

**NOTICE OF SPECIAL MEETING AND  
MANAGEMENT INFORMATION CIRCULAR**

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**SPECIAL MEETING OF UNITHOLDERS OF  
EXEMPLAR INVESTMENT GRADE FUND**

**THE ABOVE MEETING IS TO BE HELD ON**

**JUNE 17, 2021**

**in Toronto, Ontario**

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If you are a unitholder and you have any questions as to how to deal with the documents or matters referred to herein, you should immediately consult your investment advisor.

THESE DOCUMENTS REQUIRE IMMEDIATE ATTENTION.

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**NOTICE OF SPECIAL MEETING OF UNITHOLDERS OF  
EXEMPLAR INVESTMENT GRADE FUND**

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**NOTICE IS HEREBY GIVEN** that a special meeting of the unitholders (the “**Special Meeting**”) of Exemplar Investment Grade Fund (the “**Terminating Fund**”) will be held on June 17, 2021 at the head office of Arrow Capital Management Inc., 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5 at 10:00 a.m. (Toronto time) for the following purposes:

1. To seek the approval of investors for all matters relating to the merger of the Terminating Fund into the Arrow EC Income Advantage Alternative Fund (the “**Continuing Fund**” and along with the Terminating Fund collectively referred to as the “**Merging Funds**”) (the “**Merger**”), as more particularly described in the accompanying Management Information Circular; and
2. To transact such other business as may properly come before the Special Meeting or any adjournment thereof.

A Management Information Circular dated May 7, 2021 (the “**Information Circular**”) and a form of proxy accompany this notice. We have provided a complete description of the matters to be considered at the Special Meeting in the Information circular. The full text of the resolutions to be passed by unitholders at the Special Meeting is set out in Schedule A to the Information Circular.

In light of ongoing concerns related to the spread of COVID-19, and in order to mitigate potential risks to the health and safety of the Fund’s unitholders and other stakeholders, meeting participants are encouraged not to attend in person. Rather, participants are encouraged to vote on the matter before the Special Meeting by proxy and join the Special Meeting by teleconference. If you would like to join the Special Meeting by teleconference please contact the Manager at 1 (877) 327-6048 or email to [info@arrow-capital.com](mailto:info@arrow-capital.com) for details.

Pursuant to National Instrument 81-107, the Independent Review Committee (“**IRC**”) of the Merging Funds has reviewed the Merger and has provided a positive recommendation that the Merger, if implemented, achieves a fair and reasonable result for the Funds. (Please see the Information Circular for more information about the IRC). The IRC has considered the Merger from a conflict of interest perspective. It is not the role of the IRC to recommend that investors vote in favour of or against the Merger and the IRC is making no such recommendation. Investors should review the Merger and make their own decision.

DATED at Toronto, Ontario, this 7th day of May, 2021.

ARROW CAPITAL MANAGEMENT INC. as Trustee of  
EXEMPLAR INVESTMENT GRADE FUND

*“James McGovern”*

By: James L. McGovern

## **I M P O R T A N T**

**Unitholders who are unable to attend the Special Meeting of the Terminating Fund in person and who wish to appoint, as their proxy, the officers and directors of Arrow Capital Management Inc., whose names are printed on the proxy, are requested to complete, date, sign and return the accompanying form of proxy. A self-addressed return envelope has been provided. The proxy should be sent to Arrow Capital Management Inc., 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5, or it may be faxed to 416-323-3199, SO AS TO ARRIVE NOT LATER THAN THE CLOSE OF BUSINESS ON THE DAY THAT IS 48 HOURS PRIOR to the commencement of the Special Meeting or any adjournment thereof (excluding Saturdays and holidays) or deposited with the Chairman of the Special Meeting prior to the commencement thereof.**

**MANAGEMENT INFORMATION CIRCULAR**  
**IN RESPECT OF THE SPECIAL MEETING OF UNITHOLDERS OF:**  
**EXEMPLAR INVESTMENT GRADE FUND (the “Terminating Fund”)**

The Terminating Fund and the Arrow EC Income Advantage Alternative Fund (the “**Continuing Fund**”) are hereinafter referred to collectively as the “**Merging Funds**” and individually as a “**Merging Fund**.”

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**SOLICITATION OF PROXIES AND VOTING INSTRUCTIONS**

The information in this management information circular (the “**Information Circular**”) is furnished in connection with the solicitation of proxies (and of voting instructions in the case of non-registered owners of units) from unitholders of the Terminating Fund by or on behalf of Arrow Capital Management Inc. (“**Arrow**”), as manager and trustee of the Terminating Fund, to be used at the special meeting and at all adjournments thereof (the “**Special Meeting**”), to be held on **Thursday June 17, 2021** at the head office of Arrow, 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5 at **10:00 a.m.** (Toronto time). Solicitation of proxies and voting instructions will be made by mail or courier or by telephone by the directors, officers and employees of Arrow or its agents directly to unitholders or to dealers who acted on behalf of unitholders in the purchase of units of the Terminating Fund.

Costs of the Special Meeting will be borne by Arrow and will not be charged to the Terminating Fund. No commission or other fee will be charged to investors on the issue or exchange of units of the Terminating Fund into the Continuing Fund.

Unless otherwise indicated, dollar amounts are expressed in Canadian dollars.

A French version of this Information Circular can be obtained at no cost by visiting [www.sedar.com](http://www.sedar.com) or by contacting Arrow.

Additional information regarding the Merging Funds is available on Arrow’s website, at [www.arrow-capital.com](http://www.arrow-capital.com), or on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) website, at [www.sedar.com](http://www.sedar.com).

**REGISTERED OWNERS**

If you are a registered owner of units, you may vote in person at the Special Meeting or you may appoint another person to represent you as proxyholder and vote your units at the Special Meeting. If you wish to attend the Special Meeting, do not complete or return the enclosed form of proxy because you will vote in person at the Special Meeting. Please register when you arrive at the Special Meeting. See below for special instructions for Series ETF Unitholders.

## **Appointment of Proxies**

If you do not wish to attend the Special Meeting, you should complete and return the enclosed form of proxy. The individuals named in the form of proxy are representatives of the manager of the Terminating Fund and are directors and officers of Arrow. You have the right to appoint someone else to represent you at the Special Meeting. If you wish to appoint someone else to represent you at the Special Meeting, insert that other person's name in the blank "appointee" space provided in the form of proxy. The person you appoint to represent you at the Special Meeting need not be a unitholder of the Terminating Fund and must be present at the Special Meeting in order to vote the units.

In light of ongoing concerns related to the spread of COVID-19, and in order to mitigate potential risks to the health and safety of the Fund's unitholders and other stakeholders, meeting participants are encouraged not to attend in person. Rather, participants are encouraged to vote on the matter before the Meeting by proxy and join the Meeting by teleconference. If you would like to join the Meeting by teleconference please contact the Manager at 1 (877) 327-6048 or email to [info@arrow-capital.com](mailto:info@arrow-capital.com) for details.

To be valid, proxies must be sent to and reviewed by Arrow Capital Management Inc., 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5 or faxed to 416-323-3199, except proxies for Series ETF Units which must be deposited with TSX Trust Company at its principal offices in Toronto. All proxies must be sent or deposited not later than the close of business on the day that is 48 hours prior to the commencement of the Special Meeting or any adjournment thereof (excluding Saturdays and holidays).

## **Revocation**

If you have submitted a proxy and later wish to revoke it you can do so by:

- (a) completing and signing a form of proxy bearing a later date and depositing it with Arrow or TSX Trust Company (for Series ETF Units) as described above;
- (b) depositing a document that is signed by you (or by someone you have properly authorized to act on your behalf) (i) at the offices of Arrow (all Units) or at the registered office of TSX Trust Company at 301-100 Adelaide Street West, Toronto, Ontario, M5H 4H1 (Series ETF Units) at any time up to the last business day preceding the day of the Special Meeting, or any adjournment of the Special Meeting, at which the proxy is to be used, or (ii) with the chair of the Special Meeting before the Special Meeting starts on the day of the Special Meeting or any adjournment of the Special Meeting;
- (c) electronically transmitting your revocation in a manner permitted by law, provided that the revocation is received (i) at the offices of Arrow or TSX Trust Company (Series ETF Units) at any time up to and including the last business day preceding the day of the Special Meeting, or any adjournment of the Special Meeting, at which the proxy is to be used, or (ii) by the chair of the Special Meeting before the Special Meeting starts on the day of the Special Meeting or any adjournment of the Special Meeting; or
- (d) following any other procedure that is permitted by law.

## **Voting of Proxies**

In connection with any ballot that may be called for, the representatives of Arrow designated in the enclosed form of proxy will vote your units in accordance with the instructions you have indicated on the proxy and, if you specify a choice with respect to any matter to be acted upon, the units will be voted

accordingly. **In the absence of any direction, your units will be voted by the representatives of Arrow FOR the Merger of Exemplar Investment Grade Fund into Arrow EC Income Advantage Alternative Fund as indicated under Proposed Fund Merger of Exemplar Investment Grade Fund into Arrow EC Income Advantage Alternative Fund in this Information Circular.**

The representatives of Arrow designated in the enclosed form of proxy have discretionary authority with respect to amendments to or variations of matters identified in the notice of meeting and with respect to other matters that may properly come before the Special Meeting. At the date of this Information Circular, management of Arrow knows of no such amendments, variations or other matters.

## **NON-REGISTERED OWNERS**

You will receive the notice of the Special Meeting and this Information Circular (collectively, the “**Meeting Materials**”), and a request for voting instructions from Arrow.

These Meeting Materials are being sent to both registered and non-registered owners of units of the funds.

If your units are registered in the name of an intermediary (such as a bank, trust company, securities dealer or broker, or trustee or administrator of a self-administered registered retirement savings plan, registered retirement income fund, registered education savings plan, deferred profit sharing plan or similar plan (a “**Registered Plan**”)), you are a non-registered owner.

Only registered owners of units, or the persons they appoint as their proxies, are permitted to attend and vote at a Special Meeting. If you are a non-registered owner, you are entitled to direct how the units beneficially owned by you are to be voted or you may obtain a form of legal proxy that will entitle you to attend and vote at a Special Meeting.

By choosing to send these Meeting Materials to you directly, Arrow (and not the intermediary holding the units of the Funds on your behalf) has assumed responsibility for (i) delivering these Meeting Materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

If you do not wish to attend the Special Meeting (or have another person attend and vote on your behalf), you should write your name, or the name of your designate, on the “appointee” line on the form of proxy, then sign and return it by mail to Arrow. You may revoke your voting instructions at any time by written notice, except that Arrow is not required to honour the revocation of your voting instructions unless the revocation is received by 5:00 p.m. (Toronto time) on June 15, 2021.

When you write your name or the name of your designate, on the “appointee” line, you or your designate will have the right to attend the Special Meeting and vote in person. If you have another person voting on your behalf, you should instruct your designate how to complete the form of proxy. You, or your designate, must attend the Special Meeting. You (or the other person) must register when you arrive at the Special Meeting.

You should follow the instructions on the request for voting instructions and contact Arrow promptly if you need assistance.

If you wish to obtain a legal proxy please contact the individual who services your account.

## SERIES ETF UNITHOLDERS

The information set forth in this section is of significant importance to beneficial holders of Series ETF units as the Series ETF units are held in the name of CDS & Co. (the nominee of CDS) and not in the name of the beneficial owners of the Series ETF units. Because the Terminating Fund utilizes the book-entry only system of registration, Series ETF Unitholders do not hold their Series ETF units in their own name and are considered beneficial Unitholders (“**Beneficial ETF Unitholders**”). Beneficial ETF Unitholders should note that only proxies deposited by Unitholders whose names appear on the records of the Terminating Fund as the registered holders of Series ETF units can be recognized and acted upon at the Meeting. Series ETF Units held by brokers or their nominees through CDS & Co. can only be voted upon the instructions of the Beneficial ETF Unitholder. Without specific instructions, CDS & Co. and brokers/nominees are prohibited from voting units for their client(s). The Terminating Fund does not know for whose benefit the units registered in the names of CDS & Co. are held. Therefore, Beneficial ETF Unitholders cannot be recognized at the Meeting for purposes of voting their units in person or by way of proxy unless they comply with the procedure designated below.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial ETF Unitholders in advance of Unitholders’ meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial ETF Unitholders in order to ensure that their units are voted at the Meeting. Often, the form of proxy supplied to a Beneficial ETF Unitholder by its broker is identical to that provided to registered Unitholders. However, its purpose is limited to instructing the registered Unitholders how to vote on behalf of the Beneficial ETF Unitholders. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. (“**Broadridge**”). Broadridge typically prepares a voting instruction form which it mails to the Beneficial ETF Unitholders and asks Beneficial ETF Unitholders to complete and return directly to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of units to be represented at the Meeting. **A Beneficial ETF Unitholder receiving a voting instruction form cannot use that form to vote units directly at the Meeting; the voting instruction form must be returned to Broadridge well in advance of the Meeting in order to have the units voted.**

### How Do I Vote my Series ETF Units?

All Series ETF Unitholders other than CDS are considered Beneficial ETF Unitholders because their units are held through a bank, trust company, securities broker or other intermediary. Beneficial ETF Unitholders who have not objected to their intermediary disclosing certain ownership information about themselves to the Terminating Fund are referred to as “NOBOs”. Those Beneficial ETF Unitholders who have objected to their intermediary disclosing ownership information about themselves to the Terminating Fund are referred to as “OBOs”. In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators, Arrow has distributed the Meeting Materials directly to registered unitholders and indirectly through the clearing agencies and intermediaries for onward distribution to non-registered holders (NOBOs and OBOs)

Intermediaries are required to forward the Meeting Materials to non-registered holders unless the non-registered holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to non-registered holders. Generally, non-registered holders who have not waived the right to receive Meeting Materials will either:



- a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile stamped signature), which is restricted as to the number and class of securities beneficially owned by the non-registered holder but which is not otherwise completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the non-registered holder when submitting the proxy. In this case, the non-registered holder who wishes to vote by proxy should otherwise properly complete the form of proxy and deliver it as specified above under “Appointment of Proxies” and “Revocation”; or
- b) be given a form of proxy which is not signed by the Intermediary and which, when properly completed and signed by the non-registered holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a “Voting Instruction Form”) which the Intermediary must follow. Typically, the nonregistered holder will also be given a page of instructions, which contains a removable label containing a bar code and other information. In order for the form of proxy to validly constitute a Voting Instruction Form, the non-registered holder must remove the label from the instructions and affix it to the Voting Instruction Form, properly complete and sign the Voting Instruction Form and submit it to the Intermediary or its services company in accordance with the instructions of the Intermediary or its service company

Every intermediary has its own procedures which should be carefully followed by Beneficial ETF Unitholders to ensure that their Series ETF units are voted at the Meeting. These procedures generally allow voting by telephone, on the Internet, by mail or by fax. Please contact your intermediary for instructions in this regard.

## PROPOSED FUND MERGER

Arrow, as manager of the Terminating Fund, is seeking the approval of unitholders of the Terminating Fund to merge the Terminating Fund into the Continuing Fund (the “**Merger**”). The full text of the resolution relating to the Merger to be considered at the Special Meeting is set out in Schedule A to this Information Circular. Arrow will not proceed with the Merger unless the investors of the Terminating Fund provide their approval.

### REASONS FOR THE MERGER

In the opinion of Arrow, the Merger will be beneficial to unitholders of the Terminating Fund and the Continuing Fund for the following reasons:

1. the Continuing Fund has a similar investment objective and investment strategy as the Terminating Fund and is managed by the same team of investment personnel;
2. a significant portion of the Terminating Fund’s investments are similar to investments in the Continuing Fund;
3. the Continuing Fund is an alternative mutual fund, as described below, which provides the Manager with a more comprehensive and flexible mandate to meet the investment objectives of the Terminating Fund;
4. the Continuing Fund, notwithstanding similar investment objective, investment strategy and investment personnel, has enjoyed better performance over its life than that enjoyed by the Terminating Fund over such period;
5. the Merger will provide economies of scale by eliminating duplicative administrative and regulatory costs of operating the Terminating Fund and the Continuing Fund as separate mutual funds, including, but not limited to, regulatory filing fees, audit fees, accounting and legal expenses;
6. following the Merger, the Continuing Fund will have more assets allowing for increased portfolio diversification opportunities and a smaller proportion of assets set aside to fund redemptions.

The Terminating Fund will be wound-up as soon as reasonably possible following the Merger.

Neither of the Merging Funds will bear any of the costs and expenses associated with the Merger. Such costs will be borne by Arrow.

If the resolution is not approved at the Meeting (including any adjournment thereof) the Manager will continue to manage the Exemplar Investment Grade Fund in accordance with the terms of the declaration of trust governing the Exemplar Investment Grade Fund.

## FUND COMPARISONS

### General

The Continuing 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. National Instrument 81-104 *Alternative Mutual Funds* requires additional proficiency requirements for your investment advisor to be able to purchase or redeem units of an alternative mutual fund on your behalf. If your investment advisor does not meet the proficiency requirements this may affect your ability to purchase or sell additional units of the Continuing Fund.

Set out below is a comparison of certain features of the Terminating Fund and the Continuing Fund.

<b>Feature</b>	<b>Exemplar Investment Grade Fund (Terminating Fund)</b>	<b>Arrow EC Income Advantage Alternative Fund (Continuing Fund)</b>
Manager and Portfolio Advisor	Arrow	Arrow
Sub-Advisor	East Coast Asset Management SEZC	East Coast Asset Management SEZC
Type of Fund	Fixed Income	Fixed Income Alternative Fund
Risk Rating	For investors who should be able to accept a low degree of risk.	For investors who should be able to accept a low to medium degree of risk.
Investment Objective	To generate income and capital preservation by investing in a diversified portfolio of primarily North American investment grade corporate bonds	To generate income and preserve capital by investing in a diversified portfolio of primarily North American investment grade corporate bonds.  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 of Schedule “B” or as otherwise permitted under applicable securities legislation.
Registered Plan Eligibility	Yes	Yes
Net Assets	\$130,317,749 as of April 30, 2021	\$144,161,125 as of April 30, 2021

<b>Feature</b>	<b>Exemplar Investment Grade Fund (Terminating Fund)</b>	<b>Arrow EC Income Advantage Alternative Fund (Continuing Fund)</b>
<b>Distribution Policies</b>	<p>In respect of Series A, F, U, G and ETF units, the Fund expects to make a distribution each month based on a target annualized rate of 3.0% of the NAV per unit of the relevant series at the end of the prior year.</p> <p>In respect of Series AI and FI units, the Fund expects to make a distribution each month based on a target annualized rate of 5.0% of the NAV per unit of the relevant series at the end of the prior year.</p> <p>In respect of Series AN, FN and I units, the Fund does not make regular distribution payments.</p> <p>All Series will have annual distributions for its taxable income, if any, above the amounts distributed during the year.</p>	<p>In respect of Series AD, FD, U, G and ETF units, the Fund expects to make a distribution each month based on a target annualized rate of between 4.0% and 5.0% of the NAV per unit of the relevant series at the end of the prior year.</p> <p>In respect of Series A, F and I units, the Fund does not make regular distribution payments.</p> <p>All Series will have annual distributions for its taxable income, if any, above the amounts distributed during the year.</p>
<b>Management and Performance Fees</b>	<p>A, AI, AN, U – 1.30% F, FI, FN, G, ETF – 0.80% I – negotiated with Arrow</p> <p>The Terminating Fund does not pay a performance fee.</p> <p>The Continuing Fund pays a performance bonus per unit equal to 15% of the amount by which the Adjusted Net Asset Value per unit at the end of the fiscal year exceeds the highest year end Adjusted Net Asset Value per unit previously achieved. For these purposes, “Adjusted Net Asset Value per unit” of any series of securities of the Continuing Fund means the Net Asset Value per unit of that series at the end of a fiscal year plus the aggregate amount of all distributions or dividends previously declared on a per unit basis in respect of such series of units, without giving effect to the accrual of any performance bonus.</p>	<p>A, AD, U – 1.45% F, FD, G, ETF – 0.95% I – negotiated with Arrow</p>
<b>Total Returns for the Previous Five Years</b>	<p>2021: 1.7% (to April 30, 2021) 2020: 3.6% 2019: 6.1% 2018: (0.5%) 2017: 3.9% 2016: 7.6%</p>	<p>2021: 1.3% (to April 30, 2021) 2020: 5.5% 2019: 7.1% 2018: 1.3% 2017: 6.6% 2016: 10.5%</p>
<b>Operating Expenses</b>	Each of the Merging Funds is responsible separately for the payment of all fees and expenses relating to their respective operation.	

Feature	Exemplar Investment Grade Fund (Terminating Fund)	Arrow EC Income Advantage Alternative Fund (Continuing Fund)
Fees Payable Directly by Investors	Each of the Merging Funds has the same arrangement with respect to fees payable directly by investors.	

Additional details of the Arrow EC Income Advantage Alternative Fund are attached as Schedule B.

## PROCEDURES FOR THE MERGER

Should investors approve the Merger, the Merger will become effective on the close of business on June 25, 2021 or as soon as practicable thereafter (the “**Effective Date**”).

The proposed Merger permits investors of the Terminating Fund to acquire or exchange for securities of the Continuing Fund with no redemption fee, exchange fee or commission. Investors of each series of the Terminating Fund will receive a similar series of securities of the Continuing Fund on a series-for-series and dollar-for-dollar basis, as follows:

- **Series A, F, U and G Units:** Unitholders of Series A, F, U and G units of the Terminating Fund will receive Series AD, FD, U and G units of the Continuing Fund, respectively. The management fee of the Series AD, FD, U and G units of the Continuing Fund is 0.15% higher than the management fee of the Series A, F, U, and G units of the Terminating fund and charges a performance bonus. The monthly targeted annualized distribution rate is 1-2% higher for Series AD, FD, U and G units of the Continuing Fund.
- **Series AI and FI Units:** Unitholders of Series AI and FI units of the Terminating Fund will receive Series AD and FD units of the Continuing Fund, respectively. The management fee of the Series AD and FD units of the Continuing Fund is 0.15% higher than the management fee of the Series AI and FI units of the Terminating fund and charges a performance bonus. The monthly targeted annualized distribution rate is 0-1% lower for Series AD and FD of the Continuing Fund.
- **Series AN and FN Units:** Unitholders of Series AN and FN units of the Terminating Fund will receive Series A and F units of the Continuing Fund, respectively. The management fee of the Series A and F units of the Continuing Fund is 0.15% higher than the management fee of the Series AN and FN units of the Terminating fund and charges a performance bonus. Neither of these series of either Fund have monthly distributions.
- **Series I Units:** Unitholders of Series I units of the Terminating Fund will receive Series I units of the Continuing Fund. The management fee of the Series I units of the Continuing Fund is the same as the management fee of the Series I units of the Terminating fund and charges a performance bonus.
- **Series ETF Units:** Series ETF units of the Continuing Fund currently do not exist. Prior to the Merger, Arrow will be establishing ETF units of the Continuing Fund and will file a simplified prospectus with the regulators to allow for the continuous distribution of the Series ETF units. Unitholders of Series ETF units of the Terminating Fund will receive Series ETF units of the Continuing Fund. The management fee of the Series ETF units of the Continuing Fund will be 0.15% higher than the management fee of the Series ETF units of the Terminating fund and will charge a

performance bonus. The monthly targeted annualized distribution rate will be 1-2% higher for Series ETF units of the Continuing Fund.

Following the Merger, investors of the Terminating Fund will hold securities of the Continuing Fund and the Terminating Fund will be terminated.

Additional information about the Continuing Fund is contained in the Fund Facts of the Continuing Fund dated June 26, 2020. Investors may obtain a copy of the Fund Facts, simplified prospectus and annual information form of the Continuing Fund and each Fund's most recent interim and annual financial statements and management report of fund performance by accessing the SEDAR website at [www.sedar.com](http://www.sedar.com) or by accessing the Manager's website at [www.arrow-capital.com](http://www.arrow-capital.com).

### **Redemptions and Sales of Terminating Fund**

Provided that the Merger is approved, effective as of the close of business on June 18, 2021, the Terminating Fund will cease distribution of securities and any new purchases of units will not be allowed. The Terminating Fund will remain closed to purchase-type transactions, except existing systematic investment programs (such as pre-authorized chequing plans) until it is merged with the Continuing Fund on the Effective Date. All systematic programs shall remain unaffected until the Effective Date. The ability to redeem or switch securities of the Terminating Fund will remain open until the close of business on the business day immediately preceding the Effective Date.

Redemption requests accepted by Arrow must be settled on or before the Effective Date, in accordance with normal settlement procedures. Redemption requests not settled on or before the Effective Date will be deemed to be requests to redeem securities of the Continuing Fund received on the Merger and the normal settlement procedures will apply after the Merger. Investors will be able to redeem securities of the Continuing Fund resulting from the Merger at any time after the Effective Date. Securities of the Continuing Fund acquired by investors under the Merger will be subject to the same redemption charges, if any, which applied to the investors' securities of the Terminating Fund immediately prior to the Merger, except for the deferred sales charge, as explained above.

Following the Merger, all systematic withdrawal programs that had been established with respect to the Terminating Fund will be re-established on a series-for-series basis in the applicable Continuing Fund unless investors advise Arrow otherwise. Investors may change or cancel any systematic program at any time and investors of the Terminating Fund who wish to establish one or more systematic programs in respect of their holdings in the Continuing Fund may do so following the Merger.

There are no charges payable by investors of the Terminating Fund who acquire securities of the Continuing Fund as a result of the Merger. **Terminating Fund investors who do not wish to own securities of the Continuing Fund may instead redeem their securities or switch their securities for securities of any other Arrow fund until the day before the Effective Date of the Merger. Investors who redeem their securities may be subject to redemption charges as outlined in the simplified prospectus.**

### **Costs**

All costs and expenses associated with the Merger, including costs of the Special Meeting, will be borne by Arrow and will not be charged to the Terminating Fund or Continuing Fund. No commission or other fee will be charged to investors on the issue or exchange for securities of the Continuing Fund or otherwise in connection with the Merger.

## **Implementation of the Merger**

### ***Tax-Deferred Merger***

The proposed Merger will be structured as a “qualifying exchange” for tax purposes according to the steps set out below. One of the consequences of a qualifying exchange is that after the Merger, the Continuing Fund will not be permitted to carry forward any premerger losses or accrued losses deemed to be realized at the time of the Merger. The Continuing Fund is not expected to have material tax losses that will expire unused as a result of the Merger; however this could change by the time the Merger is carried out.

**Step 1:** Any investments held by the Terminating Fund that is not consistent with the investment objective of the Continuing Fund or acceptable to the portfolio manager of the Continuing Fund will be sold prior to the Effective Date. As a result, the Terminating Fund will temporarily hold cash and/or money market instruments and will not be invested in accordance with its investment objectives for a brief period of time prior to the Merger. The value of any investment sold prior to the Effective Date will depend on prevailing market conditions.

**Step 2:** Prior to the Merger, each of the Terminating Fund and the Continuing Fund will distribute to their respective unitholders sufficient net income and net realized capital gains so that none of the Funds will be subject to tax under Part I of the *Income Tax Act* (Canada) (the “**Tax Act**”) for the taxation year ended at the time of the Merger.

**Step 3:** On the Effective Date, the Terminating Fund will transfer all of its assets less an amount required to satisfy the liabilities of the Terminating Fund, to the Continuing Fund, in exchange for units of the Continuing Fund. The units of the Continuing Fund received by the Terminating Funds will have an aggregate net asset value equal to the value of the net assets transferred by the Terminating Fund.

**Step 4:** Immediately following the above-noted transfer, the Terminating Fund will redeem its outstanding units and distribute the units of the Continuing Fund received by the Terminating Fund to unitholders of the Terminating Fund, in exchange for all such unitholders’ existing units, including any fractions of units, of the Terminating Fund, on a series-for-series and dollar-for-dollar basis.

**Step 5:** As soon as reasonably possible following the Merger, the Terminating Fund will be wound up.

### **Required Investor Approval**

As required under securities law, a vote for the approval of the Merger of the Exemplar Investment Grade Fund into the Arrow EC Income Advantage Alternative Fund will not be effective unless it is approved by a majority of the votes cast by investors of Exemplar Investment Grade Fund.

Each investor is entitled to one vote for each whole unit held. Investors of record at the close of business on May 7, 2021 will be entitled to vote at the Special Meeting, except to the extent that a transferee of units after that date complies with the procedures described under “*Record Date and Quorum*”, in order to qualify to vote the transferred units.

The implementation of the Merger is also conditional upon regulatory approval. Arrow has applied to the Canadian securities regulatory authorities for approval required under the applicable securities laws in order to carry out the proposed Merger.

**Notwithstanding the receipt of such approvals, Arrow may, in its discretion, decide not to proceed with, or delay (until no later than July 31, 2021), the proposed Merger for any reason if it considers such course to be in the best interests of a Merging Fund(s) or their investors.**

## **RECOMMENDATION REGARDING THE MERGER**

For the reasons set out above under the sub-heading “Reasons for the Merger”, Arrow strongly recommends that unitholders of the Terminating Fund vote **FOR** the proposed resolution.

### **Recommendation of the Independent Review Committee**

Pursuant to *National Instrument 81-107 – Independent Review Committee for Investment Funds*, the independent review committee of each of the Funds (the “**IRC**”) has reviewed the proposed Merger of the Terminating Fund with the Continuing Fund and the process to be followed in connection with the Merger, and has advised the Manager that, in the opinion of the IRC, having reviewed the Merger as a potential “conflict of interest matter”, the Merger achieves a fair and reasonable result for the Terminating Fund and the Continuing Fund. The IRC has considered the proposed Merger from a conflict of interest perspective. It is not the role of the IRC to recommend that securityholders of the Terminating Fund vote in favour of the Merger. Securityholders should review the proposed Merger and make their own decision.

## **RECORD DATE AND QUORUM**

The Board of Directors of Arrow has fixed the close of business on May 7, 2021 (the “**Record Date**”) for the purpose of determining which investors are entitled to receive notice of and vote at, the Special Meeting. Holders of units of the Terminating Fund on the Record Date will be entitled to vote at the Meeting, except to the extent that such units are redeemed prior to the Special Meeting or a transferee of units after the Record Date complies with the required procedures in order to qualify to vote the transferred units. If your units were transferred to you from another investor after May 7, 2021 you should contact Arrow to determine the documentation necessary to transfer the units on Arrow’s records. You will only be able to vote the transferred units after the transfer has been recorded on the Arrow’s records.

The quorum for the Special Meeting is any two investors present in person or by proxy. If within one-half hour from the time appointed for the Special Meeting a quorum is not present, then the Special Meeting shall stand adjourned without notice to the same day in the next week at the same time and place. At such adjourned Special Meeting, the unitholders present in person or by proxy shall constitute a quorum.

## **SECURITIES OF THE FUND AND PRINCIPAL UNITHOLDERS**

As at May 7, 2021, 12,453,563 units of the Terminating Fund were issued and outstanding.

As at May 7, 2021, to the knowledge of the directors and officers of Arrow no person or company beneficially owns, directly or indirectly, or exercises control or direction over, units carrying more than 10% of the voting rights attached to the units of the Terminating Fund entitled to vote at the Special Meeting.

As at May 7, 2021, the directors and senior officers of Arrow owned less than 10% of the securities of the Exemplar Investment Grade Fund.



## INCOME TAX CONSIDERATIONS REGARDING THE MERGER

This is a general summary of the principal Canadian federal income tax consequences of the Merger relevant to a unitholder of a Merging Fund who, for purposes of the Tax Act, is an individual (other than a trust) resident, or is deemed to be resident, in Canada, deals arm's length and is not affiliated with the Terminating Fund or the Continuing Fund and who holds units of a Merging Fund and will hold units of the Continuing Fund as capital property.

This description is based on the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**"), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and Arrow's understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency ("**CRA**"). Except for the Tax Proposals, this summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative action or decision, or changes in the administrative practices of the CRA, nor does it consider provincial, territorial or foreign income tax legislation or considerations.

This summary is based on the assumption that both the Terminating Fund and the Continuing Fund are and will continue to be a "mutual fund trust" within the meaning of the Tax Act and the Regulations at all material times and are not "SIFT Trusts" within the meaning of the Tax Act.

**The summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular unitholder. Accordingly, unitholders should consult with their own tax advisors for advice with respect to the tax consequences of the Merger having regard to their own particular circumstances.**

### Redemption and Switches Prior to Merger

A unitholder who redeems units of a Merging Fund, or switches units to another Arrow fund, on or before the date of the Merger will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the aggregate of the unitholder's adjusted cost base of the units redeemed and any reasonable costs of disposition. A unitholder that holds units of a Merging Fund directly, rather than in a Registered Plan, must include one-half of a capital gain (a "**taxable capital gain**") in income. One-half of a capital loss (an "**allowable capital loss**") realized by a unitholder in a taxation year must be deducted against taxable capital gains realized by the unitholder in that year. Allowable capital losses in excess of taxable capital gains realized in any year may, subject to certain limitations under the Tax Act, be carried-back three years or forward indefinitely for deduction against net taxable capital gains realized in those years. Capital gains realized by an individual may give rise to liability for alternative minimum tax.

If units are held by a Registered Plan, capital gains realized on a redemption of units will generally be exempt from tax until withdrawn from the Registered Plan (other than a tax-free savings account or a withdrawal of contributions from a registered education savings plan).

### Tax Consequences of the Merger

The Tax Act provides for a mutual fund merger to be effected on a tax-deferred basis for merging funds and their unitholders if it satisfies certain conditions and the merging funds make an election to have the qualifying exchange rules apply. The Terminating Fund and Continuing Fund will jointly elect for the Merger to be completed as a "qualifying exchange" (as defined in the Tax Act) in accordance with the

mutual fund merger rules in the Tax Act. The Merger will occur on a tax-deferred basis for the Terminating Fund and the Continuing Fund and their unitholders.

In a qualifying exchange, non-capital losses and net capital losses of the Terminating Fund and the Continuing Fund realized in taxation years of the Terminating Fund or Continuing Fund ending on or before the date of the Merger cannot be deducted by the Terminating Fund or Continuing Fund in taxation years beginning after the Merger.

The Terminating Fund will transfer assets to the Continuing Fund in exchange for units of the Continuing Fund. For income tax purposes, each transferred asset of the Terminating Fund will be deemed to be disposed of for (i) its fair market value, where there is an accrued loss on the asset, or (ii) an amount elected by the Terminating Fund and the Continuing Fund, between the Terminating Fund's adjusted cost base and the fair market value of the asset, where the asset has an accrued gain.

The Continuing Fund will be deemed for tax purposes to dispose of and reacquire all of its assets on the date of the Merger (other than those acquired from the Terminating Fund), subject to the same restrictions described above relating to the Terminating Fund. As a result, the Continuing Fund will realize all of its accrued capital losses and, to the extent it elects, accrued capital gains.

The Merger will result in a taxation year-end for the Terminating Fund and the Continuing Fund. As a result, immediately after the time of transfer of the Terminating Fund's assets to the Continuing Fund, each Merging Fund will distribute a sufficient amount of its net income (including net realized capital gains) to ensure that it will not be subject to tax under Part I of the Tax Act for the taxation year ending on the date of the Merger. Unitholders of a Merging Fund will receive a statement for income tax purposes identifying the unitholder's share of the Merging Fund's income for the taxation year ending on the date of the Merger. Generally, the income allocated to the unitholder, as set out in the statement, must be included in the unitholder's income for the taxation year of the unitholder in which the Merger occurs. If units are held in a Registered Plan, distributions from a Merging Fund will generally be exempt from tax until withdrawn from the Registered Plan (other than a tax-free savings account or a withdrawal of contributions from a registered education savings plan).

The redemption of units of the Terminating Fund and the distribution of units of the Continuing Fund in exchange for the units of the Terminating Fund as part of the Merger will not result in the realization of a capital gain or capital loss to the Terminating Fund or to the unitholders of the Terminating Fund, as the case may be. The units of the Continuing Fund received by a unitholder will have an aggregate adjusted cost base equal to the aggregate adjusted cost base of the unitholder's units of the Terminating Fund so redeemed, subject to the adjusted cost base averaging rules that apply if the unitholder otherwise holds units of the Continuing Fund.

### **Eligibility for Investment**

Units of the Continuing Fund are qualified investments for Registered Plans. However, unitholders may be subject to a penalty tax if the units are "prohibited investments" within the meaning of the Tax Act for a tax-free savings account ("TFSA"), a registered retirement savings plan ("RRSP"), a registered retirement income fund ("RRIF"), a registered disability savings plan ("RDSP") or a registered education savings plan ("RESP"). Units of the Continuing Fund will not be prohibited investments for a TFSA, RRSP, RRIF, RDSP or RESP provided that the holder of the TFSA or RDSP, the annuitant under the RRSP or RRIF or a subscriber of a RESP, as the case may be, deals at arm's length with the Continuing Fund for purposes of the Tax Act and does not have a "significant interest" (as defined in the Tax Act) in the Continuing Fund or in a corporation, partnership or trust with which the Continuing Fund does not

deal at arm's length for purposes of the Tax Act. You should consult your own tax advisor with respect to whether units of the Continuing Fund may be a prohibited investment.

## **MANAGEMENT OF THE MERGING FUNDS**

Pursuant to the management agreements with the Merging Funds, Arrow acts as manager of the Merging Funds and is responsible for the day-to-day business of the Merging Funds, including the management of the investment portfolios of the Merging Funds.

In consideration of the management and investment advisory services, the Merging Funds pay a management fee and the Continuing Fund pays a performance bonus to Arrow. During the year ended December 31, 2020, aggregate management fees paid to Arrow by the Terminating Fund and the Continuing Fund were \$1,437,400 and \$1,227,815, respectively and the aggregate performance bonus paid to Arrow by the Continuing Fund was \$543,224.

The Merging Funds are responsible for the payment of all fees and expenses relating to their operation, including registrar and transfer agent fees and expenses, audit, accounting, administration (other than advertising and promotional expenses which are paid for by the Manager), record keeping and legal fees and expenses, custody and safekeeping charges, all costs and expenses associated with the qualification for sale of the units, providing financial and other reports to unitholders and convening and conducting meetings of unitholders, all taxes, assessments or other governmental charges levied against the Merging Funds, interest and all brokerage and other fees relating to the purchase and sale of the assets of the Merging Funds. Each series of units is responsible for the operating expenses incurred by the Merging Funds relating to the offering of units and the expenses specifically related to that series and a proportionate share of expenses that are common to all series of units.

### **Directors and Senior Officers of Arrow**

The names and municipalities of residence of the directors and senior officers of Arrow, and their positions are as follows:

<b>Name and Municipality of Residence</b>	<b>Position with Arrow</b>	<b>Principal Occupation</b>
JAMES McGOVERN Toronto, Ontario	Managing Director and Chief Executive Officer and Director	Managing Director and Chief Executive Officer of Arrow
MARK PURDY Ajax, Ontario	Managing Director and Chief Investment Officer and Director	Managing Director and Chief Investment Officer of Arrow
ROBERT MAXWELL Toronto, Ontario	Managing Director and Chief Financial Officer and Director	Managing Director and Chief Financial Officer of Arrow
FREDERICK DALLEY Toronto, Ontario	Managing Director, Portfolio Management and Director	Managing Director, Portfolio Management of Arrow
MARK KENNEDY Toronto, Ontario	Chief Compliance Officer	Chief Compliance Officer of Arrow

**APPROVAL BY THE MANAGER OF EXEMPLAR INVESTMENT GRADE FUND**

The contents and the sending of this Information Circular to unitholders of Exemplar Investment Grade Fund has been approved by Arrow, as manager and trustee of Exemplar Investment Grade Fund.

DATED at Toronto, Ontario, this 7th day of May, 2021.

ARROW CAPITAL MANAGEMENT INC., as manager  
and trustee of Exemplar Investment Grade Fund

*“James L. McGovern”*

(Signed) James L. McGovern

## **SCHEDULE “A”**

### **RESOLUTION OF THE UNITHOLDERS OF THE EXEMPLAR INVESTMENT GRADE FUND**

#### **TO MERGE WITH ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND**

#### **AT THE SPECIAL MEETING OF INVESTORS HELD ON JUNE 17, 2021**

**All capitalized terms used in this Schedule “A” shall have the meanings described in the Information Circular dated May 7, 2021 to which this Schedule “A” is attached.**

**WHEREAS** it is desirable and in the interests of Exemplar Investment Grade Fund (the “Terminating Fund”) that the Terminating Fund merge (the “Merger”) into Arrow EC Income Advantage Alternative Fund (the “Continuing Fund”);

**BE IT RESOLVED THAT:**

- 1) the Merger of the Terminating Fund into the Continuing Fund, as described in the Information Circular dated May 7, 2021, be and the same is hereby authorized and approved;
- 2) Arrow Capital Management Inc., as trustee and manager (the “Trustee”) of the Terminating Fund, be and is hereby authorized to:
  - a) at the Trustee’s sole discretion, liquidate some or all securities in the portfolio of the Terminating Fund and hold cash and/or money market instruments until the Effective Date such that the Terminating Fund will no longer comply with its investment objectives;
  - b) sell the net assets of the Terminating Fund to the Continuing Fund in exchange for units of the Continuing Fund;
  - c) distribute the units of the Continuing Fund received by the Terminating Fund to unitholders of the Terminating Fund, in exchange for all such unitholders’ existing units of the Terminating Fund, on a series-for-series and dollar-for-dollar basis;
  - d) wind up the Terminating Fund as soon as reasonably possible following the Merger; and
  - e) amend the Master Declaration of Trust of the Terminating Fund to the extent necessary to give effect to the foregoing;
- 3) all amendments to any agreements to which the Terminating Fund is a party that are required to give effect to the matters approved in this resolution be and are hereby authorized and approved;
- 4) any one officer or director of the Trustee be and is hereby authorized and directed, on behalf of the Terminating Fund, to execute and deliver all such documents, instruments and writings (including the filing of any applications for regulatory relief and tax elections) and do all such other acts and things as may be necessary or desirable for the implementation of this resolution;
- 5) the Trustee be and is hereby authorized not to proceed with this resolution for any reason whatsoever in its sole and absolute discretion, without further approval of the investors of the Terminating Fund, at any time prior to the implementation of the changes described above if it is considered to be in the best interests of the Terminating Fund, the Continuing Fund or their investors not to proceed; and
- 6) the Trustee be and is hereby authorized to delay the implementation of the Merger, until no later than July 31, 2021, for any reason whatsoever in its sole and absolute discretion, without further approval of the investors of the Terminating Fund, at any time prior to the implementation of the changes described above if it is considered to be in the best interests of the Terminating Fund, the Continuing Fund or their investors not to proceed.

## SCHEDULE “B”

### ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND

#### FUND DETAILS

<b>Type of Fund:</b>	Alternative Fund
<b>Inception Date:</b>	Series A – June 26, 2020                      Series AD – June 26, 2020 Series F – June 26, 2020                      Series FD – April 26, 2012 Series U – June 26, 2020                      Series G – June 26, 2020 Series I – June 26, 2020                      Series ETF – June ●, 2021
<b>Securities Offered:</b>	Trust units of a mutual fund trust – Series A, AD, F, FD, U, G, I and ETF Units
<b>Eligibility for Registered Plans:</b>	Yes
<b>Portfolio Advisor:</b>	Arrow Capital Management Inc. (Portfolio Advisor) East Coast Asset Management SEZC (Sub-Advisor)

<sup>1</sup>The Fund was originally established on April 26, 2012, and was converted to an open-end alternative mutual fund on June 26, 2020. On June 26, 2020, the Initial Units were re-designated as Series FD Units.

#### WHAT DOES THE FUND INVEST IN?

##### Investment Objective

The investment objective of the Arrow EC Income Advantage Alternative Fund is to generate income and preserve capital by investing in a diversified portfolio of primarily North American investment grade corporate bonds.

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.

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

##### Investment Strategies

To achieve the investment objectives, the Fund will invest primarily in investment grade debt securities of North American corporate and government issuers that are rated BBB- or higher by a recognized rating agency. The Fund may also include non-investment grade debt securities and may invest in other asset classes if warranted by financial conditions.

In managing the Fund, the sub-advisor, will seek to generate income and preserve capital in each stage of the credit cycle; and seek to protect the Fund from interest rate risk associated with higher nominal interest rates and systemic risk. The sub-advisor will utilize the following investment process: (i) top-down analysis (macro-economic environment and sector); (ii) bottom-up analysis (company fundamentals); and (iii) quantitative analysis (asset class and security relative valuation). The outcome of

this research will enable the sub-advisor to identify investment opportunities as well as ways of mitigating and avoiding undesirable market risk. The combination of all three investment processes will assist the sub-advisor in attempting to reduce the downside risk associated with an investment as much as possible prior to acquisition of the investment.

The sub-advisor will utilize leverage to increase the expected yield of the portfolio while limiting expected volatility. In order to reduce portfolio volatility, the portfolio sub-advisor will generally maintain overall interest rate sensitivity significantly lower than the benchmark index, except in circumstances where the portfolio sub-advisor feels it is prudent to extend rate sensitivity. Rate sensitivity will be reduced primarily by short-selling government bonds, or utilizing short positions in bond futures, to offset long positions in corporate bonds. Other techniques may be used to reduce rate sensitivity, including bond options, interest rate swaps and/or other securities which demonstrate negative correlation to corporate bonds.

The Fund will be primarily invested in the investment grade debt of corporations and financial institutions in North America. The Fund may also invest in other fixed income securities including government bonds, preferred shares, floating rate debt instruments, asset-backed securities, non-investment grade bonds, and exchange-traded funds. The Fund will invest primarily in debt securities denominated in Canadian dollars, U.S. dollars and Euros. The Fund may also invest in derivative contracts, which may include interest rate and currency swaps, total return swaps, futures, forwards, options, credit default swaps and other credit related derivative products.

**Short Selling.** The Fund may also engage in short selling. Generally speaking, short selling can provide the Fund with opportunities for gains when markets are volatile or declining. While short selling will be used by the Fund as a complement to its primary investment strategy (discussed above), the sub-advisor will utilize the same fundamental analysis in determining whether securities of a particular issuer should be sold short. When the analysis produces a favourable outlook, the investment opportunity is considered for purchase. When the analysis produces an unfavourable outlook, the investment opportunity is considered for a short sale.

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 100% of the total net assets of the Fund, except where the Fund has also received partial exemptive relief such that the Fund is permitted to short sell up to 300% of its NAV in “government securities” as such term is defined in NI 81-102, provided that the Fund implements a series of controls when engaging in these short sale transactions.
- 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 Fund may use warrants and derivatives such as options, forwards, futures and swaps for hedging and non-hedging purposes. Such derivatives may be used to hedge against losses from changes in the prices of the Fund’s investments and from exposure to interest rate changes, credit spreads and foreign

currencies as well as market risk. Specifically, the Fund will use interest rate swaps and futures to hedge against interest rate changes. Derivatives may also be used to hedge general credit risk and/or to obtain exposure to individual securities and markets instead of buying securities directly. If used for non-hedging purposes, the derivatives acquired will be consistent with the investment objectives of the Fund and securities law.

**Leverage.** 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 100% of its net asset value, except where the Fund has received the Short Selling Relief such that the Fund is permitted to short sell up to 300% of its NAV in “government securities”.

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. This restriction does not apply to investments in debt securities issued or guaranteed by the Canadian or U.S. government securities issued by a clearing corporation; securities issued by an investment fund if the purchase is made in accordance with the requirements of section 2.5 of NI 81-102; index participation units issued by an investment fund; or an equity security if the purchase is made by a fixed portfolio investment fund in accordance with its investment objectives.

Through the use of cash borrowing, short selling, or specified derivatives the aggregate exposure of the Fund, to be calculated as the sum of the following, must not exceed 300% of the Fund’s net asset value: (i) the aggregate value of the Fund’s outstanding indebtedness under any borrowing agreements; (ii) the aggregate market value of all securities sold short by the Fund; and (iii) the aggregate notional amount of the Fund’s specified derivatives positions, minus the aggregate notional amount of the specified derivative positions that are hedging positions.

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, sub-advisor 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 sub-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 the 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 units 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 [Error! Bookmark not defined.3](#) of the simplified prospectus. The following table shows how the risks apply to the Fund:

	Primary Risk	Secondary Risk	Low or Not a Risk
Borrowing	✓		
Change in Legislation		✓	
Collateral		✓	
Commodity		✓	
Concentration		✓	
Counterparty Default		✓	
Credit	✓		
Currency		✓	
Derivatives	✓		
Equity		✓	
ETF		✓	
Failure of Futures Commission Merchant		✓	
Foreign Investment	✓		
Forward and OTC Option Contract		✓	
Interest Rate	✓		
Large Redemption		✓	
Leverage	✓		
Liquidity		✓	
Margin		✓	

Market	✓		
Operational		✓	
Securities Lending		✓	
Series		✓	
Share Class			✓
Short Selling	✓		
Small Company		✓	
Tax		✓	
Underlying Fund	✓		

Additional risks associated with investing in the Series ETF units of this Fund are:

- absence of an active market for Series ETF securities risk
- halted trading of Series ETF securities risk
- trading price of Series ETF securities risk

Arrow has rated this Fund’s risk as low to medium. Please see “*What are the Risks of Investing in the Fund? – Fund Risk Classification Methodology*” in the simplified prospectus for a 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 income and medium to long term growth through a diversified portfolio of primarily investment grade fixed income securities. To invest in this Fund, investors should be able to accept a low to medium degree of risk.

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

#### **DISTRIBUTION POLICY**

In respect of Series AD, FD, U, G and ETF units, the Fund expects to make a distribution each month based on a target annualized rate of between 4.0% and 5.0% (depending on market conditions) of the NAV per unit of the relevant series at the end of the prior year. If the Fund earns more income or capital gains than the distributions, it will distribute the excess each December.

If required, the Fund will pay a distribution each December to holders of Series A, F and I units.

For more information about distributions, see “*Specific Information About the Alternative Mutual Funds Described in this Document – Distribution Policy*” in the simplified prospectus.

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

The simplified prospectus of the Fund is available on Arrow’s website, at [www.arrow-capital.com](http://www.arrow-capital.com), or on the SEDAR website, at [www.sedar.com](http://www.sedar.com).