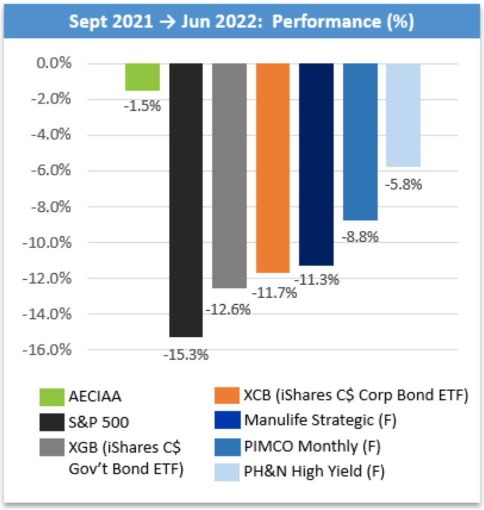
EAST COAST MARKET COMMENTARY
June 2022

June was another extremely difficult month for financial markets. Equities were volatile with some extreme pricing intra-day and both Canadian (S&P TSX Comp) and US (S&P 500) equity markets closed down between -8% to -9% in June. Rates rose significantly (weakened) in the first half of the month; however, aggressive central bank policy tightening (rate hikes) mid-month saw rates rally back some of the losses, leaving 10yr interest rates to close weaker (higher) by 17bps in the US and 33bps in Canada. Canadian IG credit spreads weakened slightly (+2bps) but significantly outperformed US IG credit spreads, which weakened substantially (+22bps) in June after having materially outperformed Canada in May.

The volatile and challenging markets of 2022 have served to highlight the difficulty investors face in determining an appropriate asset allocation mix when equities and interest rates are positively correlated to the downside. East Coast's actively managed strategy has the flexibility to structure our portfolio in both bear and bull market cycles. As investors know, we were very conservatively positioned in late 2021 and since late Q1 2022 we have added risk, becoming more aggressively positioned, as we strongly believe current market levels represent a significant opportunity for investors.

While we haven't made investors money since our conservative positioning (Sept 2021), the chart at right illustrates the relative success of our strategy. As investors ourselves, we believe it has been a win to have been able to transition our portfolio from very conservative (bearish) positioning which protected the portfolio, to a much more aggressive (bullish) positioning, while only having lost a very immaterial amount of money in the context of the market. Major indices – both equity and fixed income – are down 10 to 20% over this same period and the largest benchmark fixed income funds in our market are down roughly 6% to 12%. We were able to outperform by protecting the portfolio when we expected challenging (weakening) markets and actively managing our exposure. Being patient before adding risk means investors are now exposed to risk (credit exposure) at much higher yields (lower prices).



AECIAA Metrics	Sept 21	Jun 22
Current Yield	2.1%	7.6%
Credit Duration	2.7	7.3
Rates Duration	1.0	0.5
Avg Rating	BBB+	A-

XCB Metrics	Sept 21	Jun 22
Current Yield	2.2%	4.8%
Credit Duration	6.7	5.9
Rates Duration	6.7	5.9
Avg Rating	A-	A

The table at left outlines key portfolio metrics, which specifically illustrates the active change in structure and risk from our most conservative (Sept 2021) positioning, with a current yield of only 2.1% and credit duration (risk exposure) of 2.7 to our current, more aggressive (Jun 20222) positioning, with a current yield of 7.6% and a credit duration (risk exposure) of 7.3. Additionally, the average rating of the portfolio has increased in quality from BBB+ to A- over that same period. We are focused on high-quality, short dated holdings as we add more risk (credit duration) have increased duration (exposure) for investors at these very cheap market levels. Compare our actively managed positioning to that of XCB, the Canadian corporate bond ETF, which is a passive index fund. That fund's current yield has gone from 2.2% to almost 4.8%, but the yield only rose because they have lost almost -12%. The mark to market losses they have taken since Sept 2021 have increased their current yield by 3.5% while our portfolio has increased current yield by more than 5.5% and investors have taken a -1.5% loss, not the -11.7% loss experienced by XCB investors.

While we have actively added exposure at the right time (higher yields/lower prices), the index has dropped its credit duration (risk exposure) over this time. Passive funds are in fact taking less exposure in a market where investors would want to be taking more exposure. Additionally, their rate duration has also dropped right at a time when interest rate yields have risen dramatically, and investors would likely also want more exposure not less. We believe now is the time to be adding exposure and taking risk as investors are finally being paid to do so. The market feels scary because of equity losses YTD as well as the inability for fixed income (interest rates) to protect investors. We have been talking to investors for the past 12-18mos about our expectation that equities and fixed income would become increasingly positively correlated (to the downside!) due to inflation and the need for central banks to tighten monetary policy. Significant losses in both major asset classes in 2022 has made it very difficult for investors to feel confident in their investment decisions, but we believe high-quality, investment grade credit is a good place to add exposure.

LOWER RISK, GREATER CERTAINTY OF RETURN IN INVESTMENT GRADE CORPORATE BONDS VS EQUITIES

The charts below show US credit spreads (left side) and Canadian credit spreads (right side) over the last 10yrs. The green line shows the current level of credit spreads. In the US, the current spread is 121bps and the 10yr average spread is 120bps – meaning current levels are neither expensive or cheap over a decade of historic data. Contrast this with Canadian credit spreads (far right) which shows current spreads (green dotted line) at 162bps and a 10yr average spread much lower (tighter) at 124bps. This means the current level of credit spreads in Canada remain extremely cheap relative to trading levels over the last 10yrs. In fact, Canadian spreads are still 38bps wider than average levels and 75bps cheaper (almost double) the most expensive (tightest) level of spreads over the decade.

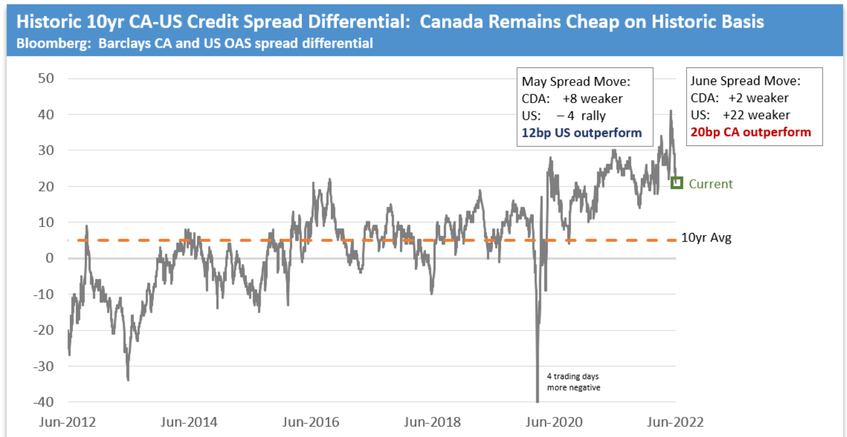
Characteristic	IG Corporate Bonds	Equities
Investor Relationship	Creditor (Lends Money)	Owner (Buys Stake)
Fixed Term	Yes – maturity date	No – perpetual
Return Outcome	Certain and Guaranteed	Uncertain and not Guaranteed
Return Type	Interest Rate	Dividend
Regularity	Fixed & Regular	No return in crisis
Rank in Insolvency	Highest rank in capital structure (High priority in liquidation)	Lowest rank in capital structure (Low priority in liquidation)
Trading Mechanism	Over the Counter (OTC)	Exchange traded
Major Risk	Default (No Canadian IG default in over 15yrs[1])	Unsystemic (issue or industry specific) and Systemic (broad market/economic etc)

The table to the right shows the key differences between investment grade corporate bonds and equities. The main point to highlight here is that as a bondholder you are a creditor, not an owner, in the company. Therefore, you have a fixed maturity date as to when you get your money back – it is a certainty – as it is a legal obligation that must be paid. In equities, there is no maturity date, and it is uncertain whether you get your money back or not – stock prices could go up or down. Additionally, as a creditor, you buy a bond that has a coupon, or a regularly occurring interest payment (typically twice a year), which must legally be paid. Just like the repayment of the original investment, the only way a bond holder will not get paid their coupon is if the company goes into default. The chances of default are extremely low within the investment grade space (not to be confused with the high yield (or junk bond) market, where default rates average around 5% over the long term). As a reminder, there hasn't been an investment grade default in Canada in over 15yrs. If there was ever to be a default, as a bondholder you have the highest repayment priority as creditors sit at the highest ranking in the capital structure. Compare this to equities – you may get dividends and you hope for capital gains, but in the current market, you're getting capital losses (regularly) and in an insolvency situation you are a low priority in terms of getting any money back as you rank at the bottom of the capital structure.

Both investments have risk; however, the major risk in an investment grade bond investment is default. It's really the only risk that's permanent if you hold your investment to maturity. On the equity front, there are two major risks: systemic risk, or broad market risk which impacts equity markets as a whole, and unsystemic, or idiosyncratic, risk which typically impacts a specific company or industry rather than the whole equity market. We're in an environment where risk is high. When risk is high, you want to be invested in an asset class where the investment outcome is most certain. Investing in IG credit provides greater certainty. Even more compelling for investors is the fact that our portfolio is made up of very short dated bonds (whose average portfolio maturity is typically 2-2.5yrs), meaning investors will get their money back in a much shorter time frame than an index investment (whose average portfolio maturity is typically 8-9yrs).

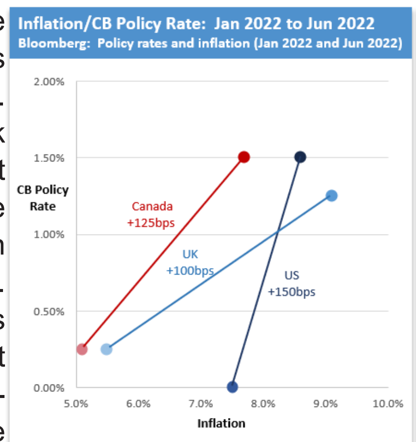
TRADING TEAM TOOK PROFIT ON CANADA/US CREDIT SPREAD DISLOCATION RV TRADES FROM MAY'S UNDERPERFORMANCE

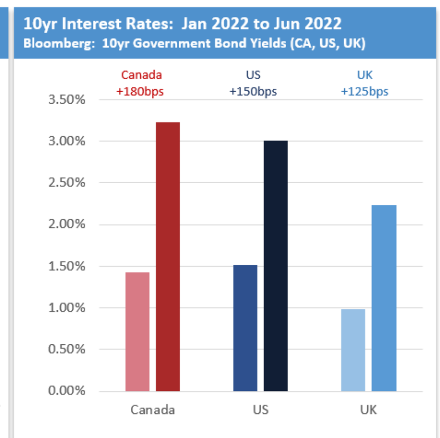
We discussed the underperformance of Canadian credit in May, with our investment team highlighting it was unsustainable that US credit spreads could continue to outperform Canadian credit spreads. The chart at right shows that, historically



Canadian IG credit spreads have traded slightly higher, by approximately +5bps, relative to US IG credit spreads. Therefore, the recent widening of Canadian IG credit spreads – particularly in May – seemed overdone, especially since we believe technical reasons, such as sizeable new issue supply in Canada, would moderate in June. The chart shows Canada underperformed by 12bps in May but started to mean revert in June. While Canadian IG credit spreads still weakened (widened) by +2bps in June, Canada significantly outperformed the US by 20bps on the month. In May, our trading team initiated multiple long CA vs short US RV trades (same issuer) expecting Canada to outperform. We took profit on these trades as CA/US spread dislocations normalized in June.

CENTRAL BANKS HAVE AGGRESSIVELY HIKED POLICY RATES IN 2022 AND CAUSED SIGNIFICANT LOSSES IN FIXED INCOME



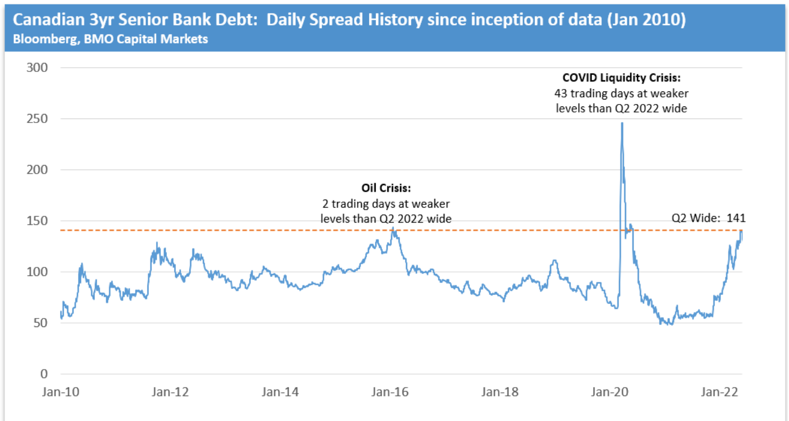


As mentioned, fixed income volatility continued in June as central banks around the world hiked interest rates (tightened monetary policy) to combat rising inflation. The charts at right illustrates the pace of central bank tightening and how much it has impacted interest rates year to date 2022. The chart on the left plots the move in inflation (x-axis) combined with the move in policy rates (y-axis) in the first two quarters of the year. As inflation has kept increasing in 2022, central banks became much more aggressive in June. Overnight rates have increased a sizeable 100-150bps (1%-1.5%) since January. The chart at right shows the rise in 10yr interest rates (government bond yields) over the same period and the moves have been even more significant. Canadian 10yr rates have risen 180bps (1.8%), US 10yr rates have risen 150bps (1.5%) and UK 10yr rates have risen 125bps (1.25%) over the same period.

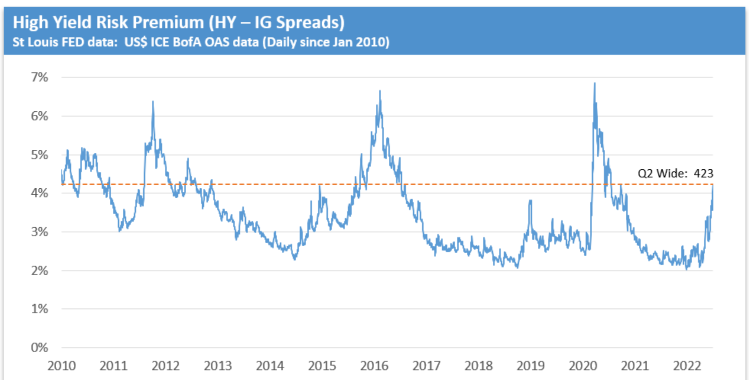
Our investment team believes we have hit an inflection point where the market is finally starting to accept these Central Bank hikes are finally going to be effective in controlling inflation and likely pushing us into a material economic slow down – perhaps even a recession.

INVESTMENT TEAM BELIEVES RETURN PROSPECT IN OUR MARKET HAS ONLY BEEN BETTER DURING GFC AND A FEW WEEKS OF THE 2020 CRISIS

Given all the volatility and risk weakness in June, it is surprising to many that Canadian credit spreads didn't actually move much. While partially due to the May underperformance, we believe it is simply because spreads are already so cheap (wide). Canadian IG credit spreads appear to be pricing in a moderate recession, which we believe is appropriate given where we are in the cycle. Our base case is that if there is a recession, it's likely to only be moderate, and it's possible that we actually don't have one at all. In this scenario, credit spreads already look extremely attractive. The chart on the next page shows Canadian 3yr senior bank credit spreads. Current spread levels highlight the extremely compelling investment opportunity of short dated Canadian IG credit spreads – both in terms of protecting from downside risk as well as in offering investors a very high return (yield). Outside the GFC and a few weeks during the 2020 crisis, we do not believe there has ever been a better opportunity for investors to achieve outsized returns in the IG credit market.



INVESTMENT GRADE SPREADS SUFFICIENT: HIGH YIELD RISK PREMIUMS STILL DO NOT COMPENSATE INVESTORS FOR ADDED RISK

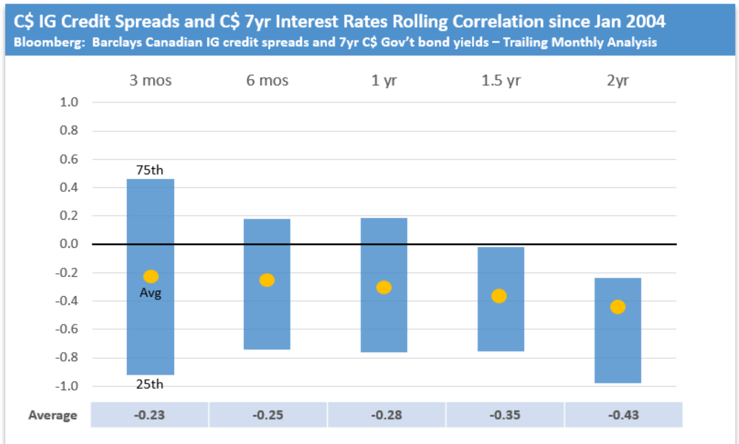


To put the cheapness of investment grade (IG) credit spreads into perspective, the chart at left shows the high yield (HY) risk premium, or the yield (spread) differential an investor is paid to incent the investor to own a higher risk, HY bond rather than own a lower risk, IG bond. As investors know, the higher the premium, the more you are being paid relatively for taking the additional risks associated with owning high yield exposure. Even though the risk premium has started to increase in Q2, as HY spreads have finally started to weaken, we still believe you are not getting paid enough "extra" spread (yield) to compensate investors relative to owning higher quality, IG credit. The reality is, HY was far too expensive in late 2021/early 2022 and it was far too resilient during initial risk weakening in Q1 2022.

If we are to have a continued economic slowdown, or an actual recession, the likelihood (or even expectation) of higher defaults will see HY spreads weaken (increase) as investors demand higher payment (yield/spread) for taking higher default risk. As such, we continue to believe that this risk premium will widen and that the HY asset class should be avoided at the moment. Higher quality, investment grade credit offers a better risk-adjusted return in our opinion.

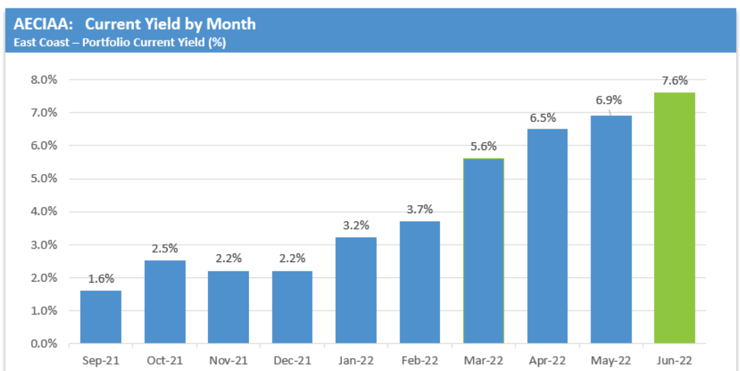
HISTORIC CORRELATION BETWEEN RATES AND IG CREDIT SPREADS SHOULD BE SUPPORTIVE FOR IG CREDIT

The chart below shows the negative correlation that has existed between C$ IG credit spreads and C$ interest rates since 2004 (when data series was introduced). We have been in a period of market instability over the last six months and have seen rates spike (sell-off), equity assets plummet and credit spreads materially widen (weaken). Historically, it is rare for all assets to sell off at the same time for any meaningful period of time. History has shown credit spreads generally rally (tighten) when interest rates sell-off (rise). This negative correlation has existed in as little as a 3-month trailing period, but the negative correlation strengthens as the period lengthens, as the chart shows. For example, the "3 mos" blue bar shows the range of correlation from the 25th to 75th percentile with the orange dot representing the average correlation of -0.23 over the period. This negative correlation is strongest when a 2yr rolling correlation is used showing an entirely negative 25th to 75th percentile range and an average correlation of -0.48. As extreme volatility subsides, we believe the recent sell off in rates will be supportive for credit spreads given the negative correlation that has historically existed between rates and credit. Based on historic correlation, one would expect to see credit spreads start to compress (tighten) given we have had six months where credit spreads and interest rates have generally both risen (in fact almost all assets have weakened – and therefore shown positive correlation). This chart shows that over the longer term, the negative correlation is very likely to hold, which is supportive for IG spreads.



CURRENT PORTFOLIO YIELD IS ALMOST 7.6%

The opportunity in our strategy continues to grow and the portfolio is now yielding 7.6% – which is more than 4.7x the yield when we were at our most defensive in Sept 2021. The risk profile of the portfolio is very sound, with investment grade bonds having an average maturity of 2.3yrs, an average rating of A- and over 63% of our exposure to financials. As a reminder, this 7.6% yield must be paid by our issuers – it is a legal obligation. Investors should expect to receive the return so long as there is no default in the portfolio. It's a very compelling opportunity – and while the market may continue to be challenging in the very near term, we expect credit spreads will tighten and our strategy will provide significant benefit for our investors.



Historical Performance	1 yr	3 yr	5 yr	ITD
Arrow EC Income Advantage Alternative FD	-1.20	2.91	3.39	2.99
East Coast Investment Grade II Fund Cl F	-1.01	5.70	6.25	5.34

Returns as of June 30, 2022

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. The inception date of the East Coast Investment Grade II Fund is April 1, 2013.

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. Offering of securities in the East Coast Investment Grade II Fund are made pursuant to a Confidential Offering Memorandum (OM) only to those investors who meet certain eligibility or minimum purchase requirements. Important information, including this fund's fundamental investment objective is contained in the OM which may be obtained from Arrow Capital Management Inc. Please read the OM 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 and East Coast Investment Grade II Fund (the "Funds") 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 July 2022.