

	1 mo	3 mons	6 mons	YTD	1 yr*	3 yr*	5 yr*	Ann. ITD	Cum. ITD
Goodwood Value Fund <sup>1</sup>	(8.0%)	(16.3%)	(21.0%)	(23.3%)	(22.0%)	(3.4%)	(9.6%)	-0.4%	-4.2%
S&P/TSX (Toronto)	(9.0%)	(12.6%)	(17.7%)	(13.5%)	(6.0%)	(0.4%)	(0.2%)	4.1%	50.2%

<sup>1</sup> Unless otherwise stipulated returns are net of all fees, in Canadian dollars, reflect class "A" units and assume reinvestment of all distributions. This document is not to be construed as a public offering of securities in any jurisdiction in Canada. The offering of units of the Fund is made pursuant to the Offering Memorandum only to those investors in all jurisdictions of Canada who meet certain eligibility of minimum purchase requirements. Important information about Arrow Funds, including statement of each fund's fundamental investment objective, is contained in their respective offering memorandum, a copy of which may be obtained from Arrow Capital Management Inc. Please read the applicable offering memorandum carefully before investing. The information and materials in this document are for informational purposes only. They are not intended as investment, financial or other advice. The information included in this document is not an offer to sell. While the information and material in this document are believed to be accurate at the time they are prepared, Arrow Capital Management Inc. (and its affiliates, subsidiaries or sub-advisors) cannot give any assurance that they are accurate, complete or current at all times. Past returns are not necessarily indicative of future performance. Actual results will vary. This document is confidential and is intended solely for the information of the person to which it has been delivered.

\* Returns are annualized.

What more eloquent and apt a description of the current environment can we offer than ... this sucks. We've always known that stock prices can and will deviate from probable long-run value (in fact, that's the very root of our long run results in excess of the market) possibly for extended periods but this has been a very long and frustrating period for "value" investors.

Nonetheless, we believe wholeheartedly that the Fund will come out of this period with outsized returns, a belief we think is bolstered by the investment facts underlying each of our holdings. In many of our core holdings we are of the view that the investment case argues for the possibility of doubles and triples or more. And, our history of "lumpy" returns supports this thinking - we have had a number of positions in our past that did nothing encouraging in the first few years only to generate returns many times above our cost in the latter years of our holding. We have always been drawn to value situations that offer the potential for multiple returns even though the path to investment success in these securities can test one's patience. In other words, we'll live with the possibility of being down 30% (or more) on a particular security when we feel confident that we could have a 200% winner.

There are four important investment keys for our most important holdings. Specifically: Are the fundamentals improving? Is the stock cheap? Are the insiders buying and/or do they own lots of stock? And, is the Company financially strong? In fact, the level of recent insider buying is striking in some cases and this is from insiders who are not new to the situation so they very much know and understand what they're buying.

In this vein, we note with interest Warren Buffett's announcement last week that Berkshire Hathaway Incorporated ("Berkshire") has bought a net US\$4 billion of common equities in the September quarter which is similar to what it had purchased in the entire first half of 2011. And, contrary to many decades practice, Berkshire announced a material share buyback program (a first in the company's history). Despite Mr. Buffett creating significant

shareholder value over the past few years, Berkshire shares have been down as much as 35% from December 2007 to September, 2011. Within Goodwood's own universe, the high earnings or free cash flow yields of a number of our core long holdings (well above US or Canadian 10 year bond yields) is compelling and, based on management latest guidance this level of earnings and/or free cash flow seems set to continue.

We still plan to invest our reasonably large cash position (now approximately 23%) in liquid, very inexpensive, high quality names and/or high yield corporate bonds with the prospect of 20%+ total return and/or adding to some of our existing positions that are particularly attractive. So far, it has been correct to sit on the cash and maintain a short position (ranging from 9 to 15%) as the sell-off has continued.

Thank you for your continued interest in the Fund. For further information, please contact your regional Arrow Capital representative.

Yours truly,  
Peter Puccetti, CFA  
Chairman and Chief Investment Officer