# ARROW MUTUAL FUND

**Simplified Prospectus**

**WAVEFRONT ALL-WEATHER ALTERNATIVE FUND (Series AD, FD, I and ETF Units)**
**(the "Fund")**

January 1, 2025

**TABLE OF CONTENTS**

## PART A

## INTRODUCTION

This document contains selected important information to help you make an informed decision and to help you understand your rights as an investor in the fund listed on the cover of this prospectus, (the "**Fund**").

The administrative manager of the Fund is Arrow Capital Management Inc., and is referred to in this document as "**Arrow**", "**us**", "**our**" or "**we**". A "**representative**" is an individual working as a broker, financial planner or other person who is qualified to sell securities of the Fund described in this document. A "**dealer**" is the firm with which a representative works. An "**ETF**" is an exchanged-traded fund. "**Series ETF Units**" are the exchange-traded series of securities of the Fund. "**Mutual Fund Series**" refers to the series of the Fund that are not Series ETF Units.

The Fund is an "alternative mutual fund", as defined by National Instrument 81-102 – *Investment Funds* ("**NI-81-102**"). This permits it to use strategies generally prohibited to conventional mutual funds and as described herein.

When you invest in the Fund, you are buying units of a trust (the "**Units**"). The Fund has been established as a mutual fund trust created under the laws of Ontario and is governed by an amended and restated declaration of trust, dated November 17, 2017 (as amended from time to time, the "**Declaration of Trust**").

We have applied on behalf of the Fund to list Series ETF Units of the Fund on the Toronto Stock Exchange (the "**TSX**"). Listing is subject to the approval of the TSX in accordance with its listing requirements. The TSX has conditionally approved the listing application. Subject to satisfying the TSX's listing requirements, Series ETF Units of the Fund will be listed on the TSX and investors will be able to buy and sell Series ETF Units of the Fund on the TSX or another exchange or marketplace where Series ETF Units are traded through registered brokers and dealers in the province or territory where the investor resides.

This document contains information about the Fund and the risks of investing in mutual funds generally, as well as the names of the firms responsible for the management of the Fund.

This document is divided into two parts. The first part contains general information applicable to the Fund and other funds managed by us. The second part contains specific information about the Fund described in this document.

Additional information about the Fund is available in the following documents:

- the most recently filed Fund Facts;
- the most recently filed ETF Facts, as applicable;
- the most recently filed annual financial statements;
- any interim financial statements filed after those annual financial statements;
- the most recently filed annual management report of fund performance; and
- any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this document, which means that they legally form part of this document just as if they were printed as a part of this document. You may obtain a copy of these documents, at your request, and at no cost, by calling us toll free at 1 (877) 327-6048 or (416) 323-0477, or from your dealer or by email to info@arrow-capital.com. You will also find these documents on the Fund's designated website www.arrow-capital.com.

These documents and other information about the Fund are also available on the Internet site of SEDAR (the System for Electronic Document Analysis and Retrieval, established by the Canadian Securities Administrators) at www.sedarplus.ca.

## RESPONSIBILITY FOR MUTUAL FUND ADMINISTRATION

### Manager

Arrow Capital Management Inc.
100 Yonge Street, Suite 1802
Toronto, Ontario M5C 2W1
1-877-327-6048
Email: info@arrow-capital.com
www.arrow-capital.com

As Manager, we are responsible for managing the day-to-day undertakings of the Fund. We provide all general management and administrative services, including valuation of fund assets, accounting and keeping investor records. You will find details about our management agreement with the Fund under "*Material contracts*" below.

### Directors and Executive Officers of the Manager

The following is a list of the directors and senior officers of Arrow. The Fund is not obligated to pay any remuneration to the directors and officers of Arrow.

| Name and Municipality of Residence | Position with Arrow |
|---|---|
| James McGovern<br>Toronto, Ontario | Managing Director, Chief Executive Officer, Director and Ultimate Designated Person |
| Mark Purdy<br>Toronto, Ontario | Managing Director, Chief Investment Officer and Director |
| Robert Maxwell<br>Toronto, Ontario | Managing Director, Chief Financial Officer, Chief Compliance Officer, Corporate Secretary and Director |
| Frederick Dalley<br>Toronto, Ontario | Director |

The Fund has entered into an amended and restated master management agreement dated as of June 25, 2021 (the "**Fund Management Agreement**"), as amended, whereby Arrow has been appointed the manager and portfolio advisor of the Fund with authority to manage the day-to-day operations of the Fund. Arrow may delegate aspects of its duties thereunder.

The Fund Management Agreement continues in effect until termination of the Fund unless: (a) Arrow resigns or is deemed to resign due to the fact (i) the Fund has not cured within 30 days a breach of the Fund Management Agreement; or (ii) Arrow becomes bankrupt or insolvent, ceases to be resident in Canada for the purposes of the *Income Tax Act (Canada)* (the "**Tax Act**") or no longer holds the necessary licenses or registrations to carry out its obligations; or (b) Arrow is removed in accordance with the provisions of the Fund Management Agreement.

### Investments and Voting Policy for Underlying Funds

When the Fund invests in or obtains exposure to an underlying fund managed by us we will not vote any of the securities it holds. However, we may arrange for you to vote your share of those securities.

**Portfolio Advisor**

As portfolio advisor, Arrow is responsible for providing or arranging for the provision of investment advice to the Fund.

**Portfolio Sub-Advisor**

Arrow, in its capacity as portfolio advisor, may hire portfolio sub-advisors to provide investment analysis and recommendations with respect to the Fund. Arrow is responsible for the investment advice given by the portfolio sub-advisor for the Fund. You should be aware that there may be difficulty in enforcing legal rights against the portfolio sub-advisor because they may be resident outside Canada and all or a substantial portion of their assets may be situated outside Canada. Arrow is responsible for any loss that arises out of the failure of an international sub-advisor to meet standards prescribed by securities regulations.

The following is the portfolio sub-advisor for the Fund and details about the individual portfolio managers who are principally responsible for managing and making investment decisions in respect of the Fund. The investment decisions made by the individual portfolio managers are not subject to the oversight, approval or ratification of a committee; however, we are ultimately responsible for the advice given by the portfolio sub-advisor.

*WaveFront All-Weather Alternative Fund*

Arrow has engaged WaveFront Global Asset Management Corp ("**WaveFront**") of Toronto, Ontario to act as the sub-advisor for the Fund pursuant to a portfolio advisory agreement made as of the 1st day of January, 2025 the ("**WaveFront Advisory Agreement**"). Generally, the WaveFront Advisory Agreement may not be terminated by either party except by mutual agreement. Either party has the right to terminate the agreement immediately if the other party commits certain acts or fails to perform its duties under the agreement.

| Name | Current position and office held with the portfolio advisor |
|---|---|
| Rob Koloshuk | Managing Principal and Chief Investment Officer |

**Brokerage Arrangements**

Arrow is responsible for placing orders to effect portfolio transactions (i.e. purchase and sell securities) on behalf of the Fund. Arrow is responsible for selecting brokers and dealers for the execution of the Fund's portfolio transactions and, when applicable, the negotiation of commissions in connection therewith. Arrow may delegate the responsibility of the brokerage arrangements to portfolio sub-advisors, but ultimate responsibility remains with Arrow.

Purchase and sale orders are usually placed with brokers who are selected by Arrow or the portfolio sub-advisor as able to achieve "best execution" of such orders. "Best execution" means prompt and reliable execution at the most favourable securities price, taking into account the other provisions hereinafter set forth. The determination of what may constitute best execution and price in the execution of a security transaction by a broker involves a number of considerations, including, without limitation, the overall direct net economic result to the Fund, the efficiency with which the transaction is effected, the availability of the broker to stand ready to execute transactions, and the financial strength and stability of the broker.

From time to time, Arrow or the portfolio sub-advisor may allocate brokerage business to brokers who provide or have provided general investment research, including provision of industry and company analysis, economic reports, statistical data pertaining to the capital markets, portfolio reports and portfolio analytics, trading data and other services that assist us in carrying out the investment decision-making process. We will attempt to allocate these transactions with appropriate regard to the principles of a reasonable brokerage fee, the benefit to the Fund and best execution.

Arrow does not have any contractual arrangement with any person or company for any exclusive right to purchase or sell securities.

Arrow does not conduct business with affiliated entities involving client brokerage commissions.

Since the date of the last simplified prospectus, certain third party companies provided goods and services (other than order execution) to us, including general investment research, industry and company analysis, economic reports and statistical data. A list of the dealers and third parties to whom any brokerage commissions of the Fund have been or might have been directed in return for goods and services (other than order execution) since the date of the last simplified prospectus filing, will be provided upon request by contacting us at the toll-free telephone number or at the address indicated on the back cover of this simplified prospectus, or by emailing us at info@arrow-capital.com.

**Trustee**

The Fund is a unit trust. As trustee for the Fund, Arrow controls and has authority over the Fund's investments and cash in trust on behalf of the unitholders of the Fund. Arrow does not receive any additional fees for serving as trustee. The information relating to the directors and officers of Arrow are described under the heading *"Directors and Executive Officers of the Manager"* in this simplified prospectus.

**Custodian**

CIBC World Markets Inc. ("**CIBC WM**"), Toronto, Ontario is a custodian of the assets of the Fund pursuant to a custodial services agreement dated December 31, 2018, as amended (the "**CIBC WM Custodial Agreement**"). CIBC Mellon Trust Company ("**CIBC Mellon**"), Toronto, Ontario is a custodian of the assets of the Fund pursuant to a custodial services agreement dated June 27, 2014, as amended (the "**CIBC Mellon Custodial Agreement**" and together with the CIBC WM Custodial Agreement the "**Custodial Agreements**"). The custodians hold the Fund's cash and securities on behalf of the Fund and are responsible for ensuring that they are safe and secure. Each of the Custodial Agreements give the respective custodian the right to appoint sub-custodians. Either party may at any time terminate either of the Custodial Agreements, as applicable, without any penalty by giving at least 90 days' notice to the other parties of such termination. The fees of the custodians are payable by the Fund.

The Manager may in the future appoint additional custodians in accordance with the Custodian Relief described under the heading "*Exemptions and Approvals– Custodian Relief*" in this simplified prospectus.

**Auditor**

The auditor of the Fund is PricewaterhouseCoopers LLP, Toronto, Ontario. Any change in the auditor by the Fund may be made only in accordance with securities legislation.

**Registrar and Transfer Agent**

*Mutual Fund Series*

Pursuant to the terms of an agreement with the Manager, RBC Investor Services Trust of Toronto has been appointed to provide record keeping services for the Mutual Fund Series units of the Fund. The recordkeeper keeps a register of the owners of the Units, processes purchases and redemption orders, issues investor account statements and issues annual tax reporting information.

*Series ETF Units*

TSX Trust Company, Toronto, Ontario acts as registrar and transfer agent for Series ETF Units of the Fund. TSX Trust Company makes arrangements to keep a record of all unitholders of Series ETF Units and processes orders. TSX Trust Company keeps the register in respect of Series ETF Units in Toronto, Ontario.

**Securities Lending Agent**

CIBC WM, in the future, may be a securities lending agent for the Fund (the "**Securities Lending Agent**"). The Securities Lending Agent is independent of the Manager. The Manager has appointed or will appoint the Securities Lending Agent under the terms of written agreement between the Manager and the Securities Lending Agent on behalf of the Fund in order to administer any securities lending, repurchase and reverse repurchase transactions for the Fund (the "**Securities Lending Agreement**").

Under the Securities Lending Agreement, the collateral posted by a securities borrower to the Fund is required to have an aggregate value of not less than 102% of the market value of the loaned securities. In addition, the Fund will indemnify the Securities Lending Agent, and the Securities Lending Agent and affiliates will indemnify the Fund, from all claims, losses, damages, liabilities, costs and expenses (including reasonable counsel fees and expenses but excluding consequential or indirect damages), suffered by any party arising from: (i) the failure of the indemnifying party to perform any of its obligations under the Securities Lending Agreement, (ii) any inaccuracy of any representation or warranty made by the indemnifying party in the Securities Lending Agreement, or (iii) any fraud, bad faith, wilful misconduct, gross negligence or reckless disregard of duties by the indemnifying party, in connection with or relating to the Securities Lending Agreement. The Securities Lending Agreement may be terminated at any time at the option of either party upon 30 days' prior written notice to the other party.

**Cash Lender**

The Fund has entered into a prime brokerage services agreement with a prime broker whereby the prime broker may grant to the Fund a margin facility for which the Fund may draw on from time to time. The prime broker is not associated with the Manager and is as follows:

| Fund | Prime Broker |
|---|---|
| WaveFront All-Weather Alternative Fund | CIBC WM |

**Valuation Agent**

CIBC Mellon in Toronto acts as the valuation agent for the Fund pursuant to a fund administration services agreement dated November 14, 2012, as amended (the "**Administration Agreement**") entered into with the Manager.

CIBC Mellon acts as the valuation agent of the Fund and provides accounting and valuation services. CIBC Mellon also calculates the net income and net capital gains of the Fund. Either party may terminate the Administration Agreement by giving the other party 60 days' written notice. Either party has the right to terminate the Administration Agreement immediately if the other party becomes insolvent or a petition of bankruptcy is filed by or against that party and is not discharged within 30 days.

**Designated Brokers and ETF Dealers**

The Manager, on behalf of the Fund that offers Series ETF Units, has entered or will enter into agreements with registered dealers pursuant to which each registered dealer (a "**Designated Broker**") has agreed to perform certain duties relating to Series ETF Units of the Fund including, without limitation: (i) to subscribe for a sufficient number of Series ETF Units to satisfy the applicable exchange's listing requirements; (ii) to subscribe for Series ETF Units on an ongoing basis, and (iii) to post a liquid two way market for the trading of Series ETF Units on the applicable exchange. Payment for Series ETF Units must be made by the Designated Broker, and those Series ETF Units will be issued by no later than the first Trading Day (as defined hereinafter) after the subscription notice has been delivered. In accordance with the agreements with the Designated Brokers, the Manager may require the Designated Brokers to subscribe for Series ETF Units for cash.

The Manager, on behalf of the Fund, may enter into various agreements with registered dealers (that may or may not be a Designated Broker) (each such registered dealer, an "**ETF Dealer**") pursuant to which the ETF Dealers may subscribe for Series ETF Units as described under "Purchases, Switches and Redemptions".

Series ETF Units do not represent an interest or an obligation of a Designated Broker or ETF Dealers or any affiliate thereof and a unitholder of Series ETF Units will not have any recourse against any such parties in respect of amounts payable by the Fund to the Designated Broker or ETF Dealers.

**No Designated Broker or ETF Dealer has been involved in the preparation of this simplified prospectus, nor has it performed any review of the contents of this simplified prospectus. The applicable Designated Broker and ETF Dealers do not act as underwriters of the Fund in connection with the distribution of its Series ETF Units under this simplified prospectus. Each Designated Broker and ETF Dealer is independent of the Manager.**

## Independent Review Committee and Fund Governance

### *Independent Review Committee*

National Instrument 81-107 – *Independent Review Committee for Investment Funds* ("**NI 81-107**") requires all publicly-offered investment funds, such as the Fund to establish an independent review committee (the "**IRC**"). The IRC is required to be comprised of a minimum of three members, each of whom must be independent of the Manager and the Fund. The current members of the IRC are:

- Harvey Naglie (Chair)
- Kevin Drynan
- Joe Pinizzotto

The mandate of the IRC is to review conflict of interest matters identified and referred to the IRC by the Manager and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. At all times, the members of the IRC are required to act honestly and in good faith in the best interests of the Fund and, in connection therewith, will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Manager has established written policies and procedures for dealing with each conflict of interest matter. At least annually, the IRC will review and assess the adequacy and effectiveness of the Manager's written policies and procedures relating to conflict of interest matters and will conduct a self-assessment of the IRC's independence, compensation and effectiveness.

Subject to approval of the IRC, no unitholder approval will be required for a change of auditors of the Fund, or to approve mergers between Funds, if unitholders of the Fund are sent a written notice at least 60 days before the effective date of the change.

The Manager will maintain records of all matters and/or activities subject to the review of the IRC, including a copy of the Manager's written policies and procedures dealing with conflict of interest to the IRC. The Manager will also provide the IRC with assistance and information sufficient for the IRC to carry out its responsibilities under NI 81-107.

The members of the IRC are entitled to be compensated by the Fund and reimbursed for all reasonable costs and expenses for the duties they perform as IRC members. In addition, the members of the IRC are entitled to be indemnified by the Fund, except in cases of wilful misconduct, bad faith, negligence or breach of their standard of care.

The IRC prepares, at least annually, a report of its activities for unitholders and makes such reports available on the Fund's designated website at www.arrow-capital.com, or at the unitholder's request and at no cost, by contacting us at info@arrow-capital.com.

### *Fund Governance*

Arrow, as manager of the Fund, has responsibility for the governance of the Fund. Specifically, in discharging its obligations in its capacity as manager, Arrow is required to (a) act honestly, in good faith and in the best interests of the Fund; and (b) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances.

NI 81-107 requires the Manager to have policies and procedures relating to conflicts of interest. The Manager has adopted the Arrow Corporate Code of Ethics and Conduct and Arrow Personal Trading Policy (the "**Codes**"), which establish rules of conduct designed to ensure fair treatment of the Fund's unitholders and to ensure that at all times the interests of the Fund and their unitholders are placed above personal interests of employees, officers and directors of the Manager and portfolio sub-advisors. The Codes apply the highest standards of integrity and ethical business conduct. The objective is not only to remove any potential for real conflict of interest, but also to avoid any perception of conflict. The Codes address the area of investments, which covers personal trading by employees, conflict of interest, and confidentiality among departments and portfolio sub-advisors. They also address confidentiality, fiduciary duty, enforcement of rules of conduct and sanctions for violations.

### *Reporting to Unitholders*

The Manager, on behalf of the Fund, will in accordance with applicable laws furnish to each unitholder unaudited semi-annual financial statements and an interim management report of fund performance for the Fund within 60 days of the end of each semi-annual period and audited annual financial statements and an annual management report of fund performance for the Fund within 90 days of the end of each financial year. Both the semi-annual and the annual financial statements of the Fund will contain a statement of financial position, a statement of comprehensive income, a statement of changes in net assets attributable to holders of redeemable units, a statement of cashflows and a schedule of investment portfolio.

Any tax information necessary for unitholders to prepare their annual federal income tax returns will also be distributed to them within the time required by applicable law. Neither the Manager nor the registrar and transfer agent are responsible for tracking the adjusted cost base of a unitholder's units. Unitholders should consult with their tax or investment advisor in respect of how to compute the adjusted cost base of their units and in particular how designations made by a Fund to a unitholder affect the unitholder's tax position.

The Manager will keep, or arrange for the keeping of, adequate books and records reflecting the activities of the Fund. A unitholder or his or her duly authorized representative will have the right to examine the books and records of the Fund during normal business hours at the offices of the Manager or such other location as the Manager shall determine. Notwithstanding the foregoing, a unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

### *Policies and Procedures – Short Selling*

The Fund may short sell as permitted by securities regulations. A description of how the Fund intends to engage in short selling can be found in Part B of this simplified prospectus.

The Manager has established and maintains written policies and procedures that set out the objectives and goals for short selling and the applicable risk management procedures. Such policies are the responsibility of senior management at the Manager and as such will be reviewed on a regular basis by both senior management and the Manager's investment committee. Compliance monitoring of the short-selling policy and its associated procedures is the responsibility of the operations group at the Manager. Risk measurement procedures or simulations are not currently used to test the portfolio under stress conditions.

### *Policies and Procedures – Derivatives*

The Fund may use derivatives. For details about how the Fund uses derivatives, see Part B of this simplified prospectus. Derivatives are used by the Fund only as permitted by applicable securities legislation and by discretionary exemptions given to it. Derivatives are used for hedging and non-hedging purposes. The Manager monitors trading activities in conjunction with the portfolio advisor and is responsible for applying trading limits, if any, and other controls, if required.

Except as described above, there are no other written policies with respect to derivative use. The Manager of the Fund is responsible for establishing trading limits and other controls on derivative trading. The risk exposure of the Fund's derivatives trades are not generally independently monitored and risk measurement procedures or simulations are not currently used to test the portfolio under stress conditions.

***Policies and Procedures – Securities Lending, Repurchase or Reverse Repurchase Transactions***

The Fund may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions. For details about how the Fund engages in these transactions, see Part B of this simplified prospectus. The Fund may enter into these transactions only as permitted under securities law.

The Fund will not enter into a securities lending transaction or a repurchase transaction if, immediately thereafter, the aggregate market value of all securities loaned by the Fund and not yet returned to it or sold by the Fund in a repurchase transaction and not yet repurchased would exceed 50% of the total assets of the Fund (exclusive of collateral held by the Fund for securities lending transactions and cash held by the Fund for repurchase transactions).

The risks associated with these transactions will be managed by requiring that the Securities Lending Agent to enter into such transactions for the Fund with reputable and well-established Canadian and foreign brokers, dealers and institutions. The Securities Lending Agent is required to maintain internal controls, procedures and records including a list of approved third parties based on generally accepted creditworthiness standards, transaction and credit limits for each third party, and collateral diversification standards. Each day, the Securities Lending Agent will determine the market value of both the securities loaned by the Fund under a securities lending transaction or sold by the Fund under a repurchase transaction and the cash or collateral held by the Fund for such transactions. If on any day the market value of the cash or collateral is less than 102% of the market value of the borrowed or sold securities, on the next day the borrower will be required to provide additional cash or collateral to the Fund to make up the shortfall.

Arrow reviews at least annually the policies and procedures described above to ensure that the risks associated with securities lending, repurchase and reverse repurchase transactions are being properly managed. Risk measurement procedures or simulations are not currently used to test the portfolio under stress conditions.

***Proxy Voting Guidelines***

The Manager has a fiduciary responsibility to act in the best interest of the Fund. One aspect of this duty is the exercise of voting rights attaching to securities held by the Fund.

The Manager has established policies and procedures with respect to the voting of proxies (the "**Proxy Voting Guidelines**") received from issuers of securities held in the Fund's portfolio. The Proxy Voting Guidelines provide that the Manager will vote (or refrain from voting) proxies for the Fund for which it has voting power in the best economic interests of the Fund. The Proxy Voting Guidelines are not exhaustive and due to the variety of proxy voting issues that the Manager may be required to consider, are intended only to provide guidance and are not intended to dictate how proxies are to be voted in each instance. The Manager may depart from the Proxy Voting Guidelines in order to avoid voting decisions that may be contrary to the best interests of the Fund.

The proxies associated with securities held by the Fund will be voted in accordance with the best interests of unitholders of the Fund determined at the time the vote is cast. The Manager maintains policies and procedures that are designed to be guidelines for the voting of proxies; however, each vote is ultimately cast on a case-by-case basis taking into consideration the relevant facts and circumstances at the time of the vote.

The Manager's Proxy Voting Guidelines sets out various considerations that the Manager will address when voting, or refraining from voting, proxies, including that:

(a) The Manager will generally vote with management on routine matters such as electing corporate directors, appointing external auditors and adopting or amending management compensation plans unless it is determined that supporting management's position would not be in the best interests of the unitholders;

(b) The Manager will address on a case-by-case basis, non-routine matters, including those business issues specific to the issuer or those raised by securityholders of the issuer with a focus on the potential impact of the vote on the Fund; and

(c) The Manager has the discretion whether or not to vote on routine or non-routine matters. In cases where the Manager determines that it is not in the best interests of securityholders to vote, or in cases where no value is added by voting, the Manager will not be required to vote.

The policies and procedures that the Fund follows when voting proxies relating to portfolio securities are available on request, at no cost, by calling the Manager toll-free at 1 (877) 327-6048 or (416) 323-0477 or by email at info@arrow-capital.com.

The proxy voting record for the Fund for the most recent 12-month period ended June 30 of each year will be available free of charge to any unitholder of the Fund upon request at any time after August 31 of that year. The proxy voting record for the Fund will also be available on the Fund's website at www.arrow-capital.com.

***Remuneration of Directors, Officers and Trustees***

No salaries or other compensations or reimbursements were paid (or are payable) by the Fund to the directors or officers of the Manager nor to any independent boards except the IRC. Generally, the Chair of the IRC is paid $18,000 annually and each member other than the Chair is paid $14,000 for the duties they perform as IRC members in relation to the Fund. Members of the IRC are also reimbursed for their expenses which are typically nominal and associated with travel and the administration of meetings. These amounts are allocated among the Fund and other funds managed by the Manager in a manner that is fair and reasonable.

Arrow does not receive any additional fees for serving as trustee.

**Material Contracts**

The following are details about material contracts affecting the Fund.

(a) The Fund has been established under the Declaration of Trust. The Declaration of Trust sets out the terms and conditions that apply to the Fund. The Declaration of Trust may be amended from time to time to add or delete a mutual fund or to add or delete a series of units;

(b) CIBC WM, pursuant to the CIBC WM Custodial Agreement, and CIBC Mellon, pursuant to the CIBC Mellon Custodial Agreement, are the custodians referred to under the heading "*Custodians*";

(c) The portfolio sub-advisor listed under "*Responsibility for Mutual Fund Administration – Portfolio Sub-adviser*" above is responsible for managing the investment portfolio of the Fund as specified in the section, pursuant to the portfolio advisory agreement referred to therein. The Manager considers the portfolio advisory agreement to be material to the Fund;

(d) The Declaration of Trust provides to Arrow, in its capacity as trustee, all the powers of the trustee with respect to management, supervision and administration of the Fund. Pursuant to such authority, the Fund has entered into an amended and restated management agreement dated as of June 26, 2020 (the "**Management Agreement**"), as amended, whereby Arrow has been appointed the manager and portfolio advisor of the Fund with authority to manage the day-to-day operations of the Fund. Arrow may delegate aspects of its duties thereunder; and

(e) The Management Agreement is a master management agreement that we have entered into with the Fund and other funds outlining how we are responsible for managing the investment portfolio of the Fund. The

Management Agreement continues in effect until termination of the Fund unless: (a) Arrow resigns or is deemed to resign due to the fact (i) the Fund has not cured within 30 days a breach of the Management Agreement; or (ii) Arrow becomes bankrupt or insolvent, ceases to be resident in Canada for the purposes of the Tax Act or no longer holds the necessary licenses or registrations to carry out its obligations; or (b) Arrow is removed in accordance with the provisions of the Management Agreement..

Copies of the material contracts are available for inspection during regular business hours at the principal office of the Manager:

Arrow Capital Management Inc.
100 Yonge Street, Suite 1802
Toronto, Ontario M5C 2W1

**Designated Website**

The mutual fund is required to post certain regulatory disclosure documents on a designated website. The designated website of the Fund this document pertains to can be found at the following location: www.arrow-capital.com.

## VALUATION OF PORTFOLIO SECURITIES

In calculating the net asset value (the "**NAV**"), the Fund values the various assets as described below. In the past three years we have used fair value to deviate from these valuation practices in circumstances where this would be appropriate, for example, when trading in a security was halted because of significant negative news about the company.

| Type of Asset | Method of Valuation |
|---|---|
| Liquid assets, including cash on hand or on deposit, accounts receivable and prepaid expenses | Valued at full face value unless we determine the asset is not worth full face value, in which case we will determine a fair value. |
| Money market instruments | The purchase cost amortized to the instrument's due date. |
| Bonds, term notes, shares, subscription rights and other securities listed or traded on a stock exchange | The latest available sale price reported by any means in common use. If a price is not available, we determine a price at the average of the closing bid and ask price or the latest available sale price. If the securities are listed or traded on more than one exchange, the Fund calculates the value in a manner that we believe accurately reflects fair value. If we believe stock exchange quotations do not accurately reflect the price the Fund would receive from selling a security, we can value the security at a price we believe reflects fair value. |
| Bonds, term notes, shares, subscription rights and other securities not listed or traded on a stock exchange | The price quotation or valuation that we believe best reflects fair value. |
| Restricted securities as defined in NI 81-102 | The market value of securities of the same class which are not restricted, multiplied by the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition, provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restrictions will be lifted is known or such lower value as may be available from reported quotations in common use. |

| | |
|---|---|
| Long positions in clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants | The current market value. |
| Premiums received from written clearing corporation options, options on futures or over-the-counter options | Treated as deferred credits and valued at an amount equal to the market value that would trigger closing the position. The deferred credit is deducted when calculating the net asset value of the Fund. Any securities that are the subject of a written clearing corporation option or over-the-counter option will be valued as described above. |
| Futures contracts, forward contracts and swaps | Valued according to the gain or loss the Fund would realize if the position were closed out on the day of the valuation. If daily limits are in effect, the value will be based on the current market value of the underlying interest. |
| Assets valued in foreign currency, deposits, contractual obligations payable to the Fund in foreign currency and liabilities and contractual obligations the fund must pay in foreign currency | Valued using the exchange rate from a publicly disseminated quotation service. |
| Precious metals | Precious metals (certificates or bullion) and other commodities are valued at their fair market value, generally based on prevailing market prices as reported on exchanges or other markets. |
| Securities of other mutual funds | The value of the securities will be the net asset value per security on that day or, if the day is not a valuation day of the mutual fund, the net asset value per security on the most recent valuation day for the mutual fund. |

National Instrument 81-106 *Investment Fund Continuous Disclosure* ("**NI 81-106**") requires the Fund to calculate their net asset value by determining the fair value of its assets and liabilities. CIBC Mellon has been appointed to perform valuation services for us. Any valuation services will be done using the methods of valuation described above.

## CALCULATION OF NET ASSET VALUE

The price of a unit is called the "***net asset value***" or "***NAV***" per unit, or the "***unit value***". We calculate a separate NAV per unit for each series of the Fund by taking the value of the assets of the Fund, less any common liabilities of the Fund, pro rated to each series of the Fund, subtracting any liabilities of the series of the Fund and dividing the balance by the number of units held by investors in that series of the Fund.

We calculate NAV at 4:00 p.m. Eastern time on each "***valuation day***". A valuation day is any day that the Toronto Stock Exchange is open for trading. The Fund's unit value will fluctuate with the value of its investments.

The NAV and the NAV per unit are available at www.arrow-capital.com and upon request by any unitholder, at no cost, by calling 1-877-327-6048.

*Mutual Fund Series Units*

Whether you are buying, selling, transferring or switching Mutual Fund Series units of the Fund, we base the transaction on the NAV of the Fund. When you buy, sell, transfer or switch Mutual Fund Series units of the Fund, the price is the next NAV we calculate after receiving your order. When you place your order through a representative, the representative sends it to us. If we receive your properly completed order before 4:00 p.m. Eastern time on a valuation day, we will process it using that day's NAV. If we receive your order after that time, we will use the NAV on the next valuation day. The valuation day used to process your order is called the "***trade date***".

*Series ETF Units*

Series ETF Units are issued directly to the Designated Broker and ETF Dealers. Series ETF Units are offered for sale at a price equal to the NAV of Series ETF Units determined on each valuation day.

The Manager, on behalf of the Fund, has applied to list Series ETF Units of the Fund on the Toronto Stock Exchange ("**TSX**"). The TSX has conditionally approved the listing of Series ETF Units of the Fund. Subject to satisfying the TSX's listing requirements, and a receipt being issued for this simplified prospectus by the securities regulatory authorities, Series ETF Units of the Fund will be listed on the TSX and investors will be able to buy or sell such units on the TSX through registered brokers and dealers in the province or territory where the investor resides. There is no assurance that the TSX will approve the listing application.

Investors may incur customary brokerage commissions in buying or selling Series ETF Units. No fees are paid by investors to the Manager or the Fund in connection with buying or selling of Series ETF Units on the TSX.

## PURCHASES, SWITCHES AND REDEMPTIONS

You may purchase, switch or transfer Mutual Fund Series units from the Fund to other funds managed by Arrow or redeem your Mutual Fund Series units in the Fund through registered dealers in each of the provinces and territories of Canada. You can contact Arrow for the names of registered dealers in your province or territory of residence.

Series ETF Units are available to investors that purchase such units on the TSX or another exchange or marketplace.

### Purchases

*Mutual Fund Series Units*

The Fund has multiple series available for investors. Different purchase options require investors to pay different fees and expenses and, if applicable, the choice of purchase options affects the amount of compensation paid by Arrow to your dealer. See "*Fees and Expenses*" and "*Dealer Compensation*" on pages 21 through 25.

You can invest in the Fund by completing a purchase application, which you can get from your representative. Your initial investment in the Fund must be at least $1,000. Any subsequent purchase must be at least $100.

| Series | Feature |
|---|---|
| Series AD Units | This series of units is available to all investors. You may purchase these series of units by way of the front-end sales charge (the "**Front-End Units**"). You may be required to pay your dealer a sales charge when you buy these units. This sales charge is negotiable between you and your dealer.<br><br>Series AD Units are a Variable Rate Distribution Series as defined below. |

| | |
|---|---|
| Series FD Units | This series of units is generally only available to investors who are enrolled in a dealer sponsored fee-for-service or "wrap" program and who are subject to an annual advisory or asset-based fee rather than commissions for each transaction or an account with a discount broker (or other dealers who do not make a suitability determination) (the "**Fee-Based Units**"). This series of units are not subject to sales charges. In certain circumstances, investors who purchase Fee-Based Units must enter into an agreement with their dealer which identifies an annual account fee (a "**Fee-Based Account Fee**") negotiated with their financial advisor and payable to their dealer. This Fee-Based Account Fee is in addition to the management fee payable by the Fund for Fee-Based Units.<br><br>Series FD Units are a Variable Rate Distribution Series as defined below. |
| Series I Units | This series of units is typically for institutional investors such as pension plans, endowment funds and corporations, high net worth individuals and group RRSPs that maintain a minimum investment in the Fund as negotiated with Arrow. You may be required to pay your dealer a sales charge when you buy these units. This sales charge is negotiable between you and your dealer.<br><br>Series I Units are Non-Fixed Rate Distribution Series as defined below. |

"**Non-Fixed Rate Distribution Series**" are designed for investors who do not wish to receive regular payments from the Fund. Each December, the Fund may declare an annual distribution of its dividend income, capital gains or taxable income, if any and as applicable, to holders of the Non-Fixed Rate Distribution Series.

"**Variable Rate Distribution Series**" are designed for investors who do not wish to receive regular payments from the Fund, but who are comfortable with receiving variable distributions (which could be zero) on a monthly or quarterly basis depending on market conditions. **If the Fund earns more income or capital gains than the distributions, it will distribute the excess each December. If the Fund earns less than the distributions the difference is a return of capital.**

**You should not confuse the distribution rate with the Fund's rate of return or the yield of its portfolio.**

**All distributions will be reinvested, without charge, in additional units of that series, unless you elect in advance to receive the distributions in cash.**

Payment for units of the Fund must be received within one (1) business day of your order or we will redeem your units on the next business day. If the proceeds are greater than the payment you owe, the Fund is required by securities regulation to keep the difference. If the proceeds are less than the payment you owe, your dealer must pay the difference (and your dealer may seek to collect this amount plus expenses from you).

We may reject your purchase order within one business day of receiving it. Any monies sent with your order will be returned immediately.

<u>*Series ETF Units*</u>

The Manager, on behalf of the Fund, has applied to list Series ETF Units of the Fund on the TSX. The TSX has conditionally approved the listing of Series ETF Units of the Fund. Subject to satisfying the TSX's listing requirements, and a receipt being issued for this simplified prospectus by the securities regulatory authorities, Series ETF Units of the Fund will be listed on the TSX and investors will be able to buy or sell such units on the TSX through registered brokers and dealers in the province or territory where investors reside. There is no assurance that the TSX will approve the listing application.

Series ETF Units of the Fund will be issued and sold on a continuous basis and there is no maximum number of Series ETF Units that may be issued. Series ETF Units of the Fund can be bought in Canadian dollars only.

Investors may incur customary brokerage commissions in buying or selling Series ETF Units. No fees are paid by a unitholder to the Manager or the Fund in connection with the buying or selling of Series ETF Units on the TSX or another exchange or marketplace.

| **Fund** | **Series** | **Ticker Symbol** | **Distribution Frequency** |
|---|---|---|---|
| WaveFront All-Weather Alternative Fund | ETF | WAAV | Variable Rate Distribution Series |

*To Designated Brokers and ETF Dealers*

The Manager, on behalf of the Fund, has entered or will enter into a designated broker agreement with a Designated Broker pursuant to which the Designated Broker has agreed, or will agree, to perform certain duties relating to Series ETF Units of the Fund including, without limitation: (i) to subscribe for a sufficient number of units to satisfy the applicable exchange's listing requirements; (ii) to subscribe for units when cash redemptions of units occur; and (iii) to post a liquid two-way market for the trading of units on the applicable exchange. In accordance with the designated broker agreement, the Manager may require the Designated Broker to subscribe for Series ETF Units for cash.

Generally, all orders to purchase Series ETF Units directly from the Fund must be placed by a Designated Broker or an ETF Dealer that has entered into an agreement with us authorizing the dealer to subscribe for, purchase and redeem Series ETF Units from the Fund on a continuous basis from time to time.

We reserve the absolute right to reject any subscription order placed by a Designated Broker or ETF Dealer in connection with the issuance of Series ETF Units. If we reject your order, we will immediately return any money received, without interest.

No fees or commissions will be payable by the Fund to a Designated Broker or ETF Dealer in connection with the issuance of Series ETF Units. On the listing, issuance, exchange or redemption of Series ETF Units, we may, in our discretion, charge an administrative fee to a Designated Broker or ETF Dealer to offset the expenses incurred in listing, issuing, exchanging or redeeming the units.

After the initial issuance of Series ETF Units to the Designated Broker(s) to satisfy the applicable exchange's listing requirements, a Designated Broker or ETF Dealer may place a subscription order for a Prescribed Number of Series ETF Units (and any additional multiple thereof) of the Fund on any day on which a session of the exchange or marketplace on which Series ETF Units of the Fund are listed is held (a "**Trading Day**"), or such other day as determined by us. "Prescribed Number of Series ETF Units" means the number of Series ETF Units of the Fund determined by us from time to time for the purpose of subscription orders, exchanges, redemptions or for other purposes. The cut-off time for Series ETF Units of the Fund is 4 p.m. (Toronto time) on a Trading Day (the "**Cut-Off**

**Time**”). If the TSX’s trading hours are shortened or changed for other regulatory reasons, we may change the Cut-Off Time. Any subscription order that is received by the Cut-Off Time will be deemed to be received on that Trading Day and will be based on the net asset value per unit determined on such Trading Day. Any subscription order received after the Cut-Off Time on a Trading Day will be deemed to be received on the next Trading Day and will be based on the net asset value per unit determined on such following Trading Day. The Fund must receive payment for the Series ETF Units subscribed for within one (1) business day from the effective date of the subscription order.

For each Prescribed Number of Series ETF Units issued, an ETF Dealer must deliver payment consisting of, in our discretion: (i) cash in an amount equal to the aggregate net asset value per unit of the Prescribed Number of Series ETF Units next determined following the receipt of the subscription order; (ii) a group of securities or assets representing the constituents of, and their weightings in, the Fund (“**Basket of Securities**”) or a combination of a Basket of Securities and cash, as determined by us, in an amount sufficient so that the value of the securities and cash received is equal to the aggregate net asset value per unit of the Prescribed Number of Series ETF Units next determined following the receipt of the subscription order; or (iii) securities other than Baskets of Securities or a combination of securities other than Baskets of Securities and cash, as determined by us, in an amount sufficient so that the value of the securities and cash received is equal to the aggregate net asset value per unit of the Prescribed Number of Series ETF Units next determined following the receipt of the subscription order.

We will make available to the Designated Brokers and ETF Dealers information as to the Prescribed Number of Series ETF Units and any Basket of Securities for the Fund for each Trading Day. We may, in our discretion, increase or decrease the Prescribed Number of Series ETF Units from time to time.

*To Designated Brokers in special circumstances*

Series ETF Units may also be issued by the Fund to Designated Brokers in certain special circumstances, including when cash redemptions of Series ETF Units occur.

**Switches**

You can switch your units, except for Series ETF Units, from the Fund or to another fund in our group of funds, including securities of any new mutual fund which is created and offered by Arrow after the date of this document (provided that securities of the new mutual fund have been qualified for sale in your province or territory of residence). A switch involves the redemption of units of the Fund and a purchase of securities in another permitted fund. You cannot switch Series ETF Units for units of another series of the Fund or for securities of another fund.

Front-End Units of the Fund can only be exchanged for other Front-End Units of the Fund or another permitted fund also offered under the initial sales charge option.

The switch of units by a unitholder from the Fund to another fund will constitute a disposition of such units for purposes of the Tax Act. As a result, a unitholder will generally realize a capital gain or capital loss on the disposition of such units. The capital gain or loss for tax purposes in respect of the units will generally be the difference between the unit price of such units at that time (less any fees) and the adjusted cost base of those units to the taxpayer. See “*Income Tax Considerations For Investors”* for more details.

You can change or convert your units of one series to units of another series of the Fund (except for Series ETF Units) by contacting your representative. No fees apply, although there may be a charge by your financial advisor. You can only change units into a different series if you are eligible to buy such units. Changing or converting units from one series to another series of the Fund is generally not a disposition for tax purposes, but you should consult your own tax advisors in this regard.

**Redemptions**

*Mutual Fund Series Units*

You may redeem your Mutual Fund Series units in the Fund at the net asset value of such units on demand by providing written notice. Your dealer is required to forward your redemption order to our offices on the same day the dealer receives it from you. If you are redeeming more than $25,000 of the Fund, your signature must be guaranteed by your bank, trust company or dealer for your protection. In some cases, the Manager may require other documents or proof of signing authority. You can contact your registered representative or us to find out the documents that are required to complete the sale.

If we do not receive all the documentation that we need from you to complete your redemption order within ten business days, we must repurchase your units. If the sale proceeds are greater than the repurchase amount, the Fund is required by securities regulation to keep the difference. If the sale proceeds are less than the repurchase amount, your dealer will be required to pay the Fund the difference (and your dealer may seek to collect this amount plus expenses from you).

No redemption charges apply unless the units are subject to the short-term trading redemption charge described below.

*Series ETF Units*

*Redemption of Series ETF Units in any number for cash*

You may choose to redeem Series ETF Units of the Fund on any Trading Day. When you redeem Series ETF Units of the Fund, you receive the proceeds of your sale in cash at a redemption price per unit equal to 95% of the closing price of the Series ETF Units on the effective date of redemption, subject to a maximum redemption price of the applicable net asset value per unit. As unitholders will generally be able to sell Series ETF Units at the market price on the TSX or another exchange or marketplace through an ETF Dealer subject only to customary brokerage commissions, unitholders are advised to consult their brokers, dealers or investment advisers before redeeming their Series ETF Units for cash.

For such a cash redemption to be effective on a Trading Day, a cash redemption request in the form prescribed by us from time to time must be delivered to the Fund at the offices of the Manager through a registered dealer or other financial institution that is a participant in CDS Clearing and Depository Services Inc. ("**CDS**") and that holds Series ETF Units on behalf of beneficial owners of such units (a "**CDS Participant**"). Any cash redemption request that is received by the Cut-Off Time will be deemed to be received on that Trading Day. Any cash redemption request received after the Cut-Off Time on a Trading Day will be deemed to be received on the next Trading Day. Payment of the redemption price will be made by no later than the first Trading Day after the effective day of the redemption (or such shorter period as may be determined by us in response to changes in applicable laws or general changes to settlement procedures in applicable markets). The cash redemption request forms may be obtained from us.

If the Manager hasn't received all the required documents within 10 business days of receiving your redemption request, the Manager will issue the same number of units on the $10^{th}$ business day after the redemption request. If the issue price is less than the sale proceeds, the Fund will keep the difference. If the issue price is more than the sale proceeds, your ETF Dealer must pay the shortfall. Your ETF Dealer may have the right to collect it from you.

If you are redeeming more than $25,000 of the Fund, your signature must be guaranteed by your bank, trust company or ETF Dealer. In some cases, the Manager may require other documents or proof of signing authority. You can contact your registered representative or us to find out the documents that are required to complete the sale.

The Manager reserves the right to cause the Fund to redeem the Series ETF Units held by a unitholder at a price equal to the net asset value per unit on the effective date of such redemption if the Manager believes it is in the best interests of the Fund to do so.

*Exchange of Prescribed Number of Series ETF Units*

On any Trading Day, you may exchange a minimum of a Prescribed Number of Series ETF Units (and any additional multiple thereof) for cash or, with our consent, Baskets of Securities and cash. To effect an exchange of Series ETF Units, you must submit an exchange request, in the form prescribed by the Manager from time to time, to the Fund at its head office. The exchange price will be equal to the aggregate net asset value per unit of the Prescribed Number of Series ETF Units on the effective day of the exchange request, payable by delivery of cash or, with our consent, Baskets of Securities (constituted prior to the receipt of the exchange request) and cash. On an exchange, the Series ETF Units will be redeemed. On an exchange we will require you to pay the Fund an exchange transaction fee of 0.25%, or such other amount as we may determine from time to time, which approximates the brokerage expenses, commissions, transaction costs, costs or expenses related to market impact and other costs or expenses incurred or expected to be incurred by the Fund in effecting securities transactions on the market to obtain the necessary cash for the exchange. The exchange transaction fee may be higher if the costs and expenses incurred or expected to be incurred by a Series ETF is higher than generally expected. In certain circumstances and at our discretion, we may waive or reduce the exchange transaction fee.

Any exchange request that is received by the Cut-Off Time will be deemed to be received on that Trading Day and will be based on the net asset value per unit determined on such Trading Day. Any exchange request received after the Cut-Off Time on a Trading Day will be deemed to be received on the next Trading Day and will be based on the net asset value per unit determined on such following Trading Day. Settlement of exchanges for cash or Baskets of Securities and cash, as the case may be, will be made by no later than the first Trading Day after the effective day of the exchange request (or such shorter period as may be determined by us in response to changes in applicable laws or general changes to settlement procedures in applicable markets).

The Manager will make available to the Designated Brokers and ETF Dealers information as to the Prescribed Number of Series ETF Units and any Basket of Securities for the Fund for each Trading Day. The Manager may, in its discretion, increase or decrease the Prescribed Number of Series ETF Units from time to time.

If securities held in the portfolio of the Fund are cease traded at any time by order of a securities regulatory authority or other relevant regulator or stock exchange, the delivery of such securities to a unitholder on an exchange may be postponed until such time as the transfer of the units is permitted by law.

*Exchange and redemption of Series ETF Units through CDS Participants*

The exchange and redemption rights described above must be exercised through the CDS Participant through which you hold Series ETF Units. Beneficial owners of Series ETF Units should ensure that they provide exchange and/or redemption instructions to the CDS Participants through which they hold units sufficiently in advance of the cut-off times set by CDS Participants to allow such CDS Participants to notify us, or as we may direct, prior to the relevant cut-off time.

**Registration and transfer of Series ETF Units through CDS**

Registration of interests in, and transfers of, Series ETF Units will be made only through the book-entry only system of CDS. Series ETF Units must be purchased, transferred and surrendered for exchange or redemption only through a CDS Participant. All rights of an owner of Series ETF Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such units. Upon purchase of any Series ETF Units, the owner will receive only the customary confirmation. All distributions and redemption proceeds in respect of Series ETF Units will be made or paid initially to CDS, which payments will be forwarded by CDS to the CDS Participants and, thereafter, by such CDS Participants to the applicable unitholders.

References in this simplified prospectus to a holder of Series ETF Units means, unless the context otherwise requires, the owner of the beneficial interest in such Series ETF Units.

Neither the Fund nor the Manager will have any liability for: (i) any aspect of the records maintained by CDS relating to the beneficial interests in the Series ETF Units or the book-entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS, whether contained in this simplified prospectus or otherwise, or made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The rules governing CDS provide that it acts as the agent and depository for the CDS Participants. As a result, CDS Participants must look solely to CDS and persons, other than CDS Participants, having an interest in the Series ETF Units must look solely to CDS Participants for payment made by the Fund to CDS.

The ability of a beneficial owner of Series ETF Units to pledge such units or otherwise take action with respect to such owner's interest in such units (other than through a CDS Participant) may be limited due to the lack of a physical certificate. The Fund has the option to terminate registration of Series ETF Units through the book-entry only system, in which case certificates for Series ETF Units in fully registered form will be issued to beneficial owners of such units or to their nominees.

**Minimum Balance**

If the value of your Mutual Fund Series units in the Fund is less than $1,000, we may sell your units and send you the proceeds. We will give your representative 30 days' notice first.

If we become aware that you no longer qualify to hold Fee-Based Units, we may switch your units to Front-End Units after we give your representative 30 days' notice.

In respect of investments in Series I Units, if we determine that you are no longer eligible to hold such units, we may redeem your Series I Units or switch such units to other series of units (whichever is most comparable) of the Fund.

The minimum balance amounts described above are determined from time to time by us in our sole discretion. They may also be waived by us and are subject to change without notice.

**Short-Term Trading**

Arrow has adopted policies and procedures to detect and deter short-term trading. Short-term trades are defined as a combination of a purchase and redemption within a short period of time that Arrow believes is detrimental to other investors in the Fund.

The interests of unitholders and the Fund's ability to manage its investments may be adversely affected by short-term trading because, among other things, these types of trading activities can dilute the value of units, can interfere with the efficient management of the Fund and can result in increased administrative costs to the Fund. While Arrow will actively take steps to monitor, detect and deter short-term trading, it cannot ensure that such trading activity will be completely eliminated.

If a unitholder switches or redeems units of the Fund within 90 days of purchase (including units received on the automatic reinvestment of distributions within such 90-day period), the Fund may charge a short-term trading fee of up to 2% of the net asset value of the units switched or redeemed. Short-term trading fees do not apply to redemptions or switches of Series ETF Units. See "*Fees and Expenses - Fees and Expenses Payable Directly by You*" on page 23.

Arrow may take such additional action as it considers appropriate to prevent further similar activity by an investor who utilizes short-term trades. These actions may include the delivery of a warning to the investor, placing the investor on a watch list to monitor his/her trading activity and the subsequent refusal of further purchases by the investor if the investor continues to attempt such trading activity and closure of the investor's account.

**Suspending your right to buy, switch and redeem units**

Under extraordinary circumstances, the Manager may temporarily suspend your right to redeem your Units and postpone payment of your sale proceeds:

- during any period when normal trading is suspended on any exchange on which securities or derivatives that make up more than 50% of the Fund's value or its underlying market exposure are traded and there's no other exchange where these securities or derivatives are traded, or
- with the approval of securities regulators.

The Manager will not accept orders to buy Units during any period when the Manager has suspended investors' rights to redeem their units.

You may withdraw your redemption or exchange request before the end of the suspension period. Otherwise, the Manager will redeem your units at the net asset value per unit next calculated when the suspension period ends.

**Special considerations for unitholders**

The provisions of the so-called "early warning" reporting requirements in Canadian securities legislation do not apply if a person or company acquires 10% or more of Series ETF Units of a Fund. The Fund has obtained relief to permit unitholders to acquire more than 20% of Series ETF Units of the Fund without regard to the takeover bid requirements of applicable Canadian securities legislation. In addition, the Fund has obtained relief to permit the Fund to borrow cash in an amount not exceeding 5% of the net assets of the Fund for a period not longer than 45 days and, if required by the lender, to provide a security interest over any of its portfolio assets as a temporary measure to fund the portion of any distribution payable to unitholders that represents amounts that have not yet been received by the Fund.

## OPTIONAL SERVICES

This section tells you about services that are available to investors in Mutual Fund Series units of the Fund. These services are not available to investors in Series ETF Units of the Fund.

**Registered Plans**

The Fund may be purchased within all Registered Plans (as defined in *Income Tax Considerations for Investors – Funds Held in Registered Plans* below) subject to tax rules that deal with prohibited investments. See "*Income Tax Considerations for Investors – Funds Held in Registered Plans*". Registered Plans may be available through Arrow or a unitholder's broker, dealer or advisor. Unitholders should contact Arrow or their broker, dealer or advisor directly about these services.

**Pre-Authorized Payment Plan**

Under a pre-authorized payment plan, you can indicate a regular amount of investment (not less than $100) to be made on a periodic basis, the Fund in which the investment is to be made, and the bank chequing account from which the investment amount is to be debited. You may suspend or terminate such a plan on ten days' prior written notice to us. The minimum initial subscription amount is $1,000.

**Automatic Withdrawal Plan**

You can establish an automatic withdrawal plan, provided you are not investing through a retirement savings plan and your account has a minimum value of $10,000. Under an automatic withdrawal plan, you can indicate a regular amount of cash withdrawal (not less than $100) to be made on a periodic basis, the Fund from which the investment is to be withdrawn, and the bank chequing account to which the withdrawn amounts are to be credited. Withdrawals will be made by way of redemption of units, and it should be noted that if withdrawals are in excess of distributions and net capital appreciation, they will result in encroachment on, or possible exhaustion of, your original capital. If you choose the automatic withdrawal plan, all distributions declared on units held under such a plan in respect of the Fund must be reinvested into additional units of the Fund. You may modify, suspend or terminate an automatic withdrawal plan on ten days' prior written notice to us.

## FEES AND EXPENSES

The tables below list:

- all fees and expenses which are paid directly by the Fund before its unit prices are calculated, and which therefore indirectly reduce the value of your investment; and
- all fees and expenses payable directly by you.

**Fees and Expenses Payable by the Fund**

<table>
<tr><td>Management Fees</td><td colspan="4">Management fees represent the fees payable to Arrow for the services it provides. Arrow is responsible for all expenses related to the management of the Fund's investment portfolio, including investment consulting fees and research expenditures incurred by it and fees charged by investment or other advisors employed by it. We are also responsible for payment of all advertising and promotional expenses incurred in respect of the Fund.<br><br>The annual management fee rates payable by the Fund is provided below (plus applicable GST, HST and any applicable provincial sales taxes). Arrow reserves the right to offer selected purchasers who meet certain criteria a management fee rebate. A holder of Series I Units pays a negotiated management fee directly to the Manager. The management fee in respect of Series I Units of the Fund will be different for each investor and will not exceed 2.00%.</td></tr>
<tr><td colspan="2"></td><td colspan="3">Annual Management Fee</td></tr>
<tr><td colspan="2">Fund</td><td>Series AD</td><td>Series FD</td><td>Series ETF</td></tr>
<tr><td colspan="2">WaveFront All-Weather Alternative Fund</td><td>1.95%</td><td>0.95%</td><td>0.95%</td></tr>
<tr><td>Performance Fees</td><td colspan="4">Each series of the Fund will pay to the Manager in respect of each calendar year of the Fund a performance fee per Unit (the "Performance Fee") equal to the percentage stated below of the amount by which the Adjusted Net Asset Value per Unit at the end of the fiscal year exceeds the highest year end Adjusted Net Asset Value per Unit previously achieved. For these purposes, "Adjusted Net Asset Value per Unit" of any series of units of the Fund means the Net Asset Value per Unit of that series at the end of a fiscal year without giving effect to the accrual of any Performance Fee, plus the aggregate amount of all distributions previously declared on a per Unit basis in respect of such series of Unit. The Performance Fee for the Fund will be calculated and accrued each day the Net Asset Value of the Fund is calculated, but will only be payable following the end of the fiscal year of the Fund based on the actual annual performance of the Fund.<br><br>Notwithstanding the foregoing, no Performance Fee will be payable with respect to any fiscal year of the Fund unless the Adjusted Net Asset Value per Unit of the Fund at the end of such fiscal year exceeds the Net Asset Value per Unit at the end of the preceding year (or on the date the Units are first issued), plus the aggregate amount of all</td></tr>
</table>

<table>
<tr><td></td><td colspan="3"> distributions previously declared on a per unit basis, by a minimum percentage as stated below (the “Hurdle Rate”). If any units of the Fund are purchased during the calendar year, the purchase price in respect of those units will be used in place of the highest year end Adjusted Net Asset Value per Unit and the Hurdle Rate will be prorated in the calculation of the Performance Fee with respect to those units, in the same manner as described above. If any units of the Fund are redeemed prior to the end of a calendar year, a Performance Fee will be payable on the redemption date in respect of each such unit in the same manner as described above.  For greater certainty, the Hurdle Rate will be prorated in the calculation of the Performance Fee on a unit redeemed during the calendar year. </td></tr>
<tr><td colspan="2"></td><td>Performance Fee</td><td>Hurdle Rate</td></tr>
<tr><td colspan="2">WaveFront All-Weather Alternative Fund</td><td>15%</td><td>3%</td></tr>
<tr><td>Operating Expenses</td><td colspan="3"> The Fund pays for all expenses incurred in connection with its operation and administration, including applicable GST, HST and any applicable provincial sales tax. Such costs and expenses may include, without limitation, the fees and expenses of the members of the IRC appointed under NI 81-107 and expenses related to compliance with NI 81-107; regulatory fees including participation or other fees payable by the Manager under applicable securities legislation; accounting; audit; valuation; legal; registrar and transfer agency, custodial and safekeeping fees; taxes; brokerage commissions; fees and expenses relating to the implementation of portfolio transactions; interest and borrowing costs; unitholder servicing costs; unitholder meeting costs; printing and mailing costs; litigation expenses; amounts paid for damages awarded or as settlements in connection with litigation; lease payments (including prepaid portions thereof); costs of office space, facilities and equipment; costs of financial and other reports and prospectuses that are used in complying with applicable securities legislation; and any new fee that may be introduced by a securities authority or other governmental authority that is calculated based on assets or other criteria of the Fund. The Manager may provide any of these services and is reimbursed all of its costs in providing these services to the Fund which may include but are not limited to personnel costs, office space, insurance, and depreciation. The common expenses of the Fund and other investment funds managed by Arrow will be allocated among the Fund and the other funds, as applicable. The Fund will bear separately any expense item that can be attributed specifically to the Fund. Common expenses of the Fund will be allocated based on a reasonable allocation methodology which will include allocations based on the assets of the Fund or the number of unitholders of the Fund or other methodology we determine is fair. The fees and other reasonable expenses of the IRC are paid pro rata out of the assets of the Fund, as well as out of the assets of the other investment funds managed by Arrow for which the IRC acts as the independent review committee. The fees for members of the IRC consist of an annual retainer in the amount of $14,000 per member. The chair of the IRC is entitled to an additional fee of $4,000. Expenses of the IRC include premiums for insurance coverage, legal fees, travel expenses and other reasonable out-of-pocket expenses. These fees and expense reimbursements are allocated across all investment funds that are managed by Arrow in a manner that is fair and reasonable. The total amount of fees paid to the IRC by all investment funds managed by Arrow for the fiscal year ended December 31, 2023 was $46,000. </td></tr>
</table>

| | |
|---|---|
| **Effect of GST, HST and Provincial Sales Taxes** | Management Fees, Performance Fees, Operating Expenses and other fees are generally subject to applicable GST, HST and provincial sales taxes. In general, the sales tax rate depends on the residence of the Fund's unitholders at a certain point in time. Changes in existing sales tax rates, changes to which provinces impose sales tax and changes in the breakdown of the residence of the Fund's unitholders will have an impact on the management expense ratio of the Fund year over year. |

**Fees and Expenses Payable Directly by You**

| | |
|---|---|
| **Sales Charges** | A maximum of 5% of the amount you invest in the Fund. The amount of the fee is a matter negotiable between you and your dealer. Sales charges are only applicable to Front-End and Series I Units. |
| **Redemption Fees** | No redemption charges apply unless the units are subject to the short-term trading redemption charge described below. |
| **Switch Fees** | Up to 5% of the amount you wish to switch between the Fund and other funds managed by Arrow. The amount of the fee is a matter negotiable between you and your dealer. If a unitholder switches units of the Fund within 90 days of purchase, the Fund may charge a short-term trading fee of up to 2% of the net asset value of the units switched. This short-term trading fee would be over and above any switch fee which the broker, dealer or advisor may charge. |
| **Short-term Trading Fees** | The Fund may charge you a short-term trading fee of up to 2% of the net asset value of the units if you redeem or switch units of the Fund within 90 days of the date of purchase (including units received on the automatic reinvestment of distributions within such 90-day period). This short-term trading fee would be over and above any switch fee which the broker, dealer or advisor may charge. |
| **Registered Tax Plan Fees** | None. |
| **Fee-Based Account Fee** | In certain circumstances, if you purchase Fee-Based Units, you may pay a Fee-Based Account Fee. Fee-Based Account Fees are negotiable with your financial advisor and paid to your dealer. |
| **Administration Fee** | An amount may be charged to a Designated Broker or ETF Dealer to offset certain transaction and other costs associated with the listing, issue, exchange, and/or redemption of Series ETF Units of the Fund. This charge, which is payable to the Fund, does not apply to unitholders who buy or sell their Series ETF Units through the facilities of the TSX or another exchange or marketplace. |
| **Exchange Fee** | On an exchange of Series ETF Units, we will require you to pay the applicable Fund an exchange transaction fee of 0.25%, or such other amount as we may determine from time to time, which approximates the brokerage expenses, commissions, transaction costs, costs or expenses related to market impact and other costs or expenses incurred or expected to be incurred by a Series ETF in effecting securities transactions on the market to obtain the necessary cash for the exchange. The exchange transaction fee may be higher if the costs and expenses incurred or expected to be incurred by a Series ETF is higher than generally expected. In certain circumstances and at our discretion, we may waive or reduce the exchange transaction fee. |

Any change in any contract or the entering into of any new contract as a result of which the basis for the calculation of the fees or other expenses that are charged to the Fund which could result in an increase in charges to the Fund, must be approved by a majority of the votes cast at a meeting of the unitholders of the Fund called for such purpose. Such approval is not required in respect of a change in a contract or a new contract made by the Fund at arm's length and with parties other than Arrow or an associate or affiliate of Arrow for all or part of the services it requires to carry on its operations, provided that unitholders are given at least 60 days' notice before any contract is entered into or the effective date of any change, as applicable.

**Other Mutual Funds**

From time to time the Fund may invest in and hold securities of other investment funds. There are fees and expenses payable by the other investment funds in addition to the fees and expenses payable by the Fund. No management fees or incentives are payable by the Fund that, to a reasonable person, would duplicate a fee payable by the other investment fund for the same service and no sales fees or redemption fees are payable by the Fund in relation to its purchases or redemptions of the securities of the other investment fund if the other investment fund is managed by Arrow or an affiliate or associate of the manager of the Fund, and no sales fees or redemption fees are payable by the Fund in relation to its purchases or redemptions of securities of the other investment fund that, to a reasonable person, would duplicate a fee payable by an investor in the Fund.

## DEALER COMPENSATION

This section explains how we compensate your representative's firm when you invest in the Fund.

**Sales Commissions and Switching Fees**

You will pay your dealer a sales commission at the time of your purchase of Front-End or Series I Units, such commission being up to 5% of the amount you invest. The actual percentage is a matter negotiable between you and your dealer. Sales charges are not paid when you switch between series of the Fund, or between the Fund or to another fund managed by Arrow, but a switch fee of up to 5% may be charged to you and retained by your dealer. The amount of any switch fee is a matter negotiable between you and your dealer. No sales commissions are paid when you receive units from reinvested distributions. Sales commissions and switching fees are only applicable to Front-End and Series I Units.

If you purchase Fee-Based Units, you may have to pay a Fee-Based Account Fee to your dealer. Fee-Based Account Fees are negotiated with your financial advisor.

You may incur customary brokerage commissions in buying or selling Series ETF Units on the TSX or another exchange or marketplace.

**Trailing Commission**

We pay your dealer a trailing commission monthly on Front-End Units for the ongoing advice and service you receive from your dealer relating to the Fund, as applicable. Dealers receive this service fee based on the aggregate security value of their clients' investment in the Fund. We may pay your dealer a trailing commission monthly on Series I Units of the Fund, if applicable, which is a matter negotiable between Arrow and your dealer and will not exceed 1.00% per year. We may change or cancel the terms of trailing commissions that we pay at any time. The following table outlines the annual trailer fee rates associated with the Fund:

| | Front-End Units | Fee- Based Units |
|---|---|---|
| WaveFront All-Weather Alternative Fund | 1.00% | None |

### Other Kinds of Dealer Compensation

We may share with dealers up to 50% of their eligible costs in marketing units of the Fund (upon approval of Arrow's compliance department). For example, we may pay a portion of the costs of a dealer in advertising the availability of the Fund through the financial advisors of that dealer. We may also pay part of the costs of a dealer in running a seminar to inform investors about the Fund or about the general benefits of investing in the Fund.

We may also pay up to 10% of the costs of some dealers to hold educational seminars or conferences for their financial advisors to teach them about, among other things, new developments in the mutual fund industry, financial planning or new financial products (upon approval by Arrow's compliance department). The dealer makes all decisions about where and when the conference is held and who can attend.

We may also arrange for seminars for financial advisors where we inform them about new developments in the Fund, our products and services and mutual fund industry matters. We will invite dealers to send their financial advisors to any such seminars and such dealers (and not us) will decide who attends. The financial advisors will be required to pay their own travel, accommodation and personal expenses of attending any such seminars.

## INCOME TAX CONSIDERATIONS FOR INVESTORS

The following is a summary of the principal Canadian federal income tax considerations under the Tax Act as of the date hereof generally applicable to the Fund and to you, as an investor in a Fund, provided that, for the purposes of the Tax Act and at all relevant times you, are an individual (other than a trust), are resident in Canada, hold Units of a Fund as capital property, are not affiliated and deal at arm's length with Arrow or the Funds (each as defined within the Tax Act), and have not entered into a "derivative forward agreement" (as defined in the Tax Act) with respect to units of a Fund. Generally, units in a Fund should be considered to be capital property to you if you do not hold such units in the course of carrying on a business of buying and selling securities and you have not acquired the units in one or more transactions considered to be an adventure or concern in the nature of trade. Certain investors who might otherwise not be considered to hold their units of the Funds as capital property, may in certain circumstances, be entitled to have their units (and all of their "Canadian securities" as defined in the Tax Act) treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is based on the facts set out in this prospectus, the provisions of the Tax Act and the regulations promulgated thereunder prior to the date hereof, all specific proposals to amend the Tax Act and the regulations promulgated thereunder publicly announced by the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"), and an understanding of the publicly available published administrative and assessing practices of the Canada Revenue Agency (the "**CRA**") prior to the date hereof. There can be no assurances that the Tax Proposals will become law as proposed or at all. Other than the Tax Proposals, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action.

This summary is not exhaustive of all possible federal income tax considerations relating to the acquisition, ownership or disposition of units in the Funds and does not take into account other federal or any provincial, territorial or foreign income tax legislation or considerations. This summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors are advised to consult their own tax advisors for advice with respect to the income tax consequences of investing in units of the Funds based on their own particular circumstances.

This summary is based on the assumption that each Fund will qualify at all material times as a "mutual fund trust" within the meaning of the Tax Act.

### Income of the Fund

The Fund must calculate its net income, including net taxable capital gains, in Canadian dollars, for each taxation year according to the rules in the Tax Act. In general, interest must be included in income as it accrues, dividends when they are received and capital gains and losses when they are realized. Trust income that is paid or payable to the Fund during the trust's taxation year is generally included in the calculation of the Fund's income for the taxation year of the Fund in which the trust's taxation year ends. However, in certain circumstances, the business income and other non-portfolio earnings of an income trust or other Canadian resident publicly traded trust (other than certain Canadian real estate investment trusts) that is paid or payable to the Fund is treated as an eligible dividend received, at that time, from a taxable Canadian corporation. Each year, the Fund is required to include in the calculation of its income, an amount as notional interest accrued on strip bonds, zero-coupon bonds and certain other prescribed debt obligations held by the Fund even though the Fund is not entitled to receive interest on the debt instrument. Foreign source income received by the Fund (whether directly or indirectly from an underlying fund) will generally be net of any taxes withheld in the foreign jurisdiction. The foreign taxes so withheld will be included in the calculation of the Fund's income. The Fund may be deemed to earn income on investments in some types of foreign entities. Gains from the disposition of commodities such as precious and other metals and minerals are generally taxed on income account rather than as capital gains. Gains and losses realized on certain securities that are not a "Canadian security" (as defined in the Tax Act), futures, forward contracts, options and other derivatives may be treated as ordinary income and loss or as capital gains and capital losses, depending on the circumstances. A derivative that is on capital account may nonetheless be treated on income account if it is a "derivative forward agreement" within the meaning of the Tax Act.

In calculating the Fund's net income, all of the Fund's deductible expenses, including expenses common to all series of units of the Fund and expenses specific to a particular series of units of the Fund, will be taken into account in determining the income or loss for the Fund as a whole. However, the deductibility of interest and financing expenses incurred by the Fund may be subject to limitations in certain circumstances in the Tax Act.

Generally, under the excessive interest and financing expense limitation ("**EIFEL**") rules, the deductible amount of "interest and financing expenses" ("**IFE**") for certain corporations and trusts may be restricted. IFE include, among other things, certain amounts that are economically equivalent to interest or that can reasonably be considered part of the cost of funding and various expenses incurred in obtaining financing. The EIFEL rules do not apply to certain "excluded entities", which include certain standalone Canadian-resident corporations and trusts, and groups consisting exclusively of Canadian-resident corporations and trusts, that carry on substantially all of the businesses, undertakings and activities in Canada. This exclusion applies only if, in general terms, no non-resident is a material foreign affiliate of, or holds a significant interest in, any group member, and no group member has any significant amount of interest and financing expenses payable to a non-arm's length "tax-indifferent investor". The new EIFEL rules will generally apply in respect of taxation years that begin on or after October 1, 2023. If the EIFEL rules were to apply to the Fund, the net income of the Fund for tax purposes and the taxable component of distributions to its unitholders could increase.

The Fund may receive capital gains distributions or capital gains dividends from an underlying fund, which generally will be treated as capital gains realized by the Fund.

A Fund that invests in foreign denominated securities must calculate its adjusted cost base and proceeds of disposition in Canadian dollars based on the conversion rate on the date the securities were purchased and sold, as applicable. As a result, the Fund may realize income, capital gains and losses due to changes in the value of foreign currency relative to the Canadian dollar.

Capital gains realized during a taxation year are reduced by capital losses realized during the year. In certain circumstances, a capital loss realized by the Fund may be denied or suspended and, therefore, may not be available to offset capital gains. For example, a capital loss realized by the Fund will be suspended if, during the period that begins 30 days before and ends 30 days after the date on which the capital loss was realized, the Fund (or a person affiliated with the Fund for the purposes of the Tax Act) acquires a property that is, or is identical to, the particular property on which the loss was realized and owns that property at the end of that period.

**Taxation of the Fund**

In each taxation year, the Fund will be subject to tax under Part I of the Tax Act on its net income, including the taxable portion of any net capital gains, if any, that is not paid or made payable to unitholders in that year. Provided the Fund distributes all of its net taxable income and its net capital gains to its unitholders on an annual basis, it should not be liable for any income tax under Part I of the Tax Act.

The Fund is required to include, in computing its income for each taxation year, the taxable portion of any net realized capital gains, any dividends received by it in that taxation year and all interest that accrues to it during the year, or which becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year. In computing its income, the Fund will take into account any loss carry-forwards, any capital gains refund and all deductible expenses, including management fees.

Losses incurred by the Fund in a taxation year cannot be allocated to unitholders but may, subject to the rules of the Tax Act, be deducted by the Trust Fund in future years in accordance with the Tax Act.

The Tax Act contains rules which may require a taxpayer to include in income in each taxation year an amount in respect of the holding of an "offshore investment fund property" ("**OIF Property**"). If applicable, these rules would generally require the Fund to include in income for each taxation year in which it owns OIF Property (i) an imputed return for the taxation year computed on a monthly basis and determined by multiplying the Fund's "designated cost" (as defined in the Tax Act) of the OIF Property at the end of the month, by 1/12th of the sum of the applicable prescribed rate for the period that includes such month plus 2%, less (ii) the Fund's income for the year (other than a capital gain) from OIF Property determined without reference to these rules. Any amount required to be included in computing the Fund's income under these provisions will be added to the adjusted cost base to the Fund of such OIF Property.

**Types of Income from the Fund**

Your investment in the Fund can generate income for tax purposes in two ways:

- **Distributions**. When the Fund earns net income from its investments or realizes a net capital gain, it intends to allocate these amounts on to you as a distribution.

- **Capital gains (or losses)**. You can realize a capital gain (or loss) when you sell, exchange or switch your units of the Fund (including a switch of units of the Fund for securities of another fund) for more (or less) than you paid for them. Generally, switching one series of units to another series of units of the Fund will not result in a disposition for tax purposes. See "*Switching Your Units*" below.

**Fund Held in Registered Plans**

A "**Registered Plan**" means a registered retirement savings plan (an "**RRSP**"), a registered retirement income fund (a "**RRIF**"), a registered disability savings plan (an "**RDSP**"), a registered education saving plan (an "**RESP**"), a tax-free savings account (a "**TFSA**"), a first home savings account (a "**FHSA**") or a deferred profit-sharing plan (a "**DPSP**").

Provided the Fund qualifies as a mutual fund trust under the Tax Act effective at all material times, units of the Fund will be qualified investments under the Tax Act for Registered Plans. In addition, Series ETF Units will also be qualified investments under the Tax Act for Registered Plans if the units are listed on a "designated stock exchange" within the meaning of the Tax Act, which currently includes the TSX. Units of the Fund may be a prohibited investment for your Registered Plan (other than a DPSP) even if the units are a qualified investment.

If units of the Fund are held in a Registered Plan, distributions from the Fund and capital gains from a disposition of the units are generally not subject to tax under the Tax Act until withdrawals are made from the Registered Plan (withdrawals from a TFSA and certain withdrawals from a FHSA are not subject to tax, and RRSPs and RDSPs are subject to special rules). Annuitants of RRSPs and RRIFs, holders of TFSAs, FHSAs and RDSPs and subscribers of RESPs should consult their own tax advisors as to whether units of the Fund will be a "prohibited investment" under the Tax Act in their particular circumstances.

You are responsible for determining the income tax consequences to you of acquiring units of the Fund through Registered Plans and neither the Fund nor Arrow assumes any liability to you as a result of making the units of the Fund available for investment. If you choose to purchase units of the Fund through a Registered Plan, you should consult your own professional advisor regarding the tax treatment of contributions to, withdrawals from and acquisitions of property by such Registered Plan.

**Fund Held in Non-Registered Accounts**

If you hold units of the Fund in a non-registered account, you must include the following in calculating your income each year:

- any net income and the taxable portion of any net capital gains (computed in Canadian dollars) distributed to you by the Fund, whether you receive the distributions in cash or they are reinvested in units of the Fund;
- the taxable portion of any capital gains you realize from selling, exchanging or redeeming your units (including to pay fees described in this document) or transferring your units (including a transfer of units of the Fund for securities of another fund) when the value of the units is greater than their adjusted cost base plus reasonable costs of disposition (including any redemption fees). If the value of units sold is less than their adjusted cost base plus reasonable costs of disposition (including any redemption fees), you will have a capital loss. Generally, you may use capital losses you realise to offset capital gains; and
- generally, the amount of any management fee rebates paid to you, and the amount of any management fee distributions paid to you out of the Fund's income. However, an election may be available in certain circumstances that allows you to reduce the adjusted cost base of the respective units by the amount of the management fee rebate that would otherwise be included in income. You should consult with your tax advisor regarding the availability of this election in your particular circumstances.

We will issue a tax slip to you each year for the Fund that shows you how much of each type of income the Fund distributed to you and any return of capital. You can claim any tax credits that apply to that income that are allocated to you by the Fund.

You should consult your tax advisor about the tax treatment in your particular circumstances of any investment advisory fees you pay to your financial advisor when investing in the Fund and any management fee rebates paid to you.

**Distributions**

If you hold your units in a non-registered account, you must include in your income for a taxation year any income, net taxable capital gains and fee distributions paid or payable to you by the Fund. This is the case whether you receive them in cash or reinvest them in additional units. The amount of any reinvested distributions is added to your adjusted cost base and thus reduces your capital gain or increases your capital loss when you redeem those units, so that you do not pay tax twice on the same amount. The Fund will take steps so that capital gains and Canadian dividends will retain their character when paid to you as a distribution by the Fund. Subject to Capital Gains Amendments (discussed below), one half of a capital gain distribution is included in income as a taxable capital gain. Canadian dividends are subject to the dividend gross up and tax credit rules. The Fund will take steps to pass on to you the benefit of the enhanced dividend tax credit when it is available. The Fund may take steps so that you are able to claim a foreign tax credit in respect of foreign source income distributed to you. Distributions may result from foreign exchange gains because the Fund is required to report income and net realized capital gains in Canadian dollars for tax purposes.

Distributions paid by the Fund may include returns of capital. A return of capital is not included in your income for tax purposes but will reduce the adjusted cost base of your units on which it was paid. Where the reductions to the adjusted cost base of your units causes the adjusted cost base to become negative, the negative amount is treated as a capital gain realized by you and the adjusted cost base of your units will then be nil.

Sales charges paid on the purchase of units are not deductible in computing your income but are added to the adjusted cost base of your units. In general, you should include in your income any payment received as a fee reduction in connection with your units of the Fund. However, in certain circumstances, you may be able to instead elect to have the amount of the fee reduction reduce the cost of the related units.

**Switching Your Units**

The conversion of units to or from securities of a series of another fund involves a redemption and purchase of securities. A redemption is a disposition for tax purposes. You cannot switch Series ETF Units for units of another series of the Fund or for units of another fund. See "*Redeeming or Disposing of Your Units*" below.

In all other circumstances, the conversion of units of the Fund for units of the same Fund is generally not a disposition for tax purposes and should not result in a capital gain or loss unless units are redeemed to pay fees. The total cost of the units you receive on a conversion is the same as the total adjusted cost base of the units that you converted.

**Redeeming or Disposing of Your Units**

If you redeem or otherwise dispose of units with a NAV that is greater than the adjusted cost base of the units, you realize a capital gain. If you redeem or otherwise dispose of units with a NAV that is less than the adjusted cost base of the units, you realize a capital loss. You may deduct any redemption fees or other expenses of disposition when calculating your capital gains or losses.

Subject to Capital Gains Amendments (discussed below), in general, you must include one-half of any capital gain ("**taxable capital gain**") in computing your income for tax purposes and must deduct one-half of any capital loss ("**allowable capital loss**") to offset taxable capital gains. Allowable capital losses in excess of taxable capital gains in the year may be carried back three years or forward indefinitely for deduction against taxable capital gains realized in those years.

Pursuant to Tax Proposals announced in the Federal Budget on April 16, 2024 and introduced in Parliament on June 10, 2024 by way of the "Notice of Ways and Means Motion to introduce An Act to amend the Income Tax Act and the Income Tax Regulations" (which was updated on August 12, 2024 and on September 23, 2024 (the "**Capital Gains Amendments**"), subject to certain transitional rules, the capital gains inclusion rate in respect of capital gains realized on or after June 25, 2024 will be increased from one-half to two-thirds in respect of capital gains realized (i) by a taxpayer that is an individual (excluding a trust), including capital gains realized indirectly through a trust or partnership, in a taxation year (or, in the case of the 2024 taxation year, the portion of the year beginning on June 25, 2024) that exceed $250,000 (net of current-year capital losses, capital losses of other years applied to reduce current-year capital gains and capital gains subject to certain statutory exemptions and incentives), and (ii) by a taxpayer that is a corporation or trust in a taxation year (or, in the case of the 2024 taxation year, the portion of the year beginning on June 25, 2024). Under the Capital Gains Amendments, two-thirds of capital losses (including capital losses realized prior to June 25, 2024) will be deductible against capital gains included in income at the two-thirds inclusion rate such that a capital loss will offset an equivalent capital gain regardless of the inclusion rate. Canadian Unitholders should consult their own tax advisors with regard to the Capital Gains Amendments.

Under the transitional rules of the Capital Gains Amendments, if a trust (including the Fund) realizes net taxable capital gains for a taxation year of the trust that includes June 25, 2024 and designates an amount of its net taxable capital gains in respect of a unitholder (the "**allocated gain**"), the unitholder will not include the amount of the allocated gain in its income and will instead be deemed to realize a capital gain for its taxation year in which the taxation year of the trust ends equal to the amount of the allocated gain divided by the inclusion rate, which may be blended, that applies to the trust for such year (the quotient being a "**deemed capital gain**"). Such deemed capital gain will be included in determining the unitholder 's capital gains inclusion rate for the year under the transitional rules noted above and will be included in computing the unitholder's income at the inclusion rate so determined.

A trust that designates a net taxable capital gain that is paid or becomes payable to a unitholder in a taxation year of the trust that includes June 25, 2024 is required to disclose to the unitholder in prescribed form the portion of the deemed capital gain that is in respect of capital gains realized by the trust on dispositions of property that occur in each of the first period and the second period, respectively, and, if it does not do so, the deemed capital gain is deemed to be in respect of capital gains realized on dispositions of property that occurred in the second period. A trust may make an election the effect of which is that the portion of the deemed capital gain that relates to each of the first period and the second period is determined proportionately based on the respective number of days in each such period. If a trust makes this election, the proportion determined in such election will be used to calculate the trust's blended capital gains inclusion rate for its taxation year that includes June 25, 2024. The Manager has advised counsel that it intends to consider whether to make such election in respect of the Fund and will disclose to its unitholders in prescribed form the portion of the deemed capital gain that is in respect of capital gains realized by the Fund on dispositions of property that occur in each of the first period and the second period. When you redeem units of the Fund, it may distribute capital gains to you as partial payment of the redemption price (the "**Redeemer's Gain**"). The taxable portion of the Redeemer's Gain must be included in your income as described above, but the full amount of the Redeemer's Gain will be deducted from your proceeds of disposition of the units redeemed. Recent amendments to the Tax Act will restrict the ability of the Fund to distribute capital gains to you as partial payment of your redemption price to an amount not exceeding your accrued gain on the units redeemed as determined under the Tax Act.

In certain circumstances, loss restriction rules will limit or eliminate the amount of a capital loss that you may deduct. For example, a capital loss that you realize on a redemption or other disposition of units will be deemed to be nil if, during the period that begins 30 days before and ends 30 days after the day of that disposition, you acquired identical units (including on the reinvestment of distributions) and you continue to own these identical units at the end of that period. The amount of this denied capital loss is added to the adjusted cost base of your units.

We will provide you with details of your proceeds of redemption. However, you must keep a record of the price you paid for your units, any distributions you receive and the NAV of units redeemed or switched. These records will allow you to calculate your adjusted cost base and the capital gains or capital losses when you redeem or switch your units. See "*Adjusted Cost Base*" below.

**Adjusted Cost Base**

In general, the adjusted cost base of each of your units of a particular series of the Fund at any time equals:

- your initial investment for all your units of that series of the Fund (including any sales charges paid), **plus**
- your additional investments for all your units of that series of the Fund (including any sales charges paid), **plus**
- reinvested distributions, or management fee rebates in additional units of that series of the Fund, **minus**
- any return of capital distributions by the Fund in respect of units of that series of the Fund, **minus**
- the adjusted cost base of any units of that series of the Fund previously redeemed,
  **all divided by**
- the number of units of that series of the Fund that you hold at that time.

You should keep detailed records of the purchase cost of your investments and distributions you receive on those units so you can calculate their adjusted cost base. All amounts (including adjusted cost base, distributions and proceeds of disposition) must be computed in Canadian dollars. Other factors may affect the calculation of the adjusted cost base and you may want to consult a tax advisor.

**Alternative Minimum Tax**

Individuals may be subject to alternative minimum tax under the Tax Act in respect of distributions designated as taxable Canadian dividends or capital gains from the Fund, or who realise net capital gains from disposition of units of the Fund.

**Buying Units before a Distribution Date**

When buying units, some of your purchase price may reflect income and capital gains of the Fund that have accrued and/or been realized but have not been made payable or distributed. You must include in your income the taxable portion of any distribution paid to you by the Fund, even where the Fund may have earned the income or realized the capital gains that gave rise to the distribution before you owned your units, and which was included in the purchase price of your units. This result could be significant if you purchase units of the Fund late in the year or on or before the date on which a distribution is paid.

## Portfolio Turnover Rate

The portfolio turnover rate is how often the portfolio manager bought and sold securities for the Fund. The higher the Fund's portfolio turnover rate is, the greater the trading costs payable by the Fund in the year and the greater the chance that you will receive a distribution of capital gains. Gains realized by the Fund are generally offset by any losses realized on its portfolio transactions. There is not necessarily a relationship between a high portfolio turnover rate and the performance of the Fund.

## Tax Information

We will provide you with tax slips showing the amount and type of distributions (ordinary income, Canadian dividends other than eligible dividends, Canadian dividends eligible for the enhanced dividend tax credit, foreign income, capital gains and/or returns of capital) you received from the Fund and any related foreign tax credits.

## International Tax Reporting

Generally, you will be required to provide your advisor or dealer with information related to your citizenship and tax residence, including your tax identification number(s). If you: (i) are identified as a U.S. person (including a U.S. resident or a U.S. citizen (including a U.S. citizen living in Canada)); (ii) are identified as a tax resident of a country other than Canada or the U.S.; or (iii) do not provide the required information and indicia of U.S. or non-Canadian status is present, information about you and your investment in the Fund will generally be reported to the CRA unless units are held in your Registered Plan. The CRA will provide that information to the U.S. Internal Revenue Service (in the case of U.S. persons) or the relevant tax authority of any country that is a signatory of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information or that has otherwise agreed to a bilateral information exchange with Canada under the Common Reporting Standard.

# WHAT ARE YOUR LEGAL RIGHTS?

## Mutual Fund Series Units

Securities legislation in some provinces and territories provide you with the right to withdraw from an agreement to buy Units within two business days of receiving the simplified prospectus, or fund facts or to cancel your purchase within 48 hours of receiving confirmation of your order.

Securities legislation in some provinces and territories also allows you to cancel an agreement to buy Units and get your money back, or to make a claim for damages, if the simplified prospectus, the Fund's fund facts or financial statements misrepresent any facts about the Fund. These rights usually must be exercised within certain time limits. **For more information, refer to the securities legislation of your province or territory or consult your lawyer.**

## Series ETF Units

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase Series ETF Units within 48 hours after the receipt of a confirmation of a purchase of such units. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation, or non-delivery of the ETF Facts, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory.

We have obtained relief from the requirement in securities legislation to include an underwriter's certificate in the prospectus under a decision pursuant to NP 11-203. As such, purchasers of Series ETF Units will not be able to rely on the inclusion of an underwriter's certificate in the prospectus or any amendment for the statutory rights and remedies that would otherwise have been available against an underwriter that would have been required to sign an underwriter's certificate.

The purchaser should refer to the applicable provisions of the securities legislation of the province or territory for the particulars of these rights or should consult with a legal adviser.

## EXEMPTIONS AND APPROVALS

### Short Sale Collateral Relief

The Fund has obtained exemptive relief from securities regulators exempting the Fund from the requirement in subsection 6.1(1) of NI 81-102, which provides that, except as provided in sections 6.8, 6.8.1 and 6.9 of NI 81-102, all portfolio assets of the Fund must be held under the custodianship of one custodian that satisfies the requirement of section 6.2 of NI 81-102, in order to permit the Fund to deposit portfolio assets with a borrowing agent that is not the Fund's custodian or sub-custodian in connection with a short sale of securities, if the aggregate market value of the portfolio assets held by the borrowing agent after such deposit, excluding the aggregate market value of the proceeds from outstanding short sales of securities held by the borrowing agent, does not exceed 25% of the NAV of the Fund at the time of deposit (the "**Short Sale Collateral Relief**").

### Margin Deposit Relief

The Fund has obtained exemptive relief to permit the Fund to deposit as initial margin portfolio assets of up to 35% of the Fund's NAV as at the time of deposit with any one futures commission merchant in Canada or the U.S. and up to 70% of the Fund's NAV at the time of deposit with all dealers in the aggregate, for transactions involving standardized futures, clearing corporation options, options on futures, or cleared specified derivatives (the "**Margin Deposit Relief**").

### Aggregate Exposure Limit Relief

The Manager and the Fund have obtained exemptive relief to permit the Fund to use an Absolute VaR based risk management approach instead of having to comply with the leverage constraint that generally applies to alternative mutual funds under NI 81-102 (i.e., an alternative mutual fund's aggregate exposure to cash borrowing, short selling and the notional value of specified derivative transactions must not exceed 300% of the fund's NAV).

"**VaR**" or "**value-at-risk**" means an estimate of the potential losses on an instrument or portfolio, expressed as a percentage of the value of the portfolio's assets (or net assets when computing the fund's VaR), over a specified time horizon and at a given confidence level. "**Absolute VaR**" is an approach of VaR generally used when there is no reference portfolio or benchmark.

Pursuant to the exemptive relief the Fund uses an Absolute VaR based risk management approach that allows the 20-day VaR of the Fund to be up to 20% of the NAV of the Fund. In addition to compliance with the VaR based risk management approach, the relief is subject to compliance with several conditions, including the appointment of a derivatives risk manager, the creation of a derivatives risk management program, verification of the Fund's VaR calculations, and compliance with certain reporting obligations (the "**Aggregate Exposure Limit Relief**").

### Market Neutral Strategy Relief

The Fund has obtained exemptive relief from securities regulators to permit the Fund to short sell securities having an aggregate market value of up to 100% of the Fund's NAV by exempting the Fund from the following provisions of NI 81-102:

i) Subparagraph 2.6.1(1)(c)(v), which restricts the Fund from selling a security short if, at the time, the aggregate market value of all securities sold short by the Fund exceeds 50% of the Fund's NAV; and

ii) Section 2.6.2, which prohibits the Fund from borrowing cash or selling securities short if, immediately after entering into a cash borrowing or short selling transaction, the aggregate value of cash borrowed combined with the aggregate market value of all securities sold short by the Fund would exceed 50% of the Fund's NAV.

(the "**Market-Neutral Strategy Relief**")

**Custodian Relief**

The Fund has obtained exemptive relief from securities regulators exempting the Fund from the requirement in subsection 6.1(1) of NI 81-102 to permit the Fund to appoint more than one custodian, each of which is qualified to be a custodian under section 6.2 of NI 81-102 and each of which is subject to all of the other requirements in Part 6 of NI 81-102 other than the prohibition against the Fund appointing more than one custodian in subsection 6.1(1) of NI 81-102 (the "**Custodian Relief**").

The custodians of the Fund are disclosed under the heading "*Responsibility for Mutual Fund Administration - Custodians*" in this simplified prospectus. The Manager may appoint additional custodians in the future for the Fund in accordance with the Custodian Relief provided that the additional custodians are one of the Fund's prime brokers. The terms of any custodial agreement entered into with an additional custodian will comply with the requirements of NI 81-102 and will be filed as a material contract of the Fund following its execution.

**Investing in Permitted Exchange Traded Funds**

Given the incorporation of the alternative mutual funds into NI 81-102, this ETF relief is only relevant for U.S. listed exchange traded funds.

The Fund has obtained permission from the regulators to invest in exchange traded funds listed on a Canadian or United States stock exchange that seek to replicate the daily performance of either: (a) a widely-quoted market index (i) in an inverse multiple of 100% (an "**Inverse ETF**"), or (ii) by a multiple of up to 200% or an inverse multiple of up to 200% (in either case, a "**Leveraged ETF**"); or (b) gold or silver on an unlevered basis (a "**Commodity ETF**" and, together with Inverse ETFs and Leveraged ETFs, "**Permitted ETFs**"). In each case: (a) the investment will be made by the Fund in accordance with its investment objective; and (b) the Fund will not purchase securities of Inverse ETFs or Leverage ETFs or short sell securities of any issuer if, immediately after such purchase or short sale, the Fund's aggregate market value exposure represented by all such securities purchased and/or sold short would exceed 20% of the net assets of the Fund, taken at market value at the time of the transaction.

**Relief with Respect to Cover for Derivative Positions**

The Fund has obtained an exemption from NI 81-102 to permit the Fund to:

- Use as cover, when the Fund has a long position in a debt-like security that has a component that is a long position in a forward contract, or in a standardized future or forward contract:
    - cash cover in an amount that, together with margin on account for the specified derivative and the market value of the specified derivative, is not less than, on a daily mark-to-market basis, the underlying market exposure of the specified derivative,
    - a right or obligation to sell an equivalent quantity of the underlying interest of the future or forward contract, and cover that together with margin on account for the position, is not less than the amount, if any, by which the price of the future or forward contract exceeds the strike price of the right or obligation to sell the underlying interest, or
    - a combination of the positions referred to immediately above that is sufficient, without recourse to other assets of the Fund, to enable the Fund to acquire the underlying interest of the future or forward contract,
- Use as cover, when the Fund has a right to receive payments under a swap:
    - cash cover, in an amount that, together, with margin on account for the swap and the market value of the swap, is not less than, on a daily mark-to-market basis, the underlying market exposure of the swap,
    - a right or obligation to enter into a swap on an equivalent quantity and with an equivalent term and cover that, together with margin on account for the position, is not less than the aggregate amount, if any, of the obligations of the Fund under the swap less the obligations of the Fund under such offsetting swap, or

- a combination of the positions referred to immediately above that is sufficient, without recourse to other assets of the Fund, to enable the Fund to satisfy its obligations under the swap.

The exemptions described above, are subject to the condition that the Fund will not (i) purchase a debt-like security that has an option component or an option, or (ii) purchase or write an option to cover any positions under section 2.8(1)(b), (c), (d), (e) and (f) of NI 81-102, if immediately after the purchase or writing of such option, more than 10% of the net assets of the Fund, taken at market value at the time of the transaction, would be in the form of (1) purchased debt-like securities that have an option component or purchased options, in each case, held by the Fund for purposes other than hedging, or (2) options used to cover any positions under section 2.8(1)(b), (c), (d), (e) and (f) of NI 81-102.

**Use of Cleared Swaps**

On behalf of the Fund we have obtained an exemption for the Fund from the counterparty credit rating requirement, the counterparty exposure threshold and the custodial requirements set out in NI 81-102 in order to permit the Fund to clear certain swaps, such as interest rate and credit default swaps, entered into with futures commission merchants (each an "**FCM**") that are subject to U.S. or European clearing requirements and to deposit cash and other assets directly with the FCM, and indirectly with a clearing corporation, as margin for such swaps. In the case of FCMs in Canada, the FCM must be a member of the Canadian Investor Protection Fund and the amount of margin deposited, when aggregated with the other amount of margin already held by the FCM, must not exceed 10% of the net asset value of the Fund at the time of the deposit. In the case of FCMs outside of Canada, the FCM must be a member of a clearing corporation and subject to a regulatory audit, the FCM must have a net worth (determined from audited financial statements or other publicly available financial information) in excess of $50 million and the amount of margin deposited, when aggregated with the other amount of margin already held by the FCM, must not exceed 10% of the net asset value of the Fund at the time of the deposit.

**Series ETF Units**

The Fund has obtained relief from applicable securities laws in connection with the offering of Series ETF Units to:

(i) relieve the Fund from the requirement to prepare and file a long form prospectus for the Series ETF Units in accordance with National Instrument 41-101 – General Prospectus Requirements in the form prescribed by Form 41-101F2 Information Required in an Investment Fund Prospectus, subject to the terms of the relief, provided that the Fund files a prospectus for the Series ETF Units in accordance with the provisions of National Instrument 81-101 – *Mutual Fund Prospectus Disclosure*, other than the requirements pertaining to the filing of a fund facts document;

(ii) relieve the Fund from the requirement that a prospectus offering Series ETF Units contain a certificate of the underwriters;

(iii) relieve a person or company purchasing Series ETF Units of the Fund in the normal course through the facilities of the TSX or another exchange from the take-over bid requirements of Canadian securities legislation;

(iv) permit the Fund that offers Series ETF Units to borrow cash from the custodian of the Fund (the "**Custodian**") and, if required by the Custodian, to provide a security interest over any of its portfolio assets as a temporary measure to fund the portion of any distribution payable to unitholders that represents, in the aggregate, amounts that are owing to, but not yet been received by, the Fund; and

(v) treat the Series ETF and the mutual fund series of the Fund as if such series were two separate funds in connection with their compliance with the provisions of Parts 9, 10 and 14 of NI 81-102.

Additionally, certain dealers of the Fund, including the Designated Brokers and ETF Dealers, have received relief from the Canadian securities regulatory authorities from the requirement that a dealer, not acting as agent of the purchaser, who receives an order or subscription for a unit offered in a distribution to which the prospectus requirement of the securities legislation of the provinces and territories applies, send or deliver to the purchaser or its agent, unless the dealer has previously done so, the latest prospectus and any amendment either before entering into an agreement of purchase and sale resulting from the order or subscription, or not later than midnight on the second business day after entering into that agreement. As a condition of this relief, the dealer is required to deliver a copy of the ETF summary document of the applicable fund to a purchaser if the dealer does not deliver a copy of the Fund's simplified prospectus.

**FundGrade A+ Awards and FundGrade Ratings**

Arrow has received an exemption from Sections 15.3(4)(c) and (f) of NI 81-102 to allow Arrow to reference FundGrade A+ Awards and FundGrade Ratings in its sales communications, subject to conditions requiring specified disclosure and the requirement that the FundGrade A+ Awards being references have not been awarded more than 365 days before the date of the sales communication.

**Past Performance Relief**

The Fund has obtained exemptive relief to permit the Fund to include past performance data and certain financial data, as applicable, in sales communications, annual and interim management reports of fund performance, fund facts and ETF facts and to use such past performance data in determining its investment risk level as disclosed in its fund facts, ETF facts and simplified prospectus, notwithstanding that the past performance data relates to WaveFront All-Weather Fund, L.P. ("**WaveFront LP**"), a fund that will be merged into the Fund and was for a period prior to the Fund offering its units under a simplified prospectus and that the Fund had not distributed its units under a simplified prospectus for 12 consecutive months.

**CERTIFICATE OF THE FUND**

**AND OF ARROW CAPITAL MANAGEMENT INC. AS MANAGER, PROMOTER AND TRUSTEE**

This simplified prospectus and the documents incorporated by reference into the simplified prospectus, constitute full, true and plain disclosure of all material facts relating to the securities offered by the simplified prospectus, as required by the securities legislation of all provinces and territories of Canada, and do not contain any misrepresentations.

**DATED:** January 1, 2025

| | |
|---|---|
| *"James McGovern"*<br>James McGovern<br>Chief Executive Officer of<br>Arrow Capital Management Inc. | *"Robert Maxwell"*<br>Robert Maxwell<br>Chief Financial Officer of<br>Arrow Capital Management Inc. |

On behalf of the Board of Directors
of ARROW CAPITAL MANAGEMENT INC.
as Manager, Promoter and Trustee of the Fund

| | |
|---|---|
| *"Frederick Dalley"*<br>Frederick Dalley<br>Director of Arrow Capital Management Inc. | *"Mark Purdy"*<br>Mark Purdy<br>Director of Arrow Capital Management Inc. |

# PART B

## SPECIFIC INFORMATION ABOUT THE MUTUAL FUND DESCRIBED IN THIS DOCUMENT

The following information applies to the Fund and may be helpful when you are reviewing the Fund profile.

## WHAT IS A MUTUAL FUND AND WHAT ARE THE RISKS OF INVESTING IN A MUTUAL FUND?

### What is a Mutual Fund?

A mutual fund is an investment vehicle created to permit money contributed by people with similar investment objectives to be pooled. People who contribute money become unitholders of the mutual fund. Mutual fund unitholders share (in proportion to the units they own) the mutual fund's income, expenses, and the gains and losses the mutual fund makes on its investments. The value of an investment in a mutual fund is realized by redeeming the units held.

A mutual fund may own different types of investments - stocks, bonds, cash, and derivatives - all depending upon its investment objectives. A mutual fund also may invest in other mutual funds, which may be managed by us, called "underlying funds". The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions and market and company news, with these and other factors affecting funds with varying degrees of impact. For example, mutual funds which invest in equity securities will be greatly impacted by changes in the equity markets generally while a mutual fund investing solely in bonds would not. As a result, the value of a mutual fund's securities may go up and down, and the value of your investment may be more or less when you redeem or sell it than when you purchased it.

The specific investment objectives and strategies of the Fund is described below under "*What Does the Fund Invest In?*"

### Mutual Funds are not Guaranteed

Arrow does not guarantee that the full amount of your original investment in the Fund will be returned to you. Unlike bank accounts or GICs, mutual fund securities are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

Under exceptional circumstances, a mutual fund may suspend redemptions of units. See "*Purchases, Switches and Redemptions*" in Part A of this simplified prospectus for details.

### What are the Risks of Investing in a Mutual Fund?

As with most other investments, mutual funds come with a certain amount of risk. Mutual funds own different types of investments, depending on their investment objectives. The value of the investments in a mutual fund changes from day to day because of changes in interest rates, economic conditions and market or company news. As a result, the value of mutual fund securities will vary. When you sell your units of a Fund, you could get less money than you put in.

When you are making your investment decision, it is very important that you are completely aware of the different investment types, their relative return over time and their volatility. Money market funds generally have low risk. They hold relatively safe short-term investments such as government treasury bills and other high quality money market instruments. Income funds, which typically invest in bonds, have a higher amount of risk because their prices can change when interest rates change. Equity funds generally have the highest risk because they invest mostly in stocks whose prices can rise and fall daily.

The Fund is considered an "alternative mutual fund", as defined in NI 81-102. This permits it to use strategies generally prohibited to conventional mutual funds, such as the ability to invest more than 10% of its net asset value in securities of a single issuer, the ability to invest in physical commodities or specified derivatives, to borrow cash, to short sell beyond the limits prescribed for conventional mutual funds and to generally employ leverage. As a result of exemptive relief obtained by the Fund to utilize market-neutral strategies described under the heading "*Exemptions and Approvals*" in this simplified prospectus, the Fund may also use strategies generally prohibited for alternative mutual funds under NI 81-102 such as the ability to engage in short selling transactions with an aggregate market value of up to 100% of its net asset value (subject to a combined limit on short selling and cash borrowing of 100% of its net asset value).

Everyone has a different tolerance for risk. Some individuals are significantly more conservative than others when making their investment decisions. It is important to take into account your own comfort with risk as well as the amount of risk suitable for your financial goals. Below are some of the most common risks that affect value. To find out which of these specific risks apply to the Fund you are considering, see the individual Fund description in Part B of this simplified prospectus. They may include:

**Absence of an Active Market for Series ETF Units Risk –** Although Series ETF Units of the Fund may be listed on the TSX or another exchange or marketplace, there can be no assurance that an active public market for Series ETF Units develops or can be sustained.

**Borrowing Risk –** Borrowing of cash or securities within the Fund could magnify the impact of any movements in the prices of the underlying investments of the Fund and therefore the value of your investment. Consequently, these investments may produce more volatile gains or losses compared to investing in the same investments without making use of borrowings.

**Change in Legislation Risk** –There can be no assurance that tax, securities and other laws or the interpretation and application of such laws by courts or government authorities will not be changed in a manner which adversely affects the Fund or unitholders.

**Collateral Risk –** The Fund may enter into derivatives arrangements that require it to deliver collateral to the derivative counterparty or clearing corporation. As such, the Fund may be exposed to certain risks in respect of that collateral including the Fund:

- will be required to post initial margin/collateral to the derivative counterparty or clearing corporation in the form of cash. The Fund will be required to have sufficient liquid assets to satisfy this obligation;
- may from time to time, if the value of the derivative arrangements moves against it, be required to post variation margin/collateral with the derivatives counterparty or clearing corporation on an ongoing basis. The Fund will be required to have sufficient liquid assets to satisfy such calls, and, in the event it fails to do so, the counterparty may have a right to terminate such derivatives arrangements; and,
- may be subject to the credit risk of the derivatives counterparty. In the event the counterparty becomes insolvent at a time it holds margin/collateral posted with it by the Fund, the Fund will be an unsecured creditor and will rank behind preferred creditors.

**Commodity Risk –** The Fund's exposure to the commodities markets may subject the Fund to greater volatility than investments in traditional securities. The value of commodity linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

**Concentration Risk –** The Fund may hold significant investments in a few companies, rather than investing the Fund's assets across a large number of companies. In some cases, more than 10% of the net assets of the Fund may be invested in securities of a single issuer as a result of appreciation in value of such investment and/or the liquidation or decline in value of other investments. The investment portfolio of the Fund may be less diversified, and therefore are potentially subject to larger changes in value than mutual funds which hold more broadly diversified investment portfolios. The Fund may be subject to increased concentration risk as the Fund, as an alternative mutual fund, is permitted to invest up to 20% of its net assets in the securities of a single issuer.

**Counterparty Default Risk -** This is the risk that entities upon which the Fund's investments depend may default on their obligations, for instance by failing to make a payment when due. Such parties can include brokers (including clearing brokers), foreign exchange counterparties, derivative counterparties and deposit taking banks. Default on the part of an issuer or counterparty could result in a financial loss to the Fund. The manager will manage these risks as far as is practicable by dealing with counterparties as permitted by Canadian securities authorities, by ensuring enforceable legal agreements are in place and by monitoring these counterparties.

**Credit Risk** – The value of fixed income securities depends, in part, on the perceived ability of the government or company which issued the securities to pay the interest and to repay the original investments. Securities issued by issuers who have a low credit rating are considered to have a higher credit risk than securities issued by issuers with a high credit rating. This risk applies primarily to fixed income funds or balanced funds.

**Currency Risk** – The value of securities denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar relative to the value of the currency in which the security is denominated. This risk will apply to the Fund if it invests in foreign denominated securities. Exposure to currencies may also be indirect through the use of other derivatives, such as options, forwards, futures or swaps.

The use of currency hedges by the Fund involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Manager and/or portfolio sub-advisors' assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used or limiting or reducing the total returns to the Fund or a series of the Fund. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

**Cyber Security Risk –** Due to the widespread use of technology in the course of business, the Fund has become potentially more susceptible to operational risks through breaches in cyber security. Cyber security risk is the risk of harm, loss, and liability resulting from a failure, disruption or breach of an organization's information technology systems. It refers to both intentional and unintentional events that may cause the Fund to lose proprietary information, suffer data corruption, or lose operational capacity, which could cause us and/or the Fund to experience disruptions to business operations; reputational damage; difficulties with the Fund's ability to calculate its NAV; or incur regulatory penalties, additional compliance costs associated with corrective measures, and/or financial loss. Cyber attacks may involve unauthorized access to the Fund's digital information systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, or corrupting data, equipment or systems. Other cyber attacks do not require unauthorized access, such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users). In addition, cyber attacks on the Fund's third-party services provider (e.g., administrators, transfer agents, custodians and sub-advisors) or issuers that the Fund invests in can also subject the Fund to many of the same risks associated with direct cyber attacks. Similar to operational risks in general, we have established risk management systems designed to reduce the risks associated with cyber security. However, there is no guarantee that such efforts will be successful.

**Derivatives Risk –** A derivative is a contract between two parties, the value of which is based on the performance of other investments, such as equities, bonds, currencies or a market index. Derivatives may be traded in the over-the-counter market or on a stock exchange or they may be cleared through a clearing corporation. A derivative is commonly a future, a forward contract, an option or a swap, but there are other types of derivative instruments as well. Futures or forward contracts are agreements to buy or sell a security, commodity or currency for a certain price on a certain future date. Options give the buyer the right to buy or sell a security, commodity or currency for a certain price on a certain future date. Swaps are a derivative in which two counterparties exchange cash flows of one party's financial instrument for those of the other party's financial instrument. Derivatives may be used to limit, or hedge against, losses that may occur because of the Fund's investment in a security or exposure to a currency or market. This is called hedging. Derivatives may also be used to obtain exposure to financial markets, reduce transaction costs, create liquidity or increase the speed of portfolio transactions. These investments are made for non-hedging purposes.

- There is no assurance that liquid markets will exist for the Fund to close out its derivative positions. Derivative instruments in foreign markets may be less liquid and more risky than comparable instruments traded in North American markets.
- Exchange-imposed trading limits could affect the ability of the Fund to close out its positions in derivatives. These events could prevent the Fund from making a profit or limiting its losses.

- Prices of options and futures on a stock index may be distorted if trading of certain stocks in the index is interrupted or trading of a large number of stocks in the index is halted. Such price distortions could make it difficult to close out a position.
- The Fund may use derivatives so it may be subject to credit risk associated with the ability of counterparties to meet their obligations. In addition, the Fund could lose its margin deposits if a dealer or clearing corporation with whom the Fund has an open derivatives position goes bankrupt.
- There is no assurance that the Fund's hedging strategies will be effective. There may be an imperfect historical correlation between the behaviour of the derivative instrument and the investment being hedged. Any historical correlation may not continue for the period during which the hedge is in place.
- Using futures and forward contracts to hedge against changes in currencies, stock markets or interest rates cannot eliminate fluctuations in the prices of securities in the portfolio or prevent losses if the prices of these securities decline.
- Hedging may also limit the opportunity for gains if the value of the hedged currency or stock market rises or if the hedged interest rate falls. The inability to close out options, futures, forwards and other derivative positions could prevent the Fund from using derivatives to effectively hedge its portfolio or implement its strategy.

The Fund, as an alternative mutual fund, may have more exposure to derivatives than conventional mutual funds for both hedging and non-hedging purposes as described below and within the Fund's investment objective and strategy as set out in Part B of this simplified prospectus.

**Equity Risk** – Mutual funds that invest in equities - also called stocks or shares - are affected by stock market movements. When the economy is strong, the outlook for many companies will be good, and share prices will generally rise, as will the value of the Fund if it owns these shares. On the other hand, share prices usually decline in times of general economic or industry downturn. Equity securities of certain companies or companies within a particular industry sector may fluctuate differently than the overall stock market because of changes in the outlook for those individual companies or the particular industry.

**Exchange-traded Fund Risk** – When a mutual fund invests in an ETF, the ETF may, for a variety of reasons, not achieve the same return as the benchmark, index or commodity price it seeks to track. The market value of an ETF also may fluctuate for reasons other than changes in the value of its underlying benchmark, index or commodity price, and the net asset value of the Fund will change with these fluctuations. The Fund has obtained permission to invest in Leveraged ETFs that employ leverage in an attempt to magnify returns by either a multiple or an inverse multiple of its underlying benchmark, index or commodity price. Leveraged ETFs typically involve a higher degree of risk and are subject to increased volatility.

**Failure of Futures Commission Merchant Risk** – Under United States Commodity Futures Trading Commission Regulations, futures commission merchants ("**FCMs**") are required to maintain customer assets in a segregated account. If the Fund's FCM fails to do so, the Fund may be subject to a risk of loss of funds on deposit with the FCM in the event of its bankruptcy. In addition, even if assets are properly segregated, under certain circumstances there is a risk that assets deposited by the Manager on behalf of the Fund as margin with an FCM may be used to satisfy losses of other clients of the FCM which cannot be satisfied by such other clients or by the FCM. In the case of any such bankruptcy or client loss, the Fund might recover, even in respect of property specifically traceable to the Fund, only on a *pro rata* share of all property available for distribution to all of the FCM's customers.

**Foreign Investment Risk** – The value of foreign securities will be affected by factors affecting other similar securities and could be affected by additional factors such as the absence of timely information, less stringent auditing standards and less liquid markets. As well, different financial, political and social factors may involve risks not typically associated with investing in Canada. This risk applies primarily to equity funds and fixed income funds.

**Forward and Over-the-Counter ("OTC") Option Contract Risk** – The Fund may engage in trading forward and OTC option contracts in currencies. Such forward and OTC options contracts are not traded on exchanges; rather, banks and dealers typically act as principals in these markets, called generally the interbank or forex market. Trading in the interbank market presents certain risks not present in futures trading because no governmental agency regulates trading in forward and OTC option contracts. Consequently, in the case of forward contracts, there is no limitation on daily price movements and no margin need be posted, although the Fund's FCM may require good faith deposits to be made in lieu of margin. Because performance of forward and OTC options contracts on currencies is not guaranteed by any exchange or clearinghouse, the customer is subject to counterparty risk: the risk that the principals or agents with or through which the FCM trades will be unable or will refuse to perform with respect to such contracts. Furthermore, principals in the forward markets have no obligation to continue to make markets in the forward contracts traded.

**Halted Trading of Series ETF Units Risk –** Trading of Series ETF Units on certain marketplaces may be halted by the activation of individual or market-wide "circuit breakers" (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage). In the case of the TSX, trading of Series ETF Units may also be halted if: (i) the Series ETF Units are delisted from the TSX without first being listed on another exchange; or (ii) TSX officials determine that such action is appropriate in the interest of a fair and orderly market or to protect unitholders.

**Interest Rate Risk** – The value of fixed income securities will generally rise if interest rates fall and, conversely, will generally fall if interest rates rise. Changes in interest rates may also affect the value of equity securities; however, this risk applies primarily to fixed income funds.

**Large Redemption Risk** – The Fund may have particular investors who own a large proportion of the net asset value of the Fund. For example, other institutions such as banks and insurance companies or other fund companies may purchase securities of the Fund for their own mutual funds, segregated funds, structured notes or discretionary managed accounts. Retail investors may also own a significant amount of the Fund. If one of those investors redeems a large amount of their investment in the Fund, the Fund may have to sell its portfolio investments at unfavourable prices to meet the redemption request. This can result in significant price fluctuations to the net asset value of the Fund and may potentially reduce the returns of the Fund.

**Leverage Risk -** When the Fund makes investments in derivatives, borrows cash for investment purposes, or uses physical short sales on equities or other portfolio assets, leverage may be introduced into the Fund. Leverage occurs when the Fund's notional exposure to underlying assets is greater than the amount invested. It is an investment technique that magnifies gains and losses. Consequently, any adverse change in the value or level of the underlying asset, rate or index may amplify losses compared to those that would have been incurred if the underlying asset had been directly held by the Fund and may result in losses greater than the amount invested in the derivative itself. Leverage may increase volatility, may impair the Fund's liquidity and may cause the Fund to liquidate positions at unfavorable times.

**Liquidity Risk** – Liquidity risk is the possibility that a Fund won't be able to convert its investments to cash when it needs to. The value of securities which are not regularly traded (less liquid) will generally be subject to greater fluctuation. This risk applies primarily to equity funds and fixed income funds.

Specifically, with respect to futures, most futures exchanges limit fluctuations in certain contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Pursuant to such regulations, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract has increased or decreased by an amount equal to the daily limit, positions in the contract can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit. Prices of various contracts have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent a Fund from promptly liquidating its unfavorable positions and subject it to substantial losses. While daily limits may reduce or effectively eliminate the liquidity of a particular market, they do not limit ultimate losses, and may in fact substantially increase losses because it may prevent the liquidation of unfavorable positions. There is no limitation on daily price moves in trading forward contracts. In addition, a Fund may not be able to execute trades at favorable prices if little trading in the contracts involved is taking place. Under certain circumstances, a Fund may be required to accept or make delivery of the underlying commodity if the position cannot be liquidated prior to its expiration date. It also is possible that an exchange might suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. Similarly, trading in options on a particular futures contract may become restricted if trading in the underlying futures contract has become restricted.

**Margin Risk** – Each long or short derivatives position initiated by the Fund requires a margin deposit. The cash in the Fund will be applied to the margin requirements established by the futures commission merchant (which must be at least equal to the margin levels established by the applicable exchange) carrying the Fund's account. A margin deposit is similar to a cash performance bond that helps assure a trader's performance of the futures contract. If the market value of a futures position moves to such a degree that the initial margin deposit is not sufficient to satisfy minimum maintenance requirements, the futures commission merchant will make a "margin call" for additional margin money. The margin call must be satisfied within a reasonable period of time. If the Fund does not make payment of the margin call within a reasonable time, the futures commission merchant may liquidate the open position(s). In periods of high volatility, the exchanges may increase minimum margin levels. Also, the futures commission merchant may elect to increase the amount of margin they require to carry futures positions for their customers even though the applicable exchange did not increase the minimum margin levels.

**Market Risk** – The risks associated with investing in the Fund depend on the securities held in the Fund. These securities will rise and fall based on company-specific developments and general stock market conditions. Market value will also vary with changes in the general economic and financial conditions in the countries where the investments are based.

**Operational Risk** - Day to day operations of the Fund may be adversely affected by circumstances beyond the reasonable control of Arrow, such as failure of technology or infrastructure, or natural disasters.

**Securities Lending Risk** – The Fund may engage in securities lending transactions. In a securities lending transaction, the Fund lends portfolio securities that it owns to a third party borrower. The borrower promises to return to the Fund at a later date an equal number of the same securities and to pay a fee to the Fund for borrowing the securities.

Over time, the value of the securities loaned in a securities lending transaction might exceed the value of the collateral held by the Fund. If the third party defaults on its obligation to return the securities to the Fund, the collateral may be insufficient to enable the Fund to purchase replacement securities and the Fund may suffer a loss for the difference.

Those risks are reduced by requiring the other party to provide collateral to the Fund. The value of the collateral must be at least 102% of the market value of the securities loaned. Securities lending transactions, together with repurchase transactions are limited to 50% of the Fund's assets, excluding collateral or sales proceeds received in a securities lending transaction and cash held by the Fund for securities sold in a repurchase transaction.

In engaging in securities lending, the Fund will bear the risk of loss of any collateral it invests, as well as the risk of loss should a borrower default on its obligations to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

If securities are on loan on the record date established for a particular voting matter the lender is generally not entitled to exercise the voting right of such loaned securities.

**Series Risk** –Mutual funds sometimes issue different series of securities of the same fund. Each series has its own fees and expenses, which the Fund tracks separately. However, if one series is unable to meet its financial obligations, the other series are legally responsible for making up the difference.

**Short Selling Risk** – Short selling is the act of borrowing a security to sell high today with the expectation of buying it back at a lower price in the future and then returning the security to the lender. An investor pays a security lender a small fee to borrow the security (usually arranged by a brokerage firm). Risks associated with short selling include the potential that the securities will rise in value or not decline enough to cover the Fund's costs, or that market conditions will cause difficulties in the sale or repurchase of the securities. The lender from whom the Fund has borrowed securities may go bankrupt and the Fund may lose the collateral it has deposited with the lender. When engaging in short selling, the Fund adheres to controls and limits that are intended to offset these risks by selling short only securities of larger issuers for which a liquid market is expected to be maintained and by limiting the amount of exposure for short sales. The Fund also deposits collateral only with lenders that meet certain criteria for creditworthiness and only up to certain limits. The Fund may also be exposed to short selling risk because the underlying funds in which it invests or to which assets of the Fund obtains exposure may be engaged in short selling.

**Small Company Risk** – Investing in securities of smaller companies may be riskier than investing in larger, more established companies. Smaller companies may have limited financial resources, a less established market for their shares and fewer shares issued. This can cause the share prices of smaller companies to fluctuate more than those of larger companies. The market for the shares of small companies may be less liquid.

**Tax Risk** – There can be no assurance that the tax laws applicable to the Fund, including the treatment of certain gains and losses as capital gains and losses, will not be changed in a manner which could adversely affect the Fund or its investors. Furthermore, there can be no assurance that the CRA will agree with the Manager's characterization of the gains and losses of the Fund as capital gains and losses or ordinary income and losses in specific circumstances. The CRA could reassess the Fund resulting in an increase to the taxable portion of distributions made to investors or to the incidence of income taxes and/or penalties to the Fund. A reassessment by the CRA may also result in the Fund being liable for unremitted withholding tax on prior distributions to non-resident investors. Such liability may reduce the NAV of the Fund.

The use of derivative strategies may also have a tax impact on the Fund. In general, gains and losses realized by the Fund from derivative transactions will be on income account, except where such derivatives are used to hedge portfolio securities held on capital account and provided there is sufficient linkage. The Fund will generally recognize gains or losses under a derivative contract when it is realized by the Fund upon partial settlement or upon maturity. This may result in significant gains being realized by the Fund at such times, and such gains may be taxed as ordinary income. To the extent such income is not offset by any available deductions, in the case of the Fund, it would be distributed to the applicable unitholders of the Fund in the taxation year in which it is realized and included in such unitholder's income for the year.

It is our intention that the conditions prescribed under the Tax Act for qualification as a mutual fund trust will be satisfied on a continuing basis for the Fund. If the Fund were to fail to or cease to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading *Income Tax Considerations for Investors* could be materially and adversely different in some respects. For example, in such circumstances, the units of the Fund may no longer be a qualified investment for registered plans under the Tax Act. The Tax Act imposes penalties on the annuitant, holder or subscriber of a registered plan for the acquisition or holding of non-qualified investments.

The Fund will generally be subject to a "loss restriction event" each time a person or partnership becomes a "**majority-interest beneficiary**" (as defined in the Tax Act) of the Fund if, at that time, the Fund does not qualify as an "**investment fund**" (as defined in the Tax Act for the purposes of these rules) by satisfying investment diversification and other conditions. If the loss restriction event rules apply, the taxation year of the Fund will be deemed to end, and investors may automatically receive an unscheduled distribution of income and capital gains from the Fund. The Fund will be deemed to realize its capital losses and may elect to realize capital gains. Unused capital losses will expire and the ability of the Fund to carry forward non-capital losses will be restricted.

A fund that has Series ETF Units may be subject to rules in the Tax Act, (the "**SIFT Rules**") which apply to trusts (defined as "**SIFT trusts**"), the units of which are listed or traded on a stock exchange or other public market and that holds one or more "non-portfolio properties" (as defined in the Tax Act). A SIFT trust is effectively taxed on income and capital gains in respect of such non-portfolio properties at tax rates comparable to the rates that apply to income earned and distributed by Canadian public corporations. Distributions of such income received by unitholders of SIFT trusts are treated as eligible dividends from a taxable Canadian corporation.

If the Fund realizes capital gains as a result of the transfer or disposition of its property undertaken to permit a redemption of units by a unitholder, allocation of Fund-level capital gains may be permitted pursuant to the Declaration of Trust. The Tax Act will restrict the ability of a mutual fund trust to allocate and designate capital gains as part of the redemption price of units to an amount not exceeding the unitholder's accrued gain on the units redeemed, where the unitholder's proceeds of disposition are reduced by the designation. As a result of these rules, any capital gains that would otherwise have been designated to redeeming unitholders may be made payable to the remaining non-redeeming unitholders to ensure that the Fund will not be liable for non-refundable income tax thereon. Notwithstanding the foregoing, the Fund will be able to designate capital gains to unitholders on a redemption of Series ETF Units, in an amount determined by a formula which is based on: (i) the amount of capital gains designated to unitholders on a redemption of Series ETF Units in the taxation year, (ii) the total amount paid for redemptions of the Series ETF Units in the taxation year, (iii) the portion of the Fund's NAV that is referable to the Series ETF Units at the end of the taxation year and the end of the previous taxation year, (iv) the Fund's NAV at the end of the taxation year; and (v) the Fund's net taxable capital gains for the taxation year. In general, the formula is meant to limit the Fund's designation to an amount that does not exceed the portion of the Fund's taxable capital gains considered to be attributable to Series ETF investors who redeemed in the year. In addition to the limits imposed under the Tax Act, the amount of the Fund's deduction with respect to capital gains designations made in respect of units other than the Series ETF Units is generally further limited to the portion of the Fund's net taxable capital gain attributed to those units.

Pursuant to certain rules in the Tax Act (the "**Equity Repurchase Rules**"), a trust that is a "SIFT trust" or that is otherwise a "covered entity" as described in the Equity Repurchase Rules is subject to a 2% tax on the value of the trust's equity repurchases (including redemptions) in a taxation year (net of cash subscriptions received by the trust in that taxation year). If the Fund is subject to tax under the SIFT Rules or the Equity Repurchase Rules, the after-tax return to its unitholders could be reduced.

Generally, under the EIFEL rules, the deductible amount of IFE for certain corporations and trusts may be restricted. IFE include, among other things, certain amounts that are economically equivalent to interest or that can reasonably be considered part of the cost of funding and various expenses incurred in obtaining financing. The EIFEL rule does not apply to certain "excluded entities", which include certain standalone Canadian-resident corporations and trusts, and groups consisting exclusively of Canadian-resident corporations and trusts, that carry on substantially all of the businesses, undertakings and activities in Canada. This exclusion applies only if, in general terms, no non-resident is a material foreign affiliate of, or holds a significant interest in, any group member, and no group member has any significant amount of interest and financing expenses payable to a non-arm's length "tax-indifferent investor". The new EIFEL rules will generally apply in respect of taxation years that begin on or after October 1, 2023. If the EIFEL rules were to apply to the Fund, the net income of the Fund for tax purposes and the taxable component of distributions to its unitholders could increase.

**Trading Price of Series ETF Units Risk –** Series ETF Units may trade in the market at a premium or discount to the net asset value per unit. There can be no assurance that Series ETF Units will trade at prices that reflect their net asset value per unit. The trading price of Series ETF Units will fluctuate in accordance with changes in the Fund's net asset value, as well as market supply and demand on the TSX (or such other exchange or marketplace on which Series ETF Units of the Fund may be traded from time to time). However, as Designated Brokers and ETF Dealers subscribe for and exchange Prescribed Number of Series ETF Units at the net asset value per unit, large discounts or premiums to net asset value should not be sustained.

**Underlying Fund Risk –** The Fund may pursue its investment objectives indirectly by investing in securities of other funds, including index participation units (e.g., ETFs), in order to gain access to the strategies pursued by those underlying funds. There can be no assurance that any use of such multi-layered fund of fund structures will result in any gains for the Fund. If an underlying fund that is not traded on an exchange suspends redemptions, the Fund will be unable to value part of its portfolio and may be unable to redeem securities. In addition, the portfolio advisor could allocate the Fund's assets in a manner that results in the Fund underperforming its peers.

When you are making your investment decision, it is very important that you are completely aware of the different investment types, their relative return over time and their volatility.

## INVESTMENT RESTRICTIONS

### Restrictions under Applicable Securities Legislation

The fundamental investment objective of the Fund is set out in this simplified prospectus. In accordance with applicable securities legislation, any change in the fundamental investment objective of the Fund requires the approval of a majority of the votes cast at a meeting of investors called for that purpose. The manager may change the Fund's investment strategies from time to time at its discretion.

The Fund is also subject to certain standard investment restrictions and practices contained in securities legislation, including NI 81-102. This legislation is designed in part to ensure that the investments of the Fund are diversified and relatively liquid and to ensure the proper administration of the Fund. The Fund adheres to these standard investment restrictions and practices.

### Tax Related Investment Restrictions

The Fund will not make an investment or conduct any activity that would result in the Fund (i) failing to qualify as a "u*nit trust*" or "*mutual fund trust*" within the meaning of the Tax Act or (ii) being subject to tax under the SIFT Rules; or (iii) if it is or becomes a "registered investment" for purpose of the Tax Act acquiring an investment which is not a "qualified investment" under the Tax Act if, as a result thereof, the Fund would become subject to a material amount of tax under Part X.2 of the Tax Act In addition, the Fund will not (i) make or hold any investment in property that would be "*taxable Canadian property*" (if the definition of such term in the Tax Act were read without reference to paragraph (b) thereof) if more than 10% of the Fund's property consisted of such property.

In addition, the Fund will not (i) invest in or hold (a) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Fund (or the partnership) would be required to include significant amounts in income pursuant to section 94.1 of the Tax Act, (b) an interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report significant amounts of income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or (c) any interest in a non-resident trust other than an "exempt foreign trust" for the purposes of section 94 of the Tax Act (or a partnership which holds such an interest); (ii) invest in any security that would be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act; or (iii) invest in any security of an issuer that would be a "*foreign affiliate*" of the fund for purposes of the Tax Act.

In addition, the Fund may not enter into any arrangement (including the acquisition of securities for its portfolio) where the result is a "dividend rental arrangement" for the purposes of the Tax Act, and the Fund may not engage in securities lending that does not constitute a "securities lending arrangement" for purposes of the Tax Act.

The Fund will not engage in any undertaking other than the investment of its fund property for purposes of the Tax Act. The Fund which is or becomes a registered investment will not acquire an investment which is not a "qualified investment" under the Tax Act if, as a result thereof, the Fund would become subject to a material amount of tax under Part X.2 of the Tax Act.

The Fund has not deviated in the last year from the provisions of the Tax Act that are applicable to the Fund in order for the units of the Fund to be either qualified or registered investments.

Additional investment restrictions specific to the Fund are described in its fund profile.

## DESCRIPTION OF UNITS OFFERED BY THE FUND

As an investor in the Fund, you have the right to share in any distributions (other than management fee distributions and distributions paid in respect of a different series of units that are intended to constitute a return of capital) that the Fund make. You can sell your units and transfer or convert from the Fund (other than from the Series ETF Units) to another fund at any time. If the Fund stops operating, you have the right to share in the Fund's net assets after it has paid any outstanding debts. You can pledge your units as security, but you may not transfer or assign them to another party. Pledging units held in a Registered Plan may result in adverse tax consequences.

You are entitled to receive notice of unitholder meetings, where you will have one vote for each whole unit you own. You have the right to vote on the following matters:

- a change in the method of calculating, or the introduction of, a fee or expense charged to the Fund if the change could increase the charges to the Fund or its unitholders
- appointment of a new manager, unless the new manager is an affiliate of the current manager
- a change in the Fund's fundamental investment objective which would require a majority of votes cast at a meeting of unitholders
- any decrease in the frequency of calculating the NAV per unit of the Fund
- in certain circumstances, a merger with, or transfer of assets to, another issuer if:
  - the Fund will be discontinued, and
  - investors in the discontinued Fund will become investors in the other issuer
- a merger with, or acquisition of assets from, another issuer if:
  - the Fund will continue
  - investors in the other issuer will become investors in the Fund, and
  - the transaction would be a significant change to the Fund
- a restructuring of the Fund into a non-redeemable investment fund or into an issuer that is not an investment fund.

If you own units of any series of the Fund, you will be entitled to vote at any meeting of unitholders of that series, for example, to change the management fee payable by that series.

If the Fund invests in an underlying fund managed by us or our affiliate we will not vote any of the securities it holds of the underlying funds. However, we may arrange for you to vote your share of those securities.

Subject to approval of the IRC, no unitholder approval will be required for a change of auditors of the Fund, or to approve mergers between Funds, if unitholders of the Fund are sent a written notice at least 60 days before the effective date of the change.

## NAME, FORMATION AND HISTORY OF THE FUND

The address of the Fund is the same as that of the Manager, which is:

100 Yonge Street, Suite 1802
Toronto, Ontario M5C 2W1

On December 2, 2013, Arrow acquired all of the shares of BluMont Capital Corporation ("**BluMont**"). BluMont was the manager of the then existing Funds. On April 1, 2014, Arrow and BluMont were amalgamated and continued as Arrow.

The Fund has been established as an investment trust created through the Declaration of Trust under the laws of Ontario. The schedule to the Declaration of Trust may be amended from time to time to add a new mutual fund or to add a new series of units, as applicable. The year-end of the Fund for financial reporting purposes is December 31.

The following table lists the name of the Fund and the date of its formation, unless otherwise noted.

| Fund | Date of Formation |
|---|---|
| WaveFront All-Weather Alternative Fund | November 1, 2019* |

This date reflects the date of formation of WaveFront LP, a fund that will be merged into the Fund. The series of WaveFront LP will be merged into the corresponding series of the Fund on or about January 2, 2025. Pursuant to the Past Performance Relief the securities regulators have approved this formation date to be used by the Fund.

Further specific details of the Fund can be found in the "*Name and History*" section of the Fund below.

## INFORMATION ABOUT THE MUTUAL FUND

The following is a guide on the various sections under the Fund's profile below.

### Fund Details

This section gives you a snapshot of the Fund with information such as the type of Fund, the series of units it offers and its eligibility for Registered Plans.

### What does the Fund Invest In?

This section includes the Fund's fundamental investment objective and the investment strategies it uses in trying to achieve its objective. Any change to the *investment objective* must be approved by a majority of votes cast at a meeting of unitholders held for that reason.

*How the fund uses derivatives*

A derivative is an investment that derives its value from another investment - called the *underlying investment*. This could be a stock, bond, interest rate, currency or market index. Derivatives usually take the form of a contract with another party to buy or sell an asset at a later time. Some examples of derivatives are options, futures, forward contracts and swaps.

The Fund may use derivatives as permitted by securities regulations. It may use them to:

- hedge its investments against losses from factors like currency fluctuations, stock market risks and interest rate changes; or
- invest indirectly in securities or financial markets, provided the investment is consistent with the Fund's investment objective.

When the Fund uses derivatives for purposes other than hedging, it holds enough cash or money market instruments to fully cover its position in the derivative, as required by securities regulations. The Fund, as an alternative mutual fund, is permitted to invest in specified derivatives, in uncovered derivatives or to enter into derivative contracts with counterparties that do not have a designated rating as defined in NI 81-102.

*How the fund engages in securities lending transactions*

The Fund may enter into securities lending transactions, repurchase transactions and reverse repurchase transactions as permitted by securities regulations.

A *securities lending transaction* is where the Fund lends portfolio securities that it owns to a third-party borrower. The borrower promises to return to the Fund at a later date an equal number of the same securities and to pay a fee to the Fund for borrowing the securities. While the securities are borrowed, the borrower provides the Fund with collateral consisting of a combination of cash and securities. In this way, the Fund retains exposure to changes in the value of the borrowed securities while earning additional fees.

A *repurchase transaction* is where the Fund sells portfolio securities that it owns to a third party for cash and simultaneously agrees to buy back the securities at a later date at a specified price using the cash received by the Fund from the third party. While the Fund retains its exposure to changes in the value of the portfolio securities, it also earns fees for participating in the repurchase transaction.

A *reverse repurchase transaction* is where the Fund purchases certain types of debt securities from a third party and simultaneously agrees to sell the securities back to the third party at a later date at a specified price. The difference between the Fund's purchase price for the debt instruments and the resale price provides the Fund with additional income.

As indicated above, securities lending, repurchase and reverse repurchase transactions enables the Fund to earn additional income and thereby enhance its performance.

The Fund will not enter into a securities lending transaction or a repurchase transaction if, immediately thereafter, the aggregate market value of all securities loaned by the Fund and not yet returned to it or sold by the Fund in repurchase transactions and not yet repurchased would exceed 50% of the total assets of the Fund (exclusive of collateral held by the Fund for securities lending transactions and cash held by the Fund for repurchase transactions).

*Short Selling Activities*

The Fund may also engage in short selling as permitted by securities regulations. A "short sale" is where the Fund borrows securities from a securities lender and then sells the securities in the open market (or "sells short" the securities). The proceeds from the short sale are deposited with the lender as collateral and the Fund pays interest to the lender for the securities it has borrowed. At a later date, the same number of securities are repurchased by the Fund and returned to the securities lender. If the value of the securities goes down between the time that the Fund borrows the securities and the time it repurchases and returns the securities to the lender, the Fund makes a profit on the difference (less the interest the Fund is required to pay to the lender). Engaging in disciplined and limited short selling provides the Fund with an opportunity to control volatility and enhances performance in declining or volatile markets.

There are risks associated with short selling, namely that the securities will rise in value or not decline enough to cover the Fund's costs, or that market conditions will cause difficulties in the sale or repurchase of the securities. In addition, the lender could become bankrupt before the transaction is complete, causing the Fund to forfeit the collateral it deposited when it borrowed the securities. However, Arrow will manage the risks associated with short selling using several controls, including:

- Securities will be sold short only for cash.
- A security sold short shall not be: (i) a security that the Fund is otherwise not permitted to purchase at the time of the short sale transaction; (ii) an illiquid asset; or (iii) a security of an investment fund unless the security is an index participation unit.
- At the time securities of a particular issuer are sold short by the Fund, the Fund will have borrowed or arranged to borrow from a borrowing agent the security that is to be sold under the short sale transaction.
- At the time securities of a particular issuer are sold short by the Fund, the aggregate market value of all securities of that issuer sold short will not exceed 10% of the net assets of the Fund and, in accordance with the Market-Neutral Strategy Relief, the aggregate market value of all securities sold short by the Fund will not exceed 100% of the net assets of the Fund.

The Fund may deposit assets with lenders in accordance with industry practice in relation to its obligations arising under short sale transactions.

*Investing in or obtaining exposure to underlying funds*

The Fund may invest in underlying funds that are subject to NI 81-102, including alternative mutual funds and non-redeemable investment funds, which may be managed by Arrow or an affiliate of Arrow, either directly or by gaining exposure to an underlying fund through a derivative.

Such investments may be entered into in conjunction with other strategies and investments in a manner considered most appropriate to achieving the Fund's investment objectives and enhancing returns as permitted by securities regulations.

*Portfolio Turnover Rate*

The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor or sub-advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

**What are the Risks of Investing in the Fund?**

This section shows the specific risks associated with an investment in the Fund. For an explanation of these risks, see *"What is a Mutual Fund and What are the Risks of Investing in a Mutual Fund?"*.

*Fund Risk Classification Methodology*

The methodology used to determine the Fund's investment risk level for purposes of disclosure in this prospectus is based on the Investment Risk Classification Methodology in NI 81-102 that came into force effective September 1, 2017, as such methodology may be amended and updated from time to time (the "**Methodology**"). The Methodology reflects the view of the Canadian Securities Administrators ("**CSA**") that the most comprehensive, easily understood form of risk in this context is historical volatility risk as measured by the standard deviation of fund performance. However, the Manager and the CSA recognize that other types of risk, both measurable and non-measurable, may exist and we remind you that the Fund's historical performance may not be indicative of future returns and that the Fund's historical volatility may not be indicative of its future volatility. There may be times when the Methodology produces a result that the Manager believes is inappropriate in which case the Manager may re-classify the Fund to a higher risk level, if appropriate.

Based on the Methodology, the Fund's risk level as described in this document, is determined in accordance with a standardized risk classification methodology that is based on the Fund's historical volatility as measured by the 10-year standard deviation of the returns of the Fund. In the case of the Fund, the returns, for the purpose of determining the investment risk rating of the Fund, include the returns of the Series FD units while they were previously privately offered. As the Fund does not have 10 years of performance history, the standard deviation of the Fund is calculated by using the actual returns history of the Fund and, for the remainder of the 10-year period, the returns history of a blended reference index (as set out below) that is expected to reasonably approximate the standard deviation of the fund

The Fund is assigned an investment risk level in one of the following categories:

**Low** – for funds with a standard deviation range of 0 to less than 6;

**Low-to-Medium** – for funds with a standard deviation range of 6 to less than 11;

**Medium** – for funds with a standard deviation range of 11 to less than 16

**Medium-to-High** – for funds with a standard deviation range of 16 to less than 20; and

**High** – for funds with a standard deviation range of 20 or greater.

The risk ratings set forth in the table below do not necessarily correspond to an investor's risk tolerance assessment. Investors are advised to consult their financial advisor for advice regarding an individual investor's personal circumstances. The following sets out the reference index for the Fund which has less than 10 years of performance history.

| Mutual Fund | Reference Index | Risk Rating |
|---|---|---|
| WaveFront All-Weather Alternative Fund | 20% MSCI World Index<br>20% Morningstar Canada REIT GR USD Index<br>20% S&P GSCI Precious Metals Index<br>20% S&P U.S. Treasury Bond Index<br>20% SGCTA Index | medium |

We review the investment risk level and reference index of the Fund on an annual basis and each time a material change is made to the Fund's investment strategies and/or investment objective.

Information about the Methodology is available on request, at no cost, by calling us toll-free at 1-877-327-6048 or by sending an email to info@arrow-capital.com.

Historical performance may not be indicative of future returns and the Fund's historical volatility may not be an indication of its future volatility.

**Who Should Invest in the Fund?**

This section tells you the type of investment portfolio or investor the Fund may be suitable for. This is meant as a general guide only. For advice about your own circumstances, you should consult your financial advisor.

**Distribution Policy**

**This section tells you when the Fund usually distributes any earnings to investors.**

If the Fund makes a distribution, it will be paid in the same currency in which you hold your Units. Distributions from the Fund may be comprised of income, capital gains or returns of capital. Distributions are not intended to reflect the Fund's investment performance and should not be confused with "yield" or "income". **A portion of the distribution may include a return of capital. If the cash distributions to you are greater than the net increase in value of your investment, the distributions will erode the value of your investment.**

We reserve the right to adjust the amount of the distributions paid during the year if we consider it appropriate, without notice. Distributions are not guaranteed and may change at any time at our discretion.

**Distributions on units, other than Series ETF Units, held in a Registered Plan are automatically reinvested (without charge) in additional units of the same series of the Fund.**

**Distributions on units held outside a Registered Plan are either: (1) automatically reinvested in additional units of the same series of the Fund; or (2) received in cash. Unless we receive written notice that you want to receive distributions in cash, the default is to have distributions automatically reinvested in units of the Fund.**

**Distributions on Series ETF Units will be received in cash. A unitholder that subscribes for Series ETF Units during the period that is one business day before a record date until that record date will not be entitled to receive the applicable distribution with respect to those Series ETF Units.**

The distributions by way of reinvested units are subject to the same fees and expenses as purchased units; whereas if you receive cash distributions the cash received would not be subject to such fees and expenses. For more information about fees and expenses related to holding units, including units received on the automatic reinvestment of distributions, see "*Fees and Expenses*" on page 21. To receive distributions in cash you (or broker, dealer or advisor) must provide us a written request that you wish to receive distributions in cash. Please see the back cover for our contact information.

Distributions during the year will generally not be made to holders of units of the Non-Fixed Rate Distribution Series.

Each December, the Fund may make an annual distribution to unitholders (including holders of the Non-Fixed Rate Distribution Series) on the distribution date in order to receive a refund of taxes on capital gains taxes under the refund mechanism in the Tax Act. **In each case, distributions on the units will be reinvested by purchasing additional units of the Fund, without charge, unless a written request is submitted to Arrow, requesting distributions be paid in cash instead. Distributions on the Series ETF Units will be paid in cash unless the Manager opts to reinvest the Series ETF Units and immediately consolidate such that the number of Series ETF Units outstanding after such distribution will be equal to the number of Series ETF Units held immediately prior to such distribution.**

We may change the distribution policy at our discretion.

***The distribution rate on a series of units of the Fund may be greater than the return on the Fund's investments. Any distributions paid to you that exceed, in aggregate, the net increase in value of your investment, represent a return of your capital back to you.***

For more information about distributions, see "*Income Tax Considerations for Investors*".

**Name and History**

This tells you the specific details of any name changes and major events affecting the Fund in the last 10 years.

## WAVEFRONT ALL-WEATHER ALTERNATIVE FUND

### FUND DETAILS

| | |
|---|---|
| **Type of Fund:** | Alternative Multi-Strategy Fund |
| **Units Offered:** | Series AD: January 1, 2025<br>Series FD: November 1, 2019*<br>Series I: January 1, 2025<br>Series ETF: January 1, 2025<br>*This date reflects the start date of Series F of WaveFront LP. Series F of WaveFront LP will be merged into Series FD of the Fund on or about January 2, 2025. The Fund has received regulatory relief from the Canadian securities regulators in connection with a fund reorganization transaction to permit this start date to be used by the Fund. |
| **Eligibility for Registered Plans:** | Yes |
| **Portfolio Advisor:** | Arrow Capital Management Inc. (Portfolio Advisor)<br>WaveFront Global Asset Management Corp (Sub-Advisor) |

### WHAT DOES THE FUND INVEST IN?

**Investment Objective**

The investment objective of WaveFront All-Weather Alternative Fund is to provide long-term capital appreciation by investing primarily in major global markets in order to provide broad exposure to global asset classes and strategies around the world.

The Fund may use leverage. The leverage will be created through the use of cash borrowings, short sales and derivative contracts. As described under the heading "Exemptions and Approvals", and in accordance with the Aggregate Exposure Limit Relief, the Fund has obtained exemptive relief from the leverage constraint that generally applies to alternative mutual funds under NI 81-102, Pursuant to that exemptive relief, instead of complying with the leverage constraint generally applicable to alternative mutual funds under NI 81-102, the Fund will use an absolute VaR based risk management approach that allows the 20-day VaR of the Fund to be up to 20% of the NAV of the Fund..

Unitholder approval (given by a majority of votes cast at a meeting of unitholders) is required prior to a change of investment objective.

**Investment Strategies**

To achieve the investment objective, the Fund will employ numerous investment strategies across multiple asset classes. The sub-advisor may use a variety of instruments to achieve exposure to investment strategies and asset classes including, but not limited to, exchange-traded securities, exchange-traded or cleared financial and commodity futures and options on futures contracts, exchange-traded funds or ETFs, cash and both short-term and long-term debt instruments. The Fund may also invest in other investment funds, including ETFs, that may or may not be managed by the Manager in order to gain indirect exposure to markets, sectors or asset classes.

It is the intention of the sub-advisor to have the Fund invest up to 50% of its assets in WaveFront Global Diversified Investment Fund ("**WaveFront GDIF**"), an alternative mutual fund subject to NI 81-102. WaveFront GDIF is managed by the Manager and sub-advised by WaveFront. Details of WaveFront GDIF and its simplified prospectus can be found on the Manager's website, www.arrow-capital.com. The investment in WaveFront GDIF may be changed without notice from time to time as well as the percentage holding in WaveFront GDIF.

The diversification benefits of multiple strategies and asset classes are expected to reduce portfolio volatility and reduce single asset class or investment strategy risks. A tactical, global macro component of the sub-advisor's investment strategy may at times seek to enhance absolute and risk-adjusted returns by reducing or eliminating exposure to overvalued asset classes, risk factors or strategies that the sub-advisor expects to underperform their longer-term historical rates of return. Core asset classes include, but are not limited to, global equities, fixed income, real estate, currencies, commodities and precious metals as a strategically important safe haven and store of value. While there are an indeterminate number of investment strategies available, primary strategies employed include global macro, momentum, value, options trading and factor investing.

As a general principle, the Fund seeks to have a balanced baseline exposure to the underlying asset classes using a risk-parity approach. A combination of value, carry, momentum and factor investing strategies determine security selection within the asset classes. Global macro strategies will at times influence security selection within asset classes but are primarily used to determine when to tactically shift away from the baseline risk-parity asset class exposures. Value, carry momentum and factor investing strategies are executed using a fully systematic and quantitative approach. Global macro strategies will typically follow a fully systematic approach but will occasionally follow a fundamental and discretionary decision-making approach supported by solid data analysis based on the experience and judgement of the portfolio management team of the sub-advisor.

**Derivatives.** The sub-advisor believes in the judicious use of derivative securities, primarily publicly listed futures and options. Derivatives can be used in many ways such as to increase market exposure (leverage), to reduce overall market exposure (hedge), to increase the portfolio's current income or to reduce the cost basis of a new position. The sub-advisor believes that the use of derivatives should help reduce risk and enhance investment performance.

Option hedging may be applied, at the discretion of the sub-advisor, to attempt to reduce risk and/or enhance returns. Hedging may involve the purchase of options to hedge adverse moves in any or all of the asset classes, or to reduce portfolio risk. The option hedging program may also focus solely on enhancing returns when significant market disequilibrium are identified that offer compelling reward to risk trade offs.

**Currencies.** The Fund may also engage in forward contracts and/or hold foreign currency for hedging. Exchange rate exposures will be actively managed with the Fund having possible exposure to one or more foreign currencies at any one time. A forward contract is an obligation to purchase or sell an underlying asset, including currency and stocks, for an agreed price at a future date. Exposure to currencies may also be indirect through the use of other derivatives, such as options, futures or swaps.

***Short Selling.*** The Fund may engage in short selling in a manner consistent with the Fund's investment objective, however the Fund has yet to engage in short-selling. Generally speaking, short selling can provide the Fund with opportunities for gains when markets are volatile or declining. The sub-advisor will utilize the same fundamental analysis used for investing in long positions in determining whether securities of a particular issuer should be sold short. When the analysis produces a favourable outlook, the investment opportunity is considered for purchase. When the analysis produces an unfavourable outlook, the investment opportunity is considered for a short sale. As described under the heading "*Exemptions and Approvals*", in accordance with the Market-Neutral Strategy Relief, the aggregate market value of all securities sold short by the Fund will not exceed 100% of the total net assets of the Fund.

***Cash Borrowing.*** The Fund is permitted to borrow cash up to a maximum of 50% of its net asset value. As described under the heading "*Exemptions and Approvals*" the combined use of short-selling and cash borrowing by the Fund is subject to an overall limit of 100% of its net asset value.

***Diversification.*** Diversification is applied to minimize the overall portfolio risk from any given asset class or strategy. Volatility and correlations across asset classes are continuously monitored to avoid undue concentration risk in any grouping of asset classes or strategies, and to achieve a balance across several groups.

The Fund may invest up to 20% of its net asset value in securities of a single issuer including exposure to that single issuer through specified derivative transactions or index participation units. This restriction does not apply to investments in debt securities issued or guaranteed by the Canadian or U.S. government; securities issued by a clearing corporation; securities issued by an investment fund if the purchase is made in accordance with the requirements of NI 81-102; index participation units issued by an investment fund; or an equity security if the purchase is made by a fixed portfolio investment fund in accordance with its investment objectives.

**Other.** The Fund may hold cash or invest in short term fixed income securities (such as bonds and money market instruments) for the purpose of preserving capital and/or maintaining liquidity, based upon the sub-advisor's ongoing evaluation of current and anticipated economic and market conditions.

The Fund may engage in securities lending, repurchase and reverse repurchase transactions to earn additional income for the Fund; however, the Fund has yet to engage in such transactions. For a description of securities lending, repurchase and reverse repurchase transactions and the risks that may be associated with such transactions, please see the discussion under the heading "*What are the Risks of Investing in a Mutual Fund"* and "*How the fund engages in securities lending transactions*".

Depending on market conditions, the sub-advisor's investment style may result in a higher portfolio turnover rate than less actively managed funds. Generally, the higher a fund's portfolio turnover rate, the higher its trading expenses. The higher the portfolio turnover rate, the greater the probability that you will receive a distribution of capital gains from the Fund, which may be taxable if you hold the Fund outside a registered plan. There is no proven relationship between a high turnover rate and the performance of a mutual fund.

The specific strategies that differentiate this Fund from conventional mutual funds include: increased use of derivatives for hedging and non-hedging purposes, increased ability to sell securities short, and the ability to borrow cash to use for investment purposes. While these strategies will be used in accordance with the Fund's investment objective and strategies, during certain market conditions they may accelerate the pace at which your investment decreases in value. Please also refer to the explanation of these risks under "*Derivatives Risk*", "*Short Selling Risk*" and "*Leverage Risk*" in the "*What are the Risks of Investing in a Mutual Fund?*" section of this Simplified Prospectus.

*Changes to Investment Strategies*

Arrow may change the Fund's investment strategies at its discretion without notice or approval.

**WHAT ARE THE RISKS OF INVESTING IN THE FUND?**

The Fund may be exposed to all of the risks which are described starting on page 37:

| | Primary Risk | Secondary Risk | Low or Not a Risk |
|---|---|---|---|
| Borrowing | | ✓ | |
| Change in Legislation | | ✓ | |
| Collateral | | ✓ | |
| Commodity | ✓ | | |
| Concentration | ✓ | | |
| Counterparty Default | | ✓ | |
| Credit | | ✓ | |
| Currency | | ✓ | |
| Cyber Security | | ✓ | |
| Derivatives | ✓ | | |
| Equity | ✓ | | |

| | | | |
|---|---|---|---|
| ETF | ✓ | | |
| Failure of Futures Commission Merchant | | ✓ | |
| Foreign Investment | ✓ | | |
| Forward and OTC Option Contract | | ✓ | |
| Interest Rate | | ✓ | |
| Large Redemption | ✓ | | |
| Leverage | ✓ | | |
| Liquidity | | ✓ | |
| Margin | ✓ | | |
| Market | ✓ | | |
| Operational | | ✓ | |
| Securities Lending | | | ✓ |
| Series | | ✓ | |
| Short Selling | | | ✓ |
| Small Company | | ✓ | |
| Tax | | ✓ | |
| Underlying Fund | ✓ | | |

Additional risks associated with investing in the Series ETF Units of this Fund are:

- absence of an active market for Series ETF Units risk
- halted trading of Series ETF Units risk
- trading price of Series ETF Units risk

The TSX has conditionally approved the listing application, but there is no assurance that the TSX will approve the listing application.

Arrow has rated this Fund's risk as medium. Please see "*What are the Risks of Investing in the Fund? – Fund Risk Classification Methodology*" for a description of how we determined the classification of this Fund's risk level.

As a result of the expected merger of WaveFront LP into the Fund on or about January 2, 2025, it is expected that as of January 2, 2025, one investor will own approximately 100% of the Fund, which results in Large Redemption Risk.

As an alternative mutual fund, the Fund is permitted to invest in asset classes and use investment strategies that are not permitted for other types of mutual funds. Please see "*What are the Risks of Investing in the Fund?*" for an explanation of how the investment strategies could affect investors' risk of losing money on their investment in the Fund.

## WHO SHOULD INVEST IN THE FUND?

This Fund is suitable for investors who seek medium to long term growth through a diversified portfolio with exposure to global asset classes. To invest in this Fund, investors should be able to accept a medium degree of risk.

To recognize a reasonable rate of return, investors should be prepared to invest for medium to long periods of time.

## DISTRIBUTION POLICY

In respect of the Variable Rate Distribution Series units, the Fund expects to make a distribution each quarter, depending on market conditions. The amount of the distribution may be different each quarter and may be zero. If the Fund earns more income or capital gains than the distributions, it will distribute the excess each December.

If required, the Fund will pay a distribution each December to holders of units of the Non-Fixed Rate Distribution Series.

For more information about distributions, see "*Information About the Mutual Fund – Distribution Policy*".

The Fund may at its discretion change its distribution policy from time to time.

## NAME AND HISTORY

| Effective Date | Description of Change |
|---|---|
| November 1, 2019* | WaveFront LP was established as a non-public limited partnership offering Class F units on a private placement basis |
| January 1, 2025 | Series AD, FD, I and ETF Units were created |
| January 2, 2025 | WaveFront LP will sell its assets to the Fund in return for the Fund to issue Series FD units of the Fund to limited partners of WaveFront LP |
| *This date reflects the date of WaveFront LP that will be merged into the Fund. The Fund has received regulatory relief from the Canadian securities regulators in connection with a fund reorganization transaction to permit the Fund to use the performance history of WaveFront LP. | |

**ARROW MUTUAL FUND**

**WaveFront All-Weather Alternative Fund**

Additional information about the Fund is available in the Fund's Fund Facts, ETF Facts, management reports of fund performance and financial statements. These documents are incorporated by reference into this simplified prospectus, which means that they legally form part of this document just as if they were printed as a part of this document.

You can obtain a copy of these documents, at your request, and at no cost, by calling toll free 1 (877) 327-6048, (416) 323-0477 or from your financial advisor or by email at info@arrow-capital.com.

These documents and other information about the Fund, such as information circulars and material contracts, are also available on the Fund's designated website www.arrow-capital.com or on SEDAR at www.sedarplus.ca.


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