

Yesterday, perhaps not coincidentally as it was the last day of the month, forceful coordinated central bank actions caused an astonishing one day rally (albeit off of severely oversold levels created earlier in the month). We have no idea if this is the beginning of a serious attempt to deal definitively with the Euro area banking/sovereign debt crisis or just another false start unable to clear German opposition to massive European Central Bank action. However, as committed long term investors in businesses, we continue to find current valuation levels on our long holdings exceptionally attractive and especially so as compared to the likely future, long term returns for North American sovereign debt from these very low yield levels. For example, current free cash flow and/or earnings yields on our long holdings are much higher than yields on 10 year US or Canadian government bonds and appear well poised to grow from current levels while sovereign debt yields are fixed.

While we expect it will take more than just a single day of confidence to ignite the share prices of our predominantly midcap and small cap long holdings, we are happy to see some early signs of fundamental progress actually translating into share price appreciation. In this category belongs Great Canadian Gaming Corporation which is one of our largest positions and which hit a new 52 week high yesterday (\$9.11 high, closed at \$8.93). We think much upside remains.

In the category of fundamental progress but little translation to appreciating share price would belong our position in Boralex Inc. ("Boralex"). The Company released three important news items all during the week of November 7th: the sale of its U.S. woodresidue power stations for after-tax proceeds of US\$81 million (analysts generally valued these assets for much less), the completion of a \$725 million non-recourse debt financing package for the 272 MW (Megawatts) Seigneurie de Beaupre Wind Farms project and, the third quarter report (the quarter ending September 30, 2011 – the results were a bit weaker than expected but almost entirely due to the assets that have now been sold for a better-than-expected price). On the back of these positive developments Boralex's stock bounced, currently \$6.95 versus as low as \$5.85 at the end of October but this is well below the \$8 to \$9 range experienced through the first two thirds of 2011.

We continue to creep our Boralex position size higher as we like the asset quality (focus now firmly on contracted, predictable pricing "Power Purchase Agreements" with concomitant attractive IRR's), the strength of the balance sheet (now well north of \$200 million of cash while the debt is either non-recourse project debt or convertible debt), large insider share ownership position, substantial contracted growth pipeline, the material discount to comparative group valuations and, the likelihood that dividend payments will begin at some point in the future which will likely eliminate the valuation discount. We continue to believe Boralex offers the potential for a low risk almost double from current levels.

Thank you for your continued interest in the Fund. For further information, please contact your regional Arrow Capital representative.

Yours truly,
Peter Puccetti, CFA
Chairman and Chief Investment Officer

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