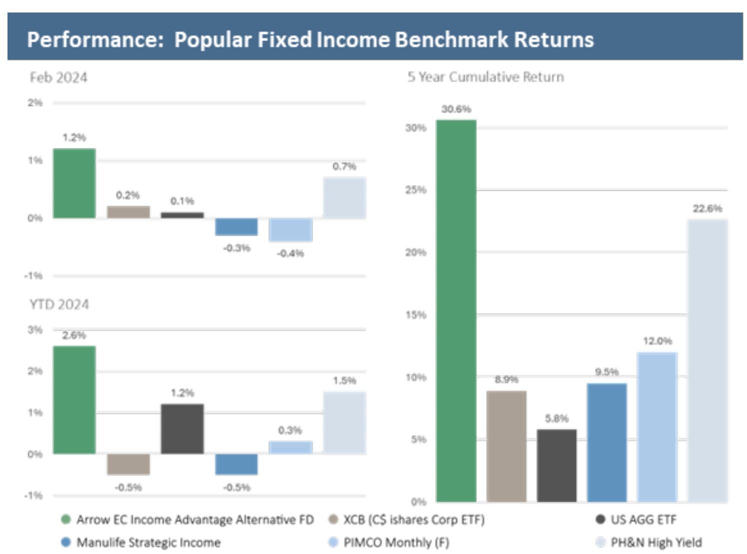
Equity and fixed income returns diverged once again in February, with economic data releases revealing resilience and prompting markets to extend rate cut expectations. In the US, equity markets surged by 5.3% (S&P 500), while Canadian equities experienced a more modest rally, gaining 1.8% (TSX Comp) during the same period. The robust performance of the US equity markets, fueled by stronger-than-expected economic data, translated into more substantial losses in interest rates. US rates witnessed a sell-off of +34bps (10yr Treasury), compared to a milder increase of +17bps in Canadian rates (10yr GOC). Short-dated rates, offering a clearer reflection of anticipated central bank policy, rose by over +40bps in the US (2yr Treasury) in contrast to approximately +20bps in Canada (2yr GOC). Investment-grade (IG) credit spreads experienced a more subdued rally, with Canadian IG index spreads narrowing by -8bps. This outperformance compared to their US counterparts (unchanged US IG index spreads) reflected Canada's efforts to catch up with the more substantial market movements observed in the US over the preceding months.

Investors may recall that our investment team had anticipated increased rate volatility at the beginning of 2024, aligning with the expectation that rates would remain 'higher for longer.' This foresight required markets to recognize that rate cuts were likely to be more gradual and delayed than initially priced in by year-end expectations. Quotes from our year end (Q4) investor update:

"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."

"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…these cuts feel a little premature to our team."

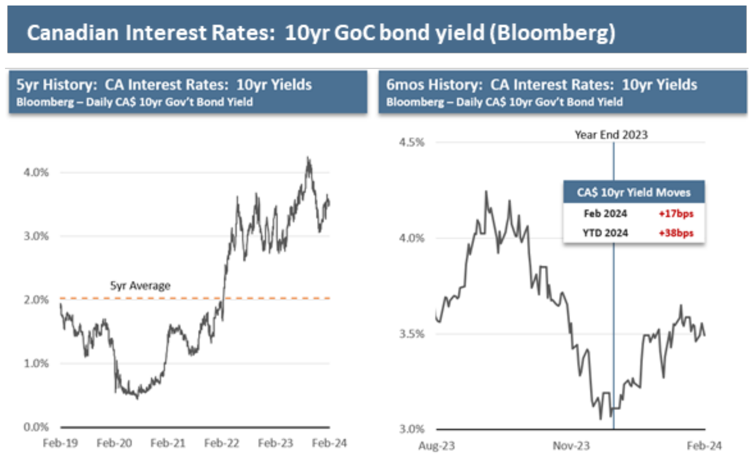
Rates have moderated slightly from the significantly lower yield (resulting in higher prices) observed at the close of 2023. The team holds the view that the appropriateness of rate cut expectations has increased. However, volatility is expected to persist, driven by data releases, particularly those pertaining to inflation and labor markets, which can sway central bank policy expectations and consequently impact interest rate levels. Our perspective is that while a short-term rate cut or two is possible, it is more probable that rate cuts will face continued delays as disinflation momentum decelerates, pushing the prospect of rate cuts further into the future.



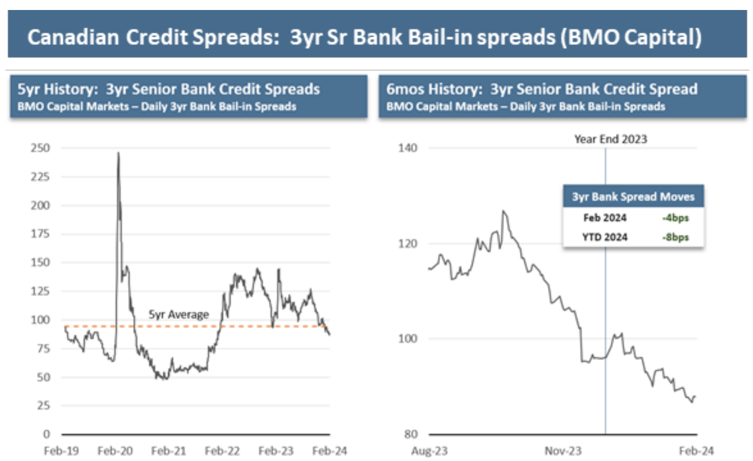
Source: Morningstar Direct: Arrow EC Income Advantage Alternative FD, Blackrock: Index iShares ETFs (XCB, AGG), PIMCO Monthly Fund (F), Manulife Strategic Income Fund (F), PH&N High Yield Bond Fund (F)

The sell-off in interest rates led to low or negative returns in most fixed income benchmarks this month, as illustrated in the performance charts on the right. Higher-yielding instruments, such as the PH&N HY fund, were able to offset the losses stemming from rate movements. The AECIAA strategy actively manages interest rate exposure, aiming to immunize investors from interest rate fluctuations, including the weakness and volatility associated with the rate moves observed in February.

CONTINUED INTEREST RATE VOLATILITY AND WEAKNESS...



... SLOW AND STEADY CREDIT SPREAD RALLY IN FEBRUARY



The presented charts above focus on both interest rates (10-year Government of Canada (GoC) yields) and credit spreads (3-year Senior Bank bail-in) across two distinct time frames—a longer 5-year horizon and a shorter 6-month period. Observing the past 6 months, investors will discern heightened volatility in interest rates, which have risen (sold off) by a substantial 38bps Year-to-Date (YTD). In contrast, credit spreads (yields) have contracted, or rallied, diminishing by 8bps over the same period. Notably, shifts in credit spreads have been relatively restrained, following a gradual trajectory towards tighter levels. Presently, they hover around the 5-year average, having rebounded from artificially low levels established by policymakers in 2020 as a response to Covid pandemic liquidity crisis.

The team has adhered to our January view, carefully taking profits and adjusting our holdings when appropriate. When examining the more extended credit spread chart on the preceding page, it's evident that the most expensive level in 3-year spreads for Canadian bank senior debt is approximately 50bps, while the least expensive, excluding the Covid period, is around 150bps. We actively navigate our risk exposure within these spread levels because, as spreads approach 50bps, investors receive diminished compensation, increasing the likelihood of capital losses should spreads rise. Consequently, we aim to hold less of this risk. Conversely, as spreads approach 150bps, investors are generously compensated, heightening the probability of capital gains from spreads contracting. Thus, we seek to increase our exposure to this risk.

In 2023, we opportunistically adjusted our exposure, fluctuating between 75% and 145% exposure, four times throughout the year, resulting in a highly profitable year for our investors. The onset of 2024 mirrors the beginning of 2023, with spreads contracting. As spreads have decreased, we have prudently scaled back our exposure to around 70%, anticipating an inevitable spread-widening event.

At times, in the midst of active markets, we can sell credits typically considered more volatile - those with wider spreads due to factors such as lower liquidity, uniqueness, longer maturity, or slightly lower credit ratings - at levels almost comparable to a less volatile benchmark. Though these more volatile credits offer higher return premiums when spreads are weaker (wider), these premiums decrease when spreads rally (narrow). Presently, we are strategically capitalizing on opportunities to implement minor yet impactful adjustments within the fund. It is imperative to underscore that our mandate is focused on high-quality, investment-grade exposure. Nevertheless, there are recurring opportunities to discreetly enhance portfolio holdings, incurring minimal or no additional costs for investors.

The portfolio's average maturity has reduced to 1.9 years, down from 2.4 years six months ago when we held a more optimistic view on spreads. In February, the investment team once again decreased the overall credit exposure (CS01) of the portfolio, ensuring substantial flexibility to add risk at more cost-effective levels when credit spreads widen.

Historical Performance	1 yr	3 yr	5 yr	10 yr	ITD
Arrow EC Income Advantage Alternative Ser FD	9.49	5.27	5.49	3.92	3.96
East Coast Investment Grade II Fund Cl F	14.11	8.35	9.15	7.02	6.80

Returns as of February 29, 2024

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 March 2024.