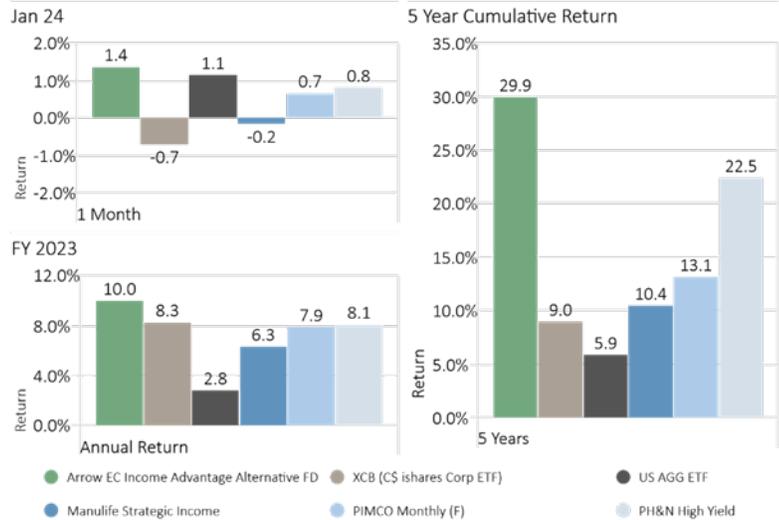


By Jan 29th, Canadian and U.S. interest rates had reversed much of the December rally, having sold off (risen) by as much as 25-35 bps. Most traders were expecting increased volatility at month end with the FOMC release on January 31st; however, it was regional banking fears, following Bancorp’s very weak Q4 earnings release on January 30th, that sparked a significant late month safety bid rally in rates. Interest rates experienced a robust rally in the last two days of trading, especially in the US, resulting in a month-end scenario where ten-year rates closed only +3 bps weaker in the U.S and +20 bps weaker in Canada. Meanwhile, U.S. equity markets (S&P 500) closed the month with a gain of +1.7%, and the Canadian TSX Composite achieved a modest increase of +0.6%. Furthermore, investment-grade (IG) credit spread indices rallied again in January, closing stronger by -3 bps in the U.S. and -6 bps in Canada.

The FOMC statement appeared to validate market expectations that the Federal Reserve had concluded its rate-hiking cycle, while asserting no intentions of initiating rate cuts until they have seen more consistent inflation data near 2%. Short-term rates, particularly the 2-year maturity, remained entirely unchanged in the closing days of January trading. The Fed funds, reflecting the likelihood of Fed rate adjustments, shifted from pricing in a 67% probability of a March cut to a reduced 36% probability post the FOMC statement and Powell’s press conference. This pricing confirms the late-January, longer-dated rate rally (5yr+) was propelled more by concerns surrounding regional banks than by a substantial shift in central bank sentiment.

As illustrated in the charts on the right, interest rate volatility ended in mixed results for traditional fixed-income funds. The East Coast strategy managed to deliver a superior return experience in January. The five-year cumulative returns chart (far right) remains a testament to our investment team’s steadfast objective: To provide investors with a consistent and stable positive return experience over the long term.

Performance: Popular Fixed Income Benchmark Returns



INTEREST RATE VOLATILITY CONTINUED IN JANUARY

Canadian 10yr Interest Rate, Bloomberg

3yr History (Yield %)



6mos History (Yield %)



fears subside, we expect interest rate moves will, once again, be driven by economic data releases and central bank soundbites, as markets continually adjust the timing and expectation for rate cuts in 2024.

Following a substantial late 2023 surge in interest rates, the team anticipated a pullback (sell-off) at the beginning of 2024. From the Dec 2023 investor update:

“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.”

We believe the rate rise to start the year was justified, with markets having priced such aggressive rate cuts too early in the year. The regional banking headlines, over the last two days of January, created a safety bid, or rally (move lower), in rates. Once regional banking

Historical Performance	1 yr	3 yr	5 yr	10 yr	ITD
Arrow EC Income Advantage Alternative Ser FD	9.32	4.97	5.38	3.83	3.88
East Coast Investment Grade II Fund Cl F	13.93	7.83	9.02	6.92	6.68

Returns as of January 31, 2024

Given continued uncertainty and the strong rally in credit spreads over the last few months, the investment team continued to take some additional profit in January and reduce exposure. The team is focused on striking the right balance between having enough risk (exposure) to provide investors a compelling monthly return (carry), while ensuring the portfolio also has significant flexibility to add more risk at less expensive levels as credit spreads cheapen (widen).

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. 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. 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 undertaken, 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 February 2024.