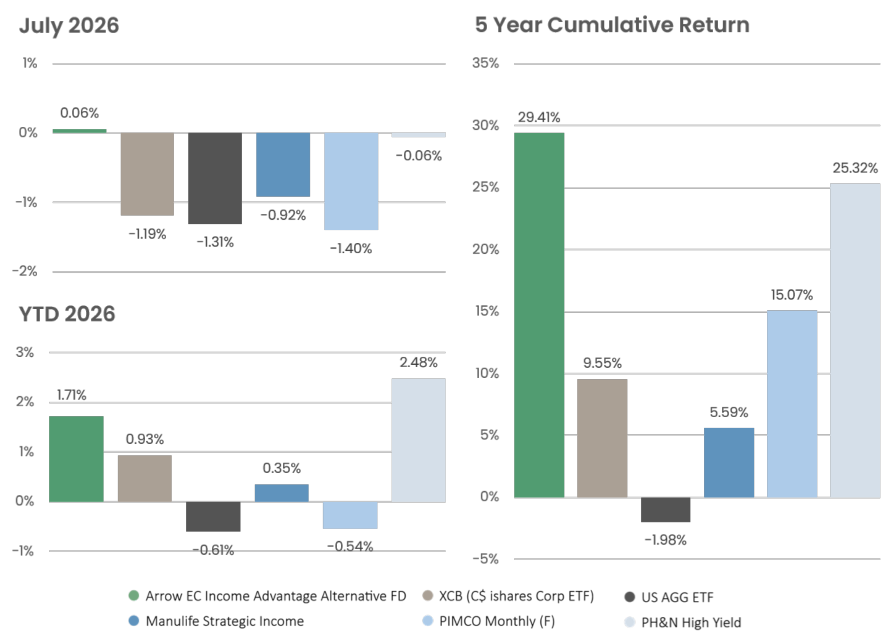
ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND
july 2026

July was a month of crosscurrents. The U.S. Federal Reserve held its policy range at 3.50% to 3.75%, a decision markets read as dovish since a rate hike that had been partly priced in was not delivered, and inflation and jobs data came in softer. Headline equity indices were quiet, with the S&P 500 finishing little changed, but the calm masked a violent rotation beneath the surface: the Philadelphia Semiconductor Index fell 20.6%, its worst month since 2008 (though still up about 50% YTD), before strong mega cap earnings sparked a sharp rebound. Canadian equities gained about 1.8% to fresh highs, and the Bank of Canada held at 2.25% for a sixth straight meeting. Oil round tripped a large spike on Middle East tensions to finish near $80. The clear trend of the month was in bonds, where long-term yields rose sharply.

Government bond yields told the real story this month. U.S. Treasuries and Canadian Gov't bond yields sold off, with curves steepening substantially, particularly in the U.S. 2yr yields rose 12bps (US) and 17bps (Canada), while 10yr yields increased 27–28bps. 30yr yields rose 27bps in Canada and a more substantial 32bps in the U.S., reaching their highest level since 2007. The move was driven primarily by term premium (the additional yield investors demand to hold longer dated bonds) as investors sought greater compensation for duration and investment risk rather than pricing in higher policy rates.

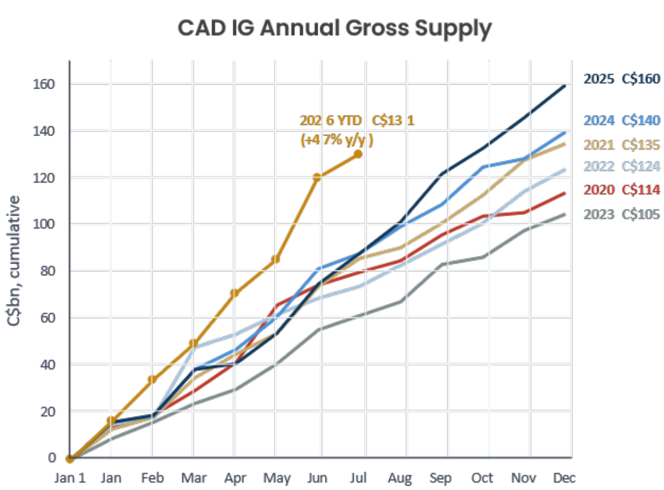
Fixed Income Returns[1]



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)

Credit spreads, by contrast, showed relatively little movement. U.S. investment grade (IG) spreads widened by just 4bps to around 0.78%, while Canadian investment grade spreads widened by 2bps to approximately 0.89%, with both remaining near their tightest levels in more than a decade. July's negative returns across bond benchmarks came almost entirely from rates, as the sharp rise in government bond yields was the dominant driver of negative performance, while the widening in credit spreads had a comparatively modest impact. With all in yields near multi year highs following the sharp rise in government bond yields, high-quality IG bonds continue to offer an attractive yield and income stream.

Record Canadian IG Supply



Source: CAD IG – TD CAD IG Monthly Supply

East Coast's ability to deliver a positive return against a negative fixed income backdrop in July highlights the effectiveness of our investment team's active management. The PMs seek to add credit exposure when widening valuations offer attractive risk-adjusted yields and pare back exposure when the team believes investors are no longer being adequately compensated for the risk. This disciplined approach has allowed the fund to capture attractive return opportunities while actively managing risk as market conditions evolve.

One of the main market themes helping drive portfolio positioning has been the surge in investment grade supply in 2026, shown in the chart above. The market absorbed it comfortably through the summer, particularly in July, when new issuance was light across the broader market.

The AI/hyperscaler issuance trend has also crossed borders, with global technology companies, primarily Amazon and Google, accessing the Canadian IG market in 2026. The investment team intentionally limited exposure to this sector, anticipating that the heavy volume of new supply would pressure spreads. That same volume, however, has created opportunities. While our positioning here will remain tactical, our portfolio managers will selectively add exposure when periods of elevated supply expose more attractive relative value and let us invest on terms favourable to our investors.

The team has stayed cautiously positioned through a volatile stretch for rates. The mandate remains focused on delivering steady, consistent returns for investors, while portfolio managers stand ready to add credit risk should spreads widen to more attractive levels.

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	2.96	6.18	5.29	5.35	4.10

Returns as of July 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 August 2026.