

## MACRO-ECONOMIC ISSUES SET TO ONCE AGAIN DOMINATE INVESTOR RETURNS

A series of terrible disasters in Japan and Middle Eastern political turmoil, complete with military intervention by NATO, accompanied good quarterly performance for developed market equities as optimism about the U.S. recovery trumped these negatives. Indeed, as Lombard Street Research points out in a recent report, the U.S. economy could actually accelerate into the end of 2011 with a Chinese-style quarterly growth rate. Even Japan's tragedy is expected to lead to a reconstruction boom over the next few years.

The trouble is, the temporary measures that drive this U.S. growth spurt end this year. QE2, now considered a success with U.S. unemployment falling, will end this summer. Events in Japan and the Middle East may not cause investors too much concern but a U.S. economic squeeze certainly should. China, too, is acting to slow its' economy through interest rate hikes as inflation there remains high. Furthermore, Europe still has to deal with peripheral country debts that desperately need restructuring. Macro-economic issues seem set to once again dominate investor returns.

With so much of the developed world's economic growth still dependent on fiscal and monetary stimulus, it is hard for us to imagine inflation as an immediate problem outside of emerging countries, as U.S. money supply figures, in fact, continue to fall. In the three years since the financial crisis began, total debt in the U.S., for example, has barely changed and remains at historic highs. Rising government debts have simply offset falling private sector ones. All of this leaves us with a somewhat contrary view to the current markets, at least in the short run. The long-run favours equities in our view while current low yields on long-dated sovereign bonds look like a trap. We suggest well-hedged, conservative portfolio positioning or keeping some cash on hand, ready for opportunities similar to U.S. credit in late 2008 or Japanese equities today.

If you are an advisor or investor and want to learn how you can employ more actively managed strategies in portfolio construction, please contact us. Thank you for your support of Arrow.

Regards,

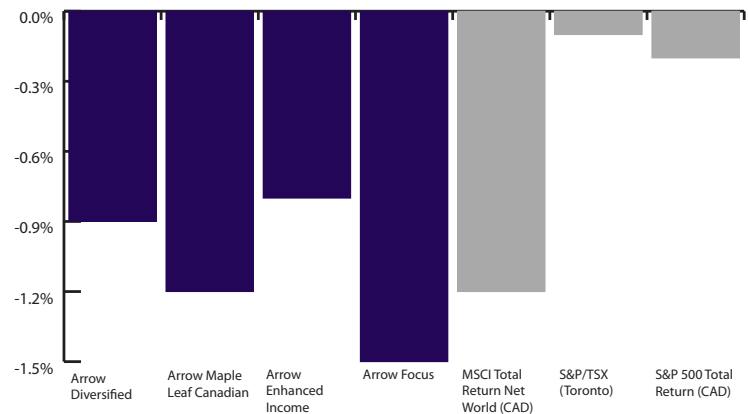


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Arrow Fund of Funds Class A Performance vs Index for March 2011



### Arrow Diversified Fund

- We lost money in event driven and in long/short trades. Relative value allocations were basically flat in a very volatile month.
- Our preferred share manager was positive on the month along with our U.S. and Asian convertible bond allocations.
- Macro trading in commodities, currencies and metals proved very difficult as markets moved back and forth with daily news events out of the Middle East and Japan producing wild swings.
- Our Canadian fixed income allocations had a solid month.

### Arrow Maple Leaf Canadian Fund

- The Fund had a difficult month as long/short and macro trades were quite volatile.
- We expect these trades to reverse in April as sentiment turned positive in the last week of March.
- On a positive note, our income allocations all held up very well.

### Arrow Focus Fund

- Our global resource allocation has been a big contributor in the past year but had a tough month as a number of resource positions sold off temporarily (the Fund has already recovered a third of its loss in the first two days of April).
- We took advantage of some compelling opportunities in March to add to positions that offered good value.

### Arrow Enhanced Income Fund

- Our Canadian fixed income allocations had a solid month.
- Our U.S. and Asian fixed income allocations were all positive for the month.
- The losses were concentrated in two allocations that were more macro driven.

AS AT MARCH 31, 2011

Fund	1 month	3 months	6 months	YTD	1 year	2 year	3 year	4 year	5 year	Ann. ITD*	Inception
<b>Portfolio Series <sup>1</sup></b>											
Arrow Diversified Fund	-0.9	0.7	5.6	0.7	6.1	8.1	0.9	0.0	1.0	3.6	January 1, 2002
Arrow Maple Leaf Canadian Fund	-1.2	1.3	7.3	1.3	9.3					9.3	January 1, 2010
Arrow Focus Fund	-1.5	-0.4	8.3	-0.4	11.1	11.9	1.6	-0.2	0.4	5.0	July 1, 2001
Arrow Enhanced Income Fund	-0.8	0.0	1.9	0.0	4.1	9.4	1.7	0.1	1.5	1.2	January 1, 2005
<b>Global Series <sup>1</sup></b>											
360 Global Fund	1.9%	-1.5	-2.1	-1.5	-3.0	-0.9	-1.1	-1.1	1.0	3.8	Jan 1, 2005
Enso Global Fund	-10.1	-7.7	29.2	-7.7	55.7	50.0	16.6	13.9	12.3	11.6	July 31, 2002
<b>Income Series Funds <sup>1</sup></b>											
Arrow High Yield Fund <sup>3</sup>	0.6	3.3	7.4	3.3	9.6	16.0	10.4	7.4	7.5	6.1	January 1, 2002
COR U.S. Equity Income Fund	-2.2	3.4	11.9	3.4	21.4	23.1	-6.6	-12.3		-10.8	March 1, 2007
East Coast Investment Grade Fund	-0.3	1.2		1.2						4.9	January 1, 2011
Marret Resource Yield Fund	0.6	2.7	12.0	2.7	15.1	23.7	2.9	1.2		1.3	February 1, 2007
<b>North American Series <sup>1</sup></b>											
Act II New Media Fund	1.3	4.4	10.8	4.4	8.7	8.0	8.1			7.0	January 1, 2008
AFC Capital Fund	-1.7	2.2	5.0	2.2	0.0	5.4	3.9			5.5	January 1, 2008
Burlington Capital Fund	-1.0	2.2	7.9	2.2						14.5	July 1, 2010
Curvature Market Neutral Fund	-0.1	2.9	9.4	2.9	6.7					5.8	August 1, 2009
Goodwood Value Fund	-2.6	-2.9	-1.2	-2.9	-9.7	22.7	-2.2	-8.0	-5.5	2.0	June 29, 2001
JC Clark Opportunities Fund	-3.2	-1.9	0.1	-1.9	-1.8	6.6	0.8			1.2	August 31, 2007
RCM Opportunities Fund	-0.1	6.8	15.2	6.8						12.8	May 1, 2010
SG U.S. Market Neutral Fund	0.8	3.8	6.4	3.8	3.6	-2.1	1.7	3.8		3.7	April 1, 2010
<b>Principal Protected Notes <sup>2</sup></b>											
Arrow Multi-Strategy Notes, Series 1	1.6	5.8	11.5	4.1	9.5	9.2	-0.4	-1.8	0.0	2.6	June 30, 2003
Arrow Multi-Strategy Notes, Series 2	1.6	5.6	10.7	4.0	8.5	8.5	-0.2	-1.8	0.0	1.7	October 31, 2003
Arrow Multi-Strategy Notes, Series 3	1.2	5.0	9.0	3.5	7.2	7.0	-0.6	-2.1	-0.3	0.9	March 31, 2004
Arrow Multi-Strategy Notes, Series 4	1.2	4.7	8.4	3.2	6.2	5.5	-1.7	-2.6	-0.9	0.9	June 30, 2004
Arrow Multi-Strategy Notes, Series 5	1.1	4.4	7.9	3.1	6.2	3.6	-1.5	-2.6	-1.0	0.6	October 31, 2004
Arrow Multi-Strategy Notes, Series 6	1.2	4.1	8.1	3.2	7.8	5.4	-0.3	-0.8	0.2	0.4	May 1, 2006
Arrow Multi-Strategy Notes, Series 7	1.1	3.8	7.2	3.0	7.1	4.8	-0.7	-1.2	-0.2	0.1	May 1, 2006
Arrow Multi-Strategy Notes, Series 8	0.7	2.3	4.0	2.2	5.0	2.9	-1.5	-2.0		-1.2	May 31, 2006
Arrow Global Long Short Notes, Series 1	-0.1	0.2	-0.2	0.5	1.9	0.5	-3.8	-3.1	-2.2	-1.2	March 31, 2005

<sup>1</sup> Performance returns on a percentage basis are net of all fees.

<sup>2</sup> NAVPS and performance returns for Multi-Strategy Notes and for Global Long/Short Equity Notes are net of all fees and are updated monthly.

\* Returns for one year or less are the simple rates of return for the indicated periods. Returns for greater than one year are the compound rates of return.

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