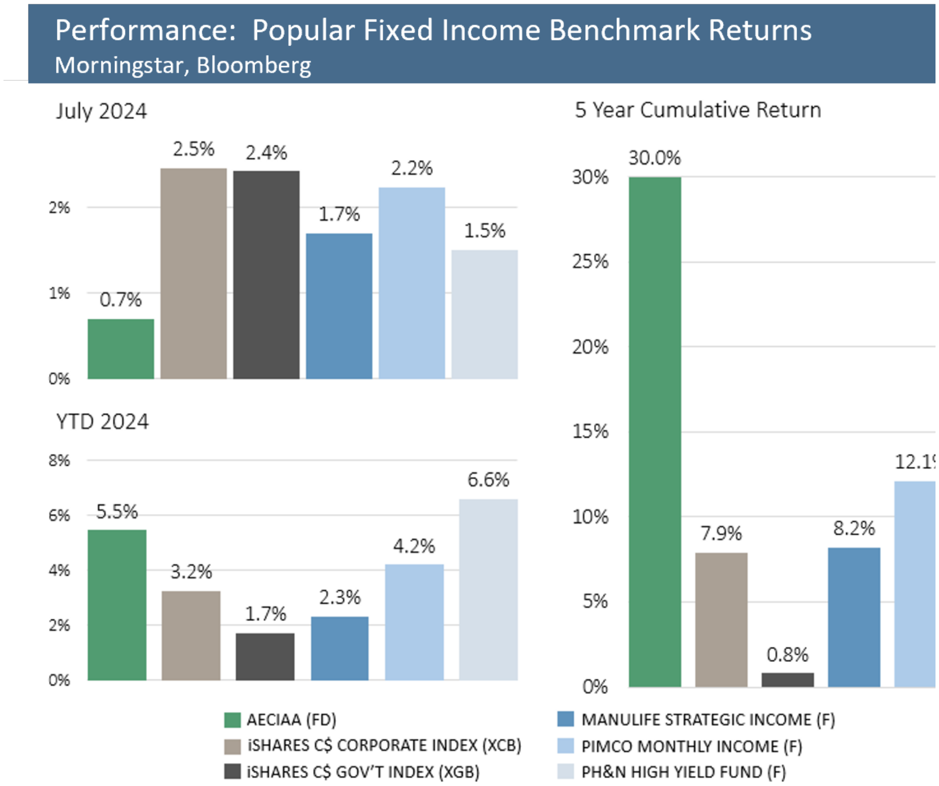
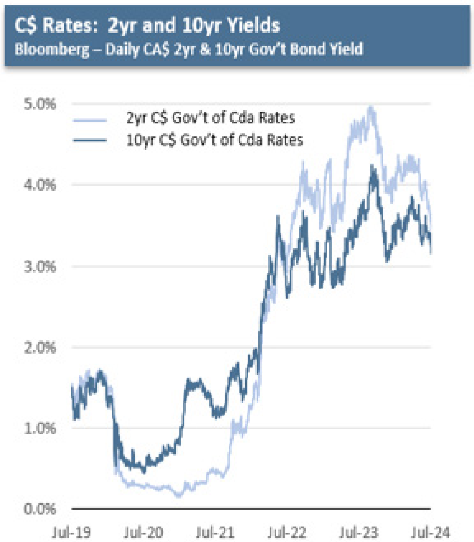
The investment team anticipated that volatility would dominate 2024 as market participants scrutinized each inflation and economic data release, and every soundbite from the central bank. The key uncertainty surrounded "when" central banks would start to cut rates. We maintained our higher for longer view throughout the past two years as the market experienced several false starts in initiating the pricing of rate cuts. July's inflation and economic data, along with FED rhetoric, now align, leading the team to believe there is a clear intention to start the easing (rate-cutting) cycle. However, we disagree with the market's current expectations regarding the timing and speed of the cuts.

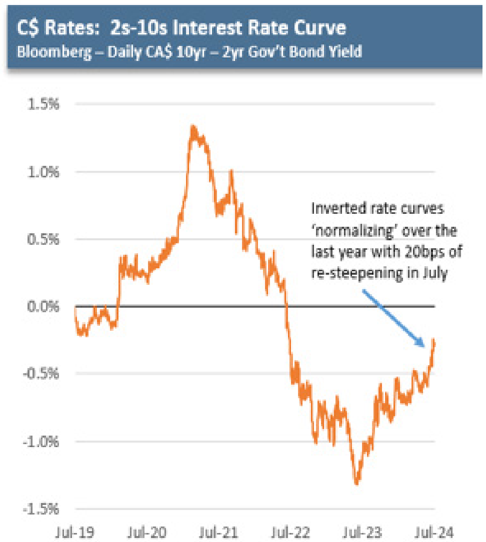


By mid-July, in the wake of moderating inflation and slowing economic data, risk assets started to weaken, and interest rates rallied as additional 2024 cuts were priced into the market. Equities managed to climb back and close the month in positive territory, with US equities (S&P 500) closing +1.22% and Canadian equities (S&P TSX Comp) closing +5.87%. Interest rates continued to plummet, or rally (as yields move inversely to price), so by month-end, 2-year government bonds had rallied a sizable -54bps in CA and -50bps in the US, while further out the curve, 10-year government bond yields had rallied -34bps in CA and -37bps in the US.

Investment-grade credit indices closed the month mostly where they started, with Canadian IG credit indices rallying a modest 2bps and the US IG credit index unchanged (0bps). The graphs at right show the 1-month, YTD, and 5-year return performance of the AECIAA strategy relative to popular fixed-income indices and funds. The volatility in interest rates continued in July, but it was to the upside, which helped traditional fixed-income funds post a strongly positive return. AECIAA continued to provide a consistent, positive return, avoiding the volatility that has plagued fixed income over the last few years.

All segments of the interest rate curve experienced a strong rally in July, but the front end was particularly pronounced due to market expectations for central bank policy changes. As the market anticipated earlier and larger rate cuts, short-dated yields, such as two-year GoC yields, were more influenced by central bank expectations than long-term yields, like 10-year GoC yields. Two-year yields are a combination of daily federal funds rate expectations over two years, plus some adjustments for liquidity and other factors. The charts on the next page show that the move in central bank rate expectations had a larger impact on 2-year Canadian yields (light blue), which rallied more than 10-year Canadian yields (dark blue).





The chart at near left shows the 2s-10s interest rate curve, which has been inverted for the last two years, but steepened sharply in July. The inverted yield curve reflected the market expectation for a likely recession - investors expected interest rates to stay high in the short-term to fight inflation, but then anticipated that the central bank would eventually need to cut rates to stimulate the economy.

Thus far, actual data has been more indicative of a "soft landing." However, significant volatility following the July 31st FOMC meeting and data releases in the first few trading days of August, showed market panic, with traders aggressively pricing in future rate cuts. As of August 5th, Fed funds futures are pricing a total of 5-6 cuts (1.25%-1.50%) over the three remaining FOMC meetings, including 50bps in September. There were also numerous media reports suggesting that an emergency rate cut before the September 17-18th meeting could be on the table.

The investment team believes these rate cuts are now too aggressive given the current data and economic landscape. While the economy is slowing down, we do not believe that inflation is likely to fall sustainably into the target range and feel that the possibility of a stagflation economy is increasing. As a result of this view the team anticipates less aggressive cutting (in terms of both the speed and number of cuts) than what is currently priced in by the markets. If the team is correct, it suggests that further interest rate volatility is to be expected. Rates have adjusted aggressively lower, as the market continues to fear recession. However, for this path of rates to be realized, a recession needs to materialize, or inflation needs to move sustainably lower. Neither of these outcomes are obvious to us at the moment.

The investment team stands ready to add risk if and when high-quality credit becomes cheaper but is not in any rush to add significant exposure at current levels. The portfolio is extremely nimble, and the PMs will look to trade into positions that enable higher returns at similar risk levels as markets become increasingly more attractive and present opportunities for our investors.

Historical Performance	1 yr	3 yr	5 yr	10 yr	ITD
Arrow EC Income Advantage Alternative Ser FD	9.94	5.92	5.42	4.08	4.04

Returns as of July 31, 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.

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. 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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The comparison presented is intended to illustrate the historical performance of Arrow EC Income Advantage Alternative Fund 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 August 2024.