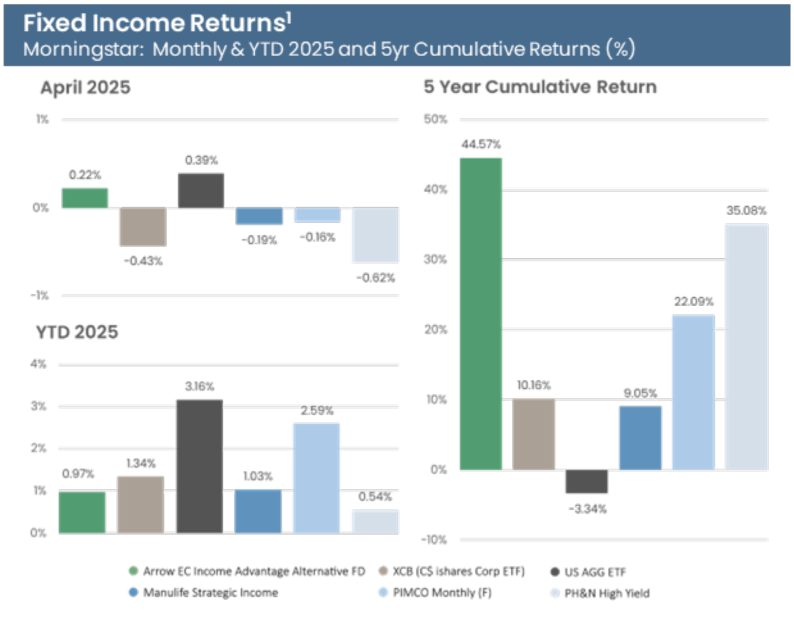
ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND
april 2025

April was defined by extreme volatility across global financial markets. After the close on April 2—referred to as "Liberation Day"—President Trump announced sweeping global tariffs on a broad range of imports from all countries. The S&P 500 dropped 6.65% the following day, marking one of the sharpest two-day declines in history. The announcement intensified global trade tensions, triggering significant retaliatory measures and diplomatic backlash from multiple countries. These tariffs disrupted international trade flows and sparked concerns over rising inflation and a heightened risk of global economic slowdown.

By mid-month, the Trump administration walked back some of its measures, pausing select tariffs and exempting key categories—including major technology products. This policy shift triggered a sharp rebound in risk assets, leading to the strongest seven-day equity rally since November 2020. By month-end, equity markets had nearly recovered, with U.S. equities (S&P 500) down just -0.7% and Canadian equities (TSX Composite) down -0.1%.

Interest rate markets were highly volatile throughout April. U.S. rates initially rallied (yields fell) as investors sought safe-haven assets early in the month. However, as the implications of the tariff policy became clearer, yield curves steepened dramatically. In the U.S., short-dated Treasury yields declined by -28bps (2-year UST), while long-dated yields rose by 11bps (30-year UST), resulting in 39bps of curve steepening. In Canada, the front end of the curve witnessed less safe-haven demand and 2-year GoC yields rose by 2bps, while 30-year yields increased by 22bps, producing 20bps of curve steepening.

Credit spreads widened alongside other risk assets during the first half of April. Investment grade (IG) spreads reached levels as wide as +20bps at the peak of market stress. However, spreads retraced sharply as equity markets rebounded mid-month. While fear drove spreads wider, actual trading activity remained thin. Those who missed the opportunity to buy into the panic found it challenging to source product during the rapid recovery rally.

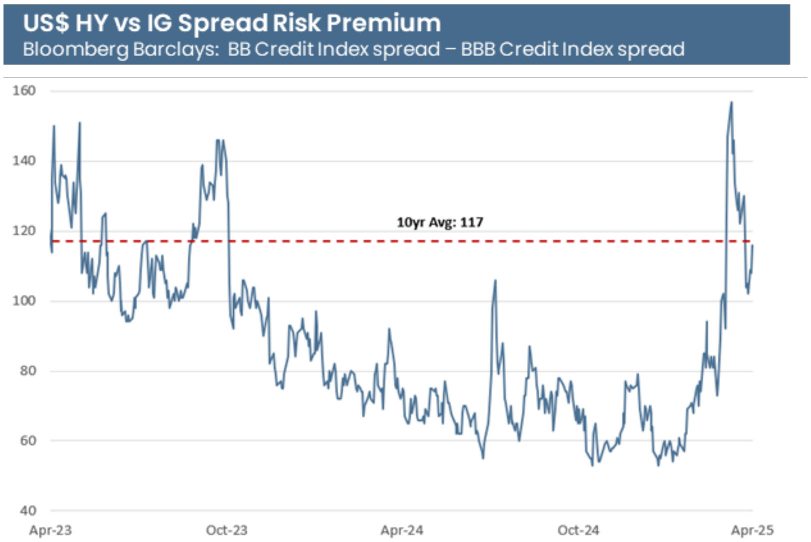


Source: Morningstar Direct, Arrow EC Income Advantage Alternative FD, Blackrock: Index iShares ETFs (XCB, AGG), PIMCO Monthly Fund (F), Manulife Strategic Income Fund (F), PH&N High Yield Bond Fund (F)

With limited new issuance in Canada, the IG spread index finished the month just +2bps wider. In contrast, the U.S. market experienced a wave of late-month supply, which put pressure on the sector and resulted in the U.S. IG spread index ending the month wider by +9bps. Lower quality credit (ie. High Yield) underperformed significantly, especially in early April's sell-off.

AECIAA investor returns were strong, especially relative to our peer group. The portfolio managers have actively traded market volatility – adding risk in late March and early April when high quality IG investments had cheapened significantly. As markets rallied back sharply in late April, with some parts of the Canadian IG credit market trading tighter on the month, the team reduced risk – taking selective profits and re-positioning the portfolio.

The investment team has consistently emphasized the importance of credit quality in recent months – and April served as a strong reminder of why that focus matters. Lower-quality credit, such as High Yield (HY), significantly underperformed higher-quality, Investment Grade (IG) credit. At the most volatile point, BB-rated credit (the highest tier rating within HY) spreads weakened by over 95bps, while BBB-rated credit (the lowest tier within IG) spreads experienced a comparatively modest 23bps widening.



The chart on the left illustrates the HY/IG risk premium—the difference between the BB credit index spread and the BBB credit index spread. A low-risk premium, such as at the start of 2025, indicates that investors are not being adequately compensated for the additional risk of holding lower-rated, high-yield (HY) debt over investment-grade (IG) credit. In mid-January, the premium stood at just 53bps, meaning BB-rated credits offered only 0.53% more yield annually than BBB-rated credits. As market volatility surged in early April, the premium spiked to 157bps, reflecting a much higher reward for bearing additional credit risk. By the end of April, the premium had compressed back toward its 10-year average—a level the investment team views as overly rich given the prevailing geopolitical and economic uncertainty.

Global financial markets remain in limbo as the full impact of newly imposed tariffs has yet to materialize. Investors are increasingly aware that central banks face an impossible balancing act: responding to a weakening economic backdrop while contending with mounting inflation pressures. The only certainty at this stage is uncertainty—and volatility appears poised to persist. The ongoing theatrics and geopolitical posturing by global leaders continue to stoke market instability, and until concrete tariff agreements are signed, the ultimate financial implications remain unclear. In response, the investment team reduced portfolio risk heading into month end, having captured profit and preferring to remain patient. The team will add risk when (rather than if) credit markets show renewed signs of weakness. Portfolio positioning remains concentrated in short-dated, high-quality credit, with the team focused on using market volatility to monetize attractive opportunities when they present. This patience should allow the investment team to deliver the strong risk-adjusted returns investors have come to appreciate.

Historical Performance	1 yr	3 yr	5 yr	10 yr	ITD
Arrow EC Income Advantage Alternative Ser FD	5.29	7.59	7.65	4.76	4.10

Returns as of April 30, 2025

[1]Source: Morningstar Direct: Arrow EC Income Advantage Alternative (Series FD), iShares Core Canadian Corporate Bond Index ETF (XCB), iShares U.S. Aggregate Bond Index ETF (AGG), PIMCO Monthly Fund (F), Manulife Strategic Income Fund (F), PH&N High Yield Bond Fund (F).

The inception date of the Arrow EC Income Advantage Alternative Fund (formerly East Coast Investment Grade Income Fund) was April 26, 2012. On June 26, 2020, the East Coast Investment Grade Income Fund (TSX: ECF.UN) was converted from a closed end fund into an open-end alternative mutual fund, renamed Arrow EC Income Advantage Alternative Fund and delisted from the TSX. Details of the conversion are outlined in the information circular which is available at www.sedar.com. Unitholders of Fund had their units redes¬ignated as Series FD Units.

Commissions, trailing commissions, management and performance fees and expenses all may be associated with mutual fund and exchange-traded fund (ETF) investments. Please read the prospectus and Fund Facts for Arrow EC Income Advantage Alternative Fund carefully before investing before investing. Unless otherwise indicated, the indicated rates of return are the historical annual compound total returns net of fees and expenses payable by the fund (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds and ETFs are not guaranteed, their values change frequently and past performance may not be repeated. You will usually pay brokerage fees to your dealer if you purchase or sell securities of an ETF on recognized Canadian exchanges. If the securities are purchased or sold on these Canadian exchanges, investors may pay more than the current net asset value when buying securities of the ETF and may receive less than the current net asset value when selling them.

The rates of return are used only to illustrate the effects of the compound growth rate and are not intended to reflect future values or returns on investment in an investment fund.

This document is provided as a general source of information and should not be considered personal, legal, accounting, tax or investment advice, or construed as an endorsement or recommendation of any entity or security discussed. Every effort has been made to ensure that the material contained in this document is accurate at the time of publication. Market conditions may change which may impact the information contained in this document. All charts and illustrations in this document are for illustrative pur¬poses only. They are not intended to predict or project investment results. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies.

Certain statements in this document are forward-looking. Forward-looking statements (“FLS”) are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as “may,” “will,” “should,” “could,” “expect,” “anticipate,” “intend,” “plan,” “believe,” or “estimate,” or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what Arrow Capital Management, our sub-advisor East Coast Asset Management, and the portfolio manager believe to be reasonable assumptions, neither Arrow Capital Management nor East Coast Asset Management nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not un¬dertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

The comparison presented is intended to illustrate the historical performance of Arrow EC Income Advantage Alternative Fund as compared with the historical performance of a widely quoted market index or a weighted blend of widely quoted market indices or other investment funds. There are various important differences that may exist between the Fund and the stated indices or other investment funds that may affect the performance of each. The objectives and strategies of the Fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indices. Indexes are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indices. Certain statements contained in this communication are based in whole or in part on information provided by third parties and Arrow Capital Management has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document. Published May 2025.