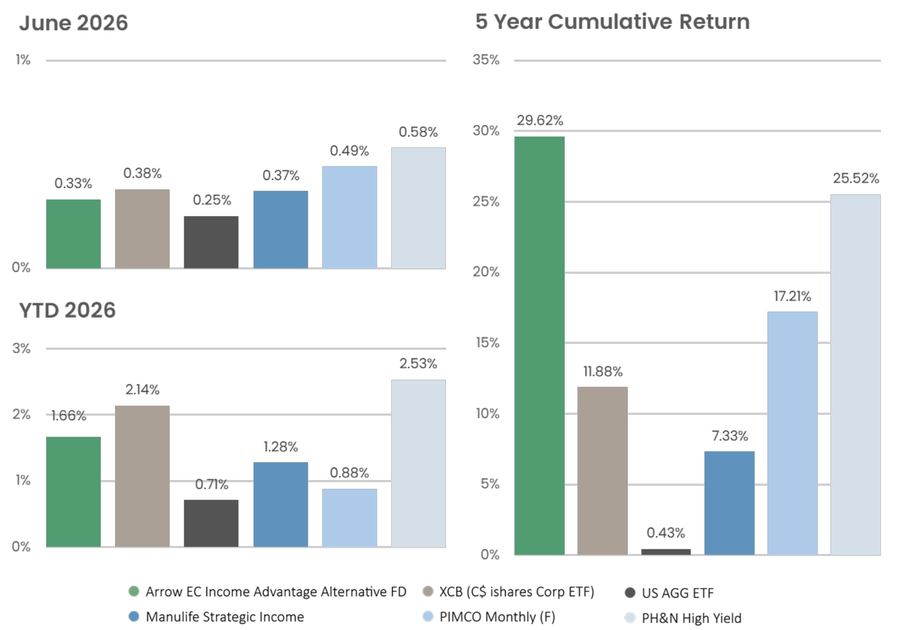
ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND
june 2026

Major central banks set the tone in June, with most opting to leave interest rates unchanged and all adopting a more hawkish stance. Equity markets were mixed, with U.S. stocks declining for the first time in three months. The S&P 500 fell approximately 1% as investors questioned whether this year's artificial intelligence-driven rally had gone too far. Canadian equities proved more resilient, with the TSX Composite posting a modest gain of 0.50%. Despite the monthly pullback, the S&P 500 remained up approximately 9.5% for the year. Oil and gold were the month's notable movers: U.S. crude fell to near $70 a barrel, back to roughly pre-conflict levels after the U.S. and Iran agreed to halt attacks, and gold gave back ground as safe-haven demand faded.

Fixed Income Returns[1]



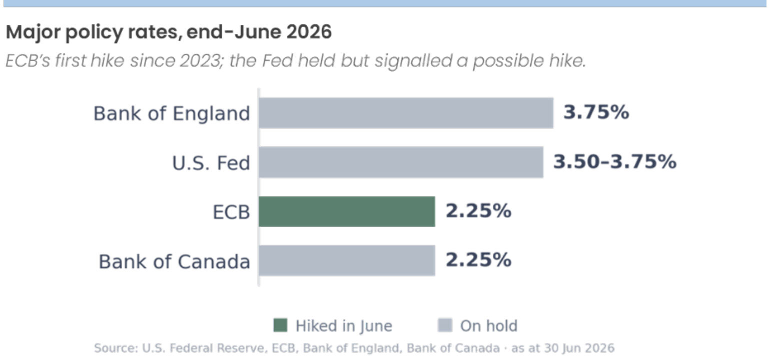
Source: Morningstar Direct, Arrow EC Income Advantage Alternative FD, Blackrock: Index iShares ETFs (XCB, AGG), PIMCO Monthly Fund (F), Manulife Strategic Income Fund (F), PH&N High Yield Bond Fund (F)

Government-bond yields closed mostly unchanged: U.S. 10-year Treasury yields held firm near 4.45%, rising 3bps, while 10-year Government of Canada yields rallied 3bps and closing below 3.4%. The Federal Reserve set the hawkish tone - holding its range at 3.50%-3.75% at Kevin Warsh's first meeting as chair, it signalled its next move could be an increase rather than a cut.

Investment grade (IG) credit spreads weakened (widened) modestly in June with U.S. spreads wider by 2bps and Canadian spreads wider by 4bps. Average IG credit spreads are currently around 0.70% in the U.S. and 0.87% in Canada and remain near their most expensive levels in over a decade. Three main forces are supportive of credit spreads: all-in U.S. index yields near 5% still offer a strong carry opportunity, drawing steady demand; corporate fundamentals are solid, with default rates historically low; and even record new issuance has been readily absorbed. High-yield spreads lagged, widening around 12bps, as higher-quality IG spreads outperformed again.

East Coast recorded another positive return in June, demonstrating consistency in challenging markets. Our portfolio managers have maintained a bias toward high-quality credit, reflecting the view that investors have not been sufficiently compensated for taking on additional credit risk. The team believes this remains a prudent approach in the current market environment, as higher-quality credit is generally less vulnerable during periods of heightened market volatility.

Central Banks Turned Hawkish



The chart at left shows the current policy rates of the major central banks. June's moves were virtually all hawkish: the European Central Bank raised rates for the first time since 2023, the Bank of England held at 3.75% with two members voting to hike, and the Bank of Canada stayed at 2.25% for a fifth straight meeting. Rates are still far higher in the U.S. and U.K. than in the eurozone or Canada - yet it was the ECB, from the lowest base, that moved. The common thread is a tilt back toward tightening, which is unusual this late in the cycle.

Even with tight spreads, all-in yields remain at levels that keep the income component of returns meaningful and continue to deliver an attractive income stream. The team remains patient and focused on credit quality to capture the opportunity.

The team has remained cautiously positioned in recent months. Looking ahead, markets are expected to remain choppy as investors continue to weigh persistent inflation, a less accommodative path for central bank policy, and ongoing geopolitical risks. 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	3.49	6.46	5.33	5.42	4.12

Returns as of June 30, 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 July 2026.