

S E M I - A N N U A L F I N A N C I A L S T A T E M E N T S



**UNAUDITED INTERIM FINANCIAL STATEMENTS**

**JUNE 2020**

**ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND**  
**(Formerly, East Coast Investment Grade Income Fund)**



# ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND (Formerly, East Coast Investment Grade Income Fund)

Statements of Financial Position (Unaudited)	As at June 30, 2020	As at December 31, 2019
<b>Assets:</b>		
Current Assets:		
Financial Assets at Fair Value: (note 2)		
Investments	\$361,319,379	\$372,852,776
Unrealized gain on futures contracts - long	-	6,233
Unrealized gain on futures contracts - short	-	42,254
Cash and cash equivalents	11,561,501	23,774,306
Margin deposits	10,237,221	4,865,166
Interest receivable	2,323,477	2,622,125
Dividends receivable	7,149	7,149
Receivable for investments sold	2,322,654	1,002,719
Receivable for redeemable units issued	6,734	-
	<b>387,778,115</b>	<b>405,172,728</b>
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Financial Liabilities at Fair Value: (note 2)		
Investments sold short	238,765,435	246,486,372
Unrealized loss on forward currency contracts	18	-
Unrealized loss on futures contracts - long	-	206,800
Unrealized loss on futures contracts - short	36,709	-
Unrealized loss on swap contracts	686,532	579,403
Margin loans	33,300,327	33,812,025
Payable for investments purchased	7,104,726	1,035,595
Interest payable	691,157	776,747
Distributions payable	-	522,927
Other liabilities (note 8)	216,180	242,443
	<b>280,801,084</b>	<b>283,662,312</b>
<b>Net Assets Attributable to Holders of Redeemable Units</b>	<b>\$106,977,031</b>	<b>\$121,510,416</b>
<b>Net Assets Attributable to Holders of Redeemable Units:</b>		
Series A	\$1,001	N/A
Series AD	1,001	N/A
Series F	1,001	N/A
Series FD **	106,970,308	121,510,416
Series I	1,002	N/A
Series U	1,358	N/A
Series G	1,360	N/A
<b>Number of Redeemable Units Outstanding: (Note 7)</b>		
Series A	100	N/A
Series AD	100	N/A
Series F	100	N/A
Series FD **	12,207,252	13,073,167
Series I	100	N/A
Series U	100	N/A
Series G	100	N/A

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# ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND (Formerly, East Coast Investment Grade Income Fund)

Statements of Financial Position (Unaudited)

As at  
June 30,  
2020

As at  
December 31,  
2019

*Continued from previous page*

**Net Assets Attributable to Holders of Redeemable Units per Unit:**

Series A	10.01	N/A
Series AD	10.01	N/A
Series F	10.01	N/A
Series FD**	8.76	9.29
Series I	10.02	N/A
Series U USD*	10.00	N/A
Series G USD*	10.02	N/A

\* USD/CAD Foreign Exchange Rate

0.73659

0.77009

\*\* Units were re-designated as FD on June 26, 2020

Approved on behalf of the Board of Directors of Arrow Capital Management Inc., the Manager of the Fund:

"James L. McGovern"

"Robert W. Maxwell"

James L. McGovern, Director

Robert W. Maxwell, Director

# ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND (Formerly, East Coast Investment Grade Income Fund)

Statements of Comprehensive Income (Loss) (Unaudited)  
For the Periods Ended June 30,

	2020	2019
	\$	\$
<b>Income:</b>		
Net Gains (Losses) on Financial Assets and Liabilities at Fair Value:		
Interest for distribution purposes	5,749,531	7,646,577
Interest expense on derivatives	(180,578)	(200,160)
Interest expense on short sales	(1,976,342)	(2,855,539)
Dividend Income	85,053	127,522
Net realized gain (loss) on investments and derivatives	(1,106,968)	655,086
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	(4,764,430)	1,696,016
	(2,193,734)	7,069,502
Other Income Items:		
Interest on cash	1,493	49,425
Foreign exchange gain (loss)	(497,616)	207,433
Net change in unrealized foreign exchange gain (loss)	(249,203)	121,369
	(745,326)	378,227
<b>Total Net Income (Loss)</b>	<b>(2,939,060)</b>	<b>7,447,729</b>
<b>Expenses:</b>		
Unitholder reporting fees	122,886	114,144
Management fees (note 8)	701,105	772,532
Performance fees (note 8)	3	523,964
Interest expense on margin loan	222,019	90,761
Audit fees	16,592	15,805
Legal fees	7,267	3,400
Independent Review Committee fees	3,286	2,921
Custodial fees	15,239	22,025
Security borrowing expenses	499,762	627,924
Commissions and other portfolio transaction costs (note 9)	16,801	8,255
Harmonized sales tax/ goods and services tax	72,710	118,047
<b>Total Expenses</b>	<b>1,677,670</b>	<b>2,299,778</b>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<b>(4,616,730)</b>	<b>5,147,951</b>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series:</b>		
Series A	\$1	N/A
Series AD	\$1	N/A
Series F	\$1	N/A
Series FD **	\$(4,616,719)	\$5,147,951
Series I	\$2	N/A
Series U	\$(9)	N/A
Series G	\$(7)	N/A
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit: (Note 10)</b>		
Series A	\$0.01	N/A
Series AD	\$0.01	N/A
Series F	\$0.01	N/A
Series FD **	\$(0.36)	\$0.38
Series I	\$0.02	N/A
Series U	\$(0.09)	N/A
Series G	\$(0.07)	N/A

\*\* Units were re-designated as FD on June 26, 2020

# ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND (Formerly, East Coast Investment Grade Income Fund)

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (Unaudited)  
For the Periods Ended June 30,

	2020 \$	2019 \$
<b>Net Assets Attributable to Holders of Redeemable Units - Beginning of Period:</b>		
Series A	-	-
Series AD	-	-
Series F	-	-
Series FD **	121,510,416	124,767,252
Series I	-	-
Series U	-	-
Series G	-	-
	121,510,416	124,767,252
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units:</b>		
Series A	1	-
Series AD	1	-
Series F	1	-
Series FD **	(4,616,719)	5,147,951
Series I	2	-
Series U	(9)	-
Series G	(7)	-
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<b>(4,616,730)</b>	<b>5,147,951</b>
<b>Distributions to Holders of Redeemable Units:</b>		
From net investment income		
Series A	-	-
Series AD	-	-
Series F	-	-
Series FD **	(2,614,633)	(3,252,892)
Series I	-	-
Series U	-	-
Series G	-	-
<b>Total Distributions to Holders of Redeemable Units</b>	<b>(2,614,633)</b>	<b>(3,252,892)</b>
<b>Redeemable Units Transactions:</b>		
Proceeds from redeemable units issued:		
Series A	1,000	-
Series AD	1,000	-
Series F	1,000	-
Series FD **	-	-
Series I	1,000	-
Series U	1,367	-
Series G	1,367	-
	6,734	-
Redemption of redeemable units:		
Series A	-	-
Series AD	-	-
Series F	-	-
Series FD **	(7,308,756)	(5,331,960)
Series I	-	-
Series U	-	-
Series G	-	-
	(7,308,756)	(5,331,960)

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**ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND**  
(Formerly, East Coast Investment Grade Income Fund)

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (Unaudited)  
For the Periods Ended June 30,

	2020 \$	2019 \$
<i>(Continued from previous page)</i>		
<b>Increase (Decrease) from Redeemable Units Transactions</b>	(7,302,022)	(5,331,960)
<b>Net Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units:</b>	<b>(14,533,385)</b>	<b>(3,436,901)</b>
Series A	1,001	N/A
Series AD	1,001	N/A
Series F	1,001	N/A
Series FD **	106,970,308	121,330,351
Series I	1,002	N/A
Series U	1,358	N/A
Series G	1,360	N/A
<b>Net Assets Attributable to Holders of Redeemable Units - End of Period</b>	<b>106,977,031</b>	<b>121,330,351</b>

\*\* Units were re-designated as FD on June 26, 2020

# ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND (Formerly, East Coast Investment Grade Income Fund)

## Statements of Cash Flows (Unaudited)

For the Periods Ended June 30,

	2020 \$	2019 \$
<b>Cash Flows from (Used for) Operating Activities:</b>		
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units:	(4,616,730)	5,147,951
Adjustments to reconcile Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units to Net Cash from (Used in) Operating Activities:		
Purchase of investments	(943,089,136)	(1,588,206,354)
Proceeds on sale of investments	960,178,231	1,598,229,500
Change in classification of short term notes	(14,413,294)	13,724,248
Increase (decrease) in margin deposits	(5,372,055)	4,620,287
Increase (decrease) in accrued interest and dividends receivable	298,648	(16,937)
Increase (decrease) in margin loans	(511,698)	(9,467,395)
Increase (decrease) in other liabilities	(26,263)	525,057
Increase (decrease) in accrued interest and dividends payable	(85,590)	157,552
Net realized (gain) loss on investments and derivatives	1,106,968	(655,086)
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	4,764,430	(1,696,016)
Unrealized foreign exchange (gain) loss on cash and cash equivalents	(150,071)	(37,354)
<b>Net Cash from (Used in) Operating Activities</b>	<b>(1,916,560)</b>	<b>22,325,453</b>
<b>Cash Flows from (Used in) Financing Activities:</b>		
Redemption of redeemable units	(7,308,756)	(5,331,960)
Cash distributions paid to holders of redeemable units	(3,137,560)	(3,275,958)
<b>Net Cash from (Used in) Financing Activities</b>	<b>(10,446,316)</b>	<b>(8,607,918)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(12,362,876)</b>	<b>13,717,535</b>
<b>Cash and Cash Equivalents - Beginning of the Period</b>	<b>23,774,306</b>	<b>5,581,553</b>
Unrealized foreign exchange gain (loss) on cash and cash equivalents	150,071	37,354
<b>Cash and Cash Equivalents - End of the Period</b>	<b>11,561,501</b>	<b>19,336,442</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Interest received, net of foreign withholding taxes from operating activities	6,049,672	7,679,416
Dividends received, net of foreign withholding tax from operating activities	85,053	127,171
Interest expense paid from operating activities	2,464,529	2,988,908

The accompanying notes are an integral part of these financial statements.

SEMI-ANNUAL REPORT JUNE 30, 2020



# ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND

## (Formerly East Coast Investment Grade Income Fund)

Schedule of Investment Portfolio (Unaudited) – As at June 30, 2020

### Equities - Long - 6.0%

Security Name	Currency	No. of Shares/Units	Average Cost (\$)	Fair Value (\$)
<b>Equities - 6.0%</b>				
Bank of Montreal, Preferred, Class 'B', Series '25', Variable Rate, Perpetual	CAD	61,500	1,336,922	1,506,750
Bank of Nova Scotia, Preferred, Series '32', Variable Rate, Convertible, Perpetual	CAD	61,600	1,460,904	1,517,208
Bank of Nova Scotia, Preferred, Series '33', Floating Rate, Perpetual	CAD	131,000	3,192,570	3,208,190
Enbridge Inc., Preferred, Series 'B', Variable Rate, Perpetual	CAD	12,800	232,445	138,624
Enbridge Inc., Preferred, Series 'L', Variable Rate, Perpetual	USD	2,738	86,659	57,987
			<b>6,309,500</b>	<b>6,428,759</b>

### Fixed Income - Long - 331.8%

Security Name	Maturity Date	Coupon Rate (%)	Currency	Par Value \$	Average Cost (\$)	Fair Value (\$)
<b>Corporate Bonds - 328.1%</b>						
AltaGas Ltd., Callable	06-12-23	3.57	CAD	1,226,000	1,258,991	1,290,556
Anheuser-Busch InBev Finance Inc.	01-25-23	3.38	CAD	3,271,000	3,365,913	3,427,798
Anheuser-Busch InBev Finance Inc., Callable	05-15-24	2.60	CAD	2,981,000	2,990,575	3,071,951
Artis REIT, Series 'C'	02-22-21	3.67	CAD	1,545,000	1,567,495	1,548,707
AT&T Inc., Callable	05-25-24	2.85	CAD	7,126,000	7,244,134	7,431,778
Bank of Montreal, Variable Rate, Callable	10-05-28	4.34	USD	2,051,000	2,837,177	2,975,276
Bank of Montreal, Variable Rate, Callable	06-01-26	3.32	CAD	2,151,000	2,192,213	2,191,428
Bank of Nova Scotia	05-01-23	2.38	CAD	1,368,000	1,348,629	1,412,173
Bell Canada, Callable	03-12-25	3.35	CAD	3,652,000	3,869,968	3,933,292
Bell Canada, Callable	09-11-23	4.70	CAD	2,302,000	2,488,449	2,522,658
Bell MTS, Series '10', Callable	05-27-24	4.00	CAD	3,183,000	3,371,226	3,468,212
Brookfield Infrastructure Finance ULC, Callable	02-22-24	3.32	CAD	1,767,000	1,822,660	1,841,745
Brookfield Infrastructure Finance ULC, Callable	03-11-22	3.45	CAD	3,589,000	3,684,790	3,690,482
Brookfield Property Finance ULC	10-19-21	4.12	CAD	3,901,000	3,994,051	3,930,376
Brookfield Property Finance ULC, Callable	03-01-24	4.30	CAD	982,000	1,033,997	991,954
Canadian Imperial Bank of Commerce	04-17-25	2.00	CAD	3,602,000	3,599,262	3,682,731
Canadian Imperial Bank of Commerce, Variable Rate, Callable	04-04-28	3.45	CAD	5,887,000	6,089,772	6,155,447
Canadian Natural Resources Ltd.	02-11-22	3.31	CAD	571,000	584,527	585,137
Canadian Tire Corp. Ltd., Series 'F', Callable	07-06-23	3.17	CAD	2,285,000	2,340,500	2,365,453
Canadian Western Bank	03-14-22	2.83	CAD	3,386,000	3,415,719	3,432,040
Choice Properties L.P., Series '10', Callable	09-20-22	3.60	CAD	6,582,000	6,718,204	6,827,789
Choice Properties L.P., Series '9', Callable	09-20-21	3.60	CAD	4,534,000	4,589,652	4,622,750
CI Financial Corp., Callable	07-20-23	3.52	CAD	3,442,000	3,534,359	3,524,955
CI Financial Corp., Callable	07-22-24	3.22	CAD	2,921,000	2,938,463	2,946,409
Citigroup Inc., Variable Rate, Callable	04-08-26	3.11	USD	289,000	410,941	422,750
Concentra Bank, Floating Rate	02-07-22	1.11	CAD	8,589,000	8,589,000	8,408,116
Crombie REIT	06-01-21	3.96	CAD	2,068,000	2,091,169	2,094,168
Crombie REIT, Series 'D', Callable	11-21-22	4.07	CAD	3,770,000	3,914,861	3,877,340
Daimler Canada Finance Inc.	12-16-21	2.23	CAD	582,000	579,835	584,748
Daimler Canada Finance Inc.	07-08-21	1.91	CAD	985,000	977,849	986,008
Daimler Canada Finance Inc.	08-16-22	3.30	CAD	718,000	735,304	736,058
Daimler Canada Finance Inc.	05-16-22	3.05	CAD	1,355,000	1,379,837	1,380,835
Enbridge Inc., Callable	07-15-27	3.70	USD	1,941,000	2,698,528	2,911,949
Enbridge Inc., Callable	06-30-23	3.94	CAD	1,431,000	1,503,795	1,520,982
Enbridge Inc., Callable	06-08-27	3.20	CAD	1,441,000	1,515,990	1,536,628
Enbridge Inc., Variable Rate, Callable	09-27-77	5.38	CAD	2,888,000	2,806,017	2,914,049
Enbridge Pipelines Inc., Callable	09-29-25	3.45	CAD	721,000	775,594	780,949
Equitable Bank	04-16-21	3.20	CAD	3,551,000	3,582,553	3,578,015
Equitable Bank	09-26-22	2.95	CAD	2,300,000	2,307,167	2,311,578
Fairfax Financial Holdings Ltd.	03-22-23	4.50	CAD	3,947,000	4,196,146	4,107,887
Fairfax Financial Holdings Ltd.	03-03-25	4.95	CAD	952,000	1,050,846	1,021,416
Ford Credit Canada Co.	11-13-24	4.46	CAD	144,000	135,360	134,804
Ford Credit Canada Co.	02-23-22	2.71	CAD	454,000	451,685	434,423
Ford Credit Canada Co.	05-10-21	2.58	CAD	5,075,000	4,983,889	4,950,076
Ford Credit Canada Co., Floating Rate	09-21-20	1.40	CAD	12,977,000	12,982,933	12,846,711
Ford Credit Canada Co., Floating Rate	01-10-22	3.74	CAD	2,545,000	2,630,310	2,447,348
Ford Credit Canada Co., Floating Rate, Restricted	12-01-20	1.25	CAD	1,549,000	1,545,202	1,518,810
GE Capital Canada Funding Co.	01-26-22	4.60	CAD	982,000	1,025,159	1,014,947
General Motors Financial of Canada Ltd.	02-26-21	3.00	CAD	5,513,000	5,558,482	5,521,262

# ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND

## (Formerly East Coast Investment Grade Income Fund)

Schedule of Investment Portfolio (Unaudited) – As at June 30, 2020

Gibson Energy Inc., Callable	07-14-25	2.45	CAD	574,000	572,875	576,468
Gibson Energy Inc., Callable	07-14-27	2.85	CAD	646,000	645,839	649,114
Gibson Energy Inc., Callable	07-15-24	5.25	CAD	6,559,000	6,962,159	6,829,475
Goldman Sachs Group Inc. (The), Floating Rate, Callable	07-27-22	1.21	CAD	8,319,000	8,316,133	8,208,108
Goldman Sachs Group Inc. (The), Variable Rate, Callable	04-26-23	2.43	CAD	10,821,000	10,694,418	10,994,991
Heathrow Funding Ltd., Class 'A-34'	05-21-27	3.25	CAD	1,529,000	1,598,377	1,583,945
Honda Canada Finance Inc.	07-15-22	2.27	CAD	2,945,000	2,936,401	3,001,146
HSBC Bank Canada	09-15-22	2.25	CAD	988,000	987,694	1,006,692
Inter Pipeline Ltd., Callable	09-13-23	2.61	CAD	2,749,000	2,756,410	2,748,793
Inter Pipeline Ltd., Callable	06-01-27	4.23	CAD	1,576,000	1,576,000	1,645,182
Inter Pipeline Ltd., Series '19-B', Variable Rate, Callable	11-19-79	6.63	CAD	2,634,000	2,659,418	2,422,125
Kraft Canada Inc., Floating Rate	07-06-20	1.91	CAD	2,160,000	2,171,168	2,159,935
Laurentian Bank of Canada	06-20-22	2.55	CAD	3,149,000	3,145,032	3,175,963
Laurentian Bank of Canada, Floating Rate	12-13-21	1.11	USD	4,006,000	5,280,108	5,439,144
Manulife Financial Corp., Variable Rate, Callable	05-12-30	2.24	CAD	1,588,000	1,588,000	1,611,455
Manulife Financial Corp., Variable Rate, Callable	05-09-28	3.32	CAD	3,572,000	3,714,017	3,742,332
Merrill Lynch & Co. Inc., Variable Rate, Callable	05-30-22	1.49	CAD	21,701,000	21,702,989	21,651,305
Metropolitan Life Global Funding I	04-09-30	3.39	CAD	4,245,000	4,311,219	4,670,504
Molson Coors International L.P., Callable	07-15-23	2.84	CAD	7,380,000	7,374,957	7,478,884
Morgan Stanley, Floating Rate, Callable	02-03-23	0.96	CAD	20,456,000	20,459,135	19,899,392
Morguard Corp., Series 'B'	11-18-20	4.01	CAD	4,710,000	4,713,062	4,713,620
Morguard Corp., Series 'E', Callable	01-25-24	4.72	CAD	2,330,000	2,366,627	2,358,635
Morguard Corp., Series 'F', Restricted, Callable	11-27-24	4.20	CAD	1,911,000	1,911,529	1,898,106
Nissan Canada Inc., Class 'E'	03-05-21	2.61	CAD	11,918,000	11,944,352	11,816,527
Province of Quebec	09-01-30	1.90	CAD	1,000	1,053	1,057
RioCan REIT, Series 'Y'	10-03-22	2.83	CAD	761,000	776,045	769,047
Rogers Communications Inc., Callable	03-31-27	3.65	CAD	1,976,000	2,174,067	2,195,708
Royal Bank of Canada	09-26-23	3.30	CAD	1,603,000	1,684,673	1,706,005
Royal Bank of Canada	07-02-24	2.35	CAD	1,751,000	1,730,776	1,819,600
Royal Bank of Canada, Variable Rate, Callable	06-30-30	2.09	CAD	2,511,000	2,511,000	2,513,863
Royal Bank of Canada, Variable Rate, Callable	01-20-26	3.31	CAD	1,434,000	1,451,251	1,451,054
Sienna Senior Living Inc., Series 'A', Restricted, Callable	11-04-24	3.11	CAD	3,594,000	3,627,769	3,524,443
SmartCentres REIT, Series 'Q'	03-21-22	2.88	CAD	2,918,000	2,959,294	2,954,210
SmartCentres REIT, Series 'T'	06-23-21	2.76	CAD	5,067,000	5,070,434	5,105,296
Sysco Canada Inc., Callable	04-25-25	3.65	CAD	6,297,000	6,605,443	6,469,970
TD Capital Trust IV, Variable Rate, Callable	06-30-08	10.00	CAD	4,148,000	4,813,771	4,603,567
TELUS Communications Inc., Series '3'	06-19-21	10.65	CAD	178,000	206,279	193,923
TELUS Corp., Series 'CAC', Callable	01-27-28	2.35	CAD	800,000	814,216	820,197
Toronto-Dominion Bank (The)	03-13-25	1.94	CAD	2,796,000	2,796,000	2,862,363
TransCanada PipeLines Ltd., Callable	04-05-27	3.80	CAD	2,594,000	2,745,522	2,869,258
TransCanada PipeLines Ltd., Callable	07-19-23	3.69	CAD	2,293,000	2,428,195	2,429,344
Ventas Canada Finance Ltd., Callable	02-01-22	3.30	CAD	4,282,000	4,366,653	4,297,245
Ventas Canada Finance Ltd., Series 'F', Floating Rate	11-12-21	1.16	CAD	1,940,000	1,940,000	1,897,708
VW Credit Canada Inc.	03-29-21	2.90	CAD	2,191,000	2,205,066	2,213,806
VW Credit Canada Inc., Floating Rate	09-27-21	1.24	CAD	2,855,000	2,855,752	2,831,846
Walt Disney Co. (The)	03-30-27	3.06	CAD	2,439,000	2,537,395	2,617,262
Walt Disney Co. (The)	10-07-24	2.76	CAD	801,000	825,719	843,983
Wells Fargo & Co., Callable	02-08-24	3.18	CAD	15,043,000	15,558,520	15,798,000
Wells Fargo & Co., Variable Rate, Callable	05-01-26	2.57	CAD	1,923,000	1,923,000	1,972,410
					350,372,990	350,955,960
<b>Federal Bonds - 3.7%</b>						
Government of Canada	06-01-37	5.00	CAD	76	116	126
Government of Canada	12-01-51	2.00	CAD	9,000	11,461	11,454
United States Treasury Bond	02-28-25	1.13	USD	2,778,000	4,040,527	3,923,080
					4,052,104	3,934,660
					<b>354,425,094</b>	<b>354,890,620</b>

**ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND**  
**(Formerly East Coast Investment Grade Income Fund)**  
 Schedule of Investment Portfolio (Unaudited) – As at June 30, 2020

**Fixed Income - Short - (223.2%)**

<b>Security Name</b>	<b>Maturity Date</b>	<b>Coupon Rate (%)</b>	<b>Currency</b>	<b>Par Value \$</b>	<b>Average Cost (\$)</b>	<b>Fair Value (\$)</b>
<b>Corporate Bonds - (1.6%)</b>						
Ford Motor Credit Co. LLC, Callable	11-01-24	4.06	USD	(762,000)	(1,019,355)	(990,013)
Toronto-Dominion Bank (The), Floating Rate, Callable	01-26-32	3.06	CAD	(721,000)	(736,390)	(764,508)
					(1,755,745)	(1,754,521)
<b>Federal Bonds - (221.6%)</b>						
Government of Canada	09-01-20	0.75	CAD	(7,046,000)	(7,057,824)	(7,052,603)
Government of Canada	09-01-25	0.50	CAD	(2,841,000)	(2,856,586)	(2,860,911)
Government of Canada	06-01-22	2.75	CAD	(17,261,000)	(17,802,732)	(18,093,254)
Government of Canada	06-01-21	3.25	CAD	(5,258,020)	(5,423,174)	(5,403,639)
Government of Canada	06-01-23	1.50	CAD	(32,770,400)	(32,924,638)	(33,950,403)
Government of Canada	06-01-24	2.50	CAD	(18,275,000)	(19,478,768)	(19,843,933)
Government of Canada	06-01-27	1.00	CAD	(9,258,000)	(9,593,602)	(9,631,325)
Government of Canada	09-01-22	1.00	CAD	(6,490,000)	(6,412,653)	(6,592,683)
Government of Canada	06-01-28	2.00	CAD	(656,000)	(727,613)	(735,400)
Government of Canada	09-01-23	2.00	CAD	(24,632,000)	(25,189,834)	(25,947,887)
Government of Canada	03-01-24	2.25	CAD	(5,055,000)	(5,208,489)	(5,411,682)
Government of Canada	02-01-21	2.25	CAD	(659,000)	(662,440)	(666,860)
Government of Canada	09-01-24	1.50	CAD	(5,809,000)	(5,888,603)	(6,089,991)
Government of Canada	03-01-25	1.25	CAD	(7,855,000)	(8,149,819)	(8,183,966)
Government of Canada	06-01-30	1.25	CAD	(4,895,000)	(5,214,961)	(5,237,590)
Government of Canada	06-01-25	2.25	CAD	(4,426,000)	(4,837,645)	(4,842,960)
Government of Canada	06-01-29	2.25	CAD	(1,891,000)	(2,167,976)	(2,183,795)
Government of Canada	06-01-26	1.50	CAD	(6,125,000)	(6,514,314)	(6,530,859)
Government of Canada	03-01-23	1.75	CAD	(6,284,000)	(6,537,193)	(6,531,366)
Government of Canada	03-01-22	0.50	CAD	(24,426,000)	(23,878,240)	(24,532,618)
Government of Canada	09-01-21	0.75	CAD	(15,190,000)	(14,922,621)	(15,284,807)
Government of Canada	03-01-21	0.75	CAD	(19,897,000)	(19,642,066)	(19,969,739)
					(232,576,545)	(237,010,914)
					<b>(234,332,290)</b>	<b>(238,765,435)</b>
<b>Commissions</b>					<b>(399)</b>	
<b>Total Investments - 114.6%</b>					<b>126,401,905</b>	<b>122,553,944</b>
<b>Derivatives (see schedule of derivative instruments) - (0.7%)</b>						<b>(723,259)</b>
<b>Cash and Other Net Assets (Liabilities) - (13.9%)</b>						<b>(14,853,654)</b>
<b>Net Assets Attributable to Holders of Redeemable Units - 100.0%</b>						<b>106,977,031</b>

# ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND

## (Formerly East Coast Investment Grade Income Fund)

Schedule of Derivative Instruments (Unaudited) – As at June 30, 2020

### Futures Contracts - Short - 0.0%

Security Name	Contract	Expiry	Currency	No. of	Notional	Unrealized
	Size	Date		Contracts	Value (\$)	Gain/(Loss)
<b>Bond Futures - 0.0%</b>						
US 10-Year Treasury Notes Futures	1,000	09-21-20	USD	(13)	(2,456,217)	(17,373)
US 2-Year Treasury Notes Futures	2,000	09-30-20	USD	(12)	(3,597,555)	(3,436)
US 5-Year Treasury Notes Futures	1,000	09-30-20	USD	(21)	(3,584,859)	(14,923)
						(35,732)
<b>Currency Futures - 0.00%</b>						
Canadian Dollar Currency Futures	1,000	09-15-20	USD	(9)	(899,519)	(977)
						(36,709)

### Forward Currency Contracts - (0.0%)

Counterparty	Purchased		Sold		Credit Rating	Contract Rate	Maturity Date	Unrealized Gain/(Loss) (\$)
	Currency	Notional Value	Currency	Notional Value				
CIBC World Markets	USD	1,000	CAD	(1,367)	Aa2	0.731689	07-07-20	(9)
CIBC World Markets	USD	1,000	CAD	(1,367)	Aa2	0.731689	07-07-20	(9)
<b>Total forward currency contracts</b>								<b>(18)</b>

### Swaps - (0.6%)

Security Name	Currency	Notional Value (\$)	Average Cost (\$)	Fair Value (\$)	
BP CDS Apache Corp. R 1% 06/20/2025	Credit Default Swap	USD	126,000	(15,306)	(15,964)
BP CDS Canadian Natural Resources Ltd. P 1% 06/20/2025	Credit Default Swap	USD	4,783,000	(44,857)	(19,084)
BP CDS Carnival Corporation R 1% 06/20/2025	Credit Default Swap	USD	126,000	(34,863)	(57,874)
BP CDS Enbridge Inc. P 1% 12/20/2020	Credit Default Swap	USD	1,000,000	(10,288)	(4,394)
BP CDS Ford Motor Company R 5% 06/20/2025	Credit Default Swap	USD	126,000	(3,401)	(2,105)
BP CDS Ford Motor Credit Company LLC P 5% 06/20/2021	Credit Default Swap	USD	3,696,000	(73,907)	(109,880)
BP CDS Kohls Corporation R 1% 06/20/2025	Credit Default Swap	USD	126,000	(22,108)	(19,219)
BP CDS Macys, Inc. R 1% 06/20/2025	Credit Default Swap	USD	126,000	(48,893)	(56,539)
BP CDS Nordstrom, Inc. R 1% 06/20/2025	Credit Default Swap	USD	126,000	(26,360)	(28,672)
BP CDS Occidental Petroleum Corp R 1% 06/20/2025	Credit Default Swap	USD	126,000	(40,815)	(36,081)
BP CDS Ovintiv Inc. R 1% 06/20/2025	Credit Default Swap	USD	126,000	(17,006)	(16,928)
BP CDS Royal Caribbean Cruises Ltd R 5% 06/20/2025	Credit Default Swap	USD	126,000	(33,162)	(56,885)
BP CDS The Boeing Company R 1% 06/20/2025	Credit Default Swap	USD	126,000	(14,182)	(11,268)
BP CDS Markit CDX.NA.IG.S33-5Y 100 12/20/2024	Credit Default Swap	USD	275	(9)	(4)
BP CDS Markit CDX.NA.IG.S34-5Y 100 06/20/2025	Credit Default Swap	USD	15,700,000	(284,850)	(251,635)
				(670,007)	(686,532)
<b>Total Derivative Instruments at Fair Value</b>				<b>\$(670,007)</b>	<b>\$(723,259)</b>

# ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND

## (Formerly, East Coast Investment Grade Income Fund)

Notes to the Semi-Annual Financial Statements (Unaudited)  
For the periods ended June 30, 2020 and December 31, 2019

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### 1. GENERAL INFORMATION AND FISCAL PERIODS

Arrow EC Income Advantage Alternative Fund (formerly East Coast Investment Grade Income Fund) (the "Fund") was established as a closed-end investment trust under the laws of the Province of Ontario pursuant to a trust indenture dated April 26, 2012, as amended and restated from time to time. The Fund completed its initial public offering and commenced operations on May 18, 2012.

On June 12, 2020 the Unitholders of the Fund approved the conversion of the Fund from an exchange-traded investment trust trading under the symbol ECF.UN to an open-end alternative mutual fund (the "Conversion"). On June 26, 2020 (the "Conversion Date") the Conversion was completed and the Fund was de-listed from the Toronto Stock Exchange. Also in connection with the Conversion, the Fund changed its name to Arrow EC Income Advantage Alternative Fund and changed its investment objective and investment strategies. Following the Conversion, the Fund is permitted to have an unlimited number of series of units and may issue an unlimited number of units of each series. Each series of the Fund is intended for different investors. On the Conversion Date, the units of the Fund were re-designated as Series FD units on a one for one basis. Existing unitholders were permitted to redeem Series FD units or switch out of the Fund to a different mutual fund or series managed by Arrow without penalty or cost.

The Fund is an alternative mutual fund as established by National Instrument 81-102 - Investment Funds ("NI 81-102"), meaning it is permitted to use strategies generally prohibited by conventional mutual funds, such as the ability to invest more than 10% of its net asset value in securities of a single issuer, the ability to borrow cash, to short sell beyond the limits prescribed for conventional mutual funds and to generally employ leverage. As a result of exemptive relief obtained by the Fund to utilize market-neutral strategies (the "Market-Neutral Strategy Relief"), the Fund may engage in short selling transactions with an aggregate market value of up to 100% of its net asset value (subject to a combined limit on short selling and cash borrowing of 100% of its net asset value), except where the Fund may utilize enhanced short selling strategies (the "Enhanced Short Selling Relief") that permit the Fund to short sell up to 300% of its NAV in government securities. The Fund has also obtained custodian relief to permit the Fund to have more than one custodian (the "Custodian Relief").

The investment objective of the Fund is to generate income and preserve capital by investing in a diversified portfolio of primarily North American investment grade corporate bonds. To achieve the investment objective, the Fund will invest primarily in investment grade debt securities of North American corporate and government issuers that are rated BBB- or higher by a recognized rating agency. The Fund may also include non-investment grade debt securities and may invest in other asset classes if warranted by financial conditions.

The Fund will invest primarily in debt securities denominated in Canadian dollars, U.S. dollars and Euros. The Fund may also invest in derivative contracts, which may include interest rate and currency swaps, total return swaps, futures, forwards, options, credit default swaps and other credit related derivative products.

The Fund may use warrants and derivatives such as options, forwards, futures and swaps for hedging and non-hedging purposes. Such derivatives may be used to hedge against losses from changes in the prices of the Fund's investments and from exposure to interest rate changes, credit spreads and foreign currencies as well as market risk. Specifically, the Fund will use interest rate swaps and futures to hedge against interest rate changes. Derivatives may also be used to hedge general credit risk and/or to obtain exposure to individual securities and markets instead of buying securities directly. If used for non-hedging purposes, the derivatives acquired will be consistent with the investment objectives of the Fund and securities law.

The Fund will use leverage. The leverage will be created through the use of cash borrowings, short sales and derivative contracts. The Fund's aggregate exposure is calculated as the sum of the following, and must not exceed 300% of its net asset value: (i) the aggregate market value of the Fund's outstanding indebtedness under any borrowing arrangements; (ii) the aggregate market value of all securities sold short; and (iii) the aggregate notional amount of the Fund's specified derivatives positions, minus the aggregate notional amount of the specified derivative positions that are hedging transactions.

The offering of any series of units of the Fund may be terminated or additional series of units may be offered. The number of issued and outstanding securities of each series is disclosed in the Statements of Financial Changes and Financial Position. A description of each series of units offered by the Fund as of these financial statements is provided below.

# ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND

## (Formerly, East Coast Investment Grade Income Fund)

Notes to the Semi-Annual Financial Statements (Unaudited)  
For the periods ended June 30, 2020 and December 31, 2019

Series	Inception Date	Description
Series A	June 26, 2020	Series A units are available to all investors on a front-end sales charge basis.
Series AD	June 26, 2020	Series AD units have the same characteristics as Series A, except that Series AD units intend to pay a fixed distribution amount per unit.
Series U	June 26, 2020	Series U units have the same characteristics as Series AD, except that Series U units are offered for purchase in U.S. dollars only. The Fund hedges against changes in the U.S. currency relative to the Canadian currency in respect of Series U units and in doing so attempts to eliminate the fluctuations between the Canadian and U.S. currencies.
Series F	June 26, 2020	Series F units are generally only available to investors who participate in a dealer sponsored fee-for-service or wrap program with their registered dealer and who are subject to an annual advisory or asset-based fee rather than commissions on each transaction. The Manager is able to reduce the management fee rate on Series F units because of lower costs and because investors who purchase Series F units will usually have entered into a separate agreement to pay account fees to their registered dealer for their individual investment programs.
Series FD	April 26, 2012	Series FD units have the same characteristics as Series F, except that Series FD units intend to pay a fixed distribution amount per unit.
Series G	June 26, 2020	Series G units have the same characteristics as Series FD, except that Series G units are offered for purchase in U.S. dollars only. The Fund hedges against changes in the U.S. currency relative to the Canadian currency in respect of Series G units and in doing so attempts to eliminate the fluctuations between the Canadian and U.S. currencies.
Series I	June 26, 2020	Series I are generally only available for certain institutional investors who make large investments in the Fund. The management fees for Series I units are paid directly by Series I unitholders and not the Fund.

The Manager of the Fund is Arrow Capital Management Inc. (the “Manager”). East Coast Fund Management Inc. (the “Portfolio Advisor”), is the portfolio advisor of the Fund. The principals of the Portfolio Advisor will be moving to the Cayman Islands. They have established a Cayman resident investment manager, East Coast Asset Management SEZC (“ECAM”). Effective September 1, 2020, ECAM will become the sub-advisor for the Fund. There will be no change to people or strategy currently used to manage the Fund.

The address of the Fund’s registered office is 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5.

The information provided in these financial statements and notes thereto is for the six-month periods ended or as at June 30, 2020 and 2019, except for the comparative information presented in the Statements of Financial Position and notes thereto, which is as at December 31, 2019, as applicable. In the year a Fund or series is established or reinstated, ‘period’ represents the period from inception or reinstatement. Refer to the table above for the inception date of each series. The Schedule of Investment Portfolio is as at June 30, 2020.

These financial statements were approved and authorized for issue by management on August 24, 2020.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### 2.1 Basis of Accounting

These unaudited interim financial statements (“financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) , including International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). These financial statements were prepared using the same accounting policies, critical accounting judgements and estimates as applied in the Fund’s most recent audited annual financial statements for the year ended December 31, 2019 and should be read in conjunction with those annual financial statements. These financial statements are presented in Canadian dollars, which is the Fund’s functional and presentation

# ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND

## (Formerly, East Coast Investment Grade Income Fund)

Notes to the Semi-Annual Financial Statements (Unaudited)  
For the periods ended June 30, 2020 and December 31, 2019

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currency. These financial statements have been prepared on a going concern basis using the historical cost convention, except for financial assets and financial liabilities that have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgement in its process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3: Significant Accounting Estimates and Judgments.

### 2.2 Financial Instruments

Financial instruments include financial assets and liabilities such as fixed income securities, equity securities, investment funds, exchange-traded funds and derivatives.

#### **Classification**

The Fund classifies and measures their financial instruments in accordance with IFRS 9 *Financial Instruments* ("IFRS 9"). Investment classification is based on both the Fund's business model for managing those investments and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of investments is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and use that information to assess the assets' performance and to make decisions. The contractual cash flows of the Fund's debt securities are generally principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Funds business model objective. Consequently, all investments are measured at Fair Value Through Profit or Loss ("FVTPL").

The Fund may sell securities short, in which a borrowed security is sold in anticipation of a decline in the market value of that security. Short sales are held for trading and are consequently classified as financial liabilities at FVTPL. Derivatives include warrants, swaps, options, futures and forward currency contracts. Derivative contracts that have a negative fair value are classified as FVTPL.

The Trust Fund's' redeemable units' entitlements include a contractual obligation to distribute any net income and net realized capital gains at least annually in cash (at the request of the unitholder) and therefore meet the contractual obligation requirement under IAS 32, *Financial Instruments: Presentation* to be classified as financial liabilities in these financial statements. The Fund's obligation for net assets attributable to holders of redeemable units are presented at the redemption amount, which approximates their fair value.

All other financial assets and liabilities are measured at amortized cost, which approximates fair value. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the effective rate of interest.

Financial assets and liabilities are offset and the net amounts are presented in the Statements of Financial Position when, and only when, the Fund has a legal right to offset the amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statements of Financial Position, but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or termination of contracts. See Note for more details on offsetting done by the Fund.

#### **Recognition and Measurement**

Regular purchases and sales of investments are recognized in the Statements of Financial Position on the trade date – the date on which the Fund commits to purchase or sell the investment. Transaction costs are expensed as incurred in the Statements of Comprehensive Income (Loss) in 'Commissions and other portfolio transaction costs'. Financial assets and liabilities are measured at fair market value as presented below. Financial assets are derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled and expires. Financial instruments are subsequently measured at FVTPL with changes in fair value recognized in the Statements of Comprehensive Income (Loss) in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives'.

IAS 7, *Statement of Cash Flows*, requires disclosures related to changes in liabilities and assets, such as the securities of the Fund, arising from financing activities. Changes in securities of the Fund, including both changes from cash flows and non-cash changes, are included in the Statements of Changes in Financial Position. Any changes in the securities not settled in cash as at the end of the period are presented as either Accounts receivable

# ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND

## (Formerly, East Coast Investment Grade Income Fund)

Notes to the Semi-Annual Financial Statements (Unaudited)  
For the periods ended June 30, 2020 and December 31, 2019

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for securities issued or Accounts payable for securities redeemed in the Statements of Financial Position. These accounts receivable and accounts payable amounts typically settle shortly after period-end.

### 2.3 Fair Value Measurements of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value of financial assets and liabilities traded in active markets (such as publically traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Unlisted securities are valued based on price quotations from recognized investment dealers, or failing that, their fair value is determined by the Manager on the basis of the latest reported information available. Unlisted warrants, if any, are valued at their intrinsic value using recognized methods such as the Black-Scholes option valuation model. The model factors in the time value of money and the volatility inputs significant to such valuation. Fixed income securities, debentures, and other debt instruments are valued at the quotation received from independent security pricing services or recognized investment dealers. Short-term debt instruments are carried at amortized cost, which approximates fair value. Underlying fund(s) are valued on each business day at their net asset value as reported by the underlying fund(s) manager. Commodities, if any, held by the Fund are valued based on the quoted price provided by an independent pricing source.

The fair value of financial assets and liabilities that are not traded in an active market, including over-the-counter derivatives, is determined using valuation techniques. These valuation models may be based, in part, on assumptions that are not supported by observable inputs such as market conditions existing at each reporting date. Valuation techniques include, but are not limited to, the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same and other techniques commonly used by market participants which make the maximum use of observable inputs. These values are independently assessed by the Manager to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for these securities may be materially different from the values that would have been used had a ready market for the investment existed. The fair values of securities where no market price exists are affected by the perceived credit risks of the issuer, predictability of cash flows and the length of time to maturity.

IFRS 13, *Fair value measurement*, requires the use and disclosure of a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value of financial instruments.

Changes in valuation methodology may result in transfers in and out of a level. The Fund's policy is to recognize these transfers as of the date of the event or circumstance giving rise to the transfer. The three level fair value hierarchy, transfers between levels and a reconciliation of level 3 financial instruments, as applicable are disclosed in Note 5.

The Manager is responsible for performing the fair value measurements included in the financial statements of the Fund, including level 3 measurements. The Manager obtains pricing from a third party pricing vendor, which is monitored and reviewed daily. At each financial reporting date, the Manager reviews and approves all level 3 fair value measurements. The manager also has a Valuation Committee which includes members of the finance, investment and compliance teams. The committee meets quarterly to perform detailed reviews of the valuations of investments held by the Fund.

### 2.4 Income Recognition

Gains and losses arising from changes in fair value of non-derivative financial assets are shown in the Statements of Comprehensive Income as 'Net change in unrealized gain (loss) on investments and derivatives' and as 'Net realized gain (loss) on investments and derivatives' when the positions are sold. Gains and losses are calculated using average cost, excluding commission and other transaction costs. Average cost does not include amortization of premiums or discounts on fixed income securities.

Gains and losses arising from changes in fair value of securities sold short, are shown in the Statements of Comprehensive Income as 'Net change in unrealized gain (loss) on investments and derivatives' and as 'Net realized gain (loss) on investments and derivatives' when positions are closed out and are calculated with reference to the average proceeds of the related securities, where applicable.

Gains and losses arising from changes in fair value of derivatives are shown in the Statements of Comprehensive Income (Loss) as 'Net change in unrealized gain (loss) on investments and derivatives' and as 'Net realized gain (loss) on investments and derivatives' when positions are closed out or have expired, where applicable.



# ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND

## (Formerly, East Coast Investment Grade Income Fund)

Notes to the Semi-Annual Financial Statements (Unaudited)  
For the periods ended June 30, 2020 and December 31, 2019

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Interest for distribution purposes is shown on the Statements of Comprehensive Income (Loss) and represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities, except for zero coupon bonds which are amortized on a straight-line basis.

Dividend income and dividend expense on short sales are shown on the Statements of Comprehensive Income (Loss) on the ex-dividend date.

Distributions received from investment trusts and underlying funds are recorded as dividends, interest for distribution purposes, net realized gains (losses) on sale of investments or a return of capital, based on the best information available to the Manager. Due to the nature of those investments, actual allocations could vary from this information. Distributions from income trusts and underlying funds that are treated as a return of capital for income tax purposes reduce the average cost of the income trusts and underlying funds.

### **Options**

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. When the Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. Options held by the Fund are exchange-traded. Option contracts are valued at the last traded price taken from the exchange. Option contracts are valued each valuation day according to the gain or loss that would be realized if the contracts were closed out. All unrealized gains (losses) arising from option contracts are recorded as part of 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the Statements of Comprehensive Income (Loss) until the contracts are closed out or expire, at which time the gains (losses) are realized and reflected in the Statements of Comprehensive Income (Loss) within 'Net realized gain (loss) on investments and derivatives'.

### **Forward Currency Contracts**

The Fund may enter into forward currency contracts for purposes of minimizing currency exposure or to establish an exposure to a particular currency. Foreign currency forward contracts are valued on each valuation day based on the difference between the contract rate and the current forward rate at the close of the measurement date, applied to the contract's notional amount and adjusted for counterparty risk. All unrealized gains (losses) arising from foreign currency forward contracts are recorded as part of 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the Statements of Comprehensive Income (Loss) and 'Unrealized gain (loss) on forwards' in the Statements of Financial Position until the contracts are closed out or expire, at which time the gains (losses) are realized and reported in 'Net realized gain (loss) on investments and derivatives' in the Statements of Comprehensive Income (Loss).

### **Futures Contracts**

The Fund may purchase or sell exchange traded futures contracts. Futures contracts are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price established in an organized market. Futures contracts are valued on each valuation day using the closing price posted on the relevant public exchange. Cash and cash equivalents are held as margin against futures contracts which are reflected in the Statements of Financial Position in 'Margin deposits'. All unrealized gains (losses) arising from futures contracts are recorded as part of 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the Statements of Comprehensive Income (Loss) and 'Unrealized gain (loss) on futures' in the Statements of Financial Position. When futures contracts are closed out or expire the gain or loss is realized and reported as 'Net realized gain (loss) on investments and derivatives' in the Statements of Comprehensive Income (Loss).

### **Credit Default Swaps**

A credit default swap contract is an agreement to transfer credit risk from one party, a buyer of protection, to another party, a seller of protection. The Fund as a seller of protection would be required to pay a notional or other agreed upon value to the buyer of protection in the event of a default by a third party. In return, the Fund would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs. If no default occurs, the Fund would keep the stream of payments and would have no payment obligations. The Fund as a buyer of protection would receive a notional or other agreed upon value from the seller of protection in the event of a default by a third party. In return, the Fund would be required to pay to the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs.

Premiums received or paid for entering into a credit default swap are included in the Statements of Financial Position as either an asset or liability. Credit default swaps are fair valued on each valuation day based upon quotations from independent security pricing sources. The change in the difference

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between the premium and the fair value is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the Statements of Comprehensive Income (Loss). Premiums paid or received from credit default swap agreements are included in 'Interest expense on derivatives'. When credit default swap agreements expire or are closed out, gains or losses are included in 'Net realized gain (loss) on investments and derivatives' in the Statements of Comprehensive Income (Loss).

### ***Interest Rate Swap Contracts***

An interest swap contract is a contractual agreement entered into between the Fund and a counterparty under which each party agrees to exchange periodic fixed or variable payments, based upon a stated notional amount, over the stated life of the agreement. The fair value of interest rate swaps is determined using indicative closing market values obtained from third-party broker-dealers. The broker-dealers determine the fair value using valuation methods that are based on assumptions that are supported by observable market inputs, including the interest rates for that day. Any income received or expense incurred is recorded as 'Interest expense on derivatives' in the Statements of Comprehensive Income (Loss). The unrealized gain or loss on interest rate swaps is reflected in the Statements of Comprehensive Income (Loss) as 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives'. When the interest rate swaps are closed out, any gains (losses) are recorded as Net realized gain (loss) on investments and derivatives' in the Statements of Comprehensive Income (Loss).

### ***Total Return Swaps***

A total return swap is an agreement between the Fund and a counterparty where single or multiple cash flows are exchanged based on the price of an underlying reference asset and based on a fixed or variable rate. Over the term of the contract, the Fund will pay to the counterparty a periodic stream of payment based on fixed or variable rate. Such periodic payments paid are accrued daily and are included in the Statements of Comprehensive Income in 'Interest expense'. At the maturity date, a net cash flow is exchanged where the total return is equivalent to the return of the underlying reference asset less a rate, if any. As a receiver, the Fund would receive payments based on any net positive total return and would owe payments in the event of a net negative total return.

The unrealized gain or loss on total return swaps is reflected in the Statements of Comprehensive Income as part of 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives'. When the total return swaps are closed out, any gains or (losses) are recorded in 'Net realized gain (loss) on investments and derivatives' in the Statements of Comprehensive Income (Loss).

### ***Short Selling***

When the Fund sells a security short, it will borrow that security from a broker to complete the sale. As the Fund borrows a security from the broker, the Fund is required to maintain a margin account with the broker containing cash or liquid securities. The cash held on margin in respect of short sale activity, if any, is included in 'Margin deposits' in the Statements of Financial Position. The maximum loss on securities sold short can be unlimited. The Fund will incur a loss as a result of a short sale if the price of the borrowed security increases between the date of the short sale and the date on which the Fund closed out its short position by buying that security. The Fund will realize a gain if the security declines in price between these dates. The gain or loss that would be realized if the position was to be closed out on the valuation date is reflected in the Statements of Comprehensive Income (Loss) as part of 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' and in the Statements of Financial Position in "Investment sold short". When the short position is closed out, gains and losses are realized and included in 'Net realized gain (loss) on investments and derivatives' in the Statements of Comprehensive Income (Loss).

### ***Offsetting of Financial Instruments***

The disclosures set out in the Offsetting of Financial Instruments tables in Note 6, where applicable, include foreign currency forward contracts and assets and liabilities that are subject to an enforceable master netting agreement. Transactions with individual Counterparties are governed by separate master netting agreements. Each agreement allows for net settlement of certain open contracts where the Fund and respective counterparty both elect to settle on a net basis. In the absence of such an election, contracts will be settled on a gross basis. However, each party to the master netting agreement will have the option to settle all open contracts on a net basis in the event of default of the other party.

International Swaps and Derivatives Association Inc. Master Agreements ("ISDA Master Agreements") govern OTC financial derivative transactions entered into by the fund and select counterparties. The ISDA Master Agreements maintain provisions for general obligations, representations, agreements, collateral and events of default and termination. Events of termination include conditions that may entitle counterparties to elect to terminate early and cause settlement of all outstanding transactions under the applicable ISDA Master Agreement. Any election to terminate early could be material to the financial statements.

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The Fund may be subject to various master agreements or netting arrangements with select counterparties. These master agreements reduce the counterparty risk associated with relevant transactions by specifying credit protection mechanisms and providing standardization that improves legal certainty. Since different types of transactions have different mechanics and are sometimes traded out of different legal entities of a particular counterparty organization, each type of transaction may be covered by a different master agreement resulting in the need for multiple agreements with a single counterparty. As the master agreements are specific to unique operations of different asset types, they allow the Fund to close out and net their total exposure to a counterparty in the event of a default with respect to the transactions governed under a single agreement with a counterparty.

### ***Investments in Unconsolidated Structured Entities***

The Fund may invest in mutual funds, exchange-traded funds or closed end funds managed by the Manager or third party investment managers. The Fund considers all investments in such instruments ("Underlying Funds") to be investments in unconsolidated structured entities based on the fact that the decisions made by these Underlying Funds are not governed by voting rights or any other similar rights held by the Fund. The Fund Accounts for these unconsolidated structured investments at fair value.

The Underlying Funds each have their own objectives and investment strategies which assist the fund in achieving their investment objectives. The Underlying Funds primarily finance their operations by issuing redeemable units or shares which are puttable at the holder's option in the case of mutual funds and exchange traded funds or through issuing non-redeemable units or partnership interests in the case of closed-ended funds. The Underlying Funds entitle the holder to a proportional stake in the respective underlying fund's net assets. The Fund holds units, shares or partnership interests in each of their Underlying Funds. These investments are included in 'Investments' and 'Investments sold short' in the Statements of Financial Position. Investments in underlying mutual funds are valued based on the net asset value per unit provided by the underlying mutual funds' manager at the end of each valuation date. Investments in ETF's are valued at the closing market price recorded by the security exchange on which the security is principally traded. The change in fair value of each Underlying Fund is included in the Statements of Comprehensive Income as 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' until these Underlying Funds are sold, at which time the gains (losses) are realized and reflected in the Statements of Comprehensive as 'Net realized gain (loss) on investments and derivatives'. The Fund's maximum exposure to loss from their interests in Underlying Funds is equal to the total carrying value of their investment in Underlying Funds. The exposure to investments in Underlying Funds at fair value is disclosed in Note (insert).

### **2.5 Cash and Cash Equivalents**

Cash and cash equivalents are reported at fair value which closely approximates their amortized cost due to their nature of being highly liquid and having short terms to maturity. Bank overdraft positions are presented under current liabilities as 'bank indebtedness' in the Statements of Financial Position, as applicable.

### **2.6 Margin Loans**

Margin loans represent cash amounts borrowed under a margin agreement with the Fund's prime broker. The Fund has granted a first priority security interest over investments and other assets held at the prime broker in support of its obligations under its margin lending agreement. Amounts owing are payable upon demand (if applicable), and are shown in the Statements of Financial Position as 'Margin Loans'.

### **2.7 Foreign Exchange Translation**

Foreign currency amounts denominated in foreign currencies are converted into the functional currency as follows: fair values of investments, foreign currency contracts and other assets and liabilities at the closing rate of exchange prevailing on each business day; income and expenses, purchases and sales and settlements of investments at the rates of exchange applicable on the respective dates of such transactions. Foreign exchange gains (losses) relating to cash are presented as 'Foreign exchange gain (loss)' and 'Net change in unrealized foreign exchange gain (loss)' and those relating to other financial assets and liabilities are presented within 'Net realized gain (loss) on investments and derivatives' and 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the Statements of Comprehensive Income (Loss).

### **2.8 Net Asset Value**

Net asset value ("NAV") per unit of each series is calculated at the end of each day on which the Toronto Stock Exchange is open for business by dividing the total NAV for each series of a Fund by the number of units of that series outstanding.

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The NAV of each series is computed by calculating the value of that series' proportionate share of the Fund's assets less that series' proportionate share for the Fund's common liabilities and less series specific liabilities. Expenses directly attributable to a series are charged to that series. Other income, expenses, gains and losses, are allocated to each series proportionately based upon the relative total NAV of each series.

As at June 30, 2020 and 2019 and December 31, 2019, there were no differences between the NAV used for transactions with unitholders as calculated under Part 14 of National Instrument 81-106 Investment Funds for Continuous Disclosure and the net assets attributable to holder redeemable units used for reporting purposes under IFRS.

### **2.9 Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit**

Increase (decrease) in net assets attributable to holders of redeemable units per unit disclosed in the Statements of Comprehensive Income (Loss) is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units from operations of each series of the Fund by the weighted average number of units outstanding in that series during the period.

### **2.10 Commissions and Other Portfolio Costs**

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities, are included in 'Commissions and other portfolio transaction costs' in the Statements of Comprehensive Income (Loss).

### **2.11 Securities Lending, Repurchase and Reverse Repurchase Agreements**

The Fund is permitted to enter into securities lending, repurchase and reverse repurchase transactions. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities at a future date. The loaned assets of the Fund are not permitted to exceed 50% of the aggregate net asset value of the Fund.

Securities lending transactions are administered by the Bank of New York Mellon. The value of cash or securities collateral held as collateral must be at least 102% of the fair value of the securities loaned, sold or repurchased. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is included in the Statements of Comprehensive Income (Loss) in 'Securities lending income' when earned.

### **2.12 Withholding Tax**

The Fund may, from time to time, incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown separately in the Statements of Comprehensive Income (Loss).

### **2.13 Harmonized Sales Tax**

Certain provinces including Ontario, Prince Edward Island, Nova Scotia, New Brunswick and Newfoundland and Labrador (each a Participating Tax Jurisdiction) have harmonized their provincial sales tax ("PST") with the federal goods and services tax ("GST"). The Harmonized Sales Tax ("HST") combines the federal GST rate of 5% with the PST rate of the participating province. The province of Quebec also applies the Quebec sales tax ("QST") of 9.975%. The Provincial HST liability or refund is calculated using the residency of unitholders and the value of their interest in the Fund as at specific times, rather than the physical location of the Fund. The effective sales tax rate charged to each series of the Fund is based on the unitholders' proportionate investments by province, using each province's HST rate, GST rate in the case of non-participating provinces and/or QST rate. All amounts are presented as 'Harmonized sales tax/goods and services tax' in the Statements of Comprehensive Income.

### **2.14 Non-cash transactions**

Non-cash transactions on the Statements of Cash Flows include reinvested distributions from the underlying mutual funds, series switches in the same Fund and stock dividends from equity investments. These amounts represent non-cash income recognized in the Statements of Comprehensive Income.

The 'Proceeds from issue of redeemable units' and 'Amounts paid on redemption of redeemable units' on the Statements of Cash Flows exclude non cash transactions.

### **2.15 Due from and to Brokers**

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statements of Financial Position date, respectively. The due from brokers balance is held for collection. These amounts

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are recognized initially at fair value and subsequently measured at amortized cost. Amounts due from brokers are presented in "Receivables for investments sold" and amounts due to brokers are presented in "Payable for investments purchased" in the Statements of Financial Position.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires the Manager to use judgment in applying its accounting policies and to make estimates and assumptions about the future. These estimates are made based on information available as at the date of issuance of the financial statements. Actual results could materially differ from those estimates. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

#### *Assessment as Investment Entity*

In accordance with IFRS 10, *Consolidated Financial Statements*, the Manager has determined that the Fund meets the definition of an Investment Entity which requires the Fund obtain funds from one or more investors for the purpose of providing investment management services, commit to their investors that their business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and measure and evaluate the performance of their investments on a fair value basis. Consequently, the funds do not consolidate their investment in subsidiaries, if any but instead measure these at fair value through profit or loss, as required by the accounting standard.

#### *Fair Value measurement of derivatives and securities not quoted in an active market*

The Fund may hold, from time to time, financial instruments that are not quoted in active markets and require the Manager to make complex or subjective judgements to determine their fair value using valuation techniques that make use of observable data, to the extent practical. Various valuation techniques are utilized, depending on a number of factors, including comparison with similar instruments for which observable market prices exist and recent arm's length market transactions. Key inputs and assumptions used are company specific and may include estimated discount rates and expected price volatilities. Changes in key inputs, could affect the reported fair value of these financial instruments held by the Fund.

#### *Functional currency*

The Fund's functional and presentation currency is the Canadian dollar, which is the currency considered to best represent the economic effects of the Fund's underlying transactions, events and conditions taking into consideration the manner in which securities are issued and redeemed and how returns and performance by the Fund are measured.

#### *Classification and measurement of investments and application of the fair value option*

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments in order to determine the most appropriate classification in accordance with IFRS 9. The Manager has assessed the Fund's business model, the manner in which all financial instruments are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Fund's financial instruments.

### 4. FINANCIAL INSTRUMENT RISK

In the normal course of business, each Fund is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risk), concentration risk and capital risk.

#### **Credit Risk**

Credit risk is the risk that a counterparty to a financial instrument, such as fixed income securities, preferred shares and derivatives, will fail to discharge an obligation or commitment that it has entered into with the Fund. The fair value as presented in the Statement of Investments and Statement of Financial Position includes consideration of the creditworthiness of the issuer, and accordingly represents the maximum credit risk exposure to the Fund. The Fund will invest in investment grade debt securities of North American corporate and government issuers that are rated BBB- or higher by a recognized rating agency. The risk of default on these short-term fixed income securities is considered low.

All transactions in listed securities and derivatives are settled or paid upon delivery using approved brokers with an approved credit rating. The risk of default with the counterparty is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is only made on a purchase once the securities have been received by the broker.

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The credit ratings reported in the financial statements for issuers of debt instruments, counterparties of derivative transactions, prime brokers, and custodians, where applicable, are obtained from Standard & Poor's Rating Services, Moody's Investors Services, Inc. and / or Dominion Bond Rating Service.

The following tables summarize the credit rating composition for the Fund's financial statements at June 30, 2020 and December 31, 2019.

Credit Rating*	Percentage of total debt securities	
	June 30, 2020	December 31, 2019
	%	%
AAA	1.1	-
AA	2.1	2.4
A	29.2	29.3
BBB	56.9	58.6
Below BBB	10.7	9.7
Not Rated	-	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

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

The Fund may also be exposed to credit risk to the extent that the Fund's custodian may not be able to settle trades for cash. Canadian securities regulations require that the Funds employ a custodian that meets certain capital requirements. These regulations state that, among other things, a fund's custodian be either a bank listed in Schedule I, II, or III of the Bank Act (Canada), or a company incorporated in Canada affiliated with a bank with shareholders' equity of not less than \$10,000,000. CIBC Mellon Trust Company, which is the custodian for the Fund, meets all of the Canadian Securities Administrators' requirements to act as the custodian.

The Manager has appointed prime brokers, including CIBC World Markets, TD Securities Inc., Scotia Capital Inc., and Bank of Montreal, which may hold assets for the Fund as the Fund may engage in short selling. The prime broker accounts may provide less segregation of the Funds' assets than would be the case with a more conventional custody arrangement. As a result, the Fund's assets could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the prime broker experiences financial difficulty. In such case, the Fund may experience losses due to insufficient assets at the prime broker to satisfy the claims of its creditors and adverse market movements while its positions cannot be traded.

The Fund may enter into securities lending transactions with counterparties and it may also be exposed to credit risk from the counterparties to the derivative instruments it may use. Credit risk associated with these transactions is considered minimal as all counterparties have approved credit rating and the market value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned as at the end of each trading day.

### Liquidity Risk

Liquidity risk arises when the Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential weekly cash redemptions of redeemable securities (prior to the Conversion Date annual and monthly cash redemption). Generally, the Fund retain sufficient cash and cash equivalent positions to maintain adequate liquidity. However, liquidity risk also involves the ability to sell an asset for cash easily and at a fair price. Some securities may be illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a Fund to sell such securities quickly or at a fair price. Difficulty in selling securities could result in a loss or a lower return for a Fund.

The Fund primarily invests in securities that are traded in active markets and can be readily disposed of. In addition, the Fund aims to retain sufficient cash and short-term investment positions to maintain adequate liquidity. The Fund is also permitted to borrow cash to a maximum of 5% of its net assets value to cover redemptions.

The Fund also enters into leverage and borrowing transactions. The Fund is permitted to borrow cash up to a maximum of 50% of its net asset value. Such facilities are repayable on demand. The highest and lowest bank borrowings during the period ended June 30, 2020 was \$44,662,291 (December 31, 2019: \$41,561,113) and \$27,387,545 (December 31, 2019: \$9,280,829), respectively.

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The Fund is also permitted to short sell up to 300% of its net asset value in “government securities” as defined in NI 81-102. The Fund is required to provide the derivative counterparty or clearing corporation with an initial cash margin/collateral on the transaction. On each valuation date, the value of the derivative instrument is compared to the cash margin/collateral balance. Should the derivative arrangement move against it, the Fund will be required to provide additional cash variation margin/collateral. The Fund is required to have sufficient liquid assets to satisfy such calls. In the event it fails to do so, the counterparty may have a right to terminate such derivatives arrangements.

To minimize the risk to the Fund the Manager has implemented a series of controls when engaging in these short sale transactions. Further, the Fund will not deposit collateral with a dealer in Canada unless the dealer is a member of IIROC and a dealer outside of Canada unless the dealer (a) is a member of a stock exchange that requires the dealer to be subjected to a regulatory audit; and (b) has a net worth in excess of \$50 million.

### Leverage and Short Selling Risk

When the Fund makes investments in derivatives, borrows cash for investment purposes, or uses physical short sales on equities or other portfolio assets, leverage may be introduced into the Fund. Leverage occurs when the Fund's notional exposure to underlying assets is greater than the amount invested. It is an investment technique that magnifies gains and losses. Consequently, any adverse change in the value or level of the underlying asset, rate or index may amplify losses compared to those that would have been incurred if the underlying asset had been directly held by the Fund and may result in losses greater than the amount invested in the derivative itself. Leverage may increase volatility, may impair the Fund's liquidity and may cause the Fund to liquidate positions at unfavorable times.

The Fund exercises leverage through participating in short selling transactions, which expose the Fund to short selling risk.

Short selling risk is the risk of loss related to short selling transactions. There is no assurance that securities will decline in value during the year of the short sale and make a profit for the Fund and securities sold short may instead appreciate in value, resulting in a loss to the Fund. The Fund may experience difficulties repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. The lender may also recall the borrowed securities at any time. The lender may go bankrupt and the Fund may lose the collateral they have deposited with the lender. The Fund mitigates such risk by depositing collateral only with regulated financial institutions or dealers.

The Fund may borrow cash up to a maximum of 50% of the Fund's net asset value and may sell securities short, whereby the aggregate market value of securities sold short will be limited to 100% of each Fund's net asset value, 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 each of the Fund is subject to an overall limit of 100% of each Fund's net asset value, except where the Fund is permitted to short sell up to 300% of its NAV in “government securities”.

The Fund is required to provide the derivative counterparty or clearing corporation with an initial cash margin/collateral on the transaction. On each valuation date, the value of the derivative instrument is compared to the cash margin/collateral balance. Should the derivative arrangement move against it, the Fund will be required to provide additional cash variation margin/collateral. The Fund is required to have sufficient liquid assets to satisfy such calls. In the event it fails to do so, the counterparty may have a right to terminate such derivatives arrangements.

To minimize the risk to the Fund the Manager has implemented a series of controls when engaging in these short sale transactions. Further, the Funds will not deposit collateral with a dealer in Canada unless the dealer is a member of IIROC and a dealer outside of Canada unless the dealer (a) is a member of a stock exchange that requires the dealer to be subjected to a regulatory audit; and (b) has a net worth in excess of \$50 million.

During the period ended June 30, 2020, the lowest aggregate amount of leverage exercised by the Fund was \$248.6 million (234.0% of NAV) and the highest aggregate amount of leverage used was \$381.5 million (256.6% of NAV).

### Market Risk

The Fund's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market conditions. Several factors can influence market trends, such as economic developments, changes in interest rates, political changes and catastrophic events. All investments are exposed to this risk. Market risk can be further sub-divided into 3 categories: currency risk, interest rate risk and price risk.

#### (a) Currency Risk

The Fund may invest in monetary and non-monetary assets denominated in currencies other than their functional currency. Currency risk is the risk that the value of foreign instruments will fluctuate due to changes in the foreign exchange rates of those currencies in relation to the Funds' functional

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currency. The Fund may enter into currency forward contracts, currency futures contracts and/or foreign currency option contracts for hedging purposes to reduce their foreign currency risk exposure. Non-monetary is comprised of long and short equities. Monetary includes cash, derivatives, fixed income securities, and other current receivables and payables.

The table below indicates currencies to which the Fund had significant exposure as at period end in Canadian dollar terms, including the underlying principal amount of any derivative instruments. Other financial assets and liabilities (including accrued interest and dividends receivable, and receivables/payables for investments sold/purchased) that are denominated in foreign currencies do not expose the Fund to significant currency risk.

Currency	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$	\$	\$	\$	\$	\$
June 30, 2020						
United States Dollar - Long	16,502,054	57,987	16,560,041	1,650,205	5,799	1,656,004
United States Dollar - Short	(17,351,652)	-	(17,351,652)	(1,735,165)	-	(1,735,165)
Total	(849,598)	57,987	(791,611)	(84,960)	5,799	(79,161)
Redeemable units issued in USD			(2,718)			(272)
Net exposure to foreign currencies			(794,329)			(79,433)
% of net assets attributable to holders of redeemable units	(0.8%)	0.1%	(0.7%)	(0.1%)	0.0%	(0.1%)
% of net assets attributable to units issued in USD			(0.0%)			(0.0%)
% of net assets exposed to foreign currencies			(0.7%)			(0.1%)

Currency	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$	\$	\$	\$	\$	\$
December 31, 2019						
United States Dollar - Long	36,101,131	67,553	36,168,684	3,610,113	6,755	3,616,868
United States Dollar - Short	(35,496,084)	-	(35,496,084)	(3,549,608)	-	(3,549,608)
Total	605,047	67,553	672,600	60,505	6,755	67,260
Redeemable units issued in USD			-			-
Net exposure to foreign currencies			672,600			67,260
% of net assets attributable to holders of redeemable units	0.5%	0.1%	0.6%	0.1%	0.0%	0.1%
% of net assets attributable to units issued in USD			0.0%			0.0%
% of net assets exposed to foreign currencies			0.6%			0.1%



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As at June 30, 2020, had the Canadian dollar increased or decreased by 10% relative to all foreign currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$(79,433) or (0.1%) of total net assets (2019) – \$67,260 or 0.1%. In practice, the actual trading results may differ and the difference could be material.

### (b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the future cash flows or the fair values of interest-bearing financial instruments. The Fund's exposure to interest rate risk is concentrated in its investments in debt instruments (such as bonds and debentures) and interest rate sensitive derivative instruments. Prices of fixed income securities generally increase when interest rates decline and decrease when interest rates rise. Prices of longer-term fixed income securities will generally fluctuate more in response to interest rate changes than would shorter-term securities. Due to the nature of short-term fixed income securities with a remaining term-to-maturity of less than one year, these investments are not generally exposed to a significant risk that their value will fluctuate in response to changes in the prevailing levels of market interest rates. Cash and cash equivalents do not expose the Fund to significant amounts of interest rate risk.

The Portfolio Advisor manages this risk by short selling primarily government bonds, or utilizing short positions in bond futures, to reduce the interest rate risk inherent in the Fund's corporate investment grade debt positions.

Below is a summary of the Fund's exposure to interest rate risk by the remaining term to maturity of the Fund's portfolio, excluding underlying funds, preferred shares, cash and overdrafts, as applicable.

Term to Maturity	Long Exposure		Short Exposure	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Less than 1 year	\$ 58,260,856	\$ 43,467,726	\$ (33,092,841)	\$ -
1-3 years	143,156,168	159,269,300	(108,582,686)	(119,228,095)
3-5 years	97,628,039	112,513,234	(72,743,075)	(93,032,035)
Greater than 5 years	55,845,557	68,383,991	(33,985,464)	(45,964,242)
Total	\$ 354,890,620	\$ 383,634,251	\$ (248,404,066)	\$ (258,224,372)
Sensitivity:				
Total \$ sensitivity	+/- \$ 11,109,248	+/- \$ 13,244,077	+/- \$ 6,413,900	+/- \$ 9,401,368
Total % sensitivity	10.4%	10.9%	6.0%	7.7%

### (c) Other Price Risk

Other price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or a market segment.

The Fund's most significant exposure to price risk arises from its investment in debt securities, equity securities, underlying funds, options on equities, exchange-traded funds/notes and mutual funds and derivatives, as applicable. All investments present a risk of loss of capital. This risk is managed through a careful selection of investments and other financial instruments within the parameters of the investment strategies. The maximum risk resulting from these financial instruments is equivalent to their fair value, except for certain derivative contracts such as forwards, swaps, and futures contracts which is equal to their notional values. For written call (put) options, short sales and short futures contracts, as applicable, the possible losses can be unlimited. However, these instruments are generally used within the overall investment management process to manage the risk from the underlying investments and do not typically increase the overall risk of loss to the Fund. This risk is mitigated by ensuring that the Fund holds a combination of the underlying interest, cash cover and/or margin that is equal to or greater than the value of the derivative.

As at June 30, 2020, if the Fund's relevant benchmark index, FTSE TMX Canada Universe Bond Index, had increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased by approximately \$3,958,150 (December 31, 2019: \$1,579,635) representing 3.7% of total net assets (December 31, 2019: 1.3%). In practice, the actual trading results may differ and the difference could be material.

## ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND (Formerly, East Coast Investment Grade Income Fund)

Notes to the Semi-Annual Financial Statements (Unaudited)  
For the periods ended June 30, 2020 and December 31, 2019

### (b) Concentration Risk

Concentration risk arises as a result of the concentration of financial instruments within the same category, geographical location, asset type or industry sector, as applicable.

The Fund may hold significant investments in a few companies or issuers, rather than investing the Fund's assets across a large number of companies or issuers. In some cases, the Fund may invest up to 20% of its net asset value in securities of a single issuer through derivative transactions or index participation units. This restriction does not apply to investments in debt securities issued or guaranteed by the Canadian or U.S. government securities issued by a clearing corporation; securities issued by an investment fund if the purchase is made in accordance with the requirements of section 2.5 of NI 81-102; index participation units issued by an investment fund; or an equity security if the purchase is made by a fixed portfolio investment fund in accordance with its investment objectives

The investment portfolio of the Funds may be less diversified, and therefore may be potentially subject to larger changes in value than mutual funds which hold more broadly diversified investment portfolios.

Below is a summary of the Fund's concentration risk by carrying value as a percentage of net assets.

Market Segment	June 30, 2020		December 31, 2019	
	Long (%)	Short (%)	Long (%)	Short (%)
Equities	6.0	-	5.6	-
Corporate Bonds	328.1	(1.6)	301.3	(12.0)
Federal Bonds	3.7	(221.6)	0.1	(189.2)
Provincial Bonds	-	-	-	(1.7)
Derivatives	-	(0.7)	(0.2)	(0.5)
Totals	337.8	(223.9)	306.8	(203.4)

### 5. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

IFRS 13, *Fair Value Measurement*, requires the use and disclosure of a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value of financial instruments. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets and the lowest priority to unobservable inputs. The three level hierarchy based on inputs levels are defined as follows:

Level 1: Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Fair value is based on inputs other than unadjusted quoted prices included in level 1 that are observable for the assets or liabilities, either directly or indirectly; and

Level 3: Fair value is based on at least one significant non-observable input that is not supported by market data for the financial assets or liabilities.

Changes in valuation methodology may result in transfers in and out of a level. The Fund's policy is to recognize these transfers as of the date of the event or circumstance giving rise to the transfer. The three level fair value hierarchy, transfers between levels and a reconciliation of level 3 financial instruments, as applicable are disclosed below.

The following is a summary of the inputs used as at June 30, 2020 and December 31, 2019 in valuing the Fund's financial assets and financial liabilities, carried at fair value:

## ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND (Formerly, East Coast Investment Grade Income Fund)

Notes to the Semi-Annual Financial Statements (Unaudited)  
For the periods ended June 30, 2020 and December 31, 2019

June 30, 2020	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Equities long	6,428,759	-	-	6,428,759
Fixed income long	-	354,890,620	-	354,890,620
Derivatives	-	-	-	-
<b>Total</b>	<b>6,428,759</b>	<b>354,890,620</b>	<b>-</b>	<b>361,319,379</b>
<b>Financial liabilities</b>				
Equities sold short	-	-	-	-
Fixed income short	-	(238,765,435)	-	(238,765,435)
Derivatives	(36,709)	(686,550)	-	(723,259)
<b>Total</b>	<b>(36,709)</b>	<b>(239,451,985)</b>	<b>-</b>	<b>(239,488,694)</b>

December 31, 2019	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Equities long	6,807,005	-	-	6,807,005
Fixed income long	-	366,045,771	-	366,045,771
Derivatives	48,487	-	-	48,487
<b>Total</b>	<b>6,855,492</b>	<b>366,045,771</b>	<b>-</b>	<b>372,901,263</b>
<b>Financial liabilities</b>				
Equities sold short	-	-	-	-
Fixed income short	-	(246,486,372)	-	(246,486,372)
Derivatives	(206,800)	(579,403)	-	(786,203)
<b>Total</b>	<b>(206,800)</b>	<b>(247,065,775)</b>	<b>-</b>	<b>(247,272,575)</b>

### Transfer of assets between Level 1 and Level 2

Financial assets and liabilities transferred from Level 1 to Level 2 are the result of securities no longer being traded in an active market.

For the periods ended June 30, 2020 and December 31, 2019, there were no transfers of financial assets or liabilities from Level 1 to Level 2.

### Reconciliation of level 3 Financial Instruments.

Below is a summary of the movement in the Fund's Level 3 financial instruments for the periods ended June 30, 2020 and December 31, 2019.

	Equities	
	June 30, 2020	December 31, 2019
	\$	\$
<b>Beginning of Period</b>	-	39,100
Transfers out of Level 3	-	-
Net realized gains (losses)	-	(39,100)
Net changes in unrealized gains (losses)	-	-
<b>End of Period</b>	<b>-</b>	<b>-</b>

During the period ended June 30, 2020 and 2019 there were no transfers from Level 3 to 2.

## ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND (Formerly, East Coast Investment Grade Income Fund)

Notes to the Semi-Annual Financial Statements (Unaudited)  
For the periods ended June 30, 2020 and December 31, 2019

### 6. OFFSETTING OF FINANCIAL INSTRUMENTS

Below is a summary of the offsetting of financial assets and liabilities and collateral amounts that would occur if future events, such as bankruptcy or termination of contracts, were to arise as at June 30, 2020 and December 31, 2019. The "Net Amount" column displays what the net impact would be on the Fund's Statements of Financial Position if all amounts were set off.

June 30, 2020	Gross amounts \$	Financial instruments eligible for offset \$	Net amounts presented in the Statement of Financial Position \$	Related amounts not offset in the Statement of Financial Position		Net amount \$
				Financial instruments \$	Cash collateral \$	
<b>Financial assets:</b>						
Counterparty 1	-	-	-	-	-	-
Counterparty 2	-	-	-	-	-	-
Counterparty 3	-	-	-	-	-	-
Counterparty 4	-	-	-	-	-	-
<b>Financial liabilities:</b>						
Counterparty 1	(288,348)	-	(288,348)	-	288,348	-
Counterparty 2	(434,893)	-	(434,893)	-	434,893	-
Counterparty 3	(18)	-	(18)	18	-	-
Counterparty 4	-	-	-	-	-	-

December 31, 2019	Gross amounts \$	Financial instruments eligible for offset \$	Net amounts presented in the Statement of Financial Position \$	Related amounts not offset in the Statement of Financial Position		Net amount \$
				Financial instruments \$	Cash collateral \$	
<b>Financial assets:</b>						
Counterparty 1	48,487	-	48,487	(48,487)	-	-
Counterparty 2	-	-	-	-	-	-
Counterparty 3	-	-	-	-	-	-
Counterparty 4	-	-	-	-	-	-
<b>Financial liabilities:</b>						
Counterparty 1	(724,756)	-	(724,756)	48,487	676,269	-
Counterparty 2	(61,447)	-	(61,447)	-	61,447	-
Counterparty 3	-	-	-	-	-	-
Counterparty 4	-	-	-	-	-	-

### 7. REDEEMABLE UNITS

For the periods ended June 30, 2020 and 2019, the units outstanding and the number of units issued, reinvested and redeemed were as follows:

## ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND (Formerly, East Coast Investment Grade Income Fund)

Notes to the Semi-Annual Financial Statements (Unaudited)  
For the periods ended June 30, 2020 and December 31, 2019

June 30, 2020	Redeemable units outstanding at beginning of period	Redeemable units issued	Redeemable units issued on reinvestments	Redeemable units redeemed	Redeemable units issued and outstanding at end of period
Series A	N/A	100	-	-	100
Series AD	N/A	100	-	-	100
Series F	N/A	100	-	-	100
Series FD**	13,073,167	-	-	(865,915)	12,207,252
Series I	N/A	100	-	-	100
Series U	N/A	100	-	-	100
Series G	N/A	100	-	-	100

\*\* Units were re-designated as FD on June 26, 2020

June 30, 2019	Redeemable units outstanding at beginning of period	Redeemable units issued	Redeemable units issued on reinvestments	Redeemable units redeemed	Redeemable units issued and outstanding at end of period
Series A	N/A	N/A	N/A	N/A	N/A
Series AD	N/A	N/A	N/A	N/A	N/A
Series F	N/A	N/A	N/A	N/A	N/A
Series FD**	13,649,828	-	-	(576,661)	13,073,167
Series I	N/A	N/A	N/A	N/A	N/A
Series U	N/A	N/A	N/A	N/A	N/A
Series G	N/A	N/A	N/A	N/A	N/A

\*\* Units were re-designated as FD on June 26, 2020

### 8. RELATED PARTY TRANSACTIONS

The Manager is paid a management fee for managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements relating to the purchase and sale of the investment portfolio and making arrangements with registered dealers for the purchase and sale of securities of the Fund by investors. The management fee is calculated on each series of the Fund as a fixed annual percentage of the daily net asset value of the series.

#### Management Fee and Performance Fee

The management fee paid to the Manager by the Fund is 1.45% of the net asset value of the Fund per annum on Series A, AD and U Units and 0.95% per annum on Series F, FD and G Units. A holder of Series I Units pays a negotiated fee directly to the Manager. Prior to the Conversion Date the management fee paid to the Manager by the Fund on Series FD Units was 1.25%. Management fees are calculated and accrued each day the Net Asset Value of the Fund is calculated and is subject to HST (and any other applicable taxes). The management fee is payable monthly. Prior to the Conversion Date the management fees were calculated and paid as of the last Valuation Date of each month.

The Fund will pay the Manager an annual performance fee (the "Performance Fee") on all Series, except Series I, equal to 15% of the amount by which the Adjusted Net Asset Value per Unit at the end of the fiscal year exceeds the highest year end Adjusted Net Asset Value per Unit previously achieved. Prior to the Conversion Date the performance fee was calculated at a rate equal to 10%. For these purposes, "Adjusted Net Asset Value per Unit" of any series of units of the Fund means the Net Asset Value per Unit of that series at the end of a fiscal year without giving effect to the accrual of any performance fee, plus the aggregate amount of all distributions previously declared on a per unit basis in respect of such series of units.

Prior to the Conversion Date no Performance Fee was payable with respect to any fiscal year of the Fund unless the Adjusted Net Asset Value per Unit at the end of such fiscal year exceeded the Net Asset Value per Unit at the end of the preceding year (or on the date the units were first issued), plus the aggregate amount of all distributions previously declared on a per unit basis, by a minimum of 4% ("Hurdle Rate").

The Performance Fee for the Fund is calculated and accrued each day the Net Asset Value of the Fund is calculated and is subject to HST (and any other applicable taxes), but is only payable at the end of the fiscal year of the Fund based on the actual annual performance of the Fund. The Performance Fee is paid within 15 business days thereafter. If any units of the Fund are redeemed prior to the end of a fiscal year, an Interim

## **ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND** (Formerly, East Coast Investment Grade Income Fund)

Notes to the Semi-Annual Financial Statements (Unaudited)  
For the periods ended June 30, 2020 and December 31, 2019

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Performance Fee (the "Interim Performance Fee") will be payable on the redemption date in respect of each such unit in the same manner as described above. This performance fee is paid to the fund quarterly.

For any partial fiscal year, including with respect to the Interim Performance Fee and the current transition year, the Hurdle Rate will be pro-rated.

The Fund will not pay duplicate management, performance and administration fees on the portion of assets that are invested in units/shares of any Arrow underlying funds invested in by the Fund. During the period, the Fund may have received a management and/or administration fee rebate from the underlying fund Manager.

The Fund Sub-Advisor will be remunerated by the Manager out of the Management Fee and the Performance Fee.

Accrued management fees and performance fees (excluding HST) included in other liabilities on the Statement of Financial Position are \$112,896 and \$3, respectively as at June 30, 2020 and \$133,243 and \$nil, respectively as at December 31, 2019.

### **Operation and Administration Fees**

Each series of the Fund is charged a fixed rate annual administration fee ("Administration Fee") and in return the Manager bears all of the operating expenses of the Fund, other than certain specified fund costs. The Administration Fee is calculated on each series of the Fund as a fixed annual percentage of the daily net asset value of the series. The fixed rate may be adjusted from time to time.

All expenses relating to the operation of the Fund will be charged to that particular series. Operating expenses include, but are not limited to, legal, audit, transfer agent, custodian, administration and trustee services, cost of financial reporting and Simplified Prospectus printing, regulatory filing fees, valuation services and other miscellaneous expenses specifically attributable to the Fund and any applicable taxes. The Manager may provide any of these services and is reimbursed all of its costs in providing these services to the Fund which may include but are not limited to personnel costs, office space, insurance and depreciation. The common expense will be allocated among the Fund and other investment funds managed by Arrow, as applicable.

The Fund will bear separately any expense item that can be attributed specifically to the Fund. Other fund costs include taxes (including, but not limited to GST/HST and income tax), interest and borrowing costs, commission costs, all fees and expenses of the Funds' Independent Review Committee (IRC), costs of complying with the regulatory requirement to produce Fund Facts, fees paid to external service providers associated with tax reclaims, refunds or the preparation of foreign tax reports on behalf of the Funds, new fees related to external services that were not commonly charged in the Canadian mutual fund industry and introduced after the date of the most recently filed simplified prospectus, and the costs of complying with any new regulatory requirements, including, without limitation, any new fees introduced after the date of the most recently filed simplified prospectus.

At the discretion of the Manager, certain fees may be absorbed by the Manager. There were no waived expenses during the periods ended June 30, 2020 and December 31, 2019.

Included in other liabilities are amounts owing to the Manager for operating expenses paid on behalf of the Fund by the Manager in the amount of \$3,502 and \$29,846 as at June 30, 2020 or December 31, 2019, respectively.

### **Related Party Unit Holdings**

The Fund may invest in units of other funds managed by Arrow. As at June 30, 2020 and December 31, 2019 the Fund had no investments in other funds managed by Arrow.

The Manager of the Funds may, from time to time, make initial investments in certain classes of certain Funds to help establish a class or a Fund. The Manager or Directors of the Manager may also make investments in the Fund ("Related Parties"). As at June 30, 2020 and December 31, 2019, the number of units owned by Related Parties are as follows:

# ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND

(Formerly, East Coast Investment Grade Income Fund)

Notes to the Semi-Annual Financial Statements (Unaudited)  
For the periods ended June 30, 2020 and December 31, 2019

June 30, 2020	Number of shares	Amount (\$)	% of net assets attributable to holders of redeemable shares
Series A	100	1,001	0.0
Series AD	100	1,001	0.0
Series F	100	1,001	0.0
Series FD*	1,147,300	10,053,560	9.4
Series I	100	1,002	0.0
Series U	100	1,358	0.0
Series G	100	1,360	0.0

\*\* Units were re-designated as FD on June 26, 2020

December 31, 2019	Number of shares	Amount (\$)	% of net assets attributable to holders of redeemable shares
Series A	-	-	0.0
Series F	-	-	0.0
Series AD	-	-	0.0
Series FD*	1,073,600	9,978,728	0.1
Series U	-	-	0.0
Series G	-	-	0.0
Series I	-	-	0.0

\*\* Units were re-designated as FD on June 26, 2020

## 9. Commissions and other portfolio transaction costs

Commissions and other portfolio transaction costs are costs incurred to acquire, issue or dispose of financial assets or liabilities. They include fees and commissions paid to agents, advisers, brokers and dealers. Commissions may be paid to brokerage firms which provide (or pay for) certain services, other than order execution, which may include investment research, analysis and reports, and databases or software in support of these services (referred to in the industry as soft dollar arrangements). These goods and services are paid for with a portion of brokerage commissions and assist the portfolio advisor and portfolio sub-advisors with their decision-making services to the Fund or relate directly to the execution of portfolio transaction on behalf of the Fund. Total commissions paid to dealers for the periods ended June 30, 2020 and 2019 were \$16,801 and \$8,255 respectively and are disclosed in the Statements of Financial Position as 'Commissions and other portfolio transaction costs.

## 10. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the periods ended June 30, 2020 and 2019 is calculated as follows:

June 30, 2020	Increase (decrease) in net assets attributable to holders of redeemable units (\$)	Weighted average redeemable units outstanding during the period	Increase (decrease) in net assets attributable to holders of redeemable units per unit (\$)
Series A	1	100	0.01
Series AD	1	100	0.01
Series F	1	100	0.01
Series FD**	(4,616,719)	12,939,949	(0.36)
Series I	2	100	0.02
Series U	(9)	100	(0.09)
Series G	(7)	100	(0.07)

\*\* Units were re-designated as FD on June 26, 2020

## ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND (Formerly, East Coast Investment Grade Income Fund)

Notes to the Semi-Annual Financial Statements (Unaudited)  
For the periods ended June 30, 2020 and December 31, 2019

June 30, 2019	Increase (decrease) in net assets attributable to holders of redeemable units (\$)	Weighted average redeemable units outstanding during the period	Increase (decrease) in net assets attributable to holders of redeemable units per unit (\$)
Series A	N/A	N/A	N/A
Series AD	N/A	N/A	N/A
Series F	N/A	N/A	N/A
Series FD**	5,147,951	13,617,612	0.38
Series I	N/A	N/A	N/A
Series U	N/A	N/A	N/A
Series G	N/A	N/A	N/A

\*\* Units were re-designated as FD on June 26, 2020

### 12. INCOME TAXES

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly is subject to tax on its investment income, including the taxable portion of net realized capital gains that are not paid or payable to its unitholders. The Fund distributes sufficient amounts of its net investment income, including net realized capital gains, less the amount retained to enable each Trust Fund to utilize any available tax losses or, if applicable, tax credits attributable to redemptions during the period by its unitholders such that no income tax (other than alternative minimum tax, if applicable) will be paid or payable by the Trust Funds. Such net investment income, including net realized capital gains are taxable in the hands of the unitholders. Occasionally, the Fund may pay distributions in excess of the net income and net realized capital gains of the Fund. This excess distribution is called a return of capital and is non-taxable to the unitholder. However, a return of capital reduces the average cost of the unitholder's units for tax purposes, which may result in a capital gain to the unitholder to the extent the average cost becomes less than zero. Accordingly, the Trust Funds do not record Canadian income taxes in their financial statements.

The Fund has a taxation year-ended of December 31. Non-capital losses are available to be carried forward for 20 years. Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. As at December 31, 2019 the Fund had \$206,870 of unused non-capital losses which expire no earlier than 2032 and \$ 3,208,070 unused allowable capital losses.



## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

August 24, 2020

The accompanying unaudited financial statements have been prepared by Arrow Capital Management Inc., the Manager of Arrow EC Income Advantage Alternative Fund (formerly, East Coast Investment Grade Income Fund) (the "Fund"), and approved by the Board of Directors of the Manager. The Fund's manager is responsible for the information and representations contained in these financial statements.

Arrow Capital Management Inc. maintains appropriate processes to ensure that reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Fund are described in Notes 2 and 3 to the financial statements.

"James L. McGovern"

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JAMES L. MCGOVERN  
Managing Director & CEO  
ARROW CAPITAL MANAGEMENT INC.

"Robert W. Maxwell"

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ROBERT W. MAXWELL  
Managing Director & CFO  
ARROW CAPITAL MANAGEMENT INC.

**NOTICE TO UNITHOLDERS**

**The auditor of the Fund has neither audited nor reviewed these interim financial statements.**

The Manager of the Fund appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice.

**Arrow Capital Management Inc.**

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