

**AMENDMENT NO. 1**  
dated February 12, 2019  
to the **SIMPLIFIED PROSPECTUS** dated December 31, 2018  
in respect of  
**ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS** (Series A, F and ETF)

**I. SUMMARY OF AMENDMENTS**

This document qualifies for distribution Series U shares and Series G shares of Arrow Global Advantage Alternative Class. As a result, the simplified prospectus dated December 31, 2018 (the “**Simplified Prospectus**”), relating to the offering of mutual fund shares of the Arrow Global Advantage Alternative Class, is hereby amended as set out below.

All defined terms in this Amendment No. 1 shall have the meanings ascribed to them in the Simplified Prospectus unless otherwise specifically defined in this Amendment No. 1.

**II. SPECIFIC AMENDMENTS – PART A**

**(1) Front Cover**

- (a) The front cover of the Simplified Prospectus is amended by adding references to Series U shares and Series G shares of the fund as follows:

ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS (Series A, F, U, G and ETF shares)

**(2) Purchases, Switches and Redemptions**

- (b) On page 12, under the subheading “Purchases”, the table is replaced with the following:

Series	Feature
Series A and U Shares	Series A and U Shares are available to all investors. You may purchase Series A and U Shares by way of the front-end sales charge (the “ <b>Front-End Shares</b> ”). You may be required to pay your dealer a sales charge when you buy these shares. This sales charge is negotiable between you and your dealer. Series U Shares are designed for investors who wish to make their investment in U.S. Dollars. See below for more information about the Series U Shares.
Series F and G Shares	Series F and G Shares are generally only available to investors who are enrolled in a dealer sponsored fee-for-service or “wrap” program and who are subject to an annual advisory or asset-based fee rather than commissions for each transaction. Series F and G Shares are not subject to sales charges. Series G Shares are designed for investors who wish to make their investment in U.S. Dollars. See below for more information about the Series G Shares.

- (c) On page 12, under the subheading “Purchases”, the following is added under the table:

Series U and G shares (each a “**U.S. Option Series**”) are designed for investors who wish to make their investment in U.S. Dollars. Funds offering U.S. Option Series hedge those series against changes in the U.S. currency relative to the Canadian currency and in doing

so attempt to eliminate fluctuations between Canadian and U.S. Securities such that the performance of the U.S. Option Series are expected to be substantially the same performance as the performance of Series A and F shares, respectively, purchased using the Canadian dollar pricing option. However, there may be factors beyond a Fund's control such as derivative transaction costs and performance fees which may cause there to be differences in the performance of the series. In addition, there may be circumstances, from time to time, in which a Fund may not be able to fully hedge its Canadian exposure back to U.S. dollars in respect of a U.S. Option Series.

- (d) On page 15, under the subheading "Minimum Balance", the second paragraph is deleted and replaced with the following:

If we become aware that you no longer qualify to hold Class F or G Shares of the Fund, we may change your securities to Class A or U Shares of the Fund, respectively, after we give your representative 30 days' notice.

**(3) Fees and Expenses**

- (e) On page 17, under the subheading "Fees and Expenses Payable by the Funds", the "Management Fees" section of the chart is deleted and replaced with the following:

	<b>Annual Management Fee</b>		
<b>Fund</b>	<b>Series A and U</b>	<b>Series F and G</b>	<b>Series ETF</b>
<b>Arrow Global Advantage Alternative Class</b>	1.95%	0.95%	0.95%

**(4) Impact of Sales Charge**

- (f) On page 20, under the heading "Impact of Sales Charges", the chart is deleted and replaced with the following:

	<b>At Time of Purchase</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
Series A and U- Front-End Sales Charge <sup>(1)</sup>	\$50.00	\$ -	\$ -	\$ -	\$ -

(1) This assumes the maximum sales charge of 5% of the amount invested.

**(5) Dealer Compensation**

- (g) On page 20, under the subheading "Sales Commission and Switching Fees", the first paragraph is deleted and replaced with the following:

You will pay your dealer a sales commission at the time of your purchase of Series A or Series U Front-End Shares, such commission being up to 5% of the amount you invest. The actual percentage is a matter negotiable between you and your dealer. Sales charges are not paid when you switch between the Funds or to another fund managed by Arrow, but a switch fee of up to 5% may be charged to you and retained by your dealer. The amount of any switch fee is a matter negotiable between you and your dealer. No sales commissions are paid when you receive shares from reinvested distributions. Sales commissions and switching fees are only applicable to Series A and Series U Front-End Shares.

- (h) On page 21, under the subheading "Trailing Commissions", the first sentence of the first paragraph is deleted and replaced with the following:

We pay your dealer a trailing commission monthly on Series A and U Shares for the ongoing advice and service you receive from your dealer relating to the Funds.

- (i) On page 21, under the subheading “Trailing Commissions”, the chart is deleted and replaced with the following:

	<b>Series A and U Shares</b>	<b>Series F, G or ETF Shares</b>
Arrow Global Advantage Alternative Class	1.00%	None

### III. SPECIFIC AMENDMENTS – PART B

#### (6) Arrow Global Advantage Alternative Class

- (j) On page 30, the table under the heading “Fund Details” relating to the Arrow Global Advantage Alternative Class is deleted and replaced with the following:

<b>Type of Fund:</b>	Alternative Fund
<b>Inception Date:</b>	Series A – December 31, 2018 Series F – December 31, 2018 Series ETF – December 31, 2018 Series U – February 12, 2019 Series G – February 12, 2019
<b>Securities Offered:</b>	Shares of a mutual fund corporation – Series A, F, U, G and ETF Shares
<b>Eligibility for Registered Plans:</b>	Yes
<b>Portfolio Advisor:</b>	Arrow Capital Management Inc.

- (k) On page 34, under the heading “Dividend Policy”, the second sentence of the first paragraph is deleted and replaced with the following:

All annual dividends paid on Series A, F, U and G shares will be automatically reinvested in additional shares of the series on which they are paid.

### IV. WHAT ARE YOUR LEGAL RIGHTS?

Securities legislation in some provinces gives you the right to withdraw from an agreement to buy mutual funds within two business days of receiving the simplified prospectus or fund facts, or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces and territories also allows you to cancel an agreement to buy mutual fund securities and get your money back, or to make a claim for damages, if the simplified prospectus, annual information form, fund facts or financial statements misrepresent any facts about the funds. These rights must usually be exercised within certain time limits.

**For more information, refer to the securities legislation of your province or territory or consult your lawyer.**



**ARROW ALTERNATIVE MUTUAL FUND**

**Simplified Prospectus**

**ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS (Series A, F and ETF Shares)**

December 31, 2018

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

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## PART A

### INTRODUCTION

The manager of the Fund is Arrow Capital Management Inc., and is referred to in this document as “**Arrow**”, “**us**”, “**our**” or “**we**”.

Exemplar Portfolios Ltd (the “**Company**”) is a mutual fund corporation established under the laws of the Province of Ontario. The authorized capital of the Company consists of 1,000 separate classes of non-voting redeemable mutual fund shares (the “**Shares**”), issuable in series, in addition to a class of voting common shares held in trust by certain employees of Arrow for the non-voting Shareholders. This prospectus qualifies the issuance of Shares of one class of the Company which is listed on the cover of this prospectus. The other classes are issued in a separate prospectus. Each such class of Shares is referred to as a “Fund” and together they are referred to as the “Funds” in this prospectus. Each of the Funds maintains its own separate group of assets within the Company.

This document contains selected important information to help you make an informed decision and to help you understand your rights as an investor.

This Simplified Prospectus contains information about the Fund and the risks of investing in mutual funds generally, as well as the names of the firms responsible for the management of the Fund. No ETF Dealer (as defined below) or Designated Broker (as defined below) has been involved in the preparation of this simplified prospectus or has performed any review of the contents of this simplified prospectus and, as such, the ETF Dealers and the Designated Brokers do not perform many of the usual underwriting activities in connection with the distribution by the Fund of their Series ETF shares under this simplified prospectus.

Additional information about the Fund is available in the following documents:

- the annual information form;
- the most recently filed fund facts;
- the most recently filed ETF facts, as applicable;
- the most recently filed annual financial statements;
- any interim financial statements filed after those annual financial statements;
- the most recently filed annual management report of fund performance; and
- any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this document, which means that they legally form part of this document just as if they were printed as a part of this document. You may obtain a copy of these documents, at your request, and at no cost, by calling us toll free at 1 (877) 327-6048 or (416) 323-0477, or from your dealer or by email at [info@arrow-capital.com](mailto:info@arrow-capital.com). You will also find these documents on the Fund’s website [www.arrow-capital.com](http://www.arrow-capital.com).

These documents and other information about the Fund are also available on the Internet site of SEDAR (the System for Electronic Document Analysis and Retrieval, established by the Canadian Securities Administrators) at [www.sedar.com](http://www.sedar.com).

## **WHAT IS A MUTUAL FUND AND WHAT ARE THE RISKS OF INVESTING IN A MUTUAL FUND?**

### **What is a Mutual Fund?**

A mutual fund is an investment vehicle created to permit money contributed by people with similar investment objectives to be pooled. People who contribute money become shareholders of the mutual fund. Mutual fund shareholders share (in proportion to the shares they own) the mutual fund's income, expenses, and the gains and losses the mutual fund makes on its investments. The value of an investment in a mutual fund is realized by redeeming (or selling in the case of the Series ETF shares) the shares held.

A mutual fund may own different types of investments - stocks, bonds, cash, and derivatives - all depending upon its investment objectives. The fund also may invest in other mutual funds managed by us, called "underlying funds". The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions and market and company news, with these and other factors affecting funds with varying degrees of impact. For example, mutual funds which invest in equity securities will be greatly impacted by changes in the equity markets generally while a mutual fund investing solely in bonds would not. As a result, the value of a mutual fund may go up and down, and the value of your investment may be more or less when you redeem or sell it than when you purchased it.

We calculate the Fund's share price (often referred to as the "net asset value per share" or "share value") by adding up the Fund's assets (being the value of the cash and securities in its portfolio), subtracting its liabilities and then dividing the resulting sum by the total number of shares of the Fund then outstanding. The share price calculated at the end of each business day is the price at which shares will be issued to purchasing investors as of such day and the price to be paid by the Fund on shares redeemed as of such day.

The specific investment objectives and strategies of the Fund are described in Part B of this document under "What Does the Fund Invest In?"

### **What are Series ETF shares?**

All series of shares, except for Series ETF shares, are referred to as "Mutual Fund Series" shares. The Series ETF shares are an exchange-traded series of shares offered by Arrow Global Advantage Alternative Class. Series ETF shares will be issued and sold on a continuing basis. There is no maximum number of Series ETF shares that may be issued.

The Manager, on behalf of Arrow Global Advantage Alternative Class, will apply to list the Series ETF shares of Arrow Global Advantage Alternative Class on the Toronto Stock Exchange ("TSX"). Subject to receiving conditional approval and satisfying the TSX's original listing requirements, the Series ETF shares will be listed on the TSX and holders of Series ETF shares will be able to buy or sell Series ETF shares on the TSX or another exchange or marketplace through registered brokers and dealers in the province or territory where the shareholder resides.

### **Mutual Funds are not Guaranteed**

Arrow does not guarantee that the full amount of your original investment in the Fund will be returned to you. Unlike bank accounts or GICs, mutual fund shares are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

Under exceptional circumstances, a mutual fund may suspend redemptions of shares. See "*Purchases, Switches and Redemptions*" on page 11.

### **What are the Risks of Investing in a Mutual Fund?**

As with most other investments, mutual funds come with a certain amount of risk. Mutual funds own different types of investments, depending on their investment objectives. The value of the investments in a mutual fund changes from day to day because of changes in interest rates, economic conditions and market or company news. As a result,

the value of mutual fund securities will vary. When you sell your shares of the Fund, you could get less money than you put in.

When you are making your investment decision, it is very important that you are completely aware of the different investment types, their relative return over time and their volatility. Money market funds generally have low risk. They hold relatively safe short-term investments such as government treasury bills and other high quality money market instruments. Income funds, which typically invest in bonds, have a higher amount of risk because their prices can change when interest rates change. Equity funds generally have the highest risk because they invest mostly in stocks whose prices can rise and fall daily.

The Fund is considered an “alternative mutual fund”, as defined in National Instrument 81-102 - *Investment Funds* (“**NI 81-102**”). This permits it to use strategies generally prohibited to 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 invest in physical commodities or specified derivatives, to borrow cash, to short sell beyond the limits prescribed for conventional mutual funds and to generally employ leverage.

Everyone has a different tolerance for risk. Some individuals are significantly more conservative than others when making their investment decisions. It is important to take into account your own comfort with risk as well as the amount of risk suitable for your financial goals. Below are some of the most common risks that affect value. The following specific risks apply to the Fund:

**Absence of an Active Market for Series ETF Shares Risk** – Although Series ETF shares of the Fund may be listed on the TSX or another exchange or marketplace, there can be no assurance that an active public market for Series ETF shares develops or can be sustained.

**Borrowing Risk** – Borrowing of cash or securities within the fund could magnify the impact of any movements in the prices of the underlying investments of the fund and therefore the value of your investment. Consequently, these investments may produce more volatile gains or losses compared to investing in the same investments without making use of borrowings.

**Change in Legislation Risk** – There can be no assurance that tax, securities and other laws or the interpretation and application of such laws by courts or government authorities will not be changed in a manner which adversely affects the Fund or shareholders.

**Collateral Risk** – The Fund may enter into derivatives arrangements that require them to deliver collateral to the derivative counterparty or clearing corporation. As such, the fund may be exposed to certain risks in respect of that collateral including, the fund:

- will be required to post initial margin/collateral to the derivative counterparty or clearing corporation in the form of cash. The fund will be required to have sufficient liquid assets to satisfy this obligation;
- may from time to time, if the value of the derivative arrangements moves against it, be required to post variation margin/collateral with the derivatives counterparty or clearing corporation on an ongoing basis. The fund will be required to have sufficient liquid assets to satisfy such calls, and, in the event it fails to do so, the counterparty may have a right to terminate such derivatives arrangements; and,
- may be subject to the credit risk of the derivatives counterparty. In the event the counterparty becomes insolvent at a time it holds margin/collateral posted with it by the fund, the fund will be an unsecured creditor and will rank behind preferred creditors.

**Concentration Risk** – The Fund may hold significant investments in a few companies, rather than investing the fund’s assets across a large number of companies. In some cases, more than 10% of the net assets of the fund may be invested in securities of a single issuer as a result of appreciation in value of such investment and/or the liquidation or decline in value of other investments. The investment portfolio of the fund 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.

**Counterparty Default Risk** - This is the risk that entities upon which the fund's investments depend may default on their obligations, for instance by failing to make a payment when due. Such parties can include brokers (including clearing brokers), foreign exchange counterparties, derivative counterparties and deposit taking banks. Default on the part of an issuer or counterparty could result in a financial loss to the fund. The manager will manage these risks as far as is practicable by dealing with counterparties as permitted by Canadian securities authorities, by ensuring enforceable legal agreements are in place and by monitoring these counterparties.

**Credit Risk** – The value of fixed income securities depends, in part, on the perceived ability of the government or company which issued the securities to pay the interest and to repay the original investments. Securities issued by issuers who have a low credit rating are considered to have a higher credit risk than securities issued by issuers with a high credit rating. This risk applies primarily to fixed income funds.

**Currency Risk** – The value of securities denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar relative to the value of the currency in which the security is denominated. This risk applies to the Fund since it may invest in foreign denominated securities.

**Derivatives Risk** – A derivative is a contract between two parties, the value of which is based on the performance of other investments, such as equities, bonds, currencies or a market index. Derivatives may be traded in the over-the-counter market or on a stock exchange or they may be cleared through a clearing corporation. A derivative is commonly a future, a forward contract, an option or a swap, but there are other types of derivative instruments as well. Futures or forward contracts are agreements to buy or sell a security, commodity or currency for a certain price on a certain future date. Options give the buyer the right to buy or sell a security, commodity or currency for a certain price on a certain future date. Swaps are a derivative in which two counterparties exchange cash flows of one party's financial instrument for those of the other party's financial instrument. Derivatives may be used to limit, or hedge against, losses that may occur because of the Fund's investment in a security or exposure to a currency or market. This is called hedging. Derivatives may also be used to obtain exposure to financial markets, reduce transaction costs, create liquidity or increase the speed of portfolio transactions. These investments are made for non-hedging purposes.

- There is no assurance that liquid markets will exist for the Fund to close out its derivative positions. Derivative instruments in foreign markets may be less liquid and more risky than comparable instruments traded in North American markets.
- Exchange-imposed trading limits could affect the ability of the Fund to close out its positions in derivatives. These events could prevent the Fund from making a profit or limiting its losses.
- Prices of options and futures on a stock index may be distorted if trading of certain stocks in the index is interrupted or trading of a large number of stocks in the index is halted. Such price distortions could make it difficult to close out a position.
- The Fund may use derivatives so it may be subject to credit risk associated with the ability of counterparties to meet their obligations. In addition, the Fund could lose its margin deposits if a dealer or clearing corporation with whom the Fund has an open derivatives position goes bankrupt.
- There is no assurance that the Fund's hedging strategies will be effective. There may be an imperfect historical correlation between the behaviour of the derivative instrument and the investment being hedged. Any historical correlation may not continue for the period during which the hedge is in place.

- Using futures and forward contracts to hedge against changes in currencies, stock markets or interest rates cannot eliminate fluctuations in the prices of securities in the portfolio or prevent losses if the prices of these securities decline.
- Hedging may also limit the opportunity for gains if the value of the hedged currency or stock market rises or if the hedged interest rate falls. The inability to close out options, futures, forwards and other derivative positions could prevent the Fund from using derivatives to effectively hedge its portfolio or implement its strategy.

**Equity Risk** – Investments in equities - also called stocks or shares - are affected by stock market movements. When the economy is strong, the outlook for many companies will be good, and share prices will generally rise, as will the value of the Fund if it owns these shares. On the other hand, share prices usually decline in times of general economic or industry downturn. Equity securities of certain companies or companies within a particular industry sector may fluctuate differently than the overall stock market because of changes in the outlook for those individual companies or the particular industry.

**Exchange-traded Fund Risk** – When the fund invests in an exchange-traded fund (“**ETF**”), the ETF may, for a variety of reasons, not achieve the same return as the benchmark, index or commodity price it seeks to track. The market value of an ETF also may fluctuate for reasons other than changes in the value of its underlying benchmark, index or commodity price, and the net asset value of the fund will change with these fluctuations. The fund has obtained permission to invest in ETFs that employ leverage in an attempt to magnify returns by either a multiple or an inverse multiple of its underlying benchmark, index or commodity price (a “**Leveraged ETF**”). Leveraged ETFs typically involve a higher degree of risk and are subject to increased volatility.

**Foreign Investment Risk** – The value of foreign securities will be affected by factors affecting other similar securities and could be affected by additional factors such as the absence of timely information, less stringent auditing standards and less liquid markets. As well, different financial, political and social factors may involve risks not typically associated with investing in Canada. This risk applies primarily to equity funds and fixed income funds.

**Halted Trading of Series ETF Shares Risk** – Trading of Series ETF shares on certain marketplaces may be halted by the activation of individual or market-wide “circuit breakers” (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). In the case of the TSX, trading of Series ETF shares may also be halted if: (i) the Series ETF shares are delisted from the TSX without first being listed on another exchange; or (ii) TSX officials determine that such action is appropriate in the interest of a fair and orderly market or to protect shareholders.

**Interest Rate Risk** – The value of fixed income securities will generally rise if interest rates fall and, conversely, will generally fall if interest rates rise. Changes in interest rates may also affect the value of equity securities; however, this risk applies primarily to fixed income securities.

**Investment Trust Risk** – The Fund may invest in real estate, royalty, income and other investment trusts which are investment vehicles in the form of trusts rather than corporations. To the extent that claims, whether in contract, in tort or as a result of tax or statutory liability, against an investment trust are not satisfied by the trust, investors in the investment trust, including the Fund, could be held liable for such obligations. Investment trusts generally seek to make this risk remote in the case of contract by including provisions in their agreements that the obligations of the investment trust will not be binding on investors personally. However, investment trusts could still have exposure to damage claims such as personal injury and environmental claims. Certain jurisdictions have enacted legislation to protect investors in investment trusts from the possibility of such liability.

**Large Redemption Risk** – The Fund may have particular investors who own a large proportion of the net asset value of the Fund. For example, other institutions such as banks and insurance companies or other fund companies may purchase securities of the Fund for their own mutual funds, segregated funds, structured notes or discretionary managed accounts. Retail investors may also own a significant amount of the Fund. If one of those investors redeems a large amount of their investment in the Fund, the Fund may have to sell its portfolio

investments at unfavourable prices to meet the redemption request. This can result in significant price fluctuations to the net asset value of the Fund, and may potentially reduce the returns of the Fund.

**Leverage 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.

**Liquidity Risk** – Liquidity risk is the possibility that the fund won't be able to convert its investments to cash when it needs to. The value of securities which are not regularly traded (less liquid) will generally be subject to greater fluctuation. This risk applies primarily to equity securities and fixed income securities.

**Market Risk** – The risks associated with investing in the fund depend on the securities held in the fund. These securities will rise and fall based on company-specific developments and general stock market conditions. Market value will also vary with changes in the general economic and financial conditions in the countries where the investments are based.

**Operational Risk** - The fund's day to day operations may be adversely affected by circumstances beyond the reasonable control of Arrow, such as failure of technology or infrastructure, or natural disasters.

**Securities Lending Risk** – The Fund may engage in securities lending transactions. In a securities lending transaction, the Fund lends portfolio securities that it owns to a third party borrower. The borrower promises to return to the Fund at a later date an equal number of the same securities and to pay a fee to the Fund for borrowing the securities.

Over time, the value of the securities loaned in a securities lending transaction might exceed the value of the collateral held by the Fund. If the third party defaults on its obligation to return the securities to the Fund, the collateral may be insufficient to enable the Fund to purchase replacement securities and the Fund may suffer a loss for the difference.

Those risks are reduced by requiring the other party to provide collateral to the Fund. The value of the collateral must be at least 102% of the market value of the securities loaned. Securities lending transactions, together with repurchase transactions are limited to 50% of the Fund's assets, excluding collateral or sales proceeds received in a securities lending transaction and cash held by the Fund for securities sold in a repurchase transaction.

In engaging in securities lending, the Fund will bear the risk of loss of any collateral it holds, as well as the risk of loss should a borrower default on its obligations to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

If securities are on loan on the record date established for a particular voting matter the lender is generally not entitled to exercise the voting right of such loaned securities.

**Share Class Risk** – The Fund has its own assets and liabilities, which are used to calculate its value. Legally, the assets of the Fund are considered the property of Exemplar Portfolios Ltd. and the liabilities of the Fund are considered obligations of Exemplar Portfolios Ltd. That means if any other class of Exemplar Portfolios Ltd. cannot meet its obligations, the assets of the Fund may be used to pay for those obligations. A mutual fund corporation, like a mutual fund trust, is permitted to flow through certain income to investors but in the form of dividends rather than distributions. These are capital gains and dividends from taxable Canadian corporations. However, unlike a mutual fund trust, a mutual fund corporation cannot flow through other income including interest, trust income, foreign source dividends and certain income from derivatives. If this type of income, calculated for Exemplar Portfolios Ltd. as a whole, is greater than the expenses of Exemplar Portfolios Ltd. and

other tax deductible amounts, then Exemplar Portfolios Ltd. will be liable to pay income tax. While income tax is calculated for Exemplar Portfolios Ltd. as a whole, any amount payable will be allocated among the Funds making up Exemplar Portfolios Ltd.

**Short Selling Risk** – Short selling is the act of borrowing a security to sell high today with the expectation of buying it back at a lower price in the future and then returning the security to the lender. An investor pays a security lender a small fee to borrow the security (usually arranged by a brokerage firm). Risks associated with short selling include the potential that the securities will rise in value or not decline enough to cover the Fund’s costs, or that market conditions will cause difficulties in the sale or repurchase of the securities. The lender from whom the Fund has borrowed securities may go bankrupt and the Fund may lose the collateral it has deposited with the lender. When engaging in short selling, the Fund adheres to controls and limits that are intended to offset these risks by selling short only securities of larger issuers for which a liquid market is expected to be maintained and by limiting the amount of exposure for short sales. The Fund also deposits collateral only with lenders that meet certain criteria for creditworthiness and only up to certain limits. The Fund may also be exposed to short selling risk because the underlying funds in which it invests or to which assets of the Fund obtains exposure may be engaged in short selling.

**Small Company Risk** – Investing in securities of smaller companies may be riskier than investing in larger, more established companies. Smaller companies may have limited financial resources, a less established market for their shares and fewer shares issued. This can cause the share prices of smaller companies to fluctuate more than those of larger companies. The market for the shares of small companies may be less liquid.

**Tax Risk** – Please see the section “*Income Tax Considerations for Investors*” for information on tax risk.

**Trading Price of Series ETF Shares Risk** – Series ETF shares may trade in the market at a premium or discount to the net asset value per share. There can be no assurance that Series ETF shares will trade at prices that reflect their net asset value per share. The trading price of Series ETF shares will fluctuate in accordance with changes in the Fund’s net asset value, as well as market supply and demand on the TSX (or such other exchange or marketplace on which Series ETF shares of the Fund may be traded from time to time). However, as Designated Brokers and ETF Dealers subscribe for and exchange Prescribed Number of Series ETF shares (as defined below) at the net asset value per share, large discounts or premiums to net asset value should not be sustained.

**Underlying Fund Risk** – The Fund may pursue its investment objectives indirectly by investing in securities of other funds, including index participation units (e.g., ETFs), in order to gain access to the strategies pursued by those underlying funds. There can be no assurance that any use of such multi-layered fund of fund structures will result in any gains for the Fund. If an underlying fund that is not traded on an exchange suspends redemptions, the Fund will be unable to value part of its portfolio and may be unable to redeem shares. In addition, the portfolio advisor could allocate the Fund’s assets in a manner that results in the Fund underperforming its peers.

## **About the Fund**

The Fund is set up differently than traditional mutual funds. When you invest in most traditional mutual funds, such as our trust funds, you buy units of a mutual fund trust. The Fund instead is one class of shares of Exemplar Portfolios Ltd., which means you buy shares of the corporation. There are two other classes of shares of Exemplar Portfolios Ltd. which are issued under a separate prospectus.

Both mutual fund trusts and mutual fund corporations allow you to pool your money with other investors, but there are differences between the two types of mutual funds:

- A mutual fund trust has its own investment objectives.
- A mutual fund corporation may have more than one class of shares. Each class has its own investment objectives.
- Mutual fund trusts are separate taxpayers.

- Mutual fund corporations are taxed as a single entity. A multi-class mutual fund corporation, such as Exemplar Portfolios Ltd., must consolidate the income, capital gains, expenses and capital losses from all its classes to determine the amount of tax payable by it.
- A mutual fund trust makes taxable distributions of net income, including net taxable capital gains, to its unitholders.
- A mutual fund corporation pays ordinary dividends or capital gains dividends to its shareholders.

**ORGANIZATION AND MANAGEMENT OF THE ARROW ALTERNATIVE MUTUAL FUND**

<p><b>Manager:</b> Arrow Capital Management Inc. 36 Toronto Street Suite 750 Toronto, Ontario M5C 2C5</p>	<p>As manager for the Fund, Arrow manages the overall undertakings of the Fund, including providing administration services, promoting sales of the Fund's shares and making provisions for fund accounting.</p>
<p><b>Portfolio Advisor:</b> Arrow Capital Management Inc. Toronto, Ontario</p>	<p>As portfolio advisor of the Fund, Arrow carries out or arranges for the carrying out of research and selects, purchases and sells portfolio securities for the Fund.</p>
<p><b>Custodian:</b> CIBC World Markets Inc.</p>	<p>The custodian holds securities and other portfolio assets, including cash on deposit with financial institutions, on behalf of the Fund.</p>
<p><b>Registrar and Service Provider for Record Keeping Services, other than the Series ETF shares:</b> RBC Investor Services Trust Toronto, Ontario</p>	<p>The registrar and service provider for record keeping services keep track of the owners of shares, other than the Series ETF shares, of the Fund and processes purchase, switch and redemption orders and issues investor account statements and annual tax reporting information, if applicable.</p>
<p><b>Registrar and Transfer Agent for the Series ETF shares:</b> TSX Trust Company, Ontario</p>	<p>The registrar and transfer agent makes arrangements to keep a record of all shareholders of the Series ETF, and processes orders.</p>
<p><b>Securities Lending Agent:</b> CIBC World Markets Inc.</p>	<p>The securities lending agent acts as agent for securities lending transactions for the Fund. The securities lending agent is independent of the Manager.</p>
<p><b>Auditor:</b> PricewaterhouseCoopers LLP Chartered Professional Accountants Toronto, Ontario</p>	<p>The auditor audits the annual financial statements of the Fund to ensure that they fairly present in all material respects the Fund's financial position, results of operations, changes in net assets and cash flows in accordance with International Financial Reporting Standards.</p>

<p><b>Independent Review Committee (IRC):</b></p>	<p>Pursuant to National Instrument 81-107 – <i>Independent Review Committee for Investment Funds</i> (“<b>NI 81-107</b>”), Arrow established the IRC to review and provide either an approval or a recommendation on the conflict of interest matters that are referred to it by Arrow in connection with the operation and management of the Fund. In addition, the IRC will perform regular assessments and provide reports as required under NI 81-107. The IRC currently has, and must maintain at least, three independent members.</p> <p>The IRC will prepare at least annually a report of its activities for you which will be available at your request at no cost, by contacting us at <a href="mailto:info@arrow-capital.com">info@arrow-capital.com</a>.</p> <p>If approved by the IRC, the Fund may change its auditor by sending you a written notice of any such change at least 60 days before it takes effect. Likewise, if approved by the IRC, we may merge the Fund into another mutual fund provided the merger fulfills the requirements of the Canadian securities regulators relating to mutual fund mergers and we send you a written notice of the merger at least 60 days before it takes effect. In either case, no meeting of shareholders of the Fund may be called to approve the change.</p> <p>Additional information about the IRC, including the names of its members, is available in the Fund’s annual information form.</p>
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When the Fund invests in or obtains exposure to an underlying fund managed by us or any of our affiliates or associates we will not vote any of the securities it holds or is exposed to in the underlying fund. However, we may arrange for you to vote your share of those securities.

## **PURCHASES, SWITCHES AND REDEMPTIONS**

You may purchase or switch Mutual Fund Series shares from the Fund to other funds managed by Arrow or redeem your Mutual Fund Series shares in the Fund through registered dealers in each of the provinces and territories of Canada. You can contact Arrow for the names of registered dealers in your province or territory of residence.

When you buy, switch or redeem Mutual Fund Series shares in the Fund, you buy them at the net asset value of the share of the series calculated as of the day of your transaction. If we receive your purchase, switch or redemption order for Mutual Fund Series shares prior to 4:00 p.m. (Toronto time) on any business day, we will process your order based on the share price for that date. Otherwise, we will process your order at the share price on the next business day.

Series ETF shares are available to investors that purchase such shares on the TSX or another exchange or marketplace.

The Fund’s share price will fluctuate with the value of its investments. Share prices will be calculated at the close of business on each business day, being each day on which the TSX is open for trading.

### **Purchases**

#### *Mutual Fund Series*

The Fund has multiple series available for investors. Different purchase options require investors to pay different fees and expenses and, if applicable, the choice of purchase options affects the amount of compensation paid by Arrow to your dealer. See “*Fees and Expenses*” and “*Dealer Compensation*” on pages 17 through 21.

You can invest in the Fund by completing a purchase application, which you can get from your representative. Your initial investment in the Fund must be at least \$1,000. Any subsequent purchase must be at least \$100.

Series	Feature
Series A Shares	Series A Shares are available to all investors. You may purchase Series A Shares by way of the front-end sales charge (the “ <b>Front-End Shares</b> ”). You may be required to pay your dealer a sales charge when you buy these shares. This sales charge is negotiable between you and your dealer. See “ <i>Fees and Expenses</i> ” and “ <i>Dealer Compensation</i> ” on pages 17 through 21
Series F Shares	Series F Shares are generally only available to investors who are enrolled in a dealer sponsored fee-for-service or “wrap” program and who are subject to an annual advisory or asset-based fee rather than commissions for each transaction. Series F Shares are not subject to sales charges.

Payment for shares of the Fund must be received within three business days of your order or we will redeem your shares on the next business day. If the proceeds are greater than the payment you owe, the Fund is required by securities regulation to keep the difference. If the proceeds are less than the payment you owe, your dealer must pay the difference (and your dealer may seek to collect this amount plus expenses from you).

We may reject your purchase order within one business day of receiving it. Any monies sent with your order will be returned immediately.

Series ETF Shares

Series ETF Shares of the Fund will be issued and sold on a continuous basis and there is no maximum number of Series ETF Shares that may be issued. Series ETF Shares of the Fund can be bought in Canadian dollars only. The Manager, on behalf of Arrow Global Advantage Alternative Class, will apply to list the Series ETF Shares of Arrow Global Advantage Alternative Class on the TSX. Subject to receiving conditional approval and satisfying the TSX’s original listing requirements, the Series ETF Shares will be listed on the TSX and holders of Series ETF Shares will be able to buy or sell Series ETF Shares on the TSX or another exchange or marketplace through registered brokers and dealers in the province or territory where the shareholder resides.

Shareholders may incur customary brokerage commissions in buying or selling Series ETF Shares. No fees are paid by a shareholder to the Manager or the Fund in connection with the buying or selling of Series ETF Shares on the TSX or another exchange or marketplace.

*To Designated Brokers and ETF Dealers*

The Manager, on behalf of the Fund that offers Series ETF Shares, has entered or will enter into a designated broker agreement with a designated broker (a “**Designated Broker**”) pursuant to which the Designated Broker has agreed, or will agree, to perform certain duties relating to the Series ETF Shares of the Fund including, without limitation: (i) to subscribe for a sufficient number of shares to satisfy the applicable exchange’s original listing requirements; (ii) to subscribe for shares when cash redemptions of shares occur; and (iii) to post a liquid two-way market for the trading of shares on the applicable exchange. In accordance with the designated broker agreement, the Manager may require the Designated Broker to subscribe for Series ETF Shares for cash.

Generally, all orders to purchase Series ETF Shares directly from a Fund must be placed by a Designated Broker or an “ETF Dealer”, which is a registered dealer (that may or may not be a Designated Broker) that has entered into an agreement with us authorizing the dealer to subscribe for, purchase and redeem Series ETF Shares from the Funds on a continuous basis from time to time.

We reserve the absolute right to reject any subscription order placed by a Designated Broker or ETF Dealer in connection with the issuance of Series ETF Shares. If we reject your order, we will immediately return any money received, without interest.

No fees or commissions will be payable by the Fund to a Designated Broker or ETF Dealer in connection with the issuance of Series ETF shares. On the listing, issuance, exchange or redemption of Series ETF Shares, we may, in our discretion, charge an administrative fee to a Designated Broker or ETF Dealer to offset the expenses incurred in listing, issuing, exchanging or redeeming the shares.

After the initial issuance of Series ETF Shares to the Designated Broker(s) to satisfy the applicable exchange's original listing requirements, a Designated Broker or ETF Dealer may place a subscription order for a Prescribed Number of Series ETF Shares (and any additional multiple thereof) of a Fund on any day on which a session of the exchange or marketplace on which the Series ETF Shares of the Fund are listed is held (a "**Trading Day**"), or such other day as determined by us. "Prescribed Number of Series ETF Shares" means the number of Series ETF Shares of the Fund determined by us from time to time for the purpose of subscription orders, exchanges, redemptions or for other purposes. The cut-off time for Series ETF Shares of the Fund is 11 a.m. (Toronto time) on a Trading Day (the "**Cut-Off Time**"). If the TSX's trading hours are shortened or changed for other regulatory reasons, we may change the Cut-Off-Time. Any subscription order that is received by the Cut-Off Time will be deemed to be received on that Trading Day and will be based on the net asset value per share determined on such Trading Day. Any subscription order received after the Cut-Off Time on a Trading Day will be deemed to be received on the next Trading Day and will be based on the net asset value per share determined on such following Trading Day.

For each Prescribed Number of Series ETF Shares issued, an ETF Dealer must deliver payment consisting of, in our discretion: (i) cash in an amount equal to the aggregate net asset value per share of the Prescribed Number of Series ETF Shares next determined following the receipt of the subscription order; (ii) a group of securities or assets representing the constituents of, and their weightings in, the Fund ("Basket of Securities") or a combination of a Basket of Securities and cash, as determined by us, in an amount sufficient so that the value of the securities and cash received is equal to the aggregate net asset value per share of the Prescribed Number of Series ETF Shares next determined following the receipt of the subscription order; or (iii) securities other than Baskets of Securities or a combination of securities other than Baskets of Securities and cash, as determined by us, in an amount sufficient so that the value of the securities and cash received is equal to the aggregate net asset value per share of the Prescribed Number of Series ETF Shares next determined following the receipt of the subscription order.

We will make available to the Designated Brokers and ETF Dealers information as to the Prescribed Number of Series ETF Shares and any Basket of Securities for the Fund for each Trading Day. We may, in our discretion, increase or decrease the Prescribed Number of Series ETF Shares from time to time.

#### *To Designated Brokers in special circumstances*

Series ETF Shares may also be issued by a Fund to Designated Brokers in certain special circumstances, including when cash redemptions of Series ETF shares occur.

#### **Switches**

You can switch your shares, except for Series ETF Shares, from the Fund to another fund in our group of funds, including any new mutual fund which is created and offered by Arrow after the date of this document (provided that shares of the new mutual fund have been qualified for sale in your province or territory of residence). A switch involves the redemption of the shares of a Fund and a purchase of shares in another Fund or other permitted fund. You cannot switch Series ETF Shares for shares of another series of the same Fund or for shares of another Fund.

The switch of shares by a shareholder from one fund to another fund will constitute a disposition of such securities for purposes of the Tax Act. As a result, a taxable shareholder will generally realize a capital gain or capital loss on such shares. The capital gain or loss for tax purposes in respect of the shares will generally be the difference between the share price of such shares at that time (less any fees) and the adjusted cost base of those shares.

You can change or convert your shares of one series to shares of another series of the same fund by contacting your representative. No fees apply. You can only change shares into a different series if you are eligible to buy such shares. Changing or converting shares from one series to another series of the same fund is generally not a disposition for tax purposes.

## **Redemptions**

### Mutual Fund Series Shares

You may redeem your Mutual Fund Series shares in the Fund at the net asset value of such shares on demand by providing written notice. Your dealer is required to forward your redemption order to our offices on the same day the dealer receives it from you. Your written redemption order must have your signature guaranteed by a bank, trust company or dealer for your protection.

If we do not receive all of the documentation we need from you to complete your redemption order within ten business days, we must repurchase your shares. If the sale proceeds are greater than the repurchase amount, the Fund is required by securities regulation to keep the difference. If the sale proceeds are less than the repurchase amount, your dealer will be required to pay the Fund the difference (and your dealer may seek to collect this amount plus expenses from you).

No redemption charges apply to Front-End Shares, unless the shares are subject to the short-term trading redemption charge described below. See “*Fees and Expenses – Fees and Expenses Payable Directly by You*” on page 19.

### Series ETF Shares

#### *Redemption of Series ETF Shares in any number for cash*

You may choose to redeem Series ETF Shares of the Fund on any Trading Day. When you redeem Series ETF Shares of the Fund, you receive the proceeds of your sale in cash at a redemption price per share equal to 95% of the closing price of the Series ETF Shares on the effective date of redemption, subject to a maximum redemption price of the applicable net asset value per share. As shareholders will generally be able to sell Series ETF Shares at the market price on the TSX or another exchange or marketplace through an ETF Dealer subject only to customary brokerage commissions, shareholders are advised to consult their brokers, dealers or investment advisers before redeeming their Series ETF Shares for cash.

For such a cash redemption to be effective on a Trading Day, a cash redemption request in the form prescribed by us from time to time must be delivered to the Fund at the offices of the Manager through a registered dealer or other financial institution that is a participant in CDS Clearing and Depository Services Inc. (“**CDS**”) and that holds Series ETF Shares on behalf of beneficial owners of such shares (a “**CDS Participant**”). Any cash redemption request that is received by the Cut-Off Time will be deemed to be received on that Trading Day. Any cash redemption request received after the Cut-Off Time on a Trading Day will be deemed to be received on the next Trading Day. Payment of the redemption price will be made by no later than the second Trading Day after the effective day of the redemption (or such shorter period as may be determined by us in response to changes in applicable laws or general changes to settlement procedures in applicable markets). The cash redemption request forms may be obtained from us.

If the Manager hasn’t received all the required documents within 10 business days of receiving your redemption request, the Manager will issue the same number of shares on the 10<sup>th</sup> business day after the redemption request. If the issue price is less than the sale proceeds, the Fund will keep the difference. If the issue price is more than the sale proceeds, your ETF Dealer must pay the shortfall. Your ETF Dealer may have the right to collect it from you.

If you are redeeming more than \$25,000 of the Fund, your signature must be guaranteed by your bank, trust company or ETF Dealer. In some cases, the Manager may require other documents or proof of signing authority. You can contact your registered representative or us to find out the documents that are required to complete the sale.

The Manager reserves the right to cause the Fund to redeem the Series ETF shares held by a shareholder at a price equal to the net asset value per share on the effective date of such redemption if the Manager believes it is in the best interests of the Fund to do so.

#### *Exchange of Prescribed Number of Series ETF shares*

On any Trading Day, you may exchange a minimum of a Prescribed Number of Series ETF Shares (and any additional multiple thereof) for cash or, with our consent, Baskets of Securities and cash. To effect an exchange of Series ETF Shares, you must submit an exchange request, in the form prescribed by the Manager from time to time, to the Fund at its head office. The exchange price will be equal to the aggregate net asset value per share of the Prescribed Number of Series ETF Shares on the effective day of the exchange request, payable by delivery of cash or, with our consent, Baskets of Securities (constituted prior to the receipt of the exchange request) and cash. On an exchange, the applicable Series ETF Shares will be redeemed. On an exchange we will require you to pay the Fund an exchange transaction fee of 0.25%, or such other amount as we may determine from time to time, which approximates the brokerage expenses, commissions, transaction costs, costs or expenses related to market impact and other costs or expenses incurred or expected to be incurred by a Series ETF Share in effecting securities transactions on the market to obtain the necessary cash for the exchange. The exchange transaction fee may be higher if the costs and expenses incurred or expected to be incurred by a Series ETF Share is higher than generally expected. In certain circumstances and at our discretion, we may waive or reduce the exchange transaction fee.

Any exchange request that is received by the Cut-Off Time will be deemed to be received on that Trading Day and will be based on the net asset value per share determined on such Trading Day. Any exchange request received after the Cut-Off Time on a Trading Day will be deemed to be received on the next Trading Day and will be based on the net asset value per share determined on such following Trading Day. Settlement of exchanges for cash or Baskets of Securities and cash, as the case may be, will be made by no later than the second Trading Day after the effective day of the exchange request (or such shorter period as may be determined by us in response to changes in applicable laws or general changes to settlement procedures in applicable markets).

The Manager will make available to the Designated Brokers and ETF Dealers information as to the Prescribed Number of Series ETF Shares and any Basket of Securities for the Fund for each Trading Day. The Manager may, in its discretion, increase or decrease the Prescribed Number of Series ETF Shares from time to time.

If securities held in the portfolio of the Fund are cease traded at any time by order of a securities regulatory authority or other relevant regulator or stock exchange, the delivery of such securities to a shareholder on an exchange may be postponed until such time as the transfer of the securities is permitted by law.

#### *Exchange and redemption of Series ETF shares through CDS Participants*

The exchange and redemption rights described above must be exercised through the CDS Participant through which you hold Series ETF shares. Beneficial owners of Series ETF shares should ensure that they provide exchange and/or redemption instructions to the CDS Participants through which they hold shares sufficiently in advance of the cut-off times set by CDS Participants to allow such CDS Participants to notify us, or as we may direct, prior to the relevant cut-off time.

#### **Minimum Balance**

If the value of your shares in the Fund is less than \$1,000, we may sell your shares and send you the proceeds. We will give your representative 30 days' notice first.

If we become aware that you no longer qualify to hold Class F shares of the Fund, we may change your securities to Class A shares of the Fund after we give your representative 30 days' notice.

The minimum balance amounts described above are determined from time to time by us in our sole discretion. They may also be waived by us and are subject to change without notice.

## **Short-Term Trading**

Arrow has adopted policies and procedures to detect and deter short-term trading. Short-term trades are defined as a combination of a purchase and redemption within a short period of time that Arrow believes is detrimental to other investors in a Fund.

The interests of shareholders and a Fund's ability to manage its investments may be adversely affected by short-term trading because, among other things, these types of trading activities can dilute the value of shares, can interfere with the efficient management of the Fund and can result in increased administrative costs to the Fund. While Arrow will actively take steps to monitor, detect and deter short-term trading, it cannot ensure that such trading activity will be completely eliminated.

If a shareholder switches or redeems shares of the Fund within 90 days of purchase (including shares received on the automatic reinvestment of distributions within such 90 day period), the Fund may charge a short-term trading fee of up to 2% of the net asset value of the shares switched or redeemed. Short-term trading fees do not apply to redemptions or switches of Series ETF shares. See "*Fees and Expenses - Fees and Expenses Payable Directly by You*" on page 19.

Arrow may take such additional action as it considers appropriate to prevent further similar activity by an investor who utilizes short-term trades. These actions may include the delivery of a warning to the investor, placing the investor on a watch list to monitor his/her trading activity and the subsequent refusal of further purchases by the investor if the investor continues to attempt such trading activity and closure of the investor's account.

### *Suspending your right to buy, switch and redeem shares*

Securities regulations allow the Manager to temporarily suspend your right to redeem your Fund shares and postpone payment of your sale proceeds:

- during any period when normal trading is suspended on any exchange on which securities or derivatives that make up more than 50% of the Fund's value or its underlying market exposure are traded and there's no other exchange where these securities or derivatives are traded, or
- with the approval of securities regulators.

The Manager will not accept orders to buy Fund shares during any period when the Manager has suspended investors' rights to redeem their shares.

You may withdraw your redemption or exchange request before the end of the suspension period. Otherwise, the Manager will redeem your shares at the net asset value per share next calculated when the suspension period ends.

### *Special considerations for shareholders*

The provisions of the so-called "early warning" reporting requirements in Canadian securities legislation do not apply if a person or company acquires 10% or more of the Series ETF Shares of the Fund. The Fund has obtained relief to permit shareholders to acquire more than 20% of the Series ETF Shares of the Fund without regard to the takeover bid requirements of applicable Canadian securities legislation.

## **OPTIONAL SERVICES**

This section tells you about services that are available to investors in Mutual Fund Series shares of the Fund. These services are not available to investors in Series ETF shares of the Fund.

### **Registered Tax Plans**

Registered tax plans may be available through Arrow or a shareholder's broker, dealer or advisor. Shareholders should contact Arrow or their broker, dealer or advisor directly about these services.

### Pre Authorized Payment Plan

Under a pre-authorized payment plan, you can indicate a regular amount of investment (not less than \$100) to be made on a periodic basis, the Fund in which the investment is to be made, and the bank chequing account from which the investment amount is to be debited. You may suspend or terminate such a plan on ten days' prior written notice to us. The minimum initial subscription amount is \$1,000.

### Automatic Withdrawal Plan

You can establish an automatic withdrawal plan, provided you are not investing through a retirement savings plan and your account has a minimum value of \$10,000. Under an automatic withdrawal plan, you can indicate a regular amount of cash withdrawal (not less than \$100) to be made on a periodic basis, the Fund from which the investment is to be withdrawn, and the bank chequing account to which the withdrawn amounts are to be credited. Withdrawals will be made by way of redemption of shares, and it should be noted that if withdrawals are in excess of distributions and net capital appreciation, they will result in encroachment on, or possible exhaustion of, your original capital. If you choose the automatic withdrawal plan, all distributions declared on shares held under such a plan in respect of a Fund must be reinvested into additional shares of that Fund. You may modify, suspend or terminate an automatic withdrawal plan on ten days' prior written notice to us.

## FEES AND EXPENSES

The tables below list:

- all fees and expenses which are paid directly by the Fund before its share prices is calculated, and which therefore indirectly reduce the value of your investment; and
- all fees and expenses payable directly by you.

### Fees and Expenses Payable by the Fund

<b>Management Fees</b>	Management fees represent the fees payable to Arrow for the services it provides. Arrow is responsible for all expenses related to the management of the Fund's investment portfolio, including investment consulting fees and research expenditures incurred by it and fees charged by investment or other advisers employed by it. We are also responsible for payment of all advertising and promotional expenses incurred in respect of the Fund.  The management fees payable by the Fund are as follows (plus applicable GST, HST and any applicable provincial sales taxes):  The tables for the annual management fee rates are below. Arrow reserves the right to offer selected purchasers who meet certain criteria a management fee rebate.		
	<b>Annual Management Fee</b>		
<b>Fund</b>	<b>Series A</b>	<b>Series F</b>	<b>Series ETF</b>
<b>Arrow Global Advantage Alternative Class</b>	1.95%	0.95%	0.95%
<b>Performance Fees</b>	Each series of the Fund will pay to the Manager in respect of each calendar year of the Fund a performance bonus per Share (the "Performance Bonus") equal to 15% of the amount by which the Adjusted Net Asset Value per Share at the end of the fiscal year exceeds the highest year end Adjusted Net Asset Value per Share		

	<p>previously achieved. For these purposes, “Adjusted Net Asset Value per Share” of any series of shares of the Fund means the Net Asset Value per Share of that series at the end of a fiscal year without giving effect to the accrual of any Performance Bonus, plus the aggregate amount of all distributions previously declared on a per Share basis in respect of such series of Shares. The Performance Bonus for the Fund will be calculated and accrued each day the Net Asset Value of the Fund is calculated, but will only be payable following the end of the fiscal year of the Fund based on the actual annual performance of the Fund.</p> <p>Notwithstanding the foregoing, no Performance Bonus will be payable with respect to any fiscal year of the Fund unless the Adjusted Net Asset Value per Share at the end of such fiscal year exceeds the Net Asset Value per Share at the end of the preceding year (or on the date the Shares are first issued), plus the aggregate amount of all distributions previously declared on a per share basis, by a minimum of 5% (the “Hurdle Rate”).</p> <p>The Performance Bonus will be estimated and accrued each Valuation Date, calculated on a per series basis as at the end of each fiscal year-end of the Fund and paid within 15 business days thereafter.</p> <p>If any shares of the Fund are purchased during the calendar year, the Hurdle Rate will be prorated in the calculation of the performance fee with respect to those shares, in the same manner as described above.</p> <p>If any shares of the Fund are redeemed prior to the end of a calendar year, a performance fee will be payable on the redemption date in respect of each such shares in the same manner as described above. For greater certainty, the Hurdle Rate will be prorated in the calculation of the performance fee on a share redeemed during the calendar year.</p>
<p><b>Operating Expenses</b></p>	<p>The Fund pays for all expenses incurred in connection with its operation and administration, including applicable GST, HST and any applicable provincial sales taxes. Such costs and expenses may include, without limitation, the fees and expenses of the members of the IRC appointed under NI 81-107 and expenses related to compliance with NI 81-107; regulatory fees including participation or other fees payable by the Manager under applicable securities legislation; accounting; audit; valuation; legal; registrar and transfer agency, custodial and safekeeping fees; taxes; brokerage commissions; fees and expenses relating to the implementation of portfolio transactions; interest; shareholder servicing costs; shareholder meeting costs; printing and mailing costs; litigation expenses; amounts paid for damages awarded or as settlements in connection with litigation; lease payments (including prepaid portions thereof); costs of office space, facilities and equipment; costs of financial and other reports and prospectuses that are used in complying with applicable securities legislation; and any new fee that may be introduced by a securities authority or other governmental authority that is calculated based on assets or other criteria of the Fund. 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 expenses of the Fund and other investment funds managed by Arrow will be allocated among the Fund and other funds, as applicable. The Fund will bear separately any expense item that can be attributed specifically to the Fund. Common expenses of the Fund and other funds will be allocated based on a reasonable allocation methodology which will include allocations based on the assets of the Fund or the number of shareholders of the Fund or other methodology we determine is fair.</p>

	<p>The fees and other reasonable expenses of the IRC are paid pro rata out of the assets of the Fund, as well as out of the assets of the other investment funds managed by Arrow for which the IRC acts as the independent review committee. The fees for members of the IRC consist of an annual retainer in the amount of \$14,000 per member. The chair of the IRC is entitled to an additional fee of \$4,000. Expenses of the IRC include premiums for insurance coverage, legal fees, travel expenses and other reasonable out-of-pocket expenses. These fees and expense reimbursements are allocated across all investment funds that are managed by Arrow in a manner that is fair and reasonable. The total amount of fees paid to the IRC by all investment funds managed by Arrow for the fiscal year ended December 31, 2017 was \$46,000.</p>
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<p><b>Underlying fund fees and expenses</b></p>	<p>From time to time the Fund may invest in and hold securities of other investment funds. There are fees and expenses payable by the other investment funds in addition to the fees and expenses payable by the Fund. No management fees or performance fees are payable by the Fund that, to a reasonable person, would duplicate a fee payable by the other investment fund for the same service and no sales fees or redemption fees are payable by the Fund in relation to its purchases or redemptions of the securities of the other investment fund if the other investment fund is managed by the Arrow or an affiliate or associate of the manager of the Fund, and no sales fees or redemption fees are payable by the Fund in relation to its purchases or redemptions of securities of the other investment fund that, to a reasonable person, would duplicate a fee payable by an investor in that Fund.</p>
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**Fees and Expenses Payable Directly by You**

<p><b>Sales Charges on Front-End Shares</b></p>	<p>A maximum of 5% of the amount you invest in the Fund. The amount of the fee is a matter negotiable between you and your dealer. Sales charges are only applicable to Front-End Series shares.</p>
<p><b>Redemption Fees</b></p>	<p>No redemption charges apply to the redemption or sale of shares, unless the shares are subject to the short-term trading redemption charge described below.</p>
<p><b>Switch Fees</b></p>	<p>Up to 5% of the amount you wish to switch between the Fund and other funds managed by Arrow. The amount of the fee is a matter negotiable between you and your dealer. If a shareholder switches shares of a Fund within 90 days of purchase, the Fund may charge a short-term trading fee. This short-term trading fee would be over and above any switch fee which the broker, dealer or advisor may charge.</p>
<p><b>Short-term Trading Fees</b></p>	<p>The Fund may charge you a short-term trading fee of up to 2% of the net asset value of the shares if a shareholder redeems or switches shares of the Fund within 90 days of the date of purchase (including shares received on the automatic reinvestment of distributions within such 90-day period). This short-term trading fee would be over and above any switch fee which the broker, dealer or advisor may charge. The fee is not applicable to redemptions or switches of Series ETF shares.</p>

<b>Registered Tax Plan Fees</b>	Fees payable will be determined by the trustees of a licensed trust company for such plans.
<b>Administration Fee</b>	An amount may be charged to a Designated Broker or ETF Dealer to offset certain transaction and other costs associated with the listing, issue, exchange, and/or redemption of Series ETF shares of the Fund. This charge, which is payable to the Fund, does not apply to shareholders who buy or sell their Series ETF shares through the facilities of the TSX or another exchange or marketplace.
<b>Exchange Fee</b>	On an exchange of Series ETF Shares, we will require you to pay the applicable Fund an exchange transaction fee of 0.25%, or such other amount as we may determine from time to time, which approximates the brokerage expenses, commissions, transaction costs, costs or expenses related to market impact and other costs or expenses incurred or expected to be incurred by a Series ETF Share in effecting securities transactions on the market to obtain the necessary cash for the exchange. The exchange transaction fee may be higher if the costs and expenses incurred or expected to be incurred by a Series ETF Share is higher than generally expected. In certain circumstances and at our discretion, we may waive or reduce the exchange transaction fee.

Any change in any contract or the entering into of any new contract as a result of which the basis for the calculation of the fees or other expenses that are charged to a Fund which could result in an increase in charges to the Fund, must be approved by a majority of the votes cast at a meeting of the shareholders of the Fund called for such purpose. Such approval is not required in respect of a change in a contract or a new contract made by a Fund at arm's length and with parties other than Arrow or an associate or affiliate of Arrow for all or part of the services it requires to carry on its operations, provided that shareholders are given at least 60 days' notice before any contract is entered into or the effective date of any change, as applicable.

### IMPACT OF SALES CHARGES

The following table shows the amount of fees that you would have to pay if you made an investment of \$1,000 in the Fund and redeemed immediately before the end of that period.

	<b>At Time of Purchase</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
Series A - Front-End Sales Charge <sup>(1)</sup>	\$50.00	\$ -	\$ -	\$ -	\$ -

(1) This assumes the maximum sales charge of 5% of the amount invested.

### DEALER COMPENSATION

#### Sales Commissions and Switching Fees

You will pay your dealer a sales commission at the time of your purchase of Series A Front-End Shares, such commission being up to 5% of the amount you invest. The actual percentage is a matter negotiable between you and your dealer. Sales charges are not paid when you switch between series of the Fund, or between the Fund or to another fund managed by Arrow, but a switch fee of up to 5% may be charged to you and retained by your dealer. The amount of any switch fee is a matter negotiable between you and your dealer. No sales commissions are paid when you receive shares from reinvested distributions. Sales commissions and switching fees are only applicable to Series A Front-End Shares.

You may incur customary brokerage commissions in buying or selling Series ETF Shares on the TSX or another exchange or marketplace.

## Trailing Commission

We pay your dealer a trailing commission monthly on Series A Shares for the ongoing advice and service you receive from your dealer relating to the Fund. Dealers receive this service fee based on the aggregate share value of their clients' investment in the Fund. We also pay trailing commissions to the discount broker for securities you purchase through your discount brokerage account. We may change or cancel the terms of trailing commissions that we pay at any time. The following table outlines the annual trailer fee rates associated with the Funds:

	Series A Shares	Series F or ETF Shares
Arrow Global Advantage Alternative Class	1.00%	None

## Other Kinds of Dealer Compensation

We may share with dealers up to 50% of their eligible costs in marketing shares of the Fund (upon approval of Arrow's compliance department). For example, we may pay a portion of the costs of a dealer in advertising the availability of the Fund through the financial advisors of that dealer. We may also pay part of the costs of a dealer in running a seminar to inform investors about the Fund or about the general benefits of investing in the Fund.

We may also pay up to 10% of the costs of some dealers to hold educational seminars or conferences for their financial advisors to teach them about, among other things, new developments in the mutual fund industry, financial planning or new financial products (upon approval by Arrow's compliance department). The dealer makes all decisions about where and when the conference is held and who can attend.

We may also arrange for seminars for financial advisors where we inform them about new developments in the Fund, our products and services and mutual fund industry matters. We will invite dealers to send their financial advisors to any such seminars and such dealers (and not us) will decide who attends. The financial advisors will be required to pay their own travel, accommodation and personal expenses of attending any such seminars.

### DEALER COMPENSATION FROM MANAGEMENT FEES

As Arrow Global Advantage Alternative Class is new, no dealer compensation was paid for the year ended December 31, 2018.

### INCOME TAX CONSIDERATIONS FOR INVESTORS

The following is a general summary of the principal Canadian federal income tax considerations applicable to an individual (other than a trust) who, for the purposes of the *Income Tax Act* (Canada) (the "**Tax Act**"), is resident in Canada, deals at arm's length with and is not affiliated with the Fund or Arrow, and holds shares as capital property. Generally, your investment in the Fund will be capital property unless you are considered to be trading or dealing in securities or have acquired your investment in a transaction considered to be an adventure or concern in the nature of trade. Certain shareholders can file an election to treat all future dispositions of certain property, including shares of the Fund, to be capital property.

This summary is based on the current provisions of the Tax Act, but does not take into account or anticipate any changes in law whether by legislative, regulatory, administrative or judicial action. Furthermore, this summary does not take into account provincial, territorial or foreign income tax legislation or considerations.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Accordingly, you are advised to consult your own tax advisor about your particular tax situation.

## Taxation of the Fund

As a mutual fund corporation, Exemplar Portfolios Ltd. can have three types of income: Canadian dividends, taxable capital gains and other net taxable income. Canadian dividends are subject to a 38 1/3% tax, which is fully refundable on a formula basis when ordinary taxable dividends are paid by the corporation to its shareholders. Taxable capital gains are subject to tax at full corporate income tax rates. This tax is refundable either by paying capital gains dividends to shareholders or through the capital gains redemption formula. Other income is subject to tax at full corporate income tax rates and is not refundable. Mutual fund corporations do not qualify for reduced corporate tax rates that are available to other corporations for certain types of income.

Exemplar Portfolios Ltd. must include the revenues, deductible expenses, and capital gains and losses of all of its investment portfolios when it calculates its taxable income. We will, on a discretionary basis, allocate the income or loss of Exemplar Portfolios Ltd., and the applicable taxes payable and recoverable to each of its respective share classes. Exemplar Portfolios Ltd. may pay ordinary taxable dividends or capital gains dividends to shareholders of any class in order to receive a refund of taxes on Canadian dividends and capital gains taxes under the refund mechanisms described above. The Fund may earn income from various sources including capital gains, dividends and ordinary income.

## Types of Income from the Fund

Your investment in the Fund can generate income for tax purposes in two ways:

- **Dividends.** When Exemplar Portfolio Ltd. earns Canadian dividend income from its investments or realizes a net capital gain by selling securities, it may pass these amounts on to you as dividends.
- **Capital gains (or losses).** You can realize a capital gain (or loss) when you sell or switch your shares of the Fund (including a switch of shares of one Fund for shares of another fund) for more (or less) than you paid for them. Generally, switching one series of shares to another series of shares of the same Fund will not result in a disposition for tax purposes.

## Fund held in Registered Plans

Shares of the Fund are qualified investments for registered plans.

For these purposes, a registered plan means a trust governed by such plans as:

- Locked-in Retirement Accounts (LIRAs);
- Registered Retirement Savings Plans (RRSPs);
- Locked-in Registered Retirement Savings Plans (LRSPs);
- Registered Retirement Income Funds (RRIFs);
- Locked-in Retirement Income Funds (LRIFs);
- Life Income Funds (LIFs);
- Deferred Profit Sharing Plans (DPSPs);
- Registered Education Savings Plans (RESPs);
- Prescribed Retirement Income Funds (PRIFs);
- Tax-Free Savings Accounts (TFSA's);
- Registered Disability Savings Plans (RDSPs); or
- Québec Education Savings Incentive (QESI).

Note that not all registered plans are available in all provinces or territories. The funds may be eligible for other registered plans offered through your representative's firm.

If you hold shares of the Fund in a Registered Plan, you generally pay no tax on dividends paid from the Fund on those shares or on any capital gains that your Registered Plan realizes from selling, redeeming or switching shares (including a switch of shares of one Fund for shares of another fund). However, withdrawals from registered plans (other than TFSAs and certain withdrawals from RESPs or RDSPs) are generally taxable at your personal tax rate. Holders of TFSAs and RDSPs, annuitants of RRSPs and RRIFs, and subscribers of RESPs should consult with their tax advisors as to whether securities of the funds would be a "prohibited investment" under the Tax Act in their particular circumstances. You should consult with your own tax advisor with respect to exchanging Series ETF shares for a Basket of Securities in your registered plan.

You are responsible for determining the income tax consequences to you of acquiring shares of the Fund through Registered Plans and neither the Fund nor Arrow assumes any liability to you as a result of making the shares of the Fund available for investment. If you choose to purchase shares of the Fund through a Registered Plan, you should consult your own professional advisor regarding the tax treatment of contributions to, withdrawals from and acquisitions of property by such Registered Plan.

### **Funds held in Non-Registered Accounts**

If you hold shares of the Fund in a non-registered account, you must include the following in calculating your income each year:

- Any dividends paid to you by Exemplar Portfolios Ltd., whether you receive them in cash or you reinvest them in shares of the Fund. These dividends (which must be computed in Canadian dollars) may include ordinary taxable dividends or capital gains dividends. Ordinary taxable dividends are subject to the gross-up and dividend tax credit rules that apply to taxable dividends received from taxable Canadian corporations and include "eligible dividends" which are subject to an enhanced gross-up and dividend tax credit. Capital gains dividends are treated as capital gains realized by you. In general, you must include one-half of the amount of a capital gain in your income for tax purposes.
- 50% of any capital gains you realize from selling or redeeming your shares (including to pay fees described in this document) or switching your shares (including a switch of shares of one Fund for shares of another fund) when the value of the shares is greater than their adjusted cost base plus reasonable costs of disposition (including any redemption fees). If the value of shares sold is less than their adjusted cost base plus reasonable costs of disposition (including any redemption fees), you will have a capital loss. You must use 50% of capital losses that you realize to offset the taxable portion of capital gains realized in the same year. 50% of the unused capital losses can be carried back three years and forward indefinitely to offset the taxable capital gains in those years in accordance with detailed rules of the Tax Act.
- Generally, the amount of any management fee rebates paid to you, and the amount of any management fee distributions paid to you (which are out of a fund's income or capital gains). However, an election may be available in certain circumstances that allows you to reduce the adjusted cost base of the respective securities by the amount of the management fee rebate that would otherwise be included in income. You should consult with your tax advisor regarding the availability of this election in your particular circumstances.

We will issue a tax slip to you each year for Exemplar Portfolios Ltd. that shows the taxable amount of your dividends and any federal dividend tax credit that applies, as well as any capital gains dividends paid by Exemplar Portfolios Ltd.. Dividends and capital gains dividends declared by a Fund and capital gains realized on the disposition of shares may give rise to alternative minimum tax. You should consult your tax advisor about the tax treatment in your particular circumstances of any investment advisory fees you pay to your financial advisor when investing in the Fund and any management fee distributions paid to you.

## Dividends

**Dividends from the Fund may include a return of capital. When a Fund earns less income for tax purposes than the amount distributed, the difference is a return of capital.** A return of capital is not taxable, but will reduce the adjusted cost base of your shares. If the adjusted cost base of your shares becomes a negative amount at any time in a taxation year, you will be deemed to realize a capital gain equal to that amount and the adjusted cost base of your shares will be reset to zero. The tax slip we will issue to you each year will show you how much capital was returned to you in respect of your shares.

Dividends may result from foreign exchange gains because the Fund is required to report income and net realized capital gains in Canadian dollars for tax purposes.

The history of dividends paid from the Fund is no indication of future dividend payments. Several factors determine the dividends to be paid from a Fund. These include, but are not limited to, net conversions, realized and unrealized gains, and distributions from the underlying investments. Exemplar Portfolios Ltd. can choose to pay dividends on shares of any class.

The share price of the Fund may include income and capital gains that the Fund has earned, but not yet realized (in the case of capital gains) and/or paid out as a dividend. If you buy shares of the Fund just before it pays a dividend, you will be taxed on that dividend. You may have to pay tax on income or capital gains the Fund earned before you owned it. This may be particularly significant if you are purchasing later in the year. See the individual Fund descriptions in Part B of this simplified prospectus for the dividend policy of the Fund.

The higher a Fund's portfolio turnover rate is in a year, the greater the chance that you will receive a dividend from the Fund. There is no necessary relationship between a Fund's turnover rate and its performance, although the larger trading costs associated with a high portfolio turnover rate would reduce a Fund's performance.

## Calculating your Capital Gain or Loss

Your capital gain or loss for tax purposes is the difference between the amount you receive when you sell your shares or the fair market value of shares that you switch (after deducting any redemption fees or other charges) and the adjusted cost base of those shares.

Generally, switching one series of shares of the Fund to another series of shares of a different fund will result in a disposition for tax purposes, so a capital gain or loss will arise. If those redeemed shares are held outside a Registered Plan, you may realize a taxable capital gain or realize a capital loss.

In general, the adjusted cost base of each of your shares of a particular series of the Fund at any time equals:

- your initial investment for all your shares of that series of the Fund (including any sales charges paid), **plus**
  - your additional investments for all your shares of that series of the Fund (including any sales charges paid), **plus**
  - reinvested dividends or management fee distributions in additional shares of that series of the Fund, **minus**
  - any return of capital dividends by the Fund in respect of shares of that series of the Fund, **minus**
  - the adjusted cost base of any shares of that series of the Fund previously redeemed,
- all divided by**
- the number of shares of that series of the Fund that you hold at that time.

You should keep detailed records of the purchase cost of your investments and dividends you receive on those shares so you can calculate their adjusted cost base. All amounts (including adjusted cost base, dividends and proceeds of disposition) must be computed in Canadian dollars. Other factors may affect the calculation of the adjusted cost base and you may want to consult a tax advisor.

In certain situations where you dispose of shares of the Fund and would otherwise realize a capital loss, the loss will be denied. This may occur if you, your spouse or another person affiliated with you (including a corporation controlled by you) has acquired shares of the same Fund (which are considered to be “substituted property”) within 30 days before or after you dispose of your shares. In these circumstances, your capital loss may be deemed to be a “superficial loss” and denied. The amount of the denied capital loss will be added to the adjusted cost base to the owner of the shares which are substituted property.

## **Tax Information**

Arrow will provide your transaction statements and the applicable annual tax information slips reporting your dividends, net realized capital gains and returns of capital required to complete your income tax return unless your dealer prepares and provides such documentation and information themselves. Accordingly, you should speak to your dealer to ensure that such documentation and information will be provided.

Pursuant to the Intergovernmental Agreement for the Enhanced Exchange of Tax Information under the Canada-United States Tax Convention entered into between Canada and the U.S. (the “IGA”) and related Canadian legislation found in Part XVIII of the Tax Act (collectively “FATCA”), certain shareholders may be requested to provide information to Exemplar Portfolios Ltd., or their registered dealer, relating to their citizenship, residency and, if applicable, a U.S. federal tax identification number (“TIN”). If a shareholder is identified as a U.S. taxpayer (including a U.S. citizen who is resident in Canada) or if the shareholder does not provide the requested information, the IGA and Part XVIII of the Tax Act will generally require certain information about the shareholder’s investment in the fund to be reported to the CRA, unless the investment is held in a registered plan. It is expected that the CRA will then provide the information to the U.S. Internal Revenue Service.

Part XIX of the Tax Act contains legislation implementing the Organization for Economic Cooperation and Development Common Reporting Standard in Canada. Exemplar Portfolios Ltd. is required to have procedures in place to identify accounts held by shareholders (other than registered plans) that are residents of foreign countries (other than the U.S.) and to report certain information pertaining to these accounts to the CRA. The CRA will exchange that information with other participating jurisdictions on a multilateral basis. The due diligence and reporting requirement under FATCA operate alongside the CRS regime.

## **WHAT ARE YOUR LEGAL RIGHTS?**

### **Mutual Fund Series Shares**

Securities legislation in some provinces and territories provide you with the right to withdraw from an agreement to buy mutual funds within two business days of receiving the simplified prospectus, or fund facts or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces and territories also allows you to cancel an agreement to buy mutual fund shares and get your money back, or to make a claim for damages, if the simplified prospectus, the Fund’s annual information form, the Fund’s fund facts or financial statements misrepresent any facts about the Fund. These rights usually must be exercised within certain time limits. **For more information, refer to the securities legislation of your province or territory or consult your lawyer.**

### **Series ETF Shares**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase ETF securities within 48 hours after the receipt of a confirmation of a purchase of such securities. In several of the provinces and territories, the securities legislation further provides a

purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation, or non-delivery of the ETF Facts, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory.

We have obtained relief from the requirement in securities legislation to include an underwriter's certificate in the prospectus under a decision pursuant to NP 11-203. As such, purchasers of Series ETF Shares will not be able to rely on the inclusion of an underwriter's certificate in the prospectus or any amendment for the statutory rights and remedies that would otherwise have been available against an underwriter that would have been required to sign an underwriter's certificate.

The purchaser should refer to the applicable provisions of the securities legislation of the province or territory for the particulars of these rights or should consult with a legal adviser.

## ADDITIONAL INFORMATION

### Exemptions and approvals

The Fund has obtained relief from applicable securities laws in connection with the offering of Series ETF Shares to:

- (i) relieve the Fund from the requirement to prepare and file a long form prospectus for the Series ETF Shares in accordance with National Instrument 41-101 – General Prospectus Requirements in the form prescribed by Form 41-101F2 Information Required in an Investment Fund Prospectus, subject to the terms of the relief, provided that the Fund files a prospectus for the Series ETF Shares in accordance with the provisions of National Instrument 81-101 – *Mutual Fund Prospectus Disclosure*, other than the requirements pertaining to the filing of a fund facts document;
- (ii) relieve the Fund from the requirement that a prospectus offering Series ETF Shares contain a certificate of the underwriters;
- (iii) relieve a person or company purchasing Series ETF Shares of a Fund in the normal course through the facilities of the TSX or another exchange from the take-over bid requirements of Canadian securities legislation;
- (iv) permit the Fund that offers Series ETF Shares to borrow cash from the custodian of the Fund (the "**Custodian**") and, if required by the Custodian, to provide a security interest over any of its portfolio assets as a temporary measure to fund the portion of any distribution payable to shareholders that represents, in the aggregate, amounts that are owing to, but not yet been received by, the Fund; and
- (v) treat the Series ETF and the mutual fund series of a Fund as if such series were two separate funds in connection with their compliance with the provisions of Parts 9, 10 and 14 of NI 81-102.

Additionally, certain dealers of the Fund, including the Designated Brokers and ETF Dealers, have received relief from the Canadian securities regulatory authorities from the requirement that a dealer, not acting as agent of the purchaser, who receives an order or subscription for a security offered in a distribution to which the prospectus requirement of the securities legislation of the provinces and territories applies, send or deliver to the purchaser or its agent, unless the dealer has previously done so, the latest prospectus and any amendment either before entering into an agreement of purchase and sale resulting from the order or subscription, or not later than midnight on the second business day after entering into that agreement. As a condition of this relief, the dealer is required to deliver a copy of the ETF summary document of the Fund to a purchaser if the dealer does not deliver a copy of the Fund's simplified prospectus.

## **Registration and transfer of Series ETF Shares through CDS**

Registration of interests in, and transfers of, Series ETF Shares will be made only through the book-entry only system of CDS. Series ETF Shares must be purchased, transferred and surrendered for exchange or redemption only through a CDS Participant. All rights of an owner of Series ETF Shares must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such shares. Upon purchase of any Series ETF Shares, the owner will receive only the customary confirmation. All distributions and redemption proceeds in respect of Series ETF Shares will be made or paid initially to CDS, which payments will be forwarded by CDS to the CDS Participants and, thereafter, by such CDS Participants to the applicable shareholders.

References in this simplified prospectus to a holder of Series ETF Shares means, unless the context otherwise requires, the owner of the beneficial interest in such Series ETF Shares.

Neither the Fund nor the Manager will have any liability for: (i) any aspect of the records maintained by CDS relating to the beneficial interests in the Series ETF shares or the book-entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS, whether contained in this simplified prospectus or otherwise, or made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The rules governing CDS provide that it acts as the agent and depository for the CDS Participants. As a result, CDS Participants must look solely to CDS and persons, other than CDS Participants, having an interest in the Series ETF Shares must look solely to CDS Participants for payment made by the Fund to CDS.

The ability of a beneficial owner of Series ETF Shares to pledge such shares or otherwise take action with respect to such owner's interest in such shares (other than through a CDS Participant) may be limited due to the lack of a physical certificate. The Fund has the option to terminate registration of Series ETF Shares through the book-entry only system, in which case certificates for Series ETF Shares in fully registered form will be issued to beneficial owners of such shares or to their nominees.

## PART B

### SPECIFIC INFORMATION ABOUT THE ALTERNATIVE MUTUAL FUND DESCRIBED IN THIS DOCUMENT

Part B of this document contains specific information about the Fund, including particulars of its investment objectives, strategies and risks. All of the descriptions are organized in the same way, under these headings and subheadings:

#### Fund Details

This section gives you a snapshot of the Fund with information such as the type of Fund, the Fund's creation date, the series of shares it offers and its eligibility for Registered Plans.

#### What does the Fund Invest In?

This section includes the Fund's fundamental investment objective and the investment strategies it uses in trying to achieve its objective. Any change to the *investment objective* must be approved by a majority of votes cast at a meeting of shareholders held for that reason.

#### What are the Risks of Investing in the Fund?

This section shows the specific risks associated with an investment in the Fund. For an explanation of these risks, see "*What are the Risks of Investing in a Mutual Fund?*" starting on page 3.

#### *Fund Risk Classification Methodology*

The methodology used to determine the Fund's investment risk level for purposes of disclosure in this prospectus is based on the Investment Risk Classification Methodology in NI 81-102 that came into force effective September 1, 2017, as such methodology may be amended and updated from time to time (the "**Methodology**"). The Methodology reflects the view of the Canadian Securities Administrators ("**CSA**") that the most comprehensive, easily understood form of risk in this context is historical volatility risk as measured by the standard deviation of fund performance. However, the Manager and the CSA recognize that other types of risk, both measurable and non-measurable, may exist and we remind you that a Fund's historical performance may not be indicative of future returns and that a Fund's historical volatility may not be indicative of its future volatility. There may be times when the Methodology produces a result that the Manager believes is inappropriate in which case the Manager may re-classify a Fund to a higher risk level, if appropriate.

Based on the Methodology, the Fund's risk level as described in this document, is determined in accordance with a standardized risk classification methodology that is based on the Fund's historical volatility as measured by the 10-year standard deviation of the returns of the Fund. If a Fund does not have at least ten years of performance history, a reference index that is expected to reasonably approximate the Fund's standard deviation is used as a proxy for the ten-year period. The Fund is assigned an investment risk level in one of the following categories:

**Low** – for Funds with a standard deviation range of 0 to less than 6;

**Low-to-Medium** – for Funds with a standard deviation range of 6 to less than 11;

**Medium** – for Funds with a standard deviation range of 11 to less than 16

**Medium-to-High** – for Funds with a standard deviation range of 16 to less than 20; and

**High** – for Funds with a standard deviation range of 20 or greater.

The risk ratings do not necessarily correspond to an investor's risk tolerance assessment. Investors are advised to consult their financial advisor for advice regarding an individual investor's personal circumstances.

Although monitored on a semi-annual basis, we review the investment risk level of the Fund on an annual basis and each time a material change is made to the Fund's investment strategies and/or investment objective.

Information about the Methodology is available on request, at no cost, by calling us toll-free at 1-877-327-6048 or by sending an email to [info@arrow-capital.com](mailto:info@arrow-capital.com).

Historical performance may not be indicative of future returns and a Fund's historical volatility may not be an indication of its future volatility.

### **Who Should Invest in the Fund?**

This section tells you the type of investment portfolio or investor the Fund may be suitable for. This is meant as a general guide only. For advice about your own circumstances, you should consult your financial advisor.

### **Dividend Policy**

**Dividends on shares held in a registered plan are automatically reinvested in additional shares of the Fund. Dividends on shares held outside a registered plan are either: (1) automatically reinvested in additional shares of the Fund; or (2) received in cash. Unless we receive written notice that you want to receive dividends in cash, the default is to have dividends automatically reinvested in shares of the Fund.** To receive dividends in cash you (or your broker, dealer or advisor) must provide us a written request that you wish to receive dividends in cash. Please see the back cover for our contact information.

We may change the dividend policy at our discretion.

For more information about dividends, see "*Income Tax Considerations for Investors*" on page 21.

### **Fund expenses indirectly borne by investors**

This section is an example of the expenses the Fund pays on its series of shares. The example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. While you do not pay these costs directly, they have the effect of reducing the Fund's returns. The management expense ratio (MER) reflects the total fees and expenses (including applicable sales taxes) paid by the Fund. It is calculated by adding the management fee to the operating expenses, with the exception of brokerage commissions, and is expressed as a percentage of the Fund's net assets. It assumes that the *MER* of the Fund was the same throughout each period shown as it was during the last completed financial year. Investors in certain series of shares are charged fees directly by their financial advisor or us that are not included in this section.

Any amount paid by the Fund as fees and expenses will reduce the return to investors in the Fund. The Fund's share price and rate of return as published on a daily basis, have already accounted for these fees and expenses.

## ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

### FUND DETAILS

<b>Type of Fund:</b>	Alternative Fund
<b>Inception Date:</b>	Series A – December 31, 2018      Series F – December 31, 2018 Series ETF – December 31, 2018
<b>Securities Offered:</b>	Shares of a mutual fund corporation – Series A, F and ETF Shares
<b>Eligibility for Registered Plans:</b>	Yes
<b>Portfolio Advisor:</b>	Arrow Capital Management Inc.

### WHAT DOES THE FUND INVEST IN?

#### Investment Objective

The investment objective of the Arrow Global Advantage Alternative Class is to generate meaningful, risk-adjusted, absolute returns through exposure to global securities over the medium to long term, while preserving capital and mitigating risk.

The fund will use leverage. The leverage will be created through the use of cash borrowings, short sales and derivative contracts. The fund's leverage shall not exceed the limits on the use of leverage described in the "Investment Strategies" section in this Simplified Prospectus or as otherwise permitted under applicable securities legislation.

Shareholder approval (given by a majority of votes cast at a meeting of shareholders) is required prior to a change of investment objective.

#### Investment Strategies

To achieve its objective, the Fund will invest and trade primarily in a diversified portfolio of four global asset classes: equities, fixed income securities, commodities and currencies. Exposure to these asset classes may be obtained directly or indirectly by investing in underlying funds that invest such securities.

**Equities.** The Fund will invest its assets in publicly listed global equity securities, though it is anticipated that the majority of the securities traded by the Fund will be issued by companies domiciled in Canada and the United States. The Portfolio Advisor will have a variable bias and will generally look to include both long and short positions in the Fund's portfolio. Global sector trades, including pairs trading, trades based on events and special situations will also be utilised. Pairs trading is the buying and selling of two securities in an attempt to gain from the convergence of the relative value differences between them.

The Portfolio Advisor will employ short-term trading in an attempt to achieve high economic return. Generally, the Fund's portfolio will be comprised of securities of large capitalization. The Portfolio Advisor will also trade, from time to time, the securities of small capitalization issuers.

**Fixed Income.** The Fund will invest long and short in securities of issuers identified as attractive or unattractive investment candidates, and may include high yield bonds, corporate bonds, government treasury securities, credit ETFs and treasury futures.

**Commodities.** The Fund will invest in various financial instruments that will provide exposure to agricultural, energy and base or precious metals. Exposure to commodity prices can be indirect through the equity or fixed income of a resource company, or directly through the use of derivatives, such as options, futures, forwards or swaps.

**Currencies.** The Fund will engage in forward contracts and/or hold foreign currency for hedging purposes and for non-hedging purposes to participate in foreign markets. Exchange rate exposures will be actively managed with the Fund having possible exposure to one or more foreign currencies at any one time. A forward contract is an obligation to purchase or sell an underlying asset, including currency and stocks, for an agreed price at a future date.

**Short Selling.** The Portfolio Advisor utilizes an opportunistic approach to shorting individual stocks as well as using index options or futures, as a means of attempting to reduce risk and increase performance. Short selling of securities involves the sale of securities which the Fund does not own. To effect a short sale, the Fund borrows securities from a third party in order to make delivery to the purchaser. The Fund returns the borrowed securities to the lender by purchasing the securities in the open market. A short seller must generally pledge other securities or cash as collateral for the short position. Collateral may be increased or decreased in response to changes in the market price of the borrowed securities. The Fund will be required to pay brokerage commissions to execute short sales and may be required to pay a premium to the lender of the securities, which would increase the cost of the securities sold. Until the borrowed securities are replaced, the Fund generally will be required to pay the lender amounts equal to any dividends or interest that accrue on the securities borrowed during the period of the loan.

Stocks are shorted for a variety of reasons including (i) temporary overvaluation due to short-term market euphoria for a sector; (ii) faulty business model; (iii) poor earnings; (iv) questionable accounting practices; (v) deteriorating fundamentals; and (vi) weak management unable to adapt to changes in regulation or the competitive environment. Technical analysis will also be used to help in the decision making process. The Portfolio Advisor believes that by opportunistically trading the securities of companies that are experiencing any one or more of these elements, it should be able to identify profitable short sale candidates in most stock market environments.

The Fund may engage in short selling, subject to certain limits and conditions, including the following:

- the aggregate market value of all securities sold short by the Fund will not exceed 50% of the total net assets of the Fund;
- the aggregate market value of all securities of any particular issuer sold short by the Fund will not exceed 10% of the total net assets of the Fund;
- the Fund will not deposit collateral with a dealer in Canada unless the dealer is registered in a jurisdiction of Canada and is a member of IIROC; and
- the Fund will not deposit collateral with a dealer outside Canada unless that 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.

**Derivatives.** The Portfolio Advisor believes in the judicious use of derivative securities, primarily publically listed options and futures. Derivatives can be used in many ways such as to increase market exposure (leverage), to reduce overall market exposure (hedge), to increase the portfolio's current income, or to reduce the cost basis of a new position. The Portfolio Advisor may also utilize certain derivatives, such as various types of index or "market basket" derivatives, in an effort to hedge against certain market-related risks, as it deems appropriate. The Portfolio Advisor believes that the use of derivatives should help reduce risk and enhance investment performance.

**Leverage.** When the Portfolio Advisor deems it appropriate to do so, it may increase the number and extent of its "long" positions by borrowing. Entering into short sales also increases the Fund's use of leverage. The Fund does not expect that it will incur indebtedness in connection with its operations, other than interest on margin debts or deposits with respect to securities positions.

The Fund is permitted to borrow cash up to a maximum of 50% of its net asset value. The combined use of short-selling and cash borrowing by the Fund is subject to an overall limit of 50% of its net asset value.

The Fund may invest up to 20% of its net asset value in securities of a single issuer including exposure to that single issuer through specified derivative transactions or index participation units.

The aggregate gross exposure of the Fund, to be calculated as the sum of the following, must not exceed three times the Fund's net asset value: (i) the aggregate market value of the Fund's long positions; (ii) the aggregate market value of physical short sales on equities, fixed income securities or other portfolio assets; and (iii) the aggregate notional value of the Fund's specified derivatives positions excluding any specified derivatives used for hedging purposes.

The Fund may also invest in other investment funds, including ETFs, that may or may not be managed by the Manager in order to gain indirect exposure to markets, sectors or asset classes. Investments by the Fund in securities of other investment funds may be done directly or indirectly through a specified derivative.

The Fund may engage in securities lending, repurchase and reverse repurchase transactions to earn additional income for the Fund. On any securities lending, repurchase and reverse repurchase transaction, the Fund must, unless it has been granted relief;

- deal only with counterparties who meet generally accepted creditworthiness standards and who are unrelated to the Fund's portfolio manager, manager or trustee as defined in NI 81-102;
- hold collateral equal to a minimum 102% of the market value of the portfolio securities loaned (for securities lending transactions), sold (for repurchase transactions) or purchased (for reverse repurchase transactions);
- adjust the amount of the collateral on each business day to ensure the value of the collateral relative to the market value of the portfolio securities loaned, sold or purchased remains at or above the minimum 102% limit; and
- limit the aggregate value of all portfolio securities loaned or sold through securities lending and repurchase transactions to no more than 50% of the total assets of the Fund (without including the collateral for loaned securities and cash for sold securities).

Depending on market conditions, the Portfolio Advisor's investment style may result in a higher portfolio turnover rate than less actively managed funds. Generally the higher a fund's portfolio turnover rate, the higher its trading expenses. The higher the portfolio turnover rate, the greater the probability that you will receive a distribution of capital gains from the Fund, which may be taxable if you hold the Fund outside a registered plan. There is no proven relationship between a high turnover rate and the performance of a mutual fund.

The specific strategies that differentiate this Fund from conventional mutual funds include: increased use of derivatives for hedging and non-hedging purposes, increased ability to sell securities short, and the ability to borrow cash to use for investment purposes. While these strategies will be used in accordance with the Fund's investment objective and strategies, during certain market conditions they may accelerate the pace at which your investment decreases in value. Please also refer to the explanation of these risks under "Derivatives Risk", "Short Selling Risk" and "Leverage Risk" in the "What are the Risks of Investing in a Mutual Fund?" section of this Simplified Prospectus.

As Manager of the Fund, we may change the investment strategies from time to time, but will give Fund investors notice of our intention to do so if it would be a material change as defined in NI 81-106. Under NI 81-106, a change in the business, operations or affairs of the Fund is considered to be a "material change" if a reasonable investor would consider it important in deciding whether to purchase or continue to hold shares of the fund.

### **WHAT ARE THE RISKS OF INVESTING IN THE FUND?**

The Fund may be exposed to all of the risks which are described starting on page 3. The following table shows how the risks apply to the Fund:

	Primary Risk	Secondary Risk	Low or Not a Risk
Absence of an Active Market for Series ETF Shares		•	
Borrowing	•		
Change in Legislation		•	

Collateral		•	
Concentration		•	
Counterparty Default		•	
Credit	•		
Currency	•		
Derivatives	•		
Equity	•		
ETF		•	
Foreign Investment	•		
Halted Trading of Series ETF Shares			•
Interest Rate	•		
Investment Trust			•
Large Redemption		•	
Leverage	•		
Liquidity		•	
Market	•		
Operational		•	
Securities Lending		•	
Share Class		•	
Short Selling	•		
Small Company		•	
Tax		•	
Trading Price of Series ETF Shares		•	
Underlying Fund	•		

### INVESTMENT RISK CLASSIFICATION METHODOLOGY

Arrow has rated this Fund's risk as medium.

The risk rating assigned to the Fund is required to be determined in accordance with a standardized risk classification methodology that is based on the historical volatility of the Fund, as measured by the 10-year standard deviation of the returns of the Fund. Since the Fund is new and thus has less than 10 years of performance history it uses the MSCI World Net Total Return USD Index as a reference index for its proxy for the remainder of the 10-year period. The MSCI World Net Total Return USD Index captures large and mid cap representation across 23 developed market countries in US dollars.

The methodology and investment risk rating categories are further described under "*Investment Risk Classification Methodology*" on page 28.

There may be times when we believe this methodology produces a result that does not reflect the Fund's risk based on other qualitative factors. As a result, we may place the Fund in a higher risk rating category, but the Fund can never be placed in a lower risk rating category.

Please see "*What are the Risks of Investing in the Fund? – Fund Risk Classification*" on page 28 for a complete description of how we determined the classification of this Fund's risk level.

## WHO SHOULD INVEST IN THE FUND?

This Fund is suitable for investors who seek medium to long term growth through a diversified portfolio of equity and fixed income securities. To invest in this Fund, investors should be able to accept a medium degree of risk.

To recognize a reasonable rate of return, investors should be prepared to invest for medium to long periods of time.

## DIVIDEND POLICY

The Fund intends to pay ordinary taxable dividends and capital gains dividends, if any, at the end of each taxation year (normally December 31). All annual dividends paid on Series A and F shares will be automatically reinvested in additional shares of the series on which they are paid. **Dividends on Series ETF shares will be received in cash. A shareholder that subscribes for Series ETF shares during the period that is one business day before a dividend record date until that dividend record date will not be entitled to receive the applicable dividend with respect to those Series ETF shares.**

The dividends by way of reinvested shares are subject to the same fees and expenses as purchased shares; whereas if you receive cash dividends the cash received would not be subject to such fees and expenses.

For more information about dividends, see “*Specific Information About the Mutual Funds Described in this Document – Dividend Policy*” on page 29.

*The dividend rate on a series of shares of the Fund may be greater than the return on the Fund’s investments. Any dividends made to you that exceed, in aggregate, the net increase in value of your investment, represent a return of your capital back to you.*

For more information about dividends and tax considerations, see “*Income Tax Considerations for Investors*” on page 21.

The Fund may at its discretion change its dividend policy from time to time.

## FUND EXPENSES INDIRECTLY BORNE BY INVESTORS

As explained in “*Fees and Expenses Payable by the Funds*” on page 17, the Fund pays us a management fee and costs needed to operate and carry on its business. The Fund’s management expense ratio is the fees and expenses payable by the Fund divided by its average net asset value over a year.

**As the Fund has not existed for a complete financial year, we are unable to provide an example of the expenses of the Fund indirectly borne by investors.**

## **ARROW ALTERNATIVE MUTUAL FUND**

### **Arrow Global Advantage Alternative Class**

Additional information about the Fund is available in the Fund's annual information form, fund facts, ETF Facts, management reports of fund performance and financial statements. These documents are incorporated by reference into this simplified prospectus, which means that they legally form part of this document just as if they were printed as a part of this document.

You can obtain a copy of these documents, at your request, and at no cost, by calling toll free 1 (877) 327-6048, (416) 323-0477 or from your financial advisor or by email at [info@arrow-capital.com](mailto:info@arrow-capital.com).

These documents and other information about the Fund, such as information circulars and material contracts, are also available on the Fund's website [www.arrow-capital.com](http://www.arrow-capital.com) or on SEDAR (the System for Electronic Document Analysis and Retrieval established by the Canadian Securities Administrators) at [www.sedar.com](http://www.sedar.com).

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