RAVEN ROCK INCOME FUND

Arrow Capital Management Inc.

Commentary - October 2011

Experience. Intelligent Investing.

	1 mo	3 mons	6 mons	YTD	1 yr*	Ann. ITD	Cum. ITD
Raven Rock Income Fund[1]	3.0%	0.4%	0.8%	6.0%	8.2%	12.8%	22.3%
Barclays Aggregate Bond Index	(4.6%)	6.5%	9.9%	6.7%	2.5%	2.9%	4.9%

[1] From March 1 2010 to August 31 2011 returns are for the Arrow RR fund (Class X), and are adjusted to reflect Class A fees.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.

The Raven Rock Credit Fund returned +3.0% during the month of October, bringing our year-to-date return to +6.0%. Credit spread tightening, security selection and active management in the Directional Credit portfolio drove performance.

October was a volatile month in the high yield market. Early on, large investor redemptions indiscriminately drove bond prices dramatically lower. In response, capital flowed into high yield funds at a record pace, and bond prices rebounded sharply. The Merrill Lynch U.S. High Yield Master II Index (H0A0) finished the month up 5.09%^, trading at a spread 707 over Treasuries. We view the positive funds flow reaction to the temporary market distress as evidence of market health and long-term investor demand for the corporate credit asset class. While our October profits were not as strong as the non-investable H0A0 index this month, our performance over the recent drawdown has been noteworthy. Since the period of elevated volatility beginning in August, we are only 19bps off of our high water mark, while the H0A0 is down 275bps from its high water mark. Year-to-date, Raven Rock is up 6.0% with lower volatility than the H0A0 index (H0A0 ytd performance +3.98%^).

We traded the portfolio aggressively in the context of October's wide market swings. Early in the month, when the high yield market was selling off, we added to quality issues in the BB rating space. These names traded at spreads wider than historically experienced under recessionary conditions, and we felt that these bonds would be the first to rebound when the market stabilized. We kept leverage effectively in line with September's levels, but added exposure to longer-dated issues. As these positions tightened during the month, the longer duration allowed us to take advantage of the market move.

Our Relative Value portfolio was stable during October. We traded gamma profitably and saw some of our in-the-money hedged positions expand.

During the month, MF Global's rapid demise was a major story for the corporate fixed income market. Over the past six months, MF Global issued two convertible bonds and one straight bond, raising over $800 million. We avoided establishing long term positions in these issues despite their Investment Grade ratings and optical attractiveness for two reasons. First, we expected the volatile credit markets to have a negative impact on financial sector credit quality. Second, as a result of our cross asset class approach, we analyzed all three MF Global issues and became concerned with the necessity for progressively tighter covenants as the company accessed the market in rapid-fire fashion.

Our outlook on this market environment remains consistent. Wide credit spreads, elevated equity volatility, and choppy trading are well suited to our strengths. Our portfolio generates significant cash flow from the quality credits that we have selected. We expect to generate consistent, low volatility returns.

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

^ Indices are denoted in US dollars.