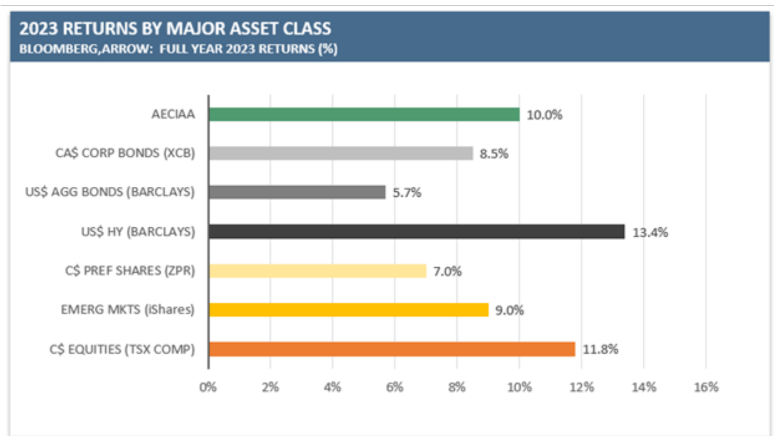
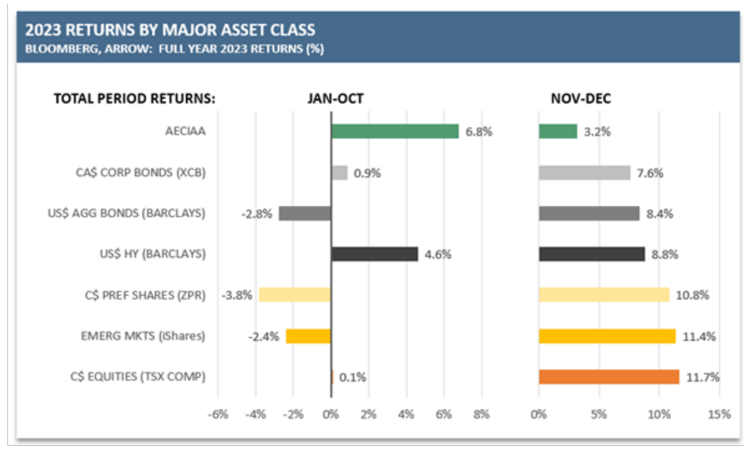
EAST COAST MARKET COMMENTARY
DECEMBER 2023

Most investors are thanking their lucky stars the very late year, rate-driven, rally came to save the day on what would have been yet another dismal return year for most asset classes. The chart below left shows the full-year returns of major asset classes at year end. Even with this massive year end rally, AECIAA investors out earned the major fixed income indices, preferred shares and emerging market indices in 2023; and gave Canadian equities and HY a run for its money. While the annual return is certainly a win for investors, our team believes it is the consistency of returns each month - which were far less volatile than other asset classes – that makes the strategy so compelling. The chart below right shows the volatility of monthly returns across asset classes and highlights the fact that nearly every other asset had negative/flat returns on the year as at the end of October and required the massive Nov and Dec rate-driven rally to turn their annual return positive.

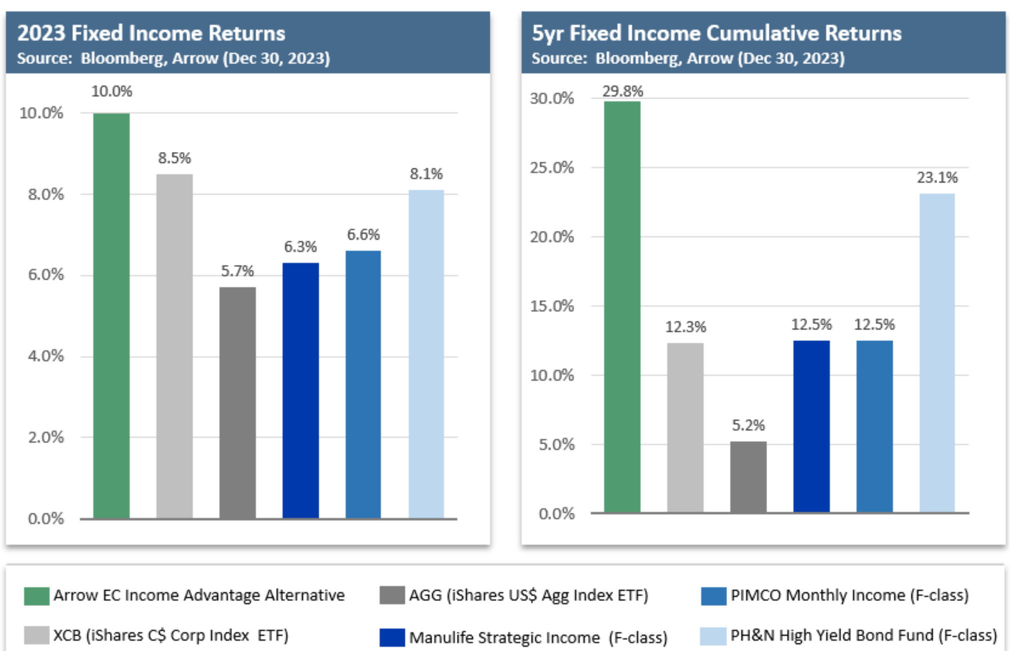




FIXED INCOME ASSET CLASS

The late year rally mentioned above pushed the majority of fixed income funds into positive territory to end the year. The charts at right shows the 2023 annual return (left side) and 5yr cumulative return (right side) of AECIAA against the large index ETFs (CA$ Corp (XCB) and US Agg (AGG)) and some of the most frequently owned fixed income funds, including PIMCO Monthly, Manulife Strategic and PH&N High Yield. In 2023, AECIAA outperformed again, and has continued to provide investors with a superior return experience over the last 5yrs.

Interest rates were at their highs (lowest prices) in Sept/Oct, yet the late year rally saw 10yr Gov't of Canada yields drop 1.15% (115bps) from the highs and end the year lower (better) by 19bps in 2023. There is much debate as to whether the late year rally went too far for interest rates. Our team believes there is little room for a further rally (rates lower) from year end levels in the near term. Post "cut fever", the risk of economic and inflation data disappointing the markets is high, which would have us lean on the side of expecting higher rates (sell-off) for fixed income in the first quarter of 2024. Traditional fixed income indices would clearly suffer, such as the C$ Corporate Index or US$ Aggregate, both of which



have a 90% or greater positive correlation to interest rates over the last 10yrs.

IS THE CURRENT RATE CUT EXPECTATION (AND RESULTING FIXED INCOME RALLY) SUSTAINABLE?

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The rally in November and December stems from the Fed officially pivoting from their tightening (or rate-hiking) policy bias to a neutral policy bias. The markets , always trying to be in front of the parade , have developed "rate cut fever" and are pricing substantial (and early) cuts from the central banks. While recent new year data has tempered some of this fever, the markets are still pricing about 70% chance of a FOMC rate cut in March and an 80% chance of BOC rate cut in April. These cuts feel a little premature to our team, who believes "higher for longer" is likely until we see either 2% inflation (central bank target) or a significant downturn in the labor market. While we do not believe market fundamentals warrant rate-cutting at this time, it is an election year and central bankers, keen to please their constituents, may happily give the market a rate cut or two.

Inflation has cooled significantly from the highs of the last 18 months; however, it remains stubbornly above the Central Bank inflation target in both Canada and the US. If central banks cut too soon, we believe inflation, which has been rather sticky/stubborn, will start to rise again. Central banks may be forgetting just how much money remains in the financial system after the huge amount of fiscal and monetary stimulus that was injected during the pandemic and the substantial budget deficits that continue to be run across North America. Deficits, wage growth and continued consumption will continue to drive stronger than expected GDP and inflation as we move into the latter part of Q2 making any early policy rate cuts look like a mistake.

The team expects continued interest rate (and therefore traditional fixed income) volatility to start 2024. Every economic release or central bank soundbite will see the market actively price in more, or less, probability of rate cuts at upcoming policy meetings. We believe the strategy's focus on the investment grade credit spread portion, not interest rate portion, of corporate bonds will help limit volatility and continue to serve investors well in the coming year.

CREDIT SPREADS RALLIED IN 2023 YET REMAIN SLIGHTLY CHEAPER THAN BOTH 5YR AND 10YR HISTORICAL AVERAGES

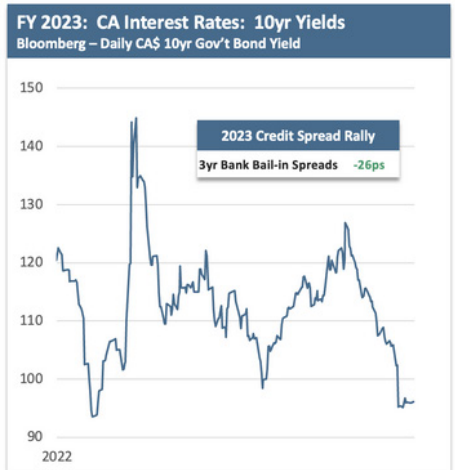
Investment grade (IG) credit spreads rallied in 2023 with the overall credit spread index rallying a very similar amount: -29bps in Canada and -18bps in the US. Conversely, short- dated Canadian credit outperformed the US quite substantially, with 1-5yr Canadian spreads rallying -31bps and 1-5yr US spreads rallying -12bps on the year.

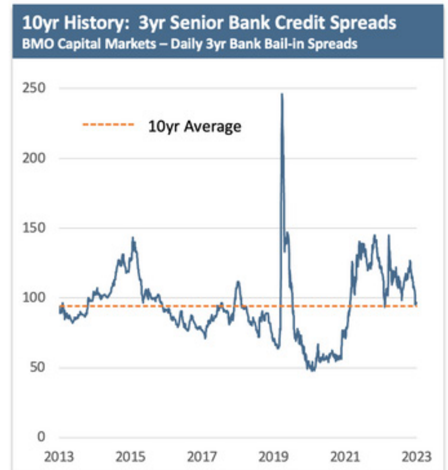
The investment team most commonly uses the 3yr Senior bank bail-in credit spread as the closest 'benchmark' for the portfolio's spread given our strategy has an average term of 2.25yrs, is 69% financials (49% banks) and has an average A- credit rating. The chart near right highlights the -26bps rally of 3yr senior bank spreads in 2023. The chart far right shows the 10yr spread history with the orange dotted line representing the 10yr spread average. Post the 2023 rally, current spread levels traded just slightly wider (cheaper) than both the 5yr and 10yr average.

There is much uncertainty looming, with markets keenly watching inflation data and economic indicators to gauge potential changes to the expected central bank policy decisions. Additional market volatility should be expected as politics take center stage in 2024 with elections occurring in countries that make up over 60% of Global GDP (as per

BOA).

The investment team has selectively reduced credit exposure as spreads started gapping tighter (prices spiked) into year end. The PMs believe these inflated prices provided a good opportunity to take some profit and reduce risk. It is common to see some normalization, or give back, when there is a sharp market move, such as the rally seen in both rates and risk over the last two months. The preference is to be very nimble at these levels – ensuring adequate credit exposure to provide investors a compelling monthly return (carry) but also having enough dry powder in the portfolio to be able to add more risk if credit spreads cheapen (widen) in the new year.





This short investor update serves only as a brief, year-end performance summary. Investors are strongly encouraged to listen to the linked podcast by the CIO of East Coast Asset Management SEZC, Mike MacBain, which goes into greater market detail and includes our Investment Team's expectations as we enter 2024.

Historical Performance	1 yr	3 yr	5 yr	10 yr	ITD
Arrow EC Income Advantage Alternative Ser FD	10.01	4.74	5.36	3.77	3.79
East Coast Investment Grade II Fund Cl F	15.20	7.51	9.04	6.79	6.52

Returns as of December 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 January 2024.