

ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND

march 2026

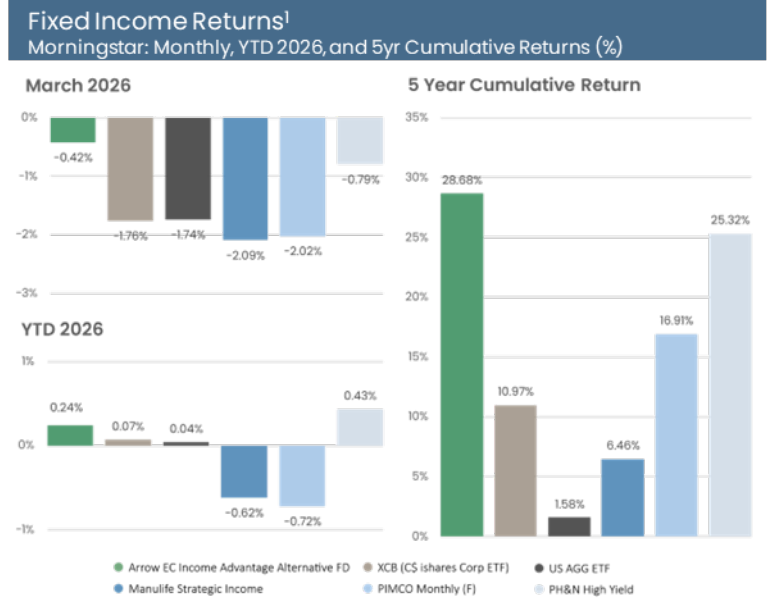
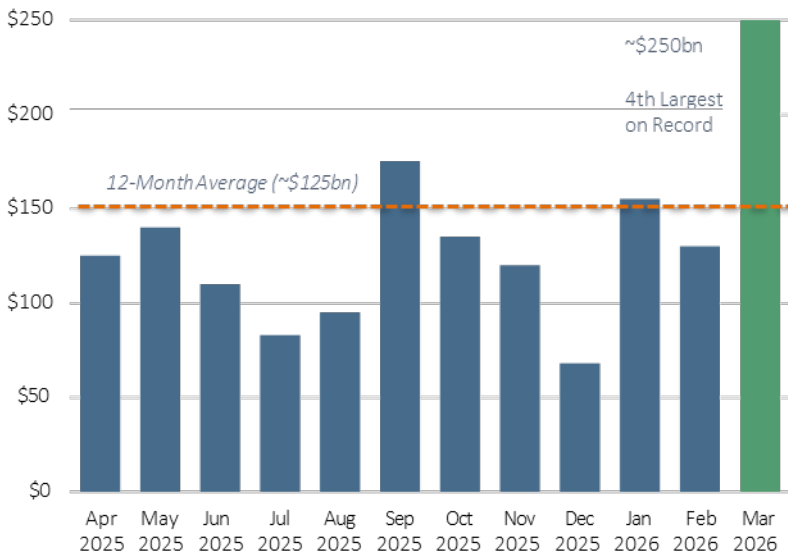


March was a challenging month for global risk assets as the Iran conflict, surging oil prices, and inflation fears converged to unsettle markets. Crude oil spiked to US\$119.48/bbl on March 8th on Strait of Hormuz closure fears. U.S. equities (S&P 500) fell 5.6% and Canadian equities (TSX Composite) dropped 5.2%. Notably, gold did not act as a safe-haven for inflation concerns. Spot gold fell 11.5% on the month (from US\$5,278 to US\$4,668, with panic lows of US\$4,100 or -22%) as investors aggressively de-risked and central banks likely sold reserves to raise cash. The Fed and BoC held rates steady, signaling willingness to wait and assess the conflict's duration, while the BoE and ECB struck a more hawkish tone given the energy shock's proximity to European economies.

Interest rates rose sharply as front-end yields repriced aggressively worldwide. Markets priced in rate hikes and removed expected cuts globally as fears mounted over inflation pass-through from surging commodity and fertilizer prices into food costs. While these are primarily non-core inflation impacts, the concern was that second-round effects could dislodge inflation expectations. U.S. Treasury yields climbed 41bps in 2-year maturities and 36bps in 10-year terms. Canadian government yields rose 44bps in 2-year terms and 36bps in 10-year terms. The global repricing of December 2026 overnight rate expectations was dramatic: at peak hawkish pricing (around March 20th), markets repriced higher by approximately 150bps in the UK, 100bps in Europe, 100bps in Canada, and 80bps in the U.S. Rate curves bear flattened as duration sold off broadly.

Credit spreads widened meaningfully in March, a notable reversal of the seeming one-way IG spread rally that had characterized the prior year. U.S. IG spreads weakened, widening 4bps, driven by a surge of AI-related bond issuance and increased geopolitical risk from the Middle East conflict. Canadian IG spreads weakened as well, widening 5bps on the month. Short-dated credit widened more significantly with 5yr & under credit weaker by 8bps, 10yr credit weaker by 5bps and 30yr credit weaker by only 1bp.

Record U.S. IG Supply Drove Spread Pressure in March
U.S. Investment-Grade Monthly New Issue Volume (US\$ Billions)



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)

While East Coast returns were not immune to risk asset weakness (widening IG credit spreads), traditional fixed income and duration-heavy Global funds suffered more much more substantially from the interest rate spike.

Given the considerable rate weakness, some investors became panicked sellers of fixed income exposure early in the month. When markets are volatile it can be difficult to sell holdings without price haircuts. This often drives front-end credit weakness as investors sell more liquid holdings;

including short-dated, highly-rated IG credit.

Additionally, there was exceptionally heavy IG credit supply in March (as highlighted in chart at left on previous page). Investors demanded larger price concessions to help digest the \$250bn supply in a volatile market environment. Investors normally fund these new issues with sales of secondary holdings – again, this would have been skewed to shorter dated investments given market environment.

Pressure started to abate later in the month as all-in yields, particularly in the front end, became increasingly attractive, and buyers emerged (i.e. many 1yr corporate bonds were yielding 3.25% or, more compared to overnight rates of 2.25%).

In recent updates, the team has highlighted insufficient risk premiums relative to market uncertainty. The convergence of geopolitical risk, surging energy costs, persistent inflation, and central bank forced into holding patterns resulted in higher risk premiums as lower quality investments underperformed. HY credit widened by 26bps, with the lowest HY credit rating (CCC) weaker by more than 100bps.

Looking ahead, the team expects continued credit spread volatility. With spreads wider and all-in yields considerably more attractive, the portfolio is well-positioned for the investment team to continue their selective deployment of capital into high-quality opportunities that optimize expected risk-adjusted returns for investors.

Historical Performance	1 yr	3 yr	5 yr	10 yr	ITD
Arrow EC Income Advantage Alternative Ser FD	3.80	6.87	5.17	5.52	4.09

Returns as of March 31, 2026

¹Source: 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 redesignated 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.

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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 April 2026.