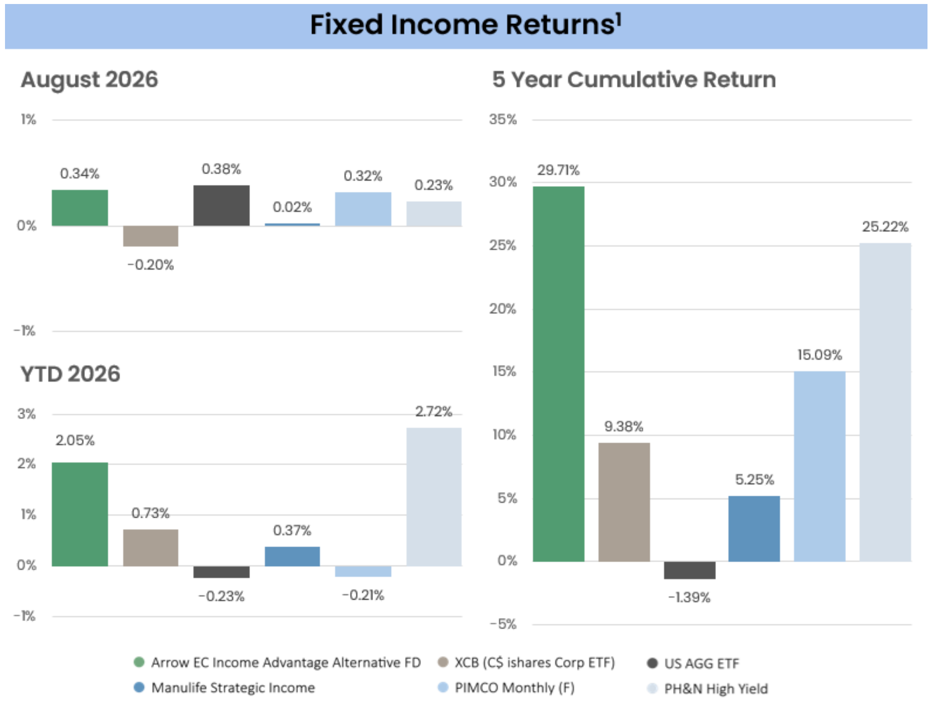
ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND
august 2026

Arrow Capital Management Inc.

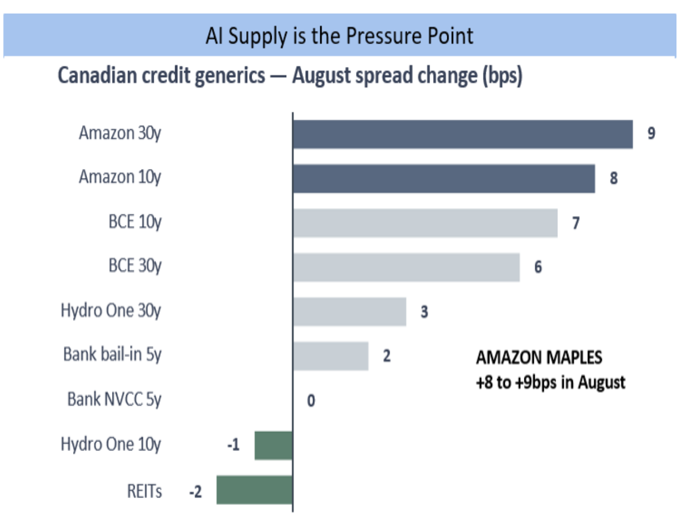
August was quiet on the surface and eventful at the end. With no scheduled central bank meetings anywhere in the developed world, markets set the tone themselves. The S&P 500 gained 2.7% and the S&P/TSX Composite 3.1%, both setting record highs, while equity volatility fell to its lowest level of 2026. Federal Reserve Chair Kevin Warsh struck a hawkish tone, warning markets that inflation was still elevated and that the central bank had work to do. Within days, traders had lifted the odds of a September Federal Reserve hike from roughly 40% to just under 70%.

Interest rates in Canada (Gov't of Cda bonds) rose 7-9bps across the curve as economic and employment data improved slightly and BoC officials acknowledged upside risks to inflation from energy and trade wars. Canadian 10yr rates reached 3.74%, marking their highest level since 2024. U.S. Treasuries also weakened in the front end, with 2yr and 5yr rates higher by 5bps. U.S. 10yr rates weakened a more modest 2bps, and 30yrs rallied, falling 3bps on the month as the Treasury pledged to at least double long-end liquidity-support buybacks. The U.S. bear flattening in August reversed July's steepening.



As of August 31, 2026. Source: Morningstar Direct, Arrow EC Income Advantage Alternative FD, Blackrock: Index iShares ETFs (XCB, AGG), PIMCO Monthly Fund (F), Manulife Strategic Income Fund (F), PH&N High Yield Bond Fund (F).

Corporate credit was the steadiest part of the market. Even with the heaviest August new issue calendar on record, spreads remained resilient, with U.S. investment grade spreads unchanged (at 78bps) and Canadian investment grade spreads only 1bp wider on the month (at 89bps). Demand, rather than complacency, has kept spreads firm — fundamentals remain sound, default rates are low, and Canada's record C$16.2bn month cleared without difficulty.



Source: Bloomberg — spread-to-benchmark on representative bonds; MTD change 31-Jul→31-Aug; BMO Bank Corporate Credit Benchmark Barometer

Recent interest rate weakness has taken the all in yield on high-quality paper to multi year highs (4.3% in C$ IG and 5.5% in US$ IG). Quality matters within credit, as witnessed by the performance of the weakest segment of the credit market in August. High Yield's CCC-rated segment widened 32bps, taking its spread over single B paper to the widest since 2022.

The stability of returns provided by the strategy over time has been impressive. East Coast has been able to achieve 83% positive monthly returns over 5 years, adding another positive month for investors in August. In contrast, the Canadian universe posted another loss, and Canadian corporates came out flat. While the team expects significant market volatility, especially in interest rates, to continue into year end, the investment team remains eager to capitalize on opportunities, including those created by market dislocations, should they present themselves.

While headline Canadian credit spreads proved resilient in August, the chart at left highlights the underlying variability in performance within the Canadian credit market throughout the month. Amazon's Canadian dollar bonds widened 8 to 9bps, the widest moves in the market, and long telecom paper followed.
Financials fared better, while REIT sectors outperformed.

The investment team limited exposure to the technology and data centre sector through 2026, anticipating that heavy supply would pressure spreads, and August was the month that call paid off for investors. U.S. hyperscaler investment grade issuance has passed $100bn this year, more than in all of 2025, as those companies lean on debt to fund the buildout.

The team has remained cautiously positioned while the markets have repriced the path for central bank policy and rate expectations. The portfolio managers are completely focused on risk-adjusted returns for investors, prioritizing preservation of investor capital by not reaching for yield while valuations are expensive. That said, the team remains ready to add credit exposure should spreads widen to more attractive levels that appropriately compensate investors for risk.

As always, we welcome any questions or comments you may have for our team.

Thank you,
The East Coast Team

Historical Performance	1 yr	3 yr	5 yr	10 yr	ITD
Arrow EC Income Advantage Alternative - Ser FD	3.03	6.14	5.34	5.27	4.09

Returns as of August 31, 2026

[1] Source: Morningstar Direct: Arrow EC Income Advantage Alternative (Series FD), iShares Core Canadian Corporate Bond Index ETF (XCB), iShares U.S. Aggregate Bond Index ETF (AGG), PIMCO Monthly Fund (F), Manulife Strategic Income Fund (F), PH&N High Yield Bond Fund (F).

The inception date of the Arrow EC Income Advantage Alternative Fund (formerly East Coast Investment Grade Income Fund) was April 26, 2012. On June 26, 2020, the East Coast Investment Grade Income Fund (TSX: ECF.UN) was converted from a closed end fund into an open-end alternative mutual fund, renamed Arrow EC Income Advantage Alternative Fund and delisted from the TSX. Details of the conversion are outlined in the information circular which is available at www.sedar.com. Unitholders of Fund had their units redes¬ignated as Series FD Units.

Commissions, trailing commissions, management and performance fees and expenses all may be associated with mutual fund and exchange-traded fund (ETF) investments. Please read the prospectus and Fund Facts for Arrow EC Income Advantage Alternative Fund carefully before investing before investing. Unless otherwise indicated, the indicated rates of return are the historical annual compound total returns net of fees and expenses payable by the fund (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds and ETFs are not guaranteed, their values change frequently and past performance may not be repeated. You will usually pay brokerage fees to your dealer if you purchase or sell securities of an ETF on recognized Canadian exchanges. If the securities are purchased or sold on these Canadian exchanges, investors may pay more than the current net asset value when buying securities of the ETF and may receive less than the current net asset value when selling them.

The rates of return are used only to illustrate the effects of the compound growth rate and are not intended to reflect future values or returns on investment in an investment fund.

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The comparison presented is intended to illustrate the historical performance of Arrow EC Income Advantage Alternative Fund as compared with the historical performance of a widely quoted market index or a weighted blend of widely quoted market indices or other investment funds. There are various important differences that may exist between the Fund and the stated indices or other investment funds that may affect the performance of each. The objectives and strategies of the Fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indices. Indexes are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indices. Certain statements contained in this communication are based in whole or in part on information provided by third parties and Arrow Capital Management has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document. Published September 2026.