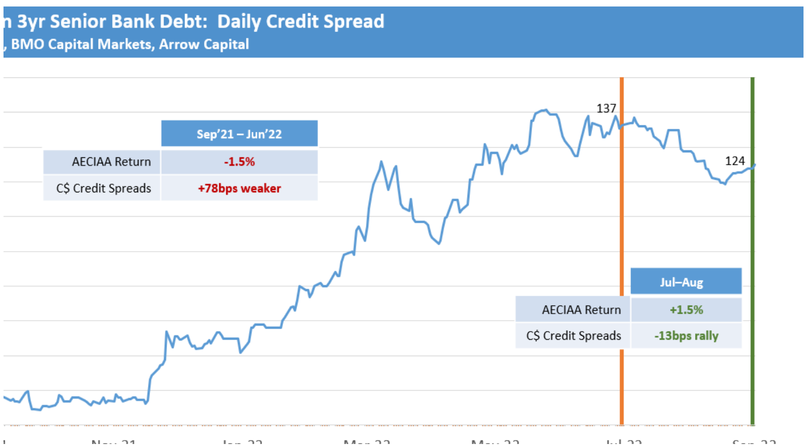
August was another volatile and busy summer month for financial markets. The biggest news in July was the positive correlation of Rate and Equities with interest rates rallying (falling) 40-60bps and equity markets rallying 5-9% in North America. The correlation story has continued; however, much to investor's dismay, the positive correlation between interest rates and equities was to the downside, as both asset classes were weaker in August. As stated in last month's commentary: "We believe July's closing yields could represent a technical bottom in yields (high in prices) for the near term". This proved true, as government interest rates moved higher (sold off) by more than 50bps on both sides of the border (+51bps in Canada 10yr GoC and +54bps in US 10yr TSY) and short dated rates (2yr and 5yr) weakened even more (by 60-70bps). US equities were down -4.1% (S&P 500) and Canadian equities outperformed the US, weakening only -1.6% (TSX Comp) on the month.



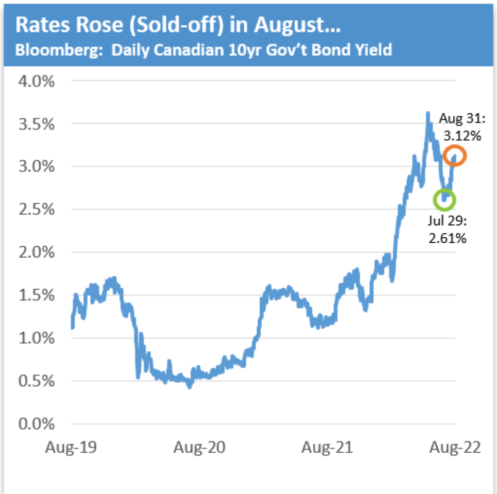
Investment grade credit spreads have continued their slow move tighter (rally) that was initiated in July. The chart at left shows Canadian 3yr Bank Bail-in bond credit spreads since Sept 2021. These bonds are among the most liquidly traded and represent the most senior ranked debt currently issued within the capital structure. We believe the spreads are also the most relevant to our investors, as the 3yr term is very near our portfolio's 2.5yr average maturity and the financial sector currently represents 65% of our portfolio holdings. Bank 3y bail-in credit spreads were trading at 59bps at the start of September. Investors will recall, in Sept 2021 we were the most defensively positioned we have ever been, as our PMs believed these tight (expensive) spreads were not appropriately compensating investors for their risk. Fast forward through the sell-off (widening) of these spreads to 137bps by end of June. Spreads more than doubled, widening +78bps over this period.

By spring of 2022, our Investment team had added significant credit exposure (risk) to our previously defensive portfolio, as we believed the wider (weaker) level of spreads had started to represent a compelling opportunity for our investors. Investors got a sense of our increasing exposure through our higher portfolio yield and monthly commentary, but how can one actually 'see' the value of our active, transitioning of the portfolio from a defensive to aggressive risk positioning? On the chart above, we have shown our returns for investors. During a ten-month period, through end June (orange line) when spreads had widened a whopping +132%, or +78bps, our investors lost -1.6% which is a minimal amount given the extent of credit spread weakening. By comparison, iShares Canadian corporate bond index (XCB) lost -11.7% over the same period. While spreads have started to improve (tighten) since the beginning of July, spreads have only rallied 13bps. Spreads remain cheap on a historic basis – still trading twice as wide as they were in Sept 2021. Yet, with only 13bps of improvement, investors have already been more than paid back the losses incurred from the Sept-June widening period. As spreads continue to mean revert towards tighter levels, investors will greatly benefit from our more aggressive positioning.

AUGUST'S SIGNIFICANT SELL-OFF IN INTEREST RATES ADDS FURTHER PAIN TO FIXED INCOME FUNDS

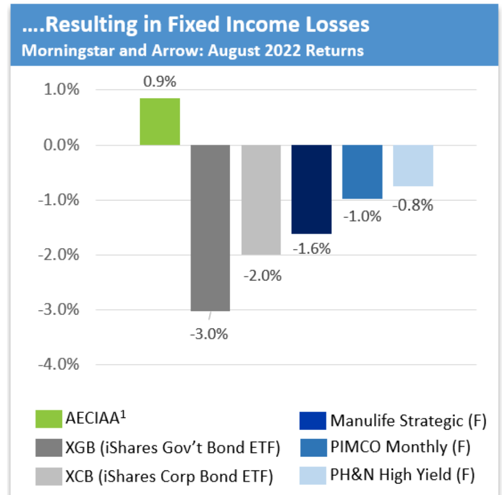
As our PMs anticipated, July's interest rate rally was short lived, and rates partially corrected, moving higher (selling off) in August. The chart at left below plots Canadian 10yr Gov't of Canada bond yields over the last three years and highlights the August 51bp move higher.

The volatility and weakness in rates over the last year has been shocking for many investors who have become accustomed to mostly positive contributions from fixed income that help offset equity weakness. The continued positive correlation to the downside between these key asset classes has been especially painful and August's weakness resulted in further losses for virtually all fixed income funds. The chart at right below shows AECIAA's return as compared to



Rates Rose (Sold-off) in August...
Bloomberg: Daily Canadian 10yr Gov't Bond Yield

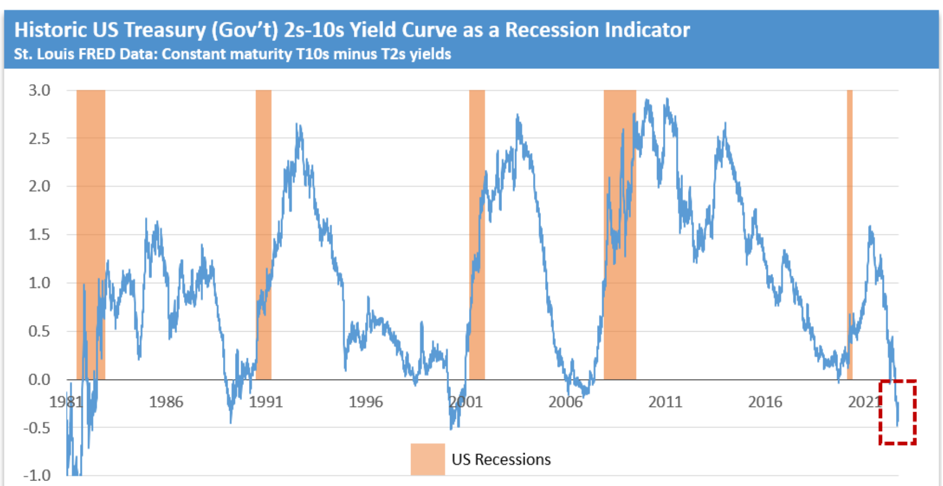
August returns for key bond indices as well as three of the largest fixed income funds within Canadian investor portfolios.



....Resulting in Fixed Income Losses
Morningstar and Arrow: August 2022 Returns

RATE CURVES INVERT FUTHER: STRONGER RECESSIONARY SIGNAL

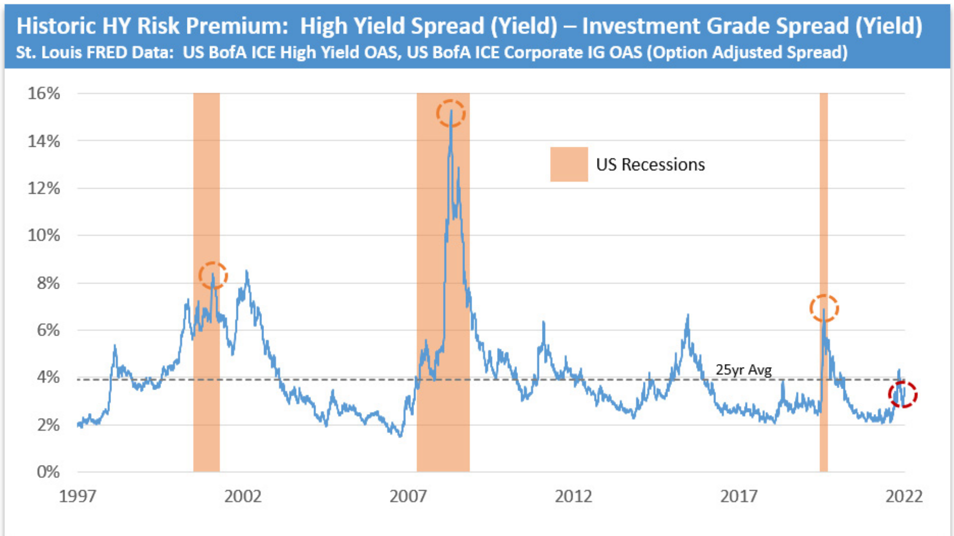
As highlighted last month, the 2-10s yield curve had started to invert in July -2yr Gov't yields moved higher than the 10yr Gov't yields. This month, we plotted past US recessions (orange bars) on top of the US 2s-10s yield curve over the last 40yrs and the results speak for themselves. In the past, every sustained 2s-10s curve inversion in the US has preceded a recession. We continue to believe central bank focus on hiking (raising) rates to combat inflation will likely lead us into a 'mild' economic recession. During a recession, one would expect equity market weakness and interest rates to rally (move lower), however, this recession stemming from the removal of global central bank stimulus and higher policy rates, likely leads to higher interest rates across the yield curve. This could mean further losses for traditional fixed income, and the potential for continued positive correlation with equities… to the downside.



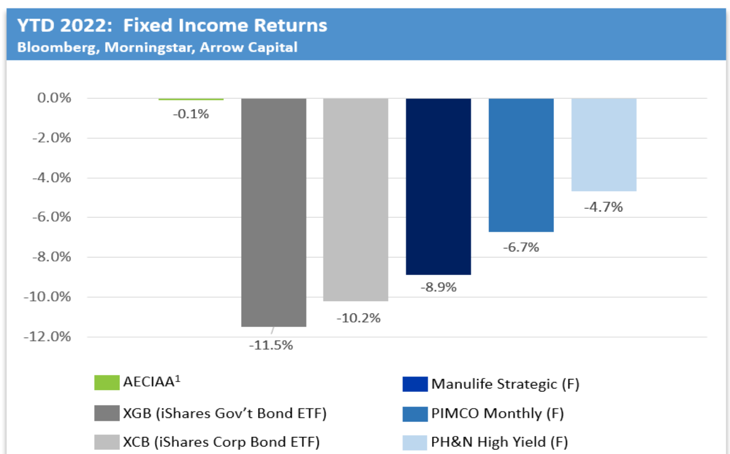
Historic US Treasury (Gov't) 2s-10s Yield Curve as a Recession Indicator
St. Louis FRED Data: Constant maturity T10s minus T2s yields

HIGH YIELD SPREADS ARE NOT APPROPRIATELY COMPENSATING INVESTORS FOR THE RISK OF RECESSION

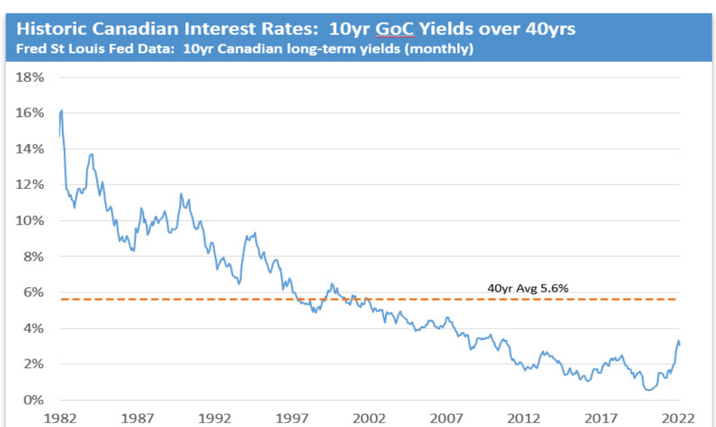
With an increasing risk of recession, our investment team cannot help but wonder why risk premiums are trading so low. As the risk of economic weakness grows, investors should be focused on high-quality, liquid assets rather than reaching for yield in lower credit quality (ie. high yield/junk bonds) or less liquid assets (ie. private debt and loans). The chart at right shows high yield risk premium, which is the additional yield above investment grade yield that investors demand to be exposed to high yield issuers. While the premium has risen in recent weeks, current risk premiums (red circle) are still much lower than one would expect in light of 2022's equity weakness and in a market that is anticipating a recession. Current premiums remain below the 25yr average return and are well below peak risk premiums (orange circles) that were demanded during all previous recessions, highlighted by the orange bars. Our PMs believe investment grade credit offers a much more compelling risk/return profile than high yield.



In 2022, neither low risk gov't bonds nor higher risk credit (high yield) have rewarded investors. As the chart below shows, East Coast's IG credit strategy outperformed the most common fixed income investment funds – from index ETFs to the largest fixed income bond funds. But how do we think the strategy will do going forward? We believe high-quality, liquid investment grade credit will be one of the best performing assets if we are headed for a 'mild' recession.



Interest rates are likely to continue to exhibit volatility as central banks try to balance the need to combat inflation (via hiking rates) while keeping the economy from nose diving. Our team believes rates will remain volatile but likely hover around recent levels before continuing a move higher toward more 'normal' historic level. It's only in the last decade that interest rates have been so low (see chart below); in fact, 40yrs of history shows 10yr GoC average yield has been around 5.6% (using monthly data).



More normal, higher interest rates (lower prices) would limit positive return potential within fixed income. Sadly, owning a corporate or universe bond fund won't help, as every bond is partially composed of an interest rate component that dwarfs any potential diversification benefit. Our mandate aims to actively hedge (remove) the interest rate component, leaving us exposed to the credit spread portion of corporate bond.

Riskier fixed income assets are not offering enough yield (or premium) to justify the added risk as already outlined above. While the all-in yield may look tempting within the high yield market, it is important that investors look at the risk-adjusted return opportunity, not just the yield. Liquidity will be at a premium if the economy falters. In recent years, more than a handful of Canadian private credit and loan funds have made headlines, and while unfortunate, these act as a reminder that transparency (including daily mark to market pricing and third-party valuations) and market liquidity can never be undervalued by investors. Investment grade corporate bonds are among the most liquidly traded fixed income instruments, with over $2 billion corporate bonds trading on average every day in Canada.

Exposure to investment grade credit in and of itself is not enough – our investment team's execution of our flexible mandate is always working to create value for investors. Our investment team is actively trading our fund on a daily basis. Investors can take comfort in knowing our strategy has 13yrs of historic returns that prove the strategy's success. Over this period the strategy has significantly outperformed, providing investors with double the return of XCB – Canada's largest and most liquidly traded Canadian Corporate Bond Index ETF. More importantly, the strategy has been able to outperform in both bull and bear markets, helping to minimize the need for investors to attempt to 'market time' their investment in our fund. Our positioning (and resulting performance) over the last year demonstrates our highly flexible mandate in action; having actively transitioned from protecting investor capital, to opportunistically adding risk, to becoming more aggressively positioned as market economics shifted and credit spreads weakened to levels that represent an extremely compelling risk-adjusted opportunity for investors.

Historical Performance	1 yr	3 yr	5 yr	ITD
Arrow EC Income Advantage Alternative FD	-0.04	3.29	3.58	3.09
East Coast Investment Grade II Fund Cl F	0.47	6.20	6.47	5.47

Returns as of August 31, 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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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 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 September 2022.