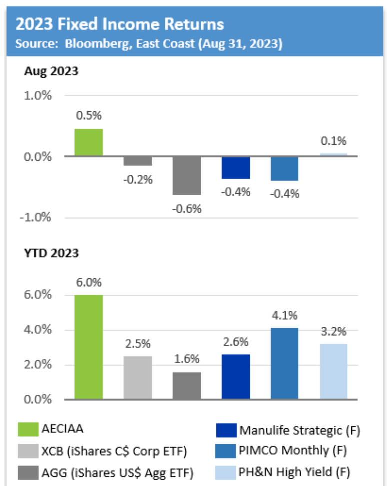
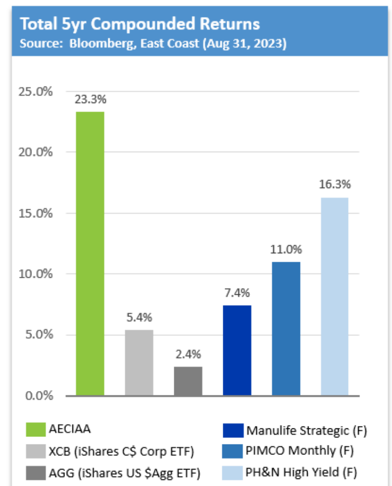
If investors had solely focused on the market's August closing figures, they would have overlooked a notable period of market turbulence that unfolded during what was anticipated to be a tranquil summer month. Risk assets sold off as the AI-led rally in the US lost momentum and strong data prints raised further concerns of possible rate hikes. Some sectors were down as much as 5-10% mid-month; however, a very strong last week of trade saw indices rally and close almost flat on the month. In the end, US equities were only down -1.6% (S&P 500), but still posted their worst month since February, and Canadian equities were down -1.4% (TSX Comp). Similarly, short-dated interest rates (GoC 2yr yields) rallied 10-15bps in the first week of August, then sold off more than 25-30bps mid-month, before rallying back to close 3bps better (lower) on the month in Canada and 1bp better in the US. Longer-dated 10yr rates had similar intermonth volatility but could not stage the late month rally and ended +15bps weaker in the US and a more muted +6bps weaker in Canada.

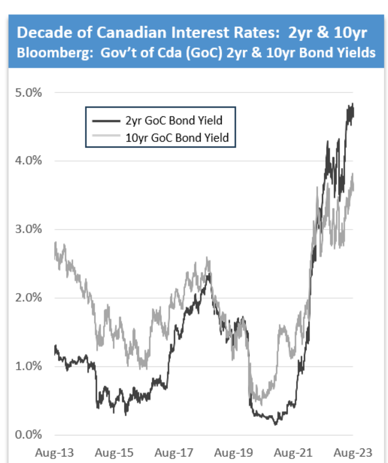
IG credit spreads were weaker (wider) on the month, with the Canadian IG credit index wider by 5bps and short-dated financials in Canada wider by around 10bps. Spreads had staged a strong rally since the US regional banking crisis in Q1; however, the equity risk-off sentiment in August spilled over into the credit market, including high-quality, IG credit investments.

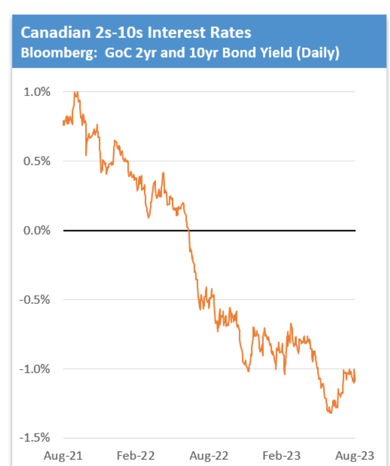

2023 Fixed Income Returns
Source: Bloomberg, East Coast (Aug 31, 2023)


Total 5yr Compounded Returns
Source: Bloomberg, East Coast (Aug 31, 2023)

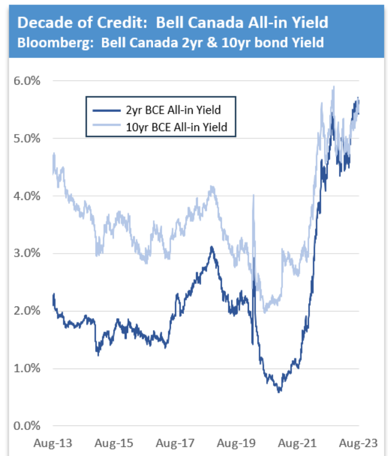
The high portfolio yield and focus on quality helped protect investors from the credit spread weakness on the month. Even with spreads weaker (wider) on the month, investors still experienced a positive return in August. In the July investor update we stated: "the investment team is becoming even more selective in terms of quality and exposure within the portfolio". Our active portfolio positioning paid off in August, through the sale of specific holdings that had rallied significantly, and the PMs believed no longer appropriately compensated investors. As the charts at right illustrate, AECIAA investors benefited from another positive monthly return, despite the interest rate volatility (and weakness) weighing negatively on traditional fixed income index and fund returns.

In stable economic conditions, yield curves are described as 'normal' or upward slopping. Shorter-dated interest rates (yields) are lower than longer-dated interest rates (yields), reflecting term premium, as investors demand greater compensation for lending to borrowers for a longer period of time. The chart at right shows 2yr and 10yr Government of Canada bond yields. The 2yr bond yield (dark grey line) was lower than the 10yr bond yield (light grey line) during the first half of the last decade. Then the curves flattened (2yr and 10yr yields were virtually the same) for a year or so until COVID-19. The curve was forced to re-steepen slightly during the COVID liquidity crisis, as short-dated rates were taken to 0% by central banks, and 10yr rates settled closer to 0.50%. The stimulative policies enacted during COVID resulted in runaway inflation, which caused central banks to start

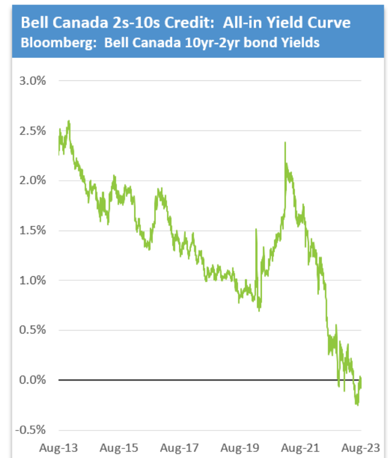

Decade of Canadian Interest Rates: 2yr & 10yr
Bloomberg: Gov't of Cda (GoC) 2yr & 10yr Bond Yields


Canadian 2s-10s Interest Rates
Bloomberg: GoC 2yr and 10yr Bond Yield (Daily)

hiking rates and 2yr yields skyrocketed, leading to an ‘inverted’ curve. Short-dated yields (2yr) are now trading well above longer-dated yields (10yr). The far-right chart highlights the 2s-10s curve which traded below 0% in July 2022, and has led to the rate curve becoming deeply inverted. While the rate curve has fought to re-steepen slightly over the last two months, it is far from normalizing back to an upward sloping curve shape.



Decade of Credit: Bell Canada All-in Yield
Bloomberg: Bell Canada 2yr & 10yr bond Yield



Bell Canada 2s-10s Credit: All-in Yield Curve
Bloomberg: Bell Canada 10yr-2yr bond Yields

The inversion of the interest rate curve over the past year has bolstered short-dated credit spreads. The all-in yield on investment grade corporate bonds surged in tandem with short-term rates, primarily because all corporate bonds include a ‘risk-free’ government interest rate component (in addition to the extra credit spread investors require for taking on the corporation’s debt instead of the ‘risk-free’ option). The charts at right use Bell Canada (BCE) credit spreads. This telecom issuer is one of the largest non-financial issuers in Canada, with decades of spread history and multiple 2yr and 10yr benchmark maturities, making comparison much easier. The chart at right looks very similar to the one above; however, it shows the BCE 2yr all-in yield (dark blue line) and the BCE 10yr all-in yield (light blue line), instead of just GoC interest rates. Investors, who have been experiencing a drought of yield in their fixed income portfolios for most of the past decade, have eagerly embraced the opportunity to purchase short-term, high-quality, investment grade bonds. These bonds have seen their yields climb steadily from below 1% to above 3%, 4%, and eventually 5% over the past two years.

This August, the total, or all-in, yield on the 2yr Bell Canada bond traded higher again – reaching another new high yield record (5.7%) – and 10yr Bell Canada bond yields are currently trading at virtually the exact same all-in yield as 2yr BCE bonds. The chart above right (green line) shows the Bell Canada 10s-2s all-in yield curve, which recently went negative (inverted), entirely due to the 2-10s interest rate curve inversion. This is just one corporate issuer example, but it serves to illustrate how movements in interest rates (and curve shapes) can have an impact on investor demand within the IG credit space and, ultimately, impact credit spread levels. **Our mandate aims to immunize investors from the direct impact of rate moves; however, these moves can still have an indirect impact on spreads and the strategy returns.**

Credit spreads and equity markets had been on a mostly one-way rally following the significant weakness caused by the US regional banking crisis in Q1. In July, PMs believed the current central banking dilemma was still a large risk, that wasn’t necessarily being priced appropriately by the markets. Central banks around the world have been able to bring inflation down, after a year of extremely aggressive hiking, but they are now in the unenviable position of having to decide if they are more concerned about inflation remaining stubbornly above the ‘target’, or if they are more concerned about going too far with hikes and potentially driving the economy into a possible recession.

While August saw both equity and credit spread weakness, the investment team remains slightly more selective. Ultimately, we are not hugely bearish, as we do not believe we are headed towards a massive recession, but we do believe some additional caution is warranted until the path of central policy is more clearly defined. **The portfolio currently reflects this view, with an average 2.4yrs maturity (term) and average single-A credit rating.** The goal, as always, remains providing investors with the best possible risk-adjusted return.

Historical Performance	1 yr	3 yr	5 yr	10 yr	ITD
Arrow EC Income Advantage Alternative FD	8.53	4.92	4.28	3.54	3.56
East Coast Investment Grade II Fund Cl F	12.84	7.68	7.41	-	6.16

Returns as of August 31, 2023

[2]Expected Total Return represents the expected annual investor return and comprises the weighted average yield-to-worst of the portfolio's holdings plus the weighted average roll-down return, plus the money market yield on Fund assets, net of any funding costs.

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 2023.