

Arrow EC Income Advantage Alternative Fund

Management Report of Fund Performance



ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE For the year ended December 31, 2020

This annual Management Report of Fund Performance contains financial highlights but does not contain the complete audited annual financial statements for Arrow EC Income Advantage Alternative Fund (the "Fund"). If you have not received a copy of the audited annual financial statements with the management report of fund performance, you may obtain a copy of the audited annual financial statements, at no cost, by calling 1-877-327-6048 or by sending a request to Arrow Capital Management Inc. (the "Manager"), 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5, or by visiting our website at www.arrow-capital.com or SEDAR at www.sedar.com.

Unitholders may also contact us by using one of these methods to request a copy of the Fund's semi-annual financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

The Fund

The Fund was established in 2012 under the name East Coast Investment Grade Income Fund as a closed end investment fund with its units trading on the Toronto Stock Exchange ("TSX"). Having obtained the approval of unitholders, the Fund was converted (the "Conversion") to an open-end alternative mutual fund and the units were delisted from the TSX on June 26, 2020 (the "Conversion Date").

As part of such Conversion the following changes, among others, were implemented:

- a) on the Conversion Date, the securities of the Fund were re-designated as Series FD Units;
- b) the name of the Fund was changed to Arrow EC Income Advantage Alternative Fund; and
- c) the investment objective and investment strategies of the Fund were changed to reflect those provided for in the simplified prospectus of the Fund.

Forward-Looking Information

This Management Report of Fund Performance contains forward-looking information and statements relating, but not limited to, anticipated or prospective financial performance and results of operations of the Fund. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. For this purpose, any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking information. Without limiting the foregoing, the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "projects", and similar expressions are intended to identify forward-looking information.

Although the Fund believes it has a reasonable basis for making the forecasts or projections included in this Management Report of Fund Performance, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, the forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, those associated with the performance of the equity securities market, expectations about interest rates and factors incorporated by reference herein as risk factors.

The above list of important factors affecting forward-looking information is not exhaustive, and reference should be made to the other risks discussed in the Fund's filings with Canadian securities regulatory authorities. The forward-looking information is given as of the date of this Management Report of Fund Performance, and the Fund undertakes no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Management Discussion on Fund Performance

Investment Objectives and Strategies

The Fund's investment objectives are to provide unitholders with attractive monthly, tax-advantaged cash distributions, while preserving capital through an actively managed, diversified portfolio of investment grade debt securities of Canadian corporate and government issuers that are rated BBB- or higher by Standard & Poor's, or a similar rating from a qualified rating agency. The portfolio consists primarily of corporate investment grade debt securities and government bonds.

Risks

Risks associated with an investment in the units of the Fund are discussed in the Fund's prospectus (the "Prospectus"). There were no changes to the Fund over the period that materially affected the risks associated with an investment in the units of the Fund.

This Fund is suitable for investors who are able to accept a low to medium degree of risk and are prepared to invest for the medium term.

Leverage

Leverage occurs when the Fund borrows money or securities, or uses derivatives, to generate investment exposure to underlying assets that is greater than the amount invested. It is an investment technique that can magnify gains and losses. Leverage may increase volatility, may impair the Fund's liquidity and may cause the Fund to liquidate positions at unfavorable times. The Fund's leverage is measured by calculating its aggregate gross exposure through the sum of the following: (i) the market value of short holdings; (ii) the amount of cash borrowed for investment purposes; and (iii) the notional value of the Fund's specified derivatives positions, excluding any specified derivatives used for hedging purposes. The maximum aggregate gross exposure is 300% of the Fund's NAV.

The Fund may borrow cash up to a maximum of 50% of its NAV and may sell securities short, whereby the aggregate market value of securities sold short will be limited to 100% of its NAV, except the Fund is permitted to short sell up to 300% of its NAV in government securities. The combined use of short-selling and cash borrowing by the Fund is subject to an overall limit of 100% of its NAV, except where the Fund is permitted to short sell up to 300% of its NAV in government securities.

During the period from January 1, 2020 to December 31, 2020, the Fund's aggregate amount of leverage ranged from 203% to 247% (214.0% to 323% in 2019) of the Fund's NAV during such period of time.

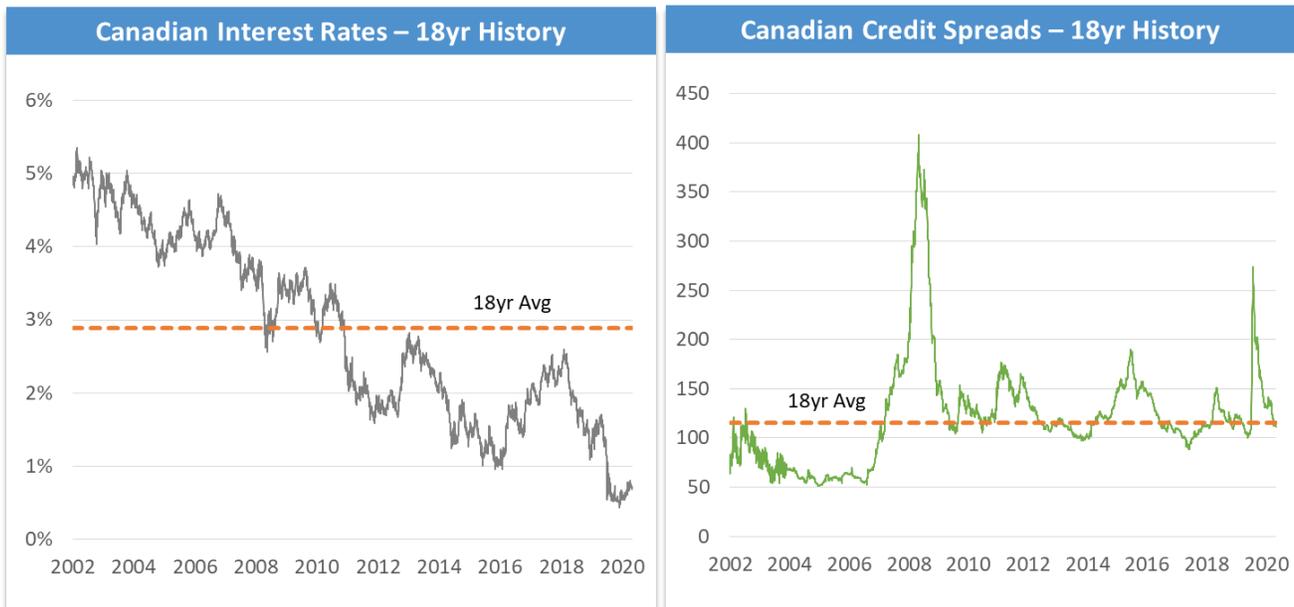
Results of Operations

The net asset value ("NAV") of the Fund increased from \$121.5 million to \$133.6 million from December 31, 2019 to December 31, 2020. The Fund had net sales of \$11.9 million for the year. The Fund paid distributions of \$5.5 million while the portfolio's performance increased assets by \$5.8 million. For the year ended December 31, 2020, Series FD units of the Fund posted a gain of 5.5% (gain of 4.2% in 2019) while its benchmark, the FTSE TMX Canada Universe Bond Index, gained 8.7% for the same period (gain of 6.4% in 2019) for the same period. Please refer to the Past Performance section for the performance of the other Series. The performance of the other Series offered by the Fund differs from Series FD largely because of varying levels of expenses charged to each series, as explained in the Management Fee section.

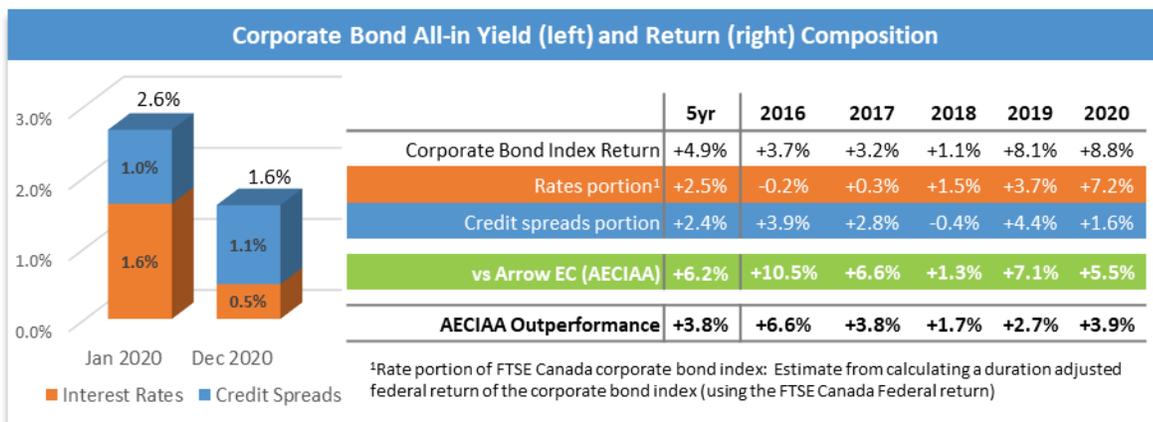
After a very tumultuous year for markets, 2020 has ended on a positive note. Risk assets rallied as worldwide rollout of multiple COVID-19 vaccines were initiated and after much fanfare, a new fiscal relief bill was finally signed. Canadian equities (S&P/TSX Comp) added +1.72% in December while U.S. equities (S&P 500) had a strong final week of trading, returning +3.84% in December. Credit spreads also rallied into year end with spreads 7-8bps tighter (rally) on both sides of the border. Unlike equity markets that closed the year higher, credit spreads closed the year small wider (weaker) with Canadian IG spreads 7bps weaker and U.S. IG spreads 2bps weaker on the year. If we just looked at the year-end equity and credit results it would seem that not much happened in 2020, despite living through COVID-19, March's liquidity crisis, and the subsequent 10 months recovery.

It is within the interest rate market that a more accurate story is told – the fear, uncertainty and volatility in 2020 was evident as 10yr interest rate yields in Canada and the U.S. rallied (moved lower) approximately 100bps (1%). Rate curves steepened dramatically (shorter-dated maturity yields dropped more than longer-dated maturity yields) as global Central Banks, in the height of the liquidity crisis, dropped their target rates to zero and launched massive QE programs seemingly overnight. Central Banks had one goal: rescue the economy (and market). As one can see from the charts below, interest rates are now at their

all-time low yields (high prices) – much more expensive than their 18yr average, while credit spreads remain weaker than where they started 2020 and on top of their 18yr average.



With rates remaining at these all-time lows and negative real returns expected across all traditional fixed income for the foreseeable future, investors will need to proactively adjust their investment mix. Inaction implies a willingness to accept next to zero returns at best and capital losses when rates rise (as witnessed thus far in 2021). At the same time, indiscriminate chasing of yields (return) likely brings unwanted portfolio risk. What investors often forget is the extremely high correlation (typically +0.70 to +0.95) of all traditional fixed income funds (universe, corporate etc.) to interest rates. The chart (below left) shows the change in Canadian IG corporate bond index all-in yield composition over the year. Interest rates rallied significantly (1.6% to 0.5%), while credit spreads were slightly weaker (1.0% to 1.1%). The interest rate portion of a corporate bond yields only 0.5% and we believe there is more risk than return opportunity remaining in rate exposure. East Coast isolates credit spreads by removing (hedging) interest rates.



Source: Bloomberg 7yr GCAN yield and LCANOAS spreads. Return table: BMO Capital Markets, East Coast

The table (above right) shows the return composition of the Canadian IG corporate bond index, broken down by the interest “rates” return portion (in orange) and “credit spreads” return portion (in blue). Interest rates have driven 50% of corporate bond returns over the last 5 yrs. It is 2020 where a large anomaly exists - interest rates produced over 80% of the total return (7.2% of the

8.8%). At current rate levels, investors must be realistic. The “rates” return portion of any traditional fund will be hard pressed to return even the 0.5% current yield over the next 3yrs as, if rates rise, there will be associated losses.

Recent Developments

(BASED ON INFORMATION AS AT FEBRUARY 10, 2021)

Canadian investment grade credit spreads are currently 111bps (1.11%). Spreads remain weaker (wider) than early 2020 and are trading on top of their historic median 115bps (1.15%) over the past 18 years. Currently there is too much global money chasing extremely limited yield opportunities. Most asset classes traded at all-time highs in 2020, yet credit spreads haven’t even tested post-GFC tightness, 88bps (0.88%), let alone pre-GFC tightness, 51bps (0.51%). Conversely, we believe any spread widening will be limited and occur slowly – meaning portfolio yield and active trading should be able to offset any modest widening in 2021.

Without exposure to interest rates (which rallied 7% on the year), the East Coast strategy was still able to outperform traditional fixed income (interest rates, universe and corporate bond mandates) as well as Canadian equities. These additional “rates” return portion of traditional fixed income is off to a rocky start. Ten-year Gov’t bonds (GCAN10s) have risen from 0.67% to 0.84%, which doesn’t seem like much, but represents a -1.5% loss. Credit spreads, on the other hand, have rallied (tightened) to start the year. Rates are volatile and will likely rally that back, but we believe rates will not test the lows of 2020 and are much more likely to slowly rise, resulting in price depreciation (losses) over time.

Related Party Transactions

Related party transactions consist of services provided by the Manager pursuant to a management agreement.

See the Management Fees section below.

The management fee rates are calculated as a % of the net asset value of the Fund as follows:

ANNUAL RATE (%)	Series A, AD, U	Series F, FD, G	Series I, R
Management Fees	1.45%	0.95%	Negotiable

The Manager is also entitled to receive an annual Performance Fee from the Fund. The annual performance fee is equal to 15% of the increase in the net asset value of the Fund (including any distributions paid on the units of the Fund).

The performance fee will be calculated daily and payable on the last valuation date of each calendar year, except when units of the Fund are redeemed on the applicable redemption date, in which case the Fund shall pay a Performance Fee in respect of any redeemed units of the Fund (the “Interim Performance Fee”). The Interim Performance Fees shall be payable on the applicable redemption date. For any partial year, including with respect to Interim Performance Fees. During the year ended December 31, 2020 the Fund expensed \$543,224 in Performance Fees (2019: \$895,947) The Fund is responsible for all operating expenses incurred by or on behalf of the Fund.

As at December 31, 2020, included in other liabilities are amounts owing to the Manager relating to management fees of \$99,592 (excluding HST) (December 31, 2019: \$133,243). Also included in other liabilities are amounts owing to the Manager for administration expenses paid on behalf of the Fund by the Manager in the amount of \$39,201 (December 31, 2019: \$29,846).

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund’s financial performance. This information is derived from the Fund’s unaudited semi-annual financial statements. The information in the following tables is presented in accordance with National Instrument (“NI”) 81-106 and, as a result, does not act as a continuity of opening and closing Net Assets per unit. The increase (decrease) in Net Assets from operations is based on average units outstanding during the period, and all other numbers are based on actual units outstanding at the relevant point in time.

SERIES A - NET ASSETS PER UNIT

For the period from July 27, 2020 to December 31, 2020

	2020
Net Assets, beginning of period¹	\$10.00
Increase (decrease) from operations:	
Total revenue	(0.07)
Total expenses	0.03
Realized gains (loss)	0.21
Unrealized gains (loss)	0.58
Total increase (decrease) from operations¹:	\$ 0.75
Distributions²:	
From income (excluding dividends)	(0.08)
From capital gains	-
From return of capital	-
Total distributions	\$ (0.08)
Net Assets, end of year¹	\$ 10.79

SERIES A - RATIOS AND SUPPLEMENTAL DATA⁸

For the period from July 27, 2020 to December 31, 2020

	2020
Net Asset Value ("NAV") (000s) ¹	\$2,410
Number of units outstanding	223,470
Management expense ratio before performance fees ^{4 9*}	1.99%
Management expense ratio ^{4 9*}	2.87%
Management expense ratio before waivers or absorptions ^{5 9*}	2.87%
Portfolio turnover rate ⁶	277.83%
Trading expense ratio before interest and borrowing expenses ^{10*}	0.01%
Trading expense ratio ^{7 9*}	0.99%
Net asset value per unit	\$10.79

SERIES AD - NET ASSETS PER UNIT

For the period from July 27, 2020 to December 31, 2020

	2020
Net Assets, beginning of period¹	\$10.00
Increase (decrease) from operations:	
Total revenue	0.18
Total expenses	(0.09)
Realized gains (loss)	0.21
Unrealized gains (loss)	0.45
Total increase (decrease) from operations¹:	\$ 0.75
Distributions²:	
From income (excluding dividends)	(0.13)
From capital gains	-
From return of capital	(0.08)
Total distributions	\$ (0.21)
Net Assets, end of year¹	\$ 10.66

SERIES AD - RATIOS AND SUPPLEMENTAL DATA⁸

For the period from July 27, 2020 to December 31, 2020

	2020
Net Asset Value ("NAV") (000s) ¹	\$7,565
Number of units outstanding	709,665
Management expense ratio before performance fees ^{4 9*}	1.97%
Management expense ratio ^{4 9*}	2.78%
Management expense ratio before waivers or absorptions ^{5 9*}	2.78%
Portfolio turnover rate ⁶	277.83%
Trading expense ratio before interest and borrowing expenses ^{10*}	0.01%
Trading expense ratio ^{7 9*}	0.99%
Net asset value per unit	\$10.66

SERIES F - NET ASSETS PER UNIT

For the period from July 27, 2020 to December 31, 2020

	2020
Net Assets, beginning of period¹	\$ 10.00
Increase (decrease) from operations:	
Total revenue	0.14
Total expenses	(0.09)
Realized gains (loss)	0.22
Unrealized gains (loss)	0.46
Total increase (decrease) from operations¹:	\$ 0.73
Distributions²:	
From income (excluding dividends)	(0.08)
From capital gains	-
From return of capital	-
Total distributions	\$ (0.08)
Net Assets, end of year¹	\$ 10.79

SERIES F - RATIOS AND SUPPLEMENTAL DATA⁸

For the period from July 27, 2020 to December 31, 2020

	2020
Net Asset Value ("NAV") (000s) ¹	\$13,868
Number of units outstanding	1,285,153
Management expense ratio before performance fees ^{4 9*}	1.42%
Management expense ratio ^{4 9*}	2.48%
Management expense ratio before waivers or absorptions ^{5 9*}	2.48%
Portfolio turnover rate ⁶	277.83%
Trading expense ratio before interest and borrowing expenses ^{10*}	0.01%
Trading expense ratio ^{7 9*}	0.99%
Net asset value per unit	\$10.79

SERIES FD - NET ASSETS PER UNIT

For the years ended December 31,

	2020	2019	2018	2017	2016
Net Assets, beginning of year¹	\$ 9.29	\$ 9.14	\$ 9.49	\$ 9.48	\$ 9.15
Increase (decrease) from operations:					
Total revenue	0.58	0.67	0.72	0.60	-
Total expenses	(0.30)	(0.34)	(0.27)	(0.29)	(0.08)
Realized gains (loss)	0.03	(0.21)	0.08	1.13	0.16
Unrealized gains (loss)	0.04	0.51	(0.47)	(0.87)	0.84
Total increase (decrease) from operations¹:	\$ 0.34	\$ 0.63	\$ 0.06	\$ 0.57	\$ 0.92
Distributions²:					
From income (excluding dividends)	(0.22)	(0.41)	-	-	-
From capital gains	-	-	-	-	-
From return of capital	(0.22)	(0.07)	(0.48)	(0.60)	(0.60)
Total distributions	\$ (0.44)	\$ (0.48)	\$ (0.48)	\$ (0.60)	\$ (0.60)
Net Assets, end of year¹	\$ 9.33	\$ 9.29	\$ 9.14	\$ 9.49	\$ 9.48

SERIES FD - RATIOS AND SUPPLEMENTAL DATA⁸

For the years ended December 31,

	2020	2019	2018	2017	2016
Net Asset Value ("NAV") (000s) ¹	\$94,783	\$121,510	\$124,767	\$84,450	\$46,090
Number of units outstanding	10,157,400	13,073	13,649	8,894	4,862
Management expense ratio before performance fees ^{4 9}	1.68%	1.70%	1.66%	1.85%	3.85%
Management expense ratio ^{4 9}	2.17%	2.43%	1.66%	2.20%	3.85%
Management expense ratio before waivers or absorptions ^{5 9}	2.17%	2.43%	1.66%	2.20%	3.85%
Portfolio turnover rate ⁶	277.83%	451.01%	390.09%	294.30%	434.36%
Trading expense ratio before interest and borrowing expenses ^{10 *}	0.01%	0.01%	0.02%	0.00%	0.03%
Trading expense ratio ^{7 9}	0.99%	1.19%	1.24%	0.84%	1.15%
Net asset value per unit	\$9.33	\$9.29	\$9.14	\$9.49	\$9.48

SERIES I - NET ASSETS PER UNIT

For the period from July 27, 2020 to December 31, 2020

	2020
Net Assets, beginning of period¹	\$ 10.00
Increase (decrease) from operations:	
Total revenue	0.20
Total expenses	0.08
Realized gains (loss)	0.21
Unrealized gains (loss)	0.48
Total increase (decrease) from operations¹:	\$ 0.97
Distributions²:	
From income (excluding dividends)	(0.18)
From capital gains	-
From return of capital	-
Total distributions	\$ (0.18)
Net Assets, end of year¹	\$ 10.89

SERIES I - RATIOS AND SUPPLEMENTAL DATA⁸

For the period from July 27, 2020 to December 31, 2020

	2020
Net Asset Value ("NAV") (000s) ¹	\$9,305
Number of units outstanding	854,659
Management expense ratio before performance fees ^{4 9*}	0.36%
Management expense ratio ^{4 9*}	0.36%
Management expense ratio before waivers or absorptions ^{5 9*}	0.36%
Portfolio turnover rate ⁶	277.83%
Trading expense ratio before interest and borrowing expenses ^{10*}	0.01%
Trading expense ratio ^{7 9*}	0.99%
Net asset value per unit	\$10.89

SERIES U - NET ASSETS PER UNIT

For the period from July 27, 2020 to December 31, 2020

	2020
Net Assets, beginning of period¹	\$10.00
Increase (decrease) from operations:	
Total revenue	(0.56)
Total expenses	(0.19)
Realized gains (loss)	0.26
Unrealized gains (loss)	0.27
Total increase (decrease) from operations¹:	\$ (0.23)
Distributions²:	
From income (excluding dividends)	(0.16)
From capital gains	-
From return of capital	(0.10)
Total distributions	\$ (0.26)
Net Assets, end of year¹	\$ 10.60

SERIES U - RATIOS AND SUPPLEMENTAL DATA⁸

For the period from July 27, 2020 to December 31, 2020

	2020
Net Asset Value ("NAV") (000s) ¹	\$206
Number of units outstanding	15,234
Management expense ratio before performance fees ^{4 9*}	2.04%
Management expense ratio ^{4 9*}	3.41%
Management expense ratio before waivers or absorptions ^{5 9*}	3.41%
Portfolio turnover rate ⁶	277.83%
Trading expense ratio before interest and borrowing expenses ^{10*}	0.01%
Trading expense ratio ^{7 9*}	0.99%
Net asset value per unit	\$10.60

SERIES G - NET ASSETS PER UNIT

For the period from July 27, 2020 to December 31, 2020

	2020
Net Assets, beginning of period¹	\$10.00
Increase (decrease) from operations:	
Total revenue	(0.33)
Total expenses	(0.12)
Realized gains (loss)	0.30
Unrealized gains (loss)	0.11
Total increase (decrease) from operations¹:	\$ (0.04)
Distributions²:	
From income (excluding dividends)	(0.16)
From capital gains	-
From return of capital	(0.10)
Total distributions	\$ (0.26)
Net Assets, end of year¹	\$ 10.63

SERIES G - RATIOS AND SUPPLEMENTAL DATA⁸

For the period from July 27, 2020 to December 31, 2020

	2020
Net Asset Value ("NAV") (000s) ¹	\$66
Number of units outstanding	4,889
Management expense ratio before performance fees ^{4 9*}	1.42%
Management expense ratio ^{4 9*}	2.55%
Management expense ratio before waivers or absorptions ^{5 9*}	2.55%
Portfolio turnover rate ⁶	277.83%
Trading expense ratio before interest and borrowing expenses ^{10*}	0.01%
Trading expense ratio ^{7 9*}	0.99%
Net asset value per unit	\$10.63

SERIES R - NET ASSETS PER UNIT

For the period from October 27, 2020 to December 31, 2020

	2020
Net Assets, beginning of period¹	\$ 10.00
Increase (decrease) from operations:	
Total revenue	0.11
Total expenses	(0.16)
Realized gains (loss)	0.17
Unrealized gains (loss)	0.29
Total increase (decrease) from operations¹:	\$ 0.40
Distributions²:	
From income (excluding dividends)	(0.04)
From capital gains	-
From return of capital	(0.03)
Total distributions	\$ (0.07)
Net Assets, end of year¹	\$ 10.28

SERIES R - RATIOS AND SUPPLEMENTAL DATA⁸

For the period from October 27, 2020 to December 31, 2020

	2020
Net Asset Value ("NAV") (000s) ¹	\$5,460
Number of units outstanding	531,331
Management expense ratio before performance fees ^{4 9*}	1.50%
Management expense ratio ^{4 9*}	2.19%
Management expense ratio before waivers or absorptions ^{5 9*}	2.19%
Portfolio turnover rate ⁶	277.83%
Trading expense ratio before interest and borrowing expenses ^{10*}	0.01%
Trading expense ratio ^{7 9*}	0.99%
Net asset value per unit	\$10.28

The Fund was launched on May 18, 2021. Series A, AD, F, U, G and I units began operations on July 27, 2020. Series R units began operations on Oct 27, 2020

*Ratios have been annualized.

- (1) The net assets per share shown are referenced to net assets attributable to holders of redeemable shares determined in accordance with International Financial Reporting Standards ("IFRS") and are derived from the Fund's financial statements. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per share.
- (2) Distributions, if applicable, were reinvested in additional shares of the Fund at the discretion of the underlying shareholders.
- (3) The Manager may absorb certain expenses or waive certain fees otherwise payable by the Fund. The amount of expenses absorbed or waived (if applicable) is determined annually at the discretion of the Manager and the Manager can terminate the absorption or waiver at any time.
- (4) Management expense ratio ("MER") is calculated as total expenses net of waived fees, if applicable, and excludes certain taxes, commissions and other fund transaction costs for the stated year expressed as an annualized percentage of daily average NAV during the stated year. The management expense ratio is calculated in accordance with Part 15 of NI 81-106.
- (5) Management expense ratio before waivers or absorptions is the MER inclusive of performance fees before any waivers or absorptions are deducted.
- (6) The Fund's portfolio turnover rate can indicate how actively the investment advisor manages the portfolio of investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of its securities in its portfolio once in the course of the year. The higher the fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover ratio for the years ended 2019, 2018, 2017 and 2016 were calculated based on the average net portfolio of the Fund. The ratios for these years have been restated to be based on average gross portfolio of the Fund.
- (7) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average NAV during the period.
- (8) Ratios and supplemental data, where applicable, are computed using the NAV of the Fund.
- (9) The management expense ratio before performance fees, management expense ratio, management expense ratio before waivers or absorptions and trading expense ratio for the year ended 2016 have been restated to reflect the reclassification of certain custodial transaction costs related to the purchase and sale of securities.
- (10) The trading expense ratio before interest and borrowing expenses represents total commissions and other portfolio transaction costs excluding interest expenses and borrowing expenses expressed as an annualized percentage of daily average NAV during the period.

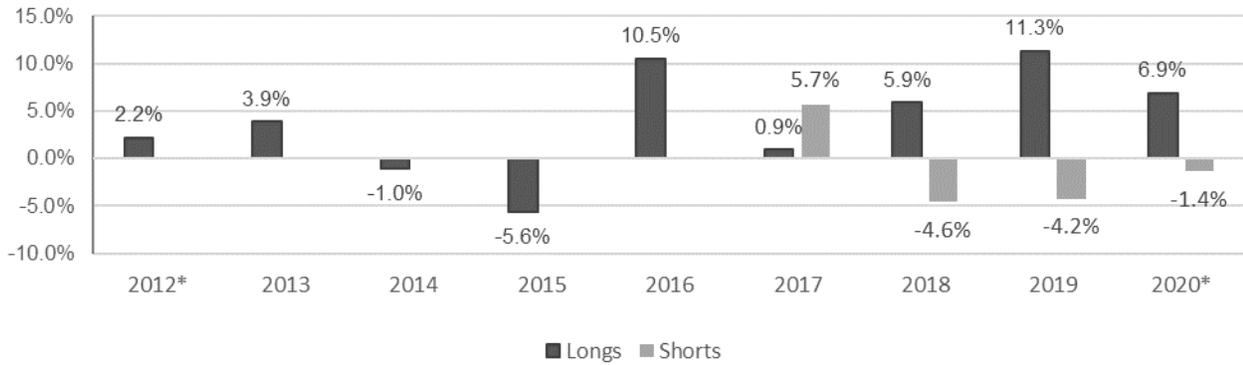
Past Performance

The following chart and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on Net Asset Value per unit and assumes that distributions made by the Fund on its units in the year shown were reinvested (at Net Asset Value per unit) in additional units of the Fund.

The bar chart shows the Fund's overall total return for each year since inception. The chart shows, in percentage terms, how an investment held on the first day of the fiscal year would have changed by the last day of the fiscal year.

Year-by-year Returns

The bar chart below illustrates the Fund's performance for the years shown. It shows, in percentage terms, how much an investment made on the first day of each financial year (or since inception) would have grown or decreased.



* Represents partial year

The information is not available for Series A, AD, F, I, U, G and R because these series are new and have not been distributed under a simplified prospectus for a full calendar year.

Annual Compound Returns

The following table shows the Fund's return for the year indicated, compared with the FTSE TMX Canada Universe Bond Index.

The benchmark index is calculated without the deduction of fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

The following table shows the compound total returns of the Fund for the year ended December 31, 2020.

	1 Year	3 Years	5 Years	Annualized Since Inception
Series A	N/A	N/A	N/A	N/A
Series AD	N/A	N/A	N/A	N/A
Series F	N/A	N/A	N/A	N/A
Series FD	5.5%	4.6%	6.2%	3.5%
Series I	N/A	N/A	N/A	N/A
Series G	N/A	N/A	N/A	N/A
Series U	N/A	N/A	N/A	N/A
Series R	N/A	N/A	N/A	N/A
FTSE TMX Canada Universe Bond Index	8.7%	5.9%	5.0%	5.7%

Summary of Investment Portfolio as at December 31, 2020

The summary of investment portfolio below includes information regarding the Fund as a whole. This summary may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by contacting Arrow at 877.327.6048 or by visiting Arrow's website at www.arrow-capital.com.

Industry Sector	% of Net Assets		Top 25 Holdings	%
	Long	Short	Long Positions	
Equities	6.0	-	Cash & Cash equivalents	17.9
Corporate Bonds	267.5	(8.4)	Merrill Lynch & Co. Inc., Variable Rate, Callable 1.492% 2022-05-30	16.1
Federal Bonds	0.6	(165.7)	Morgan Stanley, Floating Rate, Callable 0.792164178% 2023-02-03	11.0
Provincial Bonds	-	(2.6)	Nissan Canada Inc., Class 'E' 2.606% 2021-03-05	9.0
Derivatives	-	(0.7)	Wells Fargo & Co., Variable Rate, Callable 2.568% 2026-05-01	7.2
Cash and Cash Equivalents	17.9	-	Goldman Sachs Group Inc. (The), Floating Rate, Callable 1.211% 2022-07-27	6.7
Other Net Assets		(14.6)	Concentra Bank, Floating Rate 0.962629776% 2022-02-07	6.4
Totals	292.0	(192.0)	Manufacturers Life Insurance Co. (The), Variable Rate, Callable 3.181% 2027-11-22	6.1
			Molson Coors International L.P., Callable 2.84% 2023-07-15	5.8
			Government of Canada 0.75% 2020-09-01	5.5
			National Bank of Canada, Variable Rate, Callable 3.183% 2028-02-01	5.4
			Walt Disney Co. (The) 3.057% 2027-03-30	5.1
			Sun Life Financial Inc., Variable Rate, Callable 3.05% 2028-09-19	5.1
			HSBC Bank Canada 3.245% 2023-09-15	4.9
			Top long positions as a percentage of total net asset value	112.2
			Short Positions	
			Government of Canada 1.5% 2023-06-01	(26.8)
			Government of Canada 2.5% 2024-06-01	(21.3)
			Government of Canada 2% 2023-09-01	(16.7)
			Government of Canada 1% 2022-09-01	(14.1)
			Morgan Stanley, Floating Rate, Callable 0.961% 2023-02-03	(13.3)
			Government of Canada 1.5% 2026-06-01	(12.9)
			Government of Canada 2.75% 2022-06-01	(9.8)
			Government of Canada 1% 2027-06-01	(9.5)
			Ford Credit Canada Co., Floating Rate 1.398% 2020-09-21	(9.3)
			Government of Canada 0.5% 2022-03-01	(8.5)
			Concentra Bank, Floating Rate 1.107% 2022-02-07	(6.9)
			Top short positions as a percentage of total net asset value	(149.1)
			Total (%)	(36.9)
			Total Net Asset Value (in \$ millions)	133.7

*Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Service.

The summary of investment portfolio may change due to ongoing portfolio transactions. A quarterly update is available.