

The Raven Rock Credit fund returned 1.4% during January. 2012 is off to a strong start with most asset classes trending higher. Investors seem to be suspending their concerns about the unresolved Greek sovereign debt situation as there is renewed confidence that a bailout package will be negotiated. The seemingly universal bearishness at year end has left market participants under-invested as they chase the current rally.

The non-investment grade corporate debt markets had a very strong month, with high yield returning 2.90% (BAML HY Master II Index). High yield new issuance was robust, with January totals of \$25.7 billion. Inflows into high yield funds were substantial as well, and the new supply was easily absorbed. The supply/demand dynamics in the convertible marketplace continue to push valuations higher, as a slow new issue calendar has failed to re-supply the market as existing bonds mature. Our conservative approach of blending of Directional Credit and Relative Value positions generated solid profits for the portfolio.

Falling natural gas prices negatively impacted some of our energy positions. We favor producers that are hedged or have well-diversified resource positions. Since we feel that some of these positions are oversold, we have reallocated or added selectively.

We continue to see value in the higher quality spectrum of the high yield debt asset class. We feel that this portion of the market offers both strong return potential and a level of defensiveness should the overall economic environment deteriorate. Despite the steady rally to start the year, we are positioned to take advantage of what we expect to be a volatile environment for equities and an uneven market for credit. Our portfolio generates consistent cash returns while we await potential positive events.

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

¹ From March 1 2010 to August 31 2011 returns are for the Arrow RR fund (Class X), and are adjusted to reflect Class A fees. This document is not to be construed as a public offering of securities in any jurisdiction in Canada. The offering of units of the Fund is made pursuant to the Offering Memorandum only to those investors in all jurisdictions of Canada who meet certain eligibility of minimum purchase requirements. Important information about Arrow Funds, including statement of each fund's fundamental investment objective, is contained in their respective offering memorandum, a copy of which may be obtained from Arrow Capital Management Inc. Please read the applicable offering memorandum carefully before investing. The information and materials in this document are for informational purposes only. They are not intended as investment, financial or other advice. The information included in this document is not an offer to sell. While the information and material in this document are believed to be accurate at the time they are prepared, Arrow Capital Management Inc. (and its affiliates, subsidiaries or sub-advisors) cannot give any assurance that they are accurate, complete or current at all times. Past returns are not necessarily indicative of future performance. Actual results will vary. This document is confidential and is intended solely for the information of the person to which it has been delivered.

^ Indices are denoted in US dollars.