

ARROW EC INCOME ADVANTAGE ALTERNATIVE FUND

september 2026



September belonged to the bond market, with fixed income posting its worst monthly total returns since September 2022. The Federal Reserve raised its target range by 25 basis points (bps) to 3.75%–4.00%, its first hike since 2023, and the ECB lifted its deposit rate to 2.50%. Middle East tensions pushed Brent crude up 14%, keeping inflation concerns elevated. The Bank of Canada held at 2.25% while flagging upside risks to inflation, and the Bank of England held at 3.75% on a 6-to-3 vote. North American equities ended weaker, with the S&P 500 down 0.3% and the S&P/TSX Composite down 2.6% on the month.

Government bond yields led the fixed income sell-off. U.S. 10yr Treasury rates rose 53bps to 5.28%, the largest monthly rise in four years, and 30yr rates reached 5.63%, the highest since 2004. Canada outperformed, with 10yr Government of Canada (GoC) rates up 26bps to 3.99%, roughly half the U.S. move, as new U.S. tariffs and Canadian counter-measures clouded the domestic growth outlook. A downward revision to core PCE inflation and a patient tone from Fed officials late in the month trimmed the odds of an October Fed hike to about 40%.

Credit held fairly steady despite the interest rate volatility. U.S. investment grade spreads tightened mid-month, to within a few bps of all-time tight, but by the end of the month, U.S. fund outflows and continued rate volatility pushed them 2bps wider. Despite a record C\$17.6bn of new issuance in September, Canadian investment grade spreads closed 4bps tighter. Longer-dated bonds had the largest reaction to the repricing in yields, with the strongest performance (long BBB spreads 10bps tighter), as most Canadian issuance was short-dated.

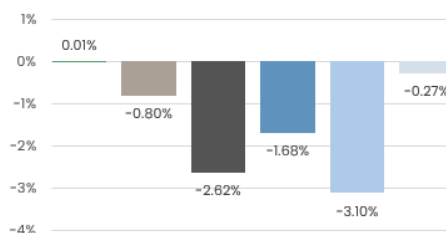
U.S. 10YR YIELDS AT A DECADE HIGH



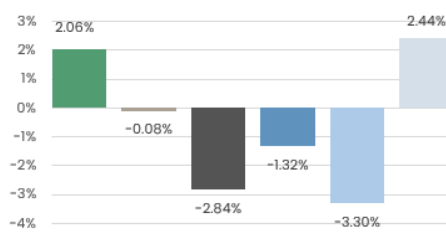
Source: Bloomberg — U.S. and GoC 2yr and 10yr yields; daily

Fixed Income Returns¹

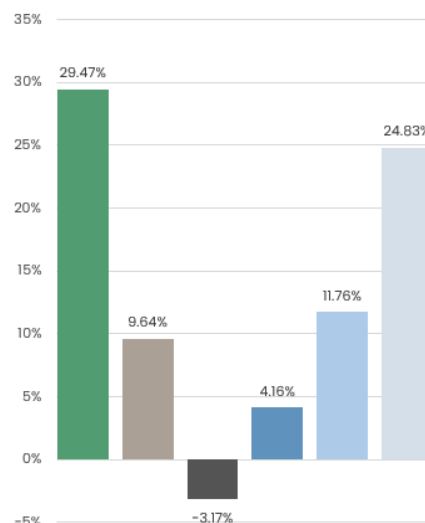
September 2026



YTD 2026



5 Year Cumulative Return



Legend: Arrow EC Income Advantage Alternative FD (Green), XCB (C\$ iShares Corp ETF) (Brown), US AGG ETF (Black), Manulife Strategic Income (Blue), PIMCO Monthly (F) (Light Blue), PH&N High Yield (Light Blue).

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)

Quality made the difference. U.S. high yield widened 50bps to 311bps, its worst month since September 2022, and the weakest credits fared worst: CCC spreads widened 149bps to more than 1,000bps, against 39bps for BBs. That widening gap between stronger and weaker credits is what the team had anticipated and is why the portfolio has stayed high in quality and liquidity rather than reaching for yield.

East Coast held close to flat in September and remains comfortably positive for the year, in a month when Canadian corporates (XCB) lost 0.81% and U.S. aggregate bonds (AGG) lost 2.61%. The portfolio's emphasis on Canadian investment grade credit helped drive investor returns. The investment team is eager to capitalize on opportunities, including those created by market dislocations.

The chart at left tracks 2yr and 10yr government bond yields in the U.S. and Canada over the past decade. Since January, the

U.S. 2yr has risen from 3.47% to 4.89% and the 10yr from 4.17% to 5.28%, surpassing its 2023 peak of 4.99% to hit a decade high. Canadian rates have risen about half as much, with the 2yr up from 2.59% to 3.37% and the 10yr from 3.43% to 3.99%.

The largest recent moves have come at the front end, as markets priced in further Fed hikes after September's increase. Even so, 2yr yields remain below their 2023 highs, with policy rates still under their 2023 peaks. Canada has been more insulated, but higher U.S. rates have pulled its yields up, and markets now expect the Bank of Canada to raise rates as well. Bond prices fall when yields rise, which is why government and aggregate bond indices posted losses in September.

Our view heading into the fall was that rate expectations, rather than credit fundamentals, would drive volatility, and September bore that out. Central banks in the U.S. and Europe tightened policy, while real yields rose to their highest levels since 2008. Credit spreads have remained remarkably resilient despite significant rate fluctuations and ongoing market uncertainty. The investment team expects volatility to persist through year-end; however, high all-in corporate bond yields and expectations for a lighter new issuance calendar should support investment grade credit spreads. The portfolio managers remain focused on risk-adjusted returns and capital preservation, while standing ready to add credit exposure selectively when valuations offer appropriate compensation 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	2.69	5.95	5.30	5.23	4.05

Returns as of September 30, 2026

¹Source: 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 redesignated 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 October 2026.