-Strategy Notes, Series 8	-1.7	-2.5	-2.1	0.3	0.2	2.5	1.3	-2.1	-1.3	-1.4	May 31, 2006
Arrow Global Long Short Notes, Series 1	-0.9	-0.2	1.2	2.9	1.4	3.2	1.0	-3.1	-1.2	-0.7	March 31, 2005

¹ Performance returns on a percentage basis are net of all fees.

² NAVPS and performance returns for Multi-Strategy Notes and for Global Long/Short Equity Notes are net of all fees and are updated monthly.

* Returns for one year or less are the simple rates of return for the indicated periods. Returns for greater than one year are the compound rates of return.

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