



## **UNAUDITED FINANCIAL STATEMENTS**

**JUNE 2019**

**ARROW CANADIAN ADVANTAGE ALTERNATIVE CLASS (Formerly EXEMPLAR CANADIAN FOCUS PORTFOLIO) | ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS**











































# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

## Statements of Financial Position (Unaudited)

As at	June 30, 2019	December 31, 2018
(Continued from previous page)		
<b>Net assets attributable to holders of redeemable shares per share</b>		
Series A	\$9.84	\$10.00
Series F	\$9.90	\$10.00
Series G - USD	\$10.12	N/A
Series U - USD	\$10.10	N/A
Series ETF	\$19.90	\$20.00
USD/CAD Foreign Exchange Rate	0.7636	0.7955

Approved on behalf of the Board of Directors of Arrow Capital Management Inc., the Manager of the Fund:

"James L. McGovern"

"Robert W. Maxwell"

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James L. McGovern, Director

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Robert W. Maxwell, Director

*The accompanying notes are an integral part of these financial statements.*

# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

## Statements of Comprehensive Income (Loss) (Unaudited) For the periods ended June 30,

	2019 \$	2018 \$
<b>INCOME</b>		
Net gains (losses) on investments and derivatives:		
Interest for distribution purposes	6,114	N/A
Dividend income	300,777	N/A
Dividend expense on short sales	(93,340)	N/A
Net realized gain (loss) on investments and derivatives	171,515	N/A
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	(308,064)	N/A
Net gains (losses) on investments and derivatives	77,002	N/A
Other income items:		
Interest on cash	110,794	N/A
Foreign exchange gain (loss)	115,179	N/A
Net change in unrealized foreign exchange gain (loss)	60,309	N/A
<b>Total net income (loss)</b>	<b>363,284</b>	<b>N/A</b>
<b>EXPENSES</b>		
Management fees (note 10)	193,473	N/A
Performance fees (note 10)	1,135	N/A
Shareholder reporting fees	46,145	N/A
Interest expense on margin loan	115,873	N/A
Audit fees	11,400	N/A
Legal fees	98	N/A
Independent Review Committee fees	2,921	N/A
Security borrowing expenses	24,474	N/A
Commissions and other portfolio transaction costs (note 11)	140,438	N/A
Commissions on Futures	5,818	N/A
Withholding tax expense	38,343	N/A
Harmonized sales tax	25,925	N/A
Total expenses before manager absorption	606,043	N/A
Less: expenses absorbed by manager (note 10)	(55,469)	N/A
<b>Total expenses after manager absorption</b>	<b>550,574</b>	<b>N/A</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	<b>(187,290)</b>	<b>N/A</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>		
Series A	(80,123)	N/A
Series F	51,688	N/A
Series G	(54,229)	N/A
Series U	(45,662)	N/A
Series ETF	(58,964)	N/A

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The accompanying notes are an integral part of these financial statements.

# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

Statements of Comprehensive Income (Loss) (Unaudited)  
For the periods ended June 30,

	2019 \$	2018 \$
(Continued from previous page)		
<b>Increase (decrease) in net assets attributable to holders of redeemable shares per unit (note 13)</b>		
Series A	(0.08)	N/A
Series F	0.06	N/A
Series G	(0.45)	N/A
Series U	(0.46)	N/A
Series ETF	(0.10)	N/A

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# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

## Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares (Unaudited) For the periods ended June 30,

		2019 \$	2018 \$
<b>Net assets attributable to holders of redeemable shares at beginning of period</b>			
	Series A	5,000	N/A
	Series F	140,000	N/A
	Series G	N/A	N/A
	Series U	N/A	N/A
	Series ETF	5,000	N/A
		<u>150,000</u>	<u>N/A</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>			
	Series A	(80,123)	N/A
	Series F	51,688	N/A
	Series G	(54,229)	N/A
	Series U	(45,662)	N/A
	Series ETF	(58,964)	N/A
		<u>(187,290)</u>	<u>N/A</u>
<b>Redeemable shares transactions</b>			
Proceeds from redeemable shares issued (note 1)			
	Series A	17,950,082	N/A
	Series F	18,968,240	N/A
	Series G	2,352,034	N/A
	Series U	1,781,151	N/A
	Series ETF	12,300,000	N/A
		<u>53,351,507</u>	<u>-</u>
Redemption of redeemable shares			
	Series A	(1,255,941)	N/A
	Series F	(4,219,565)	N/A
	Series G	(59,801)	N/A
	Series U	(300,250)	N/A
	Series ETF	-	N/A
		<u>(5,835,557)</u>	<u>N/A</u>
<b>Net increase (decrease) from redeemable shares transactions</b>		<u>47,515,950</u>	<u>-</u>
<b>Net increase (decrease) in net assets attributable to holders of redeemable shares at end of period</b>		<u>47,328,660</u>	<u>-</u>
	Series A	16,619,019	N/A
	Series F	14,940,362	N/A
	Series G	2,238,005	N/A
	Series U	1,435,238	N/A
	Series ETF	12,246,036	N/A
<b>Net assets attributable to holders of redeemable shares at end of period</b>		<u>47,478,660</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.



# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

## Statements of Cash Flows (Unaudited) For the periods ended June 30,

	2019 \$	2018 \$
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares	(187,290)	N/A
Adjustment for:		
Unrealized foreign exchange (gain) loss on cash and cash equivalents	1,972	N/A
Net realized (gain) loss on investments and derivatives	(171,515)	N/A
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	308,064	N/A
Purchase of investments	(365,867,156)	N/A
Proceeds on sale of investments	347,915,500	N/A
Change in accrued dividends receivable	(25,374)	N/A
Change in miscellaneous receivable	(30,156)	N/A
Change in accrued dividends payable	13,841	N/A
Change in other liabilities	64,838	N/A
Change in margin loans	13,763,565	N/A
Change in margin deposits	(42,366,471)	N/A
	(46,580,182)	-
<b>Cash flows from (used in) financing activities</b>		
Proceeds from redeemable shares issued (note 1)	52,810,544	N/A
Redemption of redeemable shares	(5,266,850)	N/A
<b>Net cash from (used in) financing activities</b>	47,543,694	-
<b>Cash and cash equivalents at beginning of the period</b>	150,000	N/A
Unrealized foreign exchange gain (loss) on cash and cash equivalents	(1,972)	N/A
<b>Cash and cash equivalents at end of the period</b>	1,111,540	-
<b>Supplemental information:</b>		
Interest received*	116,908	N/A
Dividends received, net of withholding tax*	237,060	N/A
Interest paid*	115,873	N/A
Dividends paid*	93,340	N/A

The accompanying notes are an integral part of these financial statements.

# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

Schedule of Investment Portfolio – As at June 30, 2019 (Unaudited)

## Equities - Long - 23.7%

Security Name	Currency	No. of Shares/Units	Average Cost (\$)	Fair Value (\$)
<b>Communication Services - 2.4%</b>				
BCE Inc.	CAD	4,915	298,430	292,836
Bilibili Inc.	USD	1,800	37,745	38,351
China Tower Corp. Ltd., Class 'H'	HKD	242,000	94,890	83,166
DISH Network Corp., Class 'A'	USD	1,800	93,373	90,540
Quebecor Inc., Class 'B', Subordinate Voting Shares	CAD	2,760	88,241	86,084
Rogers Communications Inc., Class 'B'	CAD	375	26,081	26,288
Shaw Communications Inc., Class 'B'	CAD	5,505	148,362	147,094
TELUS Corp.	CAD	1,210	59,304	58,576
Viacom Inc., Class 'B'	USD	2,300	92,427	89,967
Walt Disney Co. (The)	USD	900	166,733	164,579
Yandex NV, Class 'A'	USD	1,100	57,505	54,739
			1,163,091	1,132,220
<b>Consumer Discretionary - 3.4%</b>				
Anta Sports Products Ltd.	HKD	13,000	123,292	116,920
BYD Co. Ltd., Class 'H'	HKD	2,000	18,815	15,808
Chegg Inc.	USD	1,400	74,434	70,750
Dollar Tree Inc.	USD	1,000	142,936	140,633
Dollarama Inc.	CAD	4,000	170,233	184,280
Gildan Activewear Inc.	CAD	2,900	143,536	146,972
Greenlane Holdings Inc., Class 'A'	USD	900	19,026	11,303
GrubHub Holdings Inc.	USD	1,900	166,692	194,050
Guess Inc.	USD	2,900	57,125	61,333
Li Ning Co. Ltd.	HKD	61,400	152,232	189,598
McDonald's Corp.	USD	120	32,463	32,633
MercadoLibre Inc.	USD	100	82,475	80,114
Papa John's International Inc.	USD	1,400	92,155	81,988
PulteGroup Inc.	USD	900	38,725	37,267
Tapestry Inc.	USD	3,900	164,065	162,053
Waitr Holdings Inc.	USD	10,900	89,880	89,784
			1,568,084	1,615,486
<b>Consumer Staples - 1.8%</b>				
Beiersdorf AG	EUR	500	74,745	78,587
Brown-Forman Corp., Class 'B'	USD	1,000	74,013	72,588
Coca-Cola Co. (The)	USD	575	38,475	38,342
Corby Spirit and Wine Ltd.	CAD	5,700	105,117	103,455
Diageo PLC, ADR	USD	450	103,398	101,548
Elixinol Global Ltd.	AUD	22,900	92,164	78,951
Flowers Foods Inc.	USD	500	15,072	15,237
Keurig Dr Pepper Inc.	USD	1,900	76,564	71,907
Lancaster Colony Corp.	USD	65	12,577	12,649
Leroey Seafood Group ASA	NOK	12,000	113,646	103,972
Neptune Wellness Solutions Inc.	USD	18,000	96,748	102,538
PepsiCo Inc.	USD	190	32,780	32,627
Post Holdings Inc.	USD	175	23,557	23,827
			858,856	836,228
<b>Energy - 2.0%</b>				
Enbridge Inc.	CAD	6,395	302,307	302,484
Kinder Morgan Canada Ltd.	CAD	13,800	181,427	161,046
Pembina Pipeline Corp.	CAD	600	29,174	29,250
Royal Dutch Shell PLC, Class 'A', ADR	USD	2,200	191,507	187,467
Suncor Energy Inc.	CAD	4,600	194,230	187,910
TC Energy Corp.	CAD	1,085	71,298	70,438
			969,943	938,595
<b>Financials - 1.7%</b>				
Alleghany Corp.	USD	55	49,780	49,057
Aon PLC	USD	195	47,519	49,280

# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

Schedule of Investment Portfolio – As at June 30, 2019 (Unaudited)

Bank of America Corp.	USD	2,500	94,214	94,942
Citigroup Inc.	USD	1,100	99,597	100,879
Intact Financial Corp.	CAD	920	106,989	111,338
Marsh & McLennan Cos. Inc.	USD	415	53,474	54,210
Reinsurance Group of America Inc.	USD	240	48,430	49,039
RenaissanceRe Holdings Ltd.	USD	165	39,679	38,464
TMX Group Ltd.	CAD	2,570	234,765	234,127
			<u>774,447</u>	<u>781,336</u>
<b>Health Care - 1.6%</b>				
AMN Healthcare Services Inc.	USD	1,400	98,449	99,460
Anthem Inc.	USD	300	112,478	110,870
Chartwell Retirement Residences	CAD	6,575	101,313	100,072
Extencicare Inc.	CAD	2,770	23,539	23,240
Green Thumb Industries Inc.	CAD	1,300	20,876	18,954
GW Pharmaceuticals PLC, ADR	USD	300	73,506	67,726
Johnson & Johnson	USD	455	83,295	82,989
Merck & Co. Inc.	USD	440	48,575	48,315
Pfizer Inc.	USD	950	53,740	53,893
Sarepta Therapeutics Inc.	USD	400	69,196	79,594
Sienna Senior Living Inc.	CAD	2,075	40,291	40,359
Valens GroWorks Corp.	CAD	10,000	39,318	41,500
			<u>764,576</u>	<u>766,972</u>
<b>Industrials - 1.3%</b>				
Air Canada	CAD	3,400	136,164	134,946
Curtiss-Wright Corp.	USD	240	37,602	39,956
IHS Markit Ltd.	USD	430	33,430	35,881
Leonardo-Finmeccanica SPA	EUR	3,400	57,532	56,426
Morneau Shepell Inc.	CAD	1,855	56,022	54,852
Ritchie Bros. Auctioneers Inc.	CAD	595	26,837	25,912
Rolls-Royce Holdings PLC, 'C' Shares	GBP	440,200	751	732
Siemens AG, ADR	USD	1,200	95,592	93,753
Teledyne Technologies Inc.	USD	195	65,601	69,936
Verisk Analytics Inc.	USD	170	32,445	32,605
Wabtec Corp.	USD	20	1,755	1,879
WageWorks Inc.	USD	300	20,214	19,954
Waste Connections Inc.	CAD	465	57,255	58,172
			<u>621,200</u>	<u>625,004</u>
<b>Information Technology - 2.2%</b>				
ANSYS Inc.	USD	600	162,717	160,933
CGI Inc.	CAD	1,145	111,404	115,279
Cloudera Inc.	USD	5,000	38,304	34,441
Globant SA	USD	600	78,788	79,398
MasterCard Inc., Class 'A'	USD	500	173,924	173,208
Nexi SPA	EUR	4,300	57,898	58,018
PagSeguro Digital Ltd.	USD	2,800	136,354	142,893
PayPal Holdings Inc.	USD	600	92,150	89,935
Visa Inc., Class 'A'	USD	800	181,958	181,818
			<u>1,033,497</u>	<u>1,035,923</u>
<b>Materials - 3.7%</b>				
Agnico Eagle Mines Ltd.	CAD	2,400	148,042	161,136
AptarGroup Inc.	USD	455	71,612	74,087
Eagle Materials Inc.	USD	1,000	116,587	121,395
Ecolab Inc.	USD	180	45,701	46,540
Greif Inc., Class 'A'	USD	405	16,860	17,263
Hudbay Minerals Inc.	CAD	7,900	57,937	56,011
Jiangxi Ganfeng Lithium Co. Ltd.	HKD	38,000	76,499	68,162
Labrador Iron Ore Royalty Corp.	CAD	1,700	58,370	59,534
Lithium Americas Corp.	CAD	17,400	93,593	91,872
MAG Silver Corp.	CAD	3,800	57,662	52,516
Newcrest Mining Ltd.	AUD	4,200	106,484	123,370

# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

Schedule of Investment Portfolio – As at June 30, 2019 (Unaudited)

Newmont Goldcorp Corp.	USD	2,400	118,425	120,908
Northern Star Resources Ltd.	AUD	9,100	78,764	97,467
Owens Illinois Inc.	USD	1,125	25,232	25,443
Pilbara Minerals Ltd.	AUD	36,000	21,691	18,038
Roxgold Inc.	CAD	91,700	95,901	99,036
Sherwin-Williams Co. (The)	USD	50	30,134	30,008
Silgan Holdings Inc.	USD	800	31,440	32,058
Sonoco Products Co.	USD	1,570	135,699	134,339
Summit Materials Inc., Class 'A'	USD	4,900	106,969	123,523
Valvoline Inc.	USD	6,000	148,088	153,453
Wesdome Gold Mines Ltd.	CAD	11,300	55,525	60,907
			1,697,215	1,767,066
<b>Real Estate - 1.7%</b>				
Allied Properties REIT	CAD	3,900	187,785	184,743
American Tower Corp.	USD	350	97,161	93,708
Apartment Investment & Management Co.	USD	1,600	110,454	105,015
AvalonBay Communities Inc.	USD	600	163,744	159,645
Brookfield Property Partners L.P.	CAD	7,400	194,208	183,076
SBA Communications Corp.	USD	250	73,440	73,610
			826,792	799,797
<b>Utilities - 1.9%</b>				
Allete Inc.	USD	275	30,203	29,966
Black Hills Corp.	USD	610	59,648	62,444
Brookfield Infrastructure Partners L.P.	CAD	1,400	79,301	78,582
Hawaiian Electric Industries Inc.	USD	585	33,095	33,363
IDACORP Inc.	USD	270	36,934	35,510
MDU Resources Group Inc.	USD	2,005	69,132	67,742
National Fuel Gas Co.	USD	345	27,811	23,832
New Jersey Resources Corp.	USD	355	23,514	23,138
NorthWestern Corp.	USD	510	48,895	48,187
OGE Energy Corp.	USD	1,075	60,402	59,915
ONE Gas Inc.	USD	210	24,693	24,833
PNM Resources Inc.	USD	425	26,328	28,334
Southwest Gas Corp.	USD	215	24,084	25,233
Spire Inc.	USD	205	22,814	22,529
TransAlta Corp.	CAD	8,900	76,894	75,828
TransAlta Renewables Inc.	CAD	9,300	126,024	128,805
UGI Corp.	USD	700	50,796	48,960
Verbund AG	EUR	1,100	77,232	75,348
			897,800	892,549
			<b>11,175,501</b>	<b>11,191,176</b>

## Equities - Short - (14.5%)

Sector Name		Proceeds (\$)	Fair Value (\$)
<b>Communication Services - (1.1%)</b>			
CBS Corp., Class 'B'	(570)	(37,645)	(37,248)
Discovery Inc., Series 'A'	(1,045)	(41,386)	(42,012)
Discovery Inc., Series 'C'	(1,135)	(41,432)	(42,286)
Fox Corp., Class 'A'	(945)	(45,793)	(45,343)
Fox Corp., Class 'B'	(955)	(45,817)	(45,685)
Netflix Inc.	(400)	(184,980)	(192,410)
News Corp., Class 'A'	(2,960)	(45,951)	(52,291)
News Corp., Class 'B'	(2,890)	(45,866)	(52,833)
		(488,870)	(510,108)
<b>Consumer Discretionary - (3.4%)</b>			
Aritzia Inc.	(3,400)	(58,023)	(57,052)
Best Buy Co. Inc.	(1,345)	(117,907)	(122,819)
Boyd Gaming Corp.	(2,200)	(78,518)	(77,614)
Canada Goose Holdings Inc.	(2,100)	(97,991)	(106,449)

# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

Schedule of Investment Portfolio – As at June 30, 2019 (Unaudited)

Canadian Tire Corp. Ltd., Class 'A'	(700)	(96,880)	(99,876)
Carnival Corp.	(600)	(35,751)	(36,576)
Dine Brands Global Inc.	(700)	(86,287)	(87,516)
Domino's Pizza Inc.	(250)	(87,628)	(91,105)
Everi Holdings Inc.	(2,600)	(38,331)	(40,620)
Great Canadian Gaming Corp.	(2,200)	(92,669)	(97,680)
Hanesbrands Inc.	(4,600)	(101,114)	(103,732)
Hudson's Bay Co.	(2,495)	(17,179)	(23,952)
Kohl's Corp.	(600)	(36,642)	(37,361)
Lululemon Athletica Inc.	(250)	(57,869)	(58,998)
Marriott International Inc., Class 'A'	(400)	(71,873)	(73,487)
MGM Resorts International	(3,000)	(102,672)	(112,242)
Monarch Casino & Resort Inc.	(240)	(13,537)	(13,433)
Starbucks Corp.	(1,410)	(152,674)	(154,789)
Target Corp.	(800)	(92,614)	(90,736)
Tesla Motors Inc.	(450)	(125,682)	(131,684)
		(1,561,841)	(1,617,721)
<b>Consumer Staples - (1.2%)</b>			
BJ's Wholesale Club Holdings Inc.	(4,100)	(137,142)	(141,746)
Chefs' Warehouse Inc. (The)	(2,200)	(94,520)	(101,037)
Constellation Brands Inc., Class 'A'	(400)	(96,712)	(103,161)
Empire Co. Ltd., Class 'A'	(800)	(25,612)	(26,384)
Estee Lauder Cos. Inc. (The), Class 'A'	(600)	(142,180)	(143,875)
Walgreens Boots Alliance Inc.	(1,010)	(71,572)	(72,309)
		(567,738)	(588,512)
<b>Energy - (0.1%)</b>			
Cameco Corp.	(1,690)	(23,256)	(23,728)
		(23,256)	(23,728)
<b>Financials - (3.3%)</b>			
American Express Co.	(200)	(32,803)	(32,330)
Australia and New Zealand Banking Group Ltd.	(3,400)	(82,507)	(88,180)
Canadian Imperial Bank of Commerce	(2,100)	(217,584)	(216,258)
Canadian Western Bank	(3,500)	(95,209)	(104,545)
Capital One Financial Corp.	(1,200)	(129,419)	(142,594)
Donnelley Financial Solutions Inc.	(1,480)	(27,089)	(25,855)
Equitable Group Inc.	(1,100)	(71,474)	(79,849)
FirstCash Inc.	(530)	(69,036)	(69,420)
Genworth MI Canada Inc.	(2,900)	(119,506)	(120,176)
Home Capital Group Inc.	(3,400)	(55,387)	(65,926)
Interactive Brokers Group Inc., Class 'A'	(1,525)	(109,552)	(108,241)
Laurentian Bank of Canada	(4,600)	(188,437)	(206,908)
PRA Group Inc.	(555)	(21,209)	(20,452)
Royal Bank of Canada	(1,300)	(134,710)	(135,291)
Westpac Banking Corp. Ltd.	(4,200)	(104,485)	(109,508)
World Acceptance Corp.	(120)	(23,270)	(25,789)
		(1,481,677)	(1,551,322)
<b>Health Care - (0.6%)</b>			
Bio-Rad Laboratories Inc., Class 'A'	(35)	(14,210)	(14,327)
Bio-Techne Corp.	(35)	(9,659)	(9,556)
Catalent Inc.	(455)	(30,663)	(32,301)
Charles River Laboratories International Inc.	(50)	(9,120)	(9,291)
CONMED Corp.	(75)	(8,353)	(8,404)
DaVita Inc.	(300)	(20,994)	(22,103)
Encompass Health Corp.	(310)	(25,214)	(25,722)
HealthEquity Inc.	(1,100)	(98,521)	(94,209)
Integer Holdings Corp.	(85)	(9,394)	(9,341)
PRA Health Sciences Inc.	(70)	(9,162)	(9,089)
Repligen Corp.	(70)	(7,676)	(7,879)
UnitedHealth Group Inc.	(150)	(49,342)	(47,931)
		(292,308)	(290,153)

# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

Schedule of Investment Portfolio – As at June 30, 2019 (Unaudited)

## Industrials - (2.6%)

A.O. Smith Corp.	(2,100)	(121,224)	(129,693)
AG Growth International Inc.	(200)	(10,956)	(11,000)
Applied Industrial Technologies Inc.	(130)	(10,071)	(10,475)
C.H. Robinson Worldwide Inc.	(1,100)	(116,853)	(121,507)
Caterpillar Inc.	(600)	(106,021)	(107,087)
Cummins Inc.	(500)	(112,149)	(112,189)
Deere & Co.	(600)	(120,118)	(130,203)
Honeywell International Inc.	(50)	(11,669)	(11,432)
J.B. Hunt Transport Services Inc.	(1,000)	(117,788)	(119,706)
Jacobs Engineering Group Inc.	(105)	(11,173)	(11,604)
JetBlue Airways Corp.	(705)	(16,793)	(17,071)
MSA Safety Inc.	(85)	(11,669)	(11,731)
MSC Industrial Direct Co. Inc., Class 'A'	(1,200)	(116,351)	(116,697)
NFI Group Inc.	(265)	(8,560)	(9,778)
Rollins Inc.	(900)	(44,970)	(42,276)
UniFirst Corp.	(60)	(13,133)	(14,817)
United Continental Holdings Inc.	(1,000)	(110,243)	(114,651)
United Parcel Service Inc., Class 'B'	(65)	(8,551)	(8,790)
Vicor Corp.	(196)	(7,793)	(7,970)
W.W. Grainger Inc.	(300)	(108,447)	(105,378)
Westshore Terminals Investment Corp.	(455)	(10,093)	(10,001)
		(1,194,625)	(1,224,056)

## Information Technology - (1.2%)

Apple Inc.	(800)	(205,811)	(207,349)
FleetCor Technologies Inc.	(250)	(83,190)	(91,947)
Jabil Inc.	(285)	(11,468)	(11,794)
Micron Technology Inc.	(2,100)	(100,086)	(106,125)
NCR Corp.	(300)	(12,227)	(12,218)
Shopify Inc., Class 'A'	(350)	(132,148)	(137,571)
		(544,930)	(567,004)

## Materials - (0.9%)

Balchem Corp.	(75)	(9,609)	(9,819)
Cascades Inc.	(1,490)	(13,571)	(15,705)
CCL Industries Inc., Class 'B'	(695)	(44,278)	(44,633)
Eastman Chemical Co.	(1,200)	(109,426)	(122,307)
First Quantum Minerals Ltd.	(820)	(9,814)	(10,201)
Kaiser Aluminum Corp.	(1,140)	(144,865)	(145,721)
Nucor Corp.	(220)	(15,763)	(15,874)
Nutrien Ltd.	(290)	(20,829)	(20,314)
Quaker Chemical Corp.	(35)	(9,044)	(9,299)
Teck Resources Ltd., Class 'B'	(450)	(13,494)	(13,599)
US Concrete Inc.	(220)	(13,482)	(14,316)
		(404,175)	(421,788)

## Real Estate - (0.1%)

Redfin Corp.	(2,400)	(56,313)	(56,510)
		(56,313)	(56,510)

**(6,615,733)**      **(6,850,902)**

## Funds - Long-36.8%

Security Name	Currency	No. of Shares	Average Cost (\$)	Fair Value (\$)
BMO Laddered Preferred Share Index ETF	CAD	59,900	575,285	582,228
Distressed Securities Fund, Class 'A'***	CAD	7,466	330,000	385,714
Global X MSCI Argentina ETF	USD	1,800	75,963	75,878
Health Care Select Sector SPDR Fund	USD	1,600	193,716	194,107
iShares CMBS ETF	USD	26,745	1,883,650	1,853,115
iShares Floating Rate Bond ETF	USD	21,375	1,449,471	1,425,614
iShares iBoxx \$ Investment Grade Corporate Bond ETF	USD	28,190	4,558,577	4,591,270

# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

Schedule of Investment Portfolio – As at June 30, 2019 (Unaudited)

iShares J.P. Morgan USD Emerging Markets Bond ETF	USD	30,640	4,559,136	4,545,717
iShares MSCI Emerging Markets ETF	USD	6,800	383,494	382,111
iShares MSCI Frontier 100 ETF	USD	2,400	95,140	93,093
iShares MSCI Germany ETF	USD	5,100	191,605	187,338
iShares MSCI Indonesia ETF	USD	2,800	95,298	95,299
iShares MSCI Switzerland ETF	USD	1,900	94,320	93,455
iShares U.S. Aerospace & Defense ETF	USD	300	85,203	84,156
iShares U.S. Dow Jones Medical Equipment Index ETF	USD	600	189,516	189,141
iShares U.S. Home Construction ETF	USD	5,800	286,043	290,296
Kraneshares CSI China Internet ETF	USD	3,000	172,050	172,664
SPDR S&P Homebuilders ETF	USD	3,600	194,498	196,495
Utilities Select Sector SPDR Fund	USD	14,700	1,155,156	1,147,900
VanEck Vectors Vietnam ETF	USD	7,400	166,295	155,245
Vanguard REIT ETF	USD	4,800	556,668	549,382
Xtrackers Harvest CSI 300 China A-Shares ETF	USD	5,100	190,161	188,072
			<b>17,481,245</b>	<b>17,478,290</b>

## Funds - Short - (5.0%)

Security Name	Currency	No. of Shares	Proceeds (\$)	Fair Value (\$)
Consumer Discretionary Select Sector SPDR Fund	USD	(1,200)	(186,664)	(187,318)
Energy Select Sector SPDR Fund	USD	(5,000)	(410,579)	(417,157)
iShares MSCI Brazil ETF	USD	(3,800)	(215,863)	(217,563)
iShares S&P/TSX Capped Energy Index ETF	CAD	(4,300)	(38,792)	(38,356)
Materials Select Sector SPDR Fund	USD	(7,800)	(574,494)	(597,548)
SPDR Oil & Gas Equipment & Services ETF	USD	(3,625)	(43,702)	(45,620)
SPDR S&P Oil & Gas Exploration & Production ETF	USD	(2,800)	(97,087)	(99,919)
Technology Select Sector SPDR Fund	USD	(3,700)	(378,863)	(378,130)
VanEck Vectors Semiconductor ETF	USD	(2,810)	(390,397)	(405,444)
			<b>(2,336,441)</b>	<b>(2,387,055)</b>
Commissions			(3,758)	
<b>Total Investments - 41.0%</b>			<b>19,700,814</b>	<b>19,431,509</b>
<b>Derivatives (see schedule of derivative instruments) - 0.9%</b>				<b>423,428</b>
<b>Cash and Other Net Assets (Liabilities) - 58.1%</b>				<b>27,623,723</b>
<b>Net Assets Attributable to Holders of Redeemable Shares - 100.0%</b>				<b>47,478,660</b>

\*\* Fund is managed by Arrow Capital Management Inc.

## Schedule of Derivative Instruments

### Futures Contracts - Long - 0.0%

Security Name	Contract Size	Expiry Date	Currency	No. of Contracts	Notional Value (\$)	Unrealized Gain/(Loss) (\$)
US 5 Year Treasury Notes Futures	1,000	09-30-19	USD	29	4,487,214	1,217
						<b>1,217</b>

### Futures Contracts - Short - (0.1%)

Security Name	Contract Size	Expiry Date	Currency	No. of Contracts	Notional Value (\$)	Unrealized Gain/(Loss) (\$)
<b>Index Futures - (0.1%)</b>						
Dollar Index Future	1000	09-16-19	USD	(6)	(751,676)	784
E-Mini Russell 2000 Futures	50	09-20-19	USD	(9)	(923,488)	(16,003)
Eurodollar Globex E-Trade Futures	2500	09-14-20	USD	(3)	(966,890)	229
Mini FTSE/MIB Futures	1	09-20-19	EUR	(12)	(378,038)	(12,683)
						<b>(27,673)</b>

# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

Schedule of Investment Portfolio – As at June 30, 2019 (Unaudited)

## Options Bought - 1.2%

Security Name	Strike Price (\$)	Expiry Date	Currency	No. of Contracts	Average Cost (\$)	Fair Value (\$)
Hanesbrands Inc. Put Option	10	07-20-19	USD	68	2,293	223
Invesco Senior Loan ETF Put Option	20	01-16-21	USD	8	1,827	1,048
iShares JP Morgan USD Emerging Market Put Option	98	12-21-19	USD	8	2,432	157
iShares MSCI Canada Index Put Option	27	09-21-19	USD	412	44,086	14,837
iShares MSCI Emerging Market Call Option	49	01-18-20	USD	420	17,631	18,700
iShares Russell 2000 Put Option	155	09-21-19	USD	91	61,530	52,673
iShares Russell 2000 Put Option	150	10-01-19	USD	72	38,441	32,341
iShares Russell 2000 Put Option	150	07-13-19	USD	40	17,112	3,143
iShares Silver Trust Call Option	15	10-01-19	USD	719	35,198	44,254
SPDR Barclays High Yield Bond Put Option	105	09-21-19	USD	158	38,178	12,415
SPDR Barclays High Yield Bond Put Option	35	09-21-19	USD	280	27,837	8,250
SPDR Gold Shares Call Option	128	10-01-19	USD	110	21,613	97,954
SPDR Gold Shares Call Option	130	01-18-20	USD	243	109,795	233,892
SPDR Gold Shares Call Option	140	01-18-20	USD	54	22,782	23,690
SPDR S&P Regional Banking Put Option	50	08-03-19	USD	280	35,882	16,134
Target Corp. Put Option	68	07-20-19	USD	24	5,752	31
Vaneck Vectors ETF Call Option	26	09-21-19	USD	118	19,838	19,779
					<b>502,227</b>	<b>579,521</b>

## Options Written - (0.1%)

Security Name	Strike Price \$	Expiry Date	Currency	No. of Contracts	Proceeds (\$)	Fair Value (\$)
iShares MSCI Canada Index Put Option	25	09-21-19	USD	(275)	(10,746)	(3,601)
SPDR Gold Shares Call Option	137	10-01-19	USD	(74)	(3,984)	(25,196)
SPDR S&P Regional Banking Put Option	50	07-20-19	USD	(280)	(25,290)	(9,534)
					<b>(40,020)</b>	<b>(38,331)</b>

## Forward Currency Contracts - (0.2%)

Counterparty	Purchased		Sold		Credit Rating	Contract Rate	Maturity Date	Unrealized Gain/(Loss) (\$)
	Currency	Notional Value (\$)	Currency	Notional Value (\$)				
CIBC World Market	CAD	123,319	USD	(94,000)	Aa2	1.311900	07-05-19	227
<b>Unrealized Gains</b>								<b>227</b>
CIBC World Market	USD	1,178,000	CAD	(1,580,440)	Aa2	0.745362	07-05-19	(37,866)
CIBC World Market	USD	1,635,000	CAD	(2,193,565)	Aa2	0.745362	07-05-19	(52,555)
CIBC World Market	USD	4,000	CAD	(5,333)	Aa2	0.750019	07-05-19	(95)
CIBC World Market	USD	34,000	CAD	(45,482)	Aa2	0.747552	07-05-19	(959)
CIBC World Market	USD	24,000	CAD	(31,486)	Aa2	0.762253	07-05-19	(58)
<b>Unrealized Losses</b>								<b>(91,533)</b>
<b>Total forward currency contracts</b>								<b>(91,306)</b>

<b>Total Derivative Instruments at Fair Value</b>	<b>\$462,207</b>	<b>\$423,428</b>
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# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS – FUND SPECIFIC INFORMATION

For the periods ended June 30, 2019 and December 31, 2018

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The investment objective of the Arrow Global Advantage Alternative Class is to generate meaningful, risk-adjusted, absolute returns through exposure to global securities over the medium to long term, while preserving capital and mitigating risk. The fund will use leverage. The leverage will be created through the use of cash borrowings, short sales and derivative contracts. To achieve this objective, the Fund will invest and trade primarily in a diversified portfolio of four global asset classes; equities, fixed income securities, commodities and currencies. Exposure to these asset classes may be obtained directly or indirectly by investing in underlying funds that invest such securities.

### **RISK MANAGEMENT**

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments present a risk of loss of capital. The maximum loss of capital on long equity, options, and debt securities is limited to the fair value of those positions. The maximum loss on equities, options and debt sold short can be unlimited and the maximum loss on futures contracts is the notional contract value of those positions.

The management of these risks is carried out by the Manager in accordance with the Fund's prospectus. The Fund manages these exposures on a daily basis in accordance with investment restrictions that have been established by the Fund to manage the overall potential exposure.

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn can increase the potential returns the Fund can achieve. The Fund manages these exposures on a daily basis in accordance with the investment restrictions that have been established by the Fund to manage the overall potential exposure. The Fund is permitted to borrow cash up to a maximum of 50% of its net asset value. The aggregate market value of all securities sold short by the Fund will not exceed 50% of the total net assets of the Fund. The combined use of shortselling and cash borrowing by the Fund is subject to an overall limit of 50% of its net asset value.

The aggregate gross exposure of the Fund, to be calculated as the sum of the following, must not exceed three times the Fund's net asset value: (i) the aggregate market value of the Fund's long positions; (ii) the aggregate market value of physical short sales on equities, fixed income securities or other portfolio assets; and (iii) the aggregate notional value of the Fund's specified derivatives positions excluding any specified derivatives used for hedging purposes.

A general discussion of risks associated with financial instruments for the Arrow Funds is contained in Note 4: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

### **Credit Risk**

The Fund may be exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Where the Fund invests in debt instruments and derivatives, this represents the main concentration of credit risk. As at June 30, 2019, the Fund had no direct investments in debt instruments and therefore was not subject to direct related credit risk. The Fund may be exposed to credit risk indirectly through its investments.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At June 30, 2019 and December 31, 2018, all amounts due from brokers, cash and cash equivalents are held with counterparties with a credit rating of Bb or higher. Management consider the probability of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Fund.

The Fund has provided the broker with a general lien over assets held in return for services including borrowed securities and derivatives trading. The terms and conditions associated with collateral have no significant unusual requirements from the usual practice of recourse when a default occurs. Therefore, the Fund is also exposed to credit risk of the broker.

# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS – FUND SPECIFIC INFORMATION

For the periods ended June 30, 2019 and December 31, 2018

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The Fund is exposed to counterparty credit risk on cash and cash equivalents, margin deposits, futures contracts, receivable for securities sold and other receivable balances. The Fund's brokerage agreements require cash collateral in return for services including borrowed securities and derivatives trading. The Fund's brokerage services are provided by CIBC World Markets which has a credit rating as obtained from Moody's bond rating services of Aa2. The counterparty to the Fund's futures contracts is Interactive Brokers Canada Inc. which has a credit rating of BBB from S&P. Cash collateral is presented as "Margin deposits" in the Statements of Financial Position.

The Fund is also exposed to credit risk on cash deposits held at Royal Bank of Canada which has a credit rating as rated by Moody's bond rating services of Aa2. In the prior year, the Fund was exposed to credit risk on cash deposits held at TD Canada Trust which had a credit rating as rated by Moody's bond rating services of Aa1 as at December 31, 2018.

There are risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund. Therefore, the Fund should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the investments of the Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The credit risk related to the associated receivables is considered limited, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing the Fund's rights to its assets in the case of an insolvency of any such party.

The Fund's custodial services are provided by CIBC Mellon Trust Company which has a credit rating as rated by Moody's bond rating services of A1 (December 31, 2018: n/a).

The Fund may engage in securities lending up to a maximum of 50% of the aggregate net asset value of the Fund, excluding the collateral held in respect to such loans, and is exposed to counterparty risk on all such loans, if any. The credit risk related to the securities lending program is limited as the Fund holds a minimum collateral equal to 102% of the fair value of the loaned securities. The collateral and loaned securities are marked to market on each valuation date. All counterparties have a credit rating equivalent to a Moody's credit rating of not less than Aa3.

### **Liquidity Risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to daily cash redemptions which are redeemable on demand at the holder's option and payable within 10 business days after the redemption date and as such, retains sufficient cash to fund anticipated redemptions

From time to time, the Fund may use margin borrowings in one or more of its brokerage accounts. For the period ending June 30, 2019, the minimum margin borrowings used was \$3,476,974 and the maximum margin borrowings used was \$16,960,806 (December 31, 2018: min: \$nil, max: \$nil).

### **Market Risk**

The following include sensitivity analyses that show how the net assets attributable to holders of redeemable shares would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

#### **(a) Currency Risk**

The table below indicates the foreign currencies to which the Fund had significant exposure at June 30, 2019 and December 31, 2018, in Canadian dollar terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable shares if the Canadian dollar had strengthened or weakened by 10% in relation to each of the other currencies, with all other variables held

# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS – FUND SPECIFIC INFORMATION

For the periods ended June 30, 2019 and December 31, 2018

constant. Monetary items include cash and cash equivalents, margin deposits, forward currency contracts, futures, options, and other current receivables and payables. Non-monetary items are comprised of long and short equities and funds.

June 30, 2019 Currency	Exposure			Impact on net assets attributable to holders of redeemable shares		
	Monetary \$	Non-Monetary \$	Total \$	Monetary \$	Non-Monetary \$	Total \$
United States Dollar - Long	1,983,214	23,138,656	25,121,870	198,321	2,313,866	2,512,187
United States Dollar - Short	(12,231,110)	(7,544,070)	(19,775,180)	(1,223,111)	(754,407)	(1,977,518)
Australian Dollar - Long	-	317,826	317,826	-	31,783	31,783
Australian Dollar - Short	(132,364)	(202,690)	(335,054)	(13,236)	(20,269)	(33,505)
Danish Kroner - Long	1,142	-	1,142	114	-	114
Euro Currency - Long	150,209	268,379	418,588	15,021	26,838	41,859
Euro Currency - Short	(12,683)	-	(12,683)	(1,268)	-	(1,268)
British Pound - Long	460,487	732	461,219	46,049	73	46,122
Hong Kong Dollar - Long	-	476,501	476,501	-	47,650	47,650
Hong Kong Dollar - Short	(441,019)	-	(441,019)	(44,102)	-	(44,102)
Japanese Yen - Long	5	-	5	1	-	1
Japanese Yen - Short	(8,934)	-	(8,934)	(893)	-	(893)
Mexican Peso - Short	(819)	-	(819)	(82)	-	(82)
Norwegian Krone - Long	396	103,972	104,368	40	10,397	10,437
Norwegian Krone - Short	(106,864)	-	(106,864)	(10,686)	-	(10,686)
New Zealand Dollar - Short	(5,179)	-	(5,179)	(518)	-	(518)
Singapore Dollar - Short	(7,955)	-	(7,955)	(796)	-	(796)
<b>Total</b>	<b>(10,351,473)</b>	<b>16,559,306</b>	<b>6,207,833</b>	<b>(1,035,146)</b>	<b>1,655,931</b>	<b>620,785</b>
% of net assets attributable to holders of redeemable shares	(21.8%)	34.9%	13.1%	(2.2%)	3.5%	1.3%

### (b) Interest Rate Risk

As at June 30, 2019 the Fund did not hold any interest-bearing securities, and therefore was not subject to significant interest rate risk.

### (c) Price Risk

The Fund's policy is to manage price risk through diversification and selection of investments within specified limits established by the investment restrictions within the Fund's prospectus, as summarized below.

The Fund invests predominantly in a diversified portfolio of four global asset classes: equities, fixed income securities, commodities and currencies. The Fund will invest its assets in publicly listed global equity securities, though it is anticipated that the majority of the securities traded by the Fund will be issued by companies domiciled in Canada and the United States. The Fund will include both long and short positions in the Fund's portfolio. The Fund will invest long and short in fixed income securities identified as attractive or unattractive investment candidates, and may include high yield bonds, corporate bonds, government treasury securities, credit ETFs and treasury futures.

The Fund will invest in commodities. Exposure to commodity prices can be indirect through the equity or fixed income of a resource company, or directly through the use of derivatives, such as options, futures, forwards or swaps.

The Fund will engage in currency forward contracts and/or hold foreign currency for hedging purposes and for non-hedging purposes to participate in foreign markets.

The Fund may engage in short selling of securities which the Manager believes are overvalued, especially securities of issuers with deteriorating fundamentals and weak balance sheets. The aggregate market value of all securities sold short by the Fund will not exceed 50% of the total net assets of the Fund; and the aggregate market value of all securities of any particular issuer sold short by the Fund will not exceed 10% of the total net assets of the Fund.

# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS – FUND SPECIFIC INFORMATION

For the periods ended June 30, 2019 and December 31, 2018

The Fund may use derivatives for hedging and non-hedging purposes as permitted by applicable securities laws. The Fund may enter into securities lending, repurchase and reverse repurchase transactions to generate additional income or as a short-term cash management tool.

The Fund holds cash and invests in short term securities for the purpose of preserving capital and/or maintaining liquidity, based upon the Manager's ongoing evaluation of current and anticipated economic and market conditions. The Fund may also invest in foreign securities of the same type and characteristics as described above.

The impact on net assets of the Fund due to a 5% change in market prices of equity securities, funds, warrants and fixed income with all other variables held constant, is presented in the following table.

Impact on net assets attributable to holders of redeemable shares	
	June 30, 2019 %
5% Increase	971,576
5% Decrease	(971,576)

The Fund engages in short selling activities, wherein it borrows securities and sells them to third parties. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold short at prices which may be significantly higher than the fair value reflected on the financial statements.

### Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

The following is a summary of the Fund's concentration risk as a percentage of net assets attributable to holders of redeemable shares:

Market Segment	June 30, 2019	
	Long (%)	Short (%)
Communication Services	2.4	(1.1)
Consumer Discretionary	3.4	(3.4)
Consumer Staples	1.8	(1.2)
Corporate Bonds	-	-
Energy	2.0	(0.1)
Federal Bonds	-	-
Financials	1.7	(3.3)
Funds	36.8	(5.0)
Health Care	1.6	(0.6)
Industrials	1.3	(2.6)
Information Technology	2.2	(1.2)
Materials	3.7	(0.9)
Real Estate	1.7	(0.1)
Utilities	1.9	-
Derivatives	1.2	(0.3)
Totals	61.7	(19.8)

# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS – FUND SPECIFIC INFORMATION

For the periods ended June 30, 2019 and December 31, 2018

### FAIR VALUE MEASUREMENT

A general discussion of fair value measurement for the Arrow Funds appears as Note 5: FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT.

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2019.

June 30, 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Equities	11,191,176	-	-	11,191,176
Funds	17,092,576	-	385,714	17,478,290
Derivatives	581,751	227	-	581,978
	<b>28,865,503</b>	<b>227</b>	<b>385,714</b>	<b>29,251,444</b>
<b>Financial liabilities</b>				
Equities sold short	(6,850,902)	-	-	(6,850,902)
Fixed income sold short	-	-	-	-
Funds	(2,387,055)	-	-	(2,387,055)
Derivatives	(67,017)	(91,533)	-	(158,550)
	<b>(9,304,974)</b>	<b>(91,533)</b>	<b>-</b>	<b>(9,396,507)</b>
<b>Total</b>	<b>19,560,529</b>	<b>(91,306)</b>	<b>385,714</b>	<b>19,854,937</b>

All fair value measurements above are recurring. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

The Manager is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements, if any. The Manager obtains pricing from a third party pricing vendor which is monitored and reviewed daily by the Manager.

#### a) Equities/Funds and Equities/Funds Sold Short

The Fund's equity positions and some investment in funds are classified as Level 1 as the securities are actively traded on a recognized exchange and a quoted price is available. Equity positions which have resale restrictions but otherwise trade on the market are classified as Level 2. Funds that do not trade on an exchange are valued by valuation agents and are classified as Level 2.

#### b) Bonds

The Fund's bond holdings are comprised of Canadian and US Bonds. Bond pricing is obtained from bid and ask prices provided by independent security pricing services or recognized investment dealers. Bond prices may be derived by using models which include inputs such as interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Fund's bonds have been classified as Level 2.

#### c) Derivatives

Derivative assets and liabilities consist of warrants, futures contracts, forward contracts and options.

Warrants are valued using models and valuation techniques commonly used in the industry, including inputs such as underlying stock price, restrictions on exercise and days to expiry. Exchange traded warrants are classified as Level 1. When the inputs that are significant to valuation are generally observable, the warrants are classified as Level 2.

# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS – FUND SPECIFIC INFORMATION

For the periods ended June 30, 2019 and December 31, 2018

Futures contracts and options are exchange traded and are classified as Level 1 as they are actively traded and a reliable price is observable. Forward currency contracts are valued based primarily on the contract notional amount and the difference between the contract rate and the forward market rate for the same currency, adjusted for counterparty risk. Forward currency contracts are classified as Level 2.

### d) Structured Entities

Investments in underlying funds (“Structured Entities”) are classified as Level 1 when the security is actively traded and a reliable price is observable. When the Structured Entity investment is not traded on public exchanges, observable prices are not available. In such cases, fair value is determined using the fund prices as reported by the respective Structured Entities’ administrator, which have been determined using observable market data, and the fair value is classified as Level 2. If the determination of fair value requires significant unobservable data, the measurement is classified as Level 3.

The Level 3 Structured Entities that amounts to \$385,714 (December 31, 2018: \$Nil) consists of investments in the following fund:

June 30, 2019				
Security Name	Currency	Quantity	Average Cost	Fair Value
Arrow Distressed Securities Fund, Class A	CAD	7,466	330,000	385,714

As at June 30, 2019 the Fund held level 3 financial instruments. There were no transfers between Levels 1, 2 and 3 during the period.

Financial assets at fair value through profit and loss		June 30, 2019
		\$
Opening balance		-
Net purchases and sales		330,000
Net transfers in (out)		-
Realized gain (loss)		-
Unrealized appreciation (depreciation)		55,714
Closing balance		385,714

The Level 3 investment in funds that amounts to \$385,714 consists of an investment in Class A units of the Distressed Securities Fund (“DSF”). Of this amount \$nil and \$nil are the proportionate amounts in DSF that if held directly by the Fund would be classified as Level 1 and Level 2, respectively (December 31, 2018: \$nil and \$nil respectively). The remaining \$385,714 (December 31, 2018: \$nil) consists of private equity and debt positions classified as Level 3 and an underlying fund comprised of real estate property, cash and Level 1 securities.

DSF Level 3 equity positions that amount to \$nil (December 31, 2018: \$nil) utilize comparable trading multiples in arriving at the valuation for these positions. In applying this approach, the Manager selected a group of comparable publicly traded company peers that have similar risk, growth and cash-generating potential profiles. The methodology used incorporated the current year’s reported EBITDA along with the following one to two subsequent year’s EBITDA forecast to generate a forward looking estimate. The Manager also adjusts the indicated fair value to give effect to the lack of liquidity as compared to the publicly traded peer group.

DSF proportionate Level 3 positions that amount to \$385,714 (December 31, 2018: \$nil) including debt and real estate property held through an underlying fund are valued using the net present value of estimated future cash flows. The Manager also considers other liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

The change in valuation disclosed in the below table shows the direction an increase or decrease in the respective input variables would have on the valuation result.

# ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS – FUND SPECIFIC INFORMATION

For the periods ended June 30, 2019 and December 31, 2018

June 30, 2019						
Description	Value \$	Valuation Technique	Unobservable inputs	Weighted average input	Reasonable possible shift (+/-)	Change in valuation \$(+/-)
Equities - Private companies	-	Comparable trading multiples	EBITDA multiple	10.0x	1x	-
			Discount for lack of liquidity	20.0%	5.0%	-
Debt securities - private companies and underlying fund	385,714	Discounted cash flows	Cost of capital	5.1%	1.0%	7,563
			Discount for lack of liquidity	12.6%	5.0%	22,066

# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

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### 1. THE FUNDS

Exemplar Portfolios Ltd. (the “Company”) is an open-ended mutual fund corporation incorporated under the Business Corporations Act (Ontario) on March 18, 2008. The Company consists of multiple classes of shares. If the Company cannot satisfy its obligations related to each legally distinct class, it may be required to satisfy such obligations using assets attributable to all classes in the Company. Arrow Capital Management Inc. (“Arrow”) is the manager (“Manager”) and Trustee of the Company. The Manager believes that the risk of such cross-class liability is remote.

The date of inception and series structure of the funds are as follows:

<u>Name of the Fund</u>	<u>Date of Inception</u>	<u>Series Information</u>
Arrow Canadian Advantage Alternative Class	March 18, 2008 January 10, 2012	Series A and F Series L
Arrow Global Advantage Alternative Class	December 31, 2018 February 12, 2019	Series A, F and ETF Series U and G

On December 31, 2018, pursuant to articles of amendment, Arrow seeded the Arrow Global Advantage Alternative Class with a purchase of 500 Series A Shares, 14,000 Series F Shares and 500 Series ETF Shares. On February 28, 2019, pursuant to articles of amendment dated February 12, 2019, Arrow seeded 100 shares each of Series U and G shares with a purchase of \$1,000 USD and \$1,000 USD, respectively.

Arrow is the portfolio advisor of the Funds.

These unaudited interim financial statements present the financial results for two classes of shares of the Company, Arrow Canadian Advantage Alternative Class (formerly, Exemplar Canadian Focus Portfolio) (the “Canadian Advantage Alternative Class”) and Arrow Global Advantage Alternative Class (the “Global Advantage Alternative Class”), collectively (the “Funds”). The unaudited interim financial statements for the third class of the Company, WaveFront Global Diversified Investment Class (formerly, Exemplar Diversified Portfolio) is available on SEDAR.

The address of the Funds’ registered office is 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5.

The Statements of Financial Position of the Funds are as at June 30, 2019 and December 31, 2018. The Statements of Comprehensive Income (Loss), Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares and Statements of Cash Flows for the Funds are for the six month periods ended June 30, 2019 and 2018, except for any series of the Funds established during either period, in which case the information for the series is provided for the period from the start date of the series to the period then ended. The Schedule of Investment Portfolio for the Funds is as at June 30, 2019.

These financial statements were authorized for issue by the Manager on August 27, 2019.

#### Changes in Canadian Securities Administration Rules

Amendments to National Instrument 81-102 - *Investment Funds* (“**NI 81-102**”) that became effective January 3, 2019 (“**Alternative Mutual Fund Amendments**”) established alternative mutual funds and repealed large sections of National Instrument 81-104 *Commodity Pools* (“**Former NI 81-104**”). With the Alternative Mutual Fund Amendments, the Canadian Advantage Alternative Class became an alternative mutual fund which permits the Canadian Advantage Alternative Class to use strategies generally prohibited to conventional mutual funds, such as the ability to invest more than 10% of its net asset value in securities of a single issuer, the ability to invest in physical commodities or specified derivatives, to borrow cash, to short sell beyond the limits prescribed for conventional mutual funds and to generally employ leverage. Arrow Global Advantage Alternative Class is also an alternative mutual fund.

#### Fund Merger

Effective March 22, 2019, after receiving unitholder approval, SG U.S. Market Neutral Fund and Lazard Global Credit II Fund (the “Terminating Funds”) merged into Arrow Global Advantage Alternative Class (the “Continuing Fund”). Unitholders of the Terminating



# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

Funds received units of the Continuing Fund in exchange for their units of the Terminating Funds on a taxable basis. The merger was effected by transferring the net assets of the Terminating Fund in exchange for securities of the Fund at fair market value. The merger has been accounted for as an acquisition of the Terminating Fund. Following the merger, the Terminating Fund was terminated. Arrow paid the expenses incurred to effect the merger.

Details relating to the mergers are as follows:

	Net Assets acquired by Arrow Global Advantage Alternative Class (Continuing Fund) \$	Units issued by Arrow Global Advantage Alternative Class	Conversion Ratios of SG U.S. Market Neutral Fund (Terminating Fund)				
			Class A	Class F	Class X	Class U	Class G
Series A	8,815,142	891,616	1.2413		1.2413		
Series F	3,677,962	370,927		1.4807			
Series G	927,286	91,734					1.1431
Series U	287,008	28,379				1.0901	

	Net Assets acquired by Arrow Global Advantage Alternative Class (Continuing Fund) \$	Units issued by Arrow Global Advantage Alternative Class	Conversion Ratios of Lazard Global Credit II Fund (Terminating Fund)											
			Class A	Class F	Class U	Class G	Class AI	Class FI	Class UI	Class GI	Class AN	Class FN	Class UN	Class GN
Series A	8,362,611	845,845	0.8575				0.3754					1.1140		
Series F	6,351,628	640,569		0.9174				0.4435					1.1460	
Series G	491,447	48,618				0.9019					0.5890			1.1400
Series U	1,038,556	102,691			0.8766				0.4768					1.1094

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### 2.1 Basis of Accounting

These unaudited interim financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IAS 34, Interim Financial Reporting. These financial statements have been prepared under the historical cost convention, except for financial assets and liabilities that have been measured at fair value. These financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2018.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5: FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT.

# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

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### 2.2 Foreign Currency Translation

The Funds' functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as 'Foreign exchange gain (loss)' and those relating to other investments and derivatives are presented within 'Net realized gain (loss) on investments and derivatives' and 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the Statements of Comprehensive Income (Loss).

### 2.3 Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

Financial instruments include financial assets and liabilities such as debt and equity securities, open-ended investment funds and derivatives. The Funds classify and measure financial instruments in accordance with IFRS 9.

#### a) Classification

##### **Assets**

The Funds classify their investments based on their business model for managing the financial assets and the contractual cash flow characteristics of their financial assets. Each Fund of financial assets is managed and performance is evaluated on a fair value basis. The Funds are primarily focused on fair value information and use that information to assess the assets' performance and to make decisions. The Funds have not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Funds' debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and sale. The collection of contractual cash flows is only incidental to achieving the Funds business model's objective. Consequently, all investments are measured at FVTPL.

##### **Liabilities**

The Funds make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at FVTPL. Derivative contracts that have a negative fair value are presented as liabilities a FVTPL.

As such, the Funds classify all of its investment portfolio as financial assets or liabilities as FVTPL.

The Funds' policy requires the Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

#### b) Recognition, Derecognition and Measurement

Regular purchases and sales of financial assets are recognized in the Statements of Financial Position at their trade date – the date on which the Funds commit to purchase or sell the investment. Financial assets and financial liabilities at FVTPL are initially recognized at fair value. Transaction costs are expensed as incurred.

All financial instruments are recognized in the Statements of Financial Position when the Fund's become a party to the contractual requirements of the instrument.

Financial assets are derecognized when the right to receive cash flows from the instrument has expired or the Funds have transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled or expires.

Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at FVTPL category are recognized in the Statements of Comprehensive Income (Loss) in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' and if a Future in 'Net change in unrealized appreciation (depreciation) in value of futures'.

# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

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The Funds' accounting policies for measuring the fair value of their investments and derivatives are the same as those used in measuring their net asset value ("NAV") for transactions with shareholders. There were no differences between the net assets attributable to holders of redeemable shares used for reporting purposes under IFRS and that used for transactions with shareholders as at June 30, 2019 or December 31, 2018.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined on an average cost basis excluding commissions and other portfolio transaction costs, which are separately reported in the Statements of Comprehensive Income (Loss) in 'Commissions and other portfolio transaction costs'. Realized gains and losses on securities sold short and unrealized appreciation or depreciation on securities sold short are calculated with reference to the average proceeds of the related securities. Average cost does not include amortization of premiums or discounts on fixed income securities.

Interest for distribution purposes shown on the Statements of Comprehensive Income (Loss) represents the coupon interest received by a Fund accounted for on an accrual basis. The Funds do not amortize premiums or discounts received on the purchase of fixed income securities.

Dividend income and dividend expense on short sales is recognized in the Statements of Comprehensive Income (Loss) on the ex-dividend date. Distributions received from investment trust units are recorded as dividends, interest for distribution purposes, net realized gains (losses) on sale of investments or a return of capital, based on the best information available to the Manager. Due to the nature of those investments, actual allocations could vary from this information.

### **c) Financial Instruments - Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Funds use the last traded market price for securities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The fair value of bonds is determined using mid-market pricing derived from bid and ask prices provided by independent security pricing services or recognized investment dealers. The fair value of futures contracts is based on the settlement price assigned by the exchange. Gains and losses arising from changes in the fair value of financial assets or liabilities are presented in the Statements of Comprehensive Income (Loss). The Funds' policy is to recognize transfers into and out of the fair value hierarchy levels at the beginning of each period.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Funds may use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same and other commonly used methods by market participants which make the maximum use of observable inputs.

### **d) Options**

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. When a Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When a Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. Options held by a Fund are exchange-traded. Subsequent to initial recognition, changes in fair value, the difference between the premium paid or received, and fair value, are presented in 'Net Change in unrealized appreciation (depreciation) in value of investments and derivatives' in the Statements of Comprehensive Income (Loss). When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a gain or loss and is presented in the Statements of Comprehensive Income (Loss) within 'Net realized gain (loss) on investments and derivatives'.

# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

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### e) Forward Currency Contracts

Each Fund may enter into forward currency contracts for purposes of minimizing currency exposure or to establish an exposure to a particular currency. The value of forward currency contracts entered into by a Fund is recorded as the difference between the contract rate and the current forward rates at the measurement date, applied to the contract's notional amount and adjusted for counterparty risk. The change in the fair value of forward currency contracts is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the Statements of Comprehensive Income (Loss). Upon closing of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the Statements of Comprehensive Income (Loss).

### f) Futures Contracts

The Funds may purchase or sell exchange traded futures contracts. Futures contracts are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price established in an organized market. Subsequent to initial recognition, changes in fair value are presented in 'Net change in unrealized appreciation (depreciation) in value of futures' in the Statements of Comprehensive Income (Loss). When futures contracts are closed out, the gain or loss is included in 'Net realized gain (loss) on futures' in the Statements of Comprehensive Income (Loss).

## 2.4 Offsetting Financial Statements

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Funds enter into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

## 2.5 Due From and To Brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statements of Financial Position date respectively. The due from brokers balance is held for collection. These amounts are recognized initially at fair value and subsequently measured at amortized cost. Amounts due from brokers are presented in "Receivables for securities sold" and amounts due to brokers are presented in "Payables for securities purchased" in the Statements of Financial Position.

## 2.6 Cash and Cash Equivalents

Cash and cash equivalents which includes cash deposited with financial institutions and short-term investments that are readily convertible to cash, are subject to an insignificant risk of changes in value, and are used by the Funds in the management of short-term commitments. Cash and cash equivalents are measured at amortized cost which closely approximates their fair value.

## 2.7 Margin Deposits

Cash collateral provided by each Fund to brokers for securities sold short and counterparties to derivative transactions is identified in that Fund's Statements of Financial Position as 'Margin deposits'.

## 2.8 Margin Loans

Margin loans represents cash amounts borrowed under a margin agreement with a Fund's broker and is payable upon demand (if applicable) and is identified in the Fund's Statements of Financial Position as 'Margin Loans'.

## 2.9 Investments in Structured Entities

The Funds may invest in underlying funds ("Structured Entities") that are managed by their respective Investment Advisors and whose investment objectives may range from achieving short-term to long-term income and capital growth. Structured Entities may use leverage in a manner consistent with their respective objectives and as permitted by their respective governing regulatory authorities. Structured Entities finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportionate stake in the respective Structured Entity's net assets. The Funds' interest in Structured Entities as at June 30, 2019 and December 31, 2018, held the form of redeemable units, which are included at their fair value in the Statements of Financial Position

# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

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which represents the Funds' maximum exposure in these Structured Entities. Please refer to Note 8 for more information. The Funds do not provide, and have not committed to provide, any additional significant financial or other support to the Structured Entities. The change in fair value of each of the Structured Entities during the period is included in 'Change in unrealized appreciation (depreciation) of value of investments and derivatives' and 'Net realized gain (loss) on investments and derivatives' in the Statements of Comprehensive Income (Loss).

### **2.10 Securities Lending**

The Funds may enter into securities lending arrangements. These transactions involve the temporary exchange of securities for collateral with a commitment to deliver the same securities at a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is included in "Securities lending income" in the Statements of Comprehensive Income (Loss).

### **2.11 Commissions and Other Portfolio Transaction Costs**

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers. Such costs are expensed when incurred.

### **2.12 Income and Expense Allocation**

The net assets of each series of each Fund are computed by calculating the value of that series' proportionate share of that Fund's assets less that series' proportionate share of that Fund's common liabilities less series specific liabilities, if any. Expenses directly attributable to a series are charged to that series. Other income, expenses and gains/losses are allocated based on a reasonable allocation methodology which will include allocations based on the assets of the Funds or the number of shareholders in the Funds or other methodology the Manager determines is fair. Class G and Class U units are issued in US dollars. The Funds utilizes notional forward exchange contracts and cash to hedge the currency exposure for these classes. Any resulting gains or losses have been included in the increase (decrease) in net assets attributable to holders of redeemable units of those specific classes.

The Manager may reimburse the Funds expenses at the Manager's discretion

### **2.13 Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares per Share**

The increase (decrease) in net assets attributable to holders of redeemable shares per share is calculated by dividing the increase (decrease) in net assets attributable to the series divided by the weighted average number of redeemable shares outstanding in that series during the period. Refer to Note 13 for the calculation.

### **2.14 Classification of Redeemable Shares issued by the Funds**

The Fund's redeemable shares are multi-series and contain multiple dissimilar contractual obligations and therefore meet the criteria for classification as financial liabilities under IAS 32, *Financial Instruments: Presentation*. The Fund's obligation for net assets attributable to shareholders is presented at the redemption amount.

### **2.15 Impairment Policy**

At each reporting date, the Funds shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Funds shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganization, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty rating which has fallen below BBB/Baa. Any contractual payment which is more than 90 days past due is considered credit impaired.

# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

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### 2.16 Mergers

The Funds apply the acquisition method of accounting for Fund mergers. Under this method, one of the Funds in each merger is identified as the acquiring Fund, and is referred to as the Continuing Fund, and the other Fund involved in the merger is referred to as the Terminating Fund. This identification is based on the comparison of the relative net asset values of the Funds as well as consideration of the continuation of such aspects of the Continuing Fund as: investment advisors; investment objectives and practices; type of portfolio securities; and management fees and expenses.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Manager has made in preparing the financial statements:

#### Use of Estimates

##### *Fair Value measurement of derivatives and securities not quoted in an active market*

The Funds may hold financial instruments that are not quoted in active markets, including derivatives. Fair value of such instruments is determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, a Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Funds consider observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 6 for further information about the fair value measurement of the Fund's financial instruments.

#### Use of Judgments

##### *Classification and Measurement of Investments and Application of the Fair Value Option*

In classifying and measuring financial instruments held by the Funds, the Manager is required to make significant judgments in order to determine the most appropriate classification in accordance with IFRS 9. The Manager has assessed the Fund's business model, the manner in which all financial instruments are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Fund's financial statements.

##### *Assessment as Investment Entity*

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. Each Fund meets the definition of investment entity as it obtains funds from one or more investors for the purpose of providing those investors with professional investment management services and commit to their investors that their business purpose is to invest funds solely for returns from capital appreciation, investment income or both. Each Fund measures and evaluates the performance of substantially all of its investments on a fair value basis.

##### *Determination if Underlying Funds Meet the Structured Entity Definition*

The Funds have concluded that their investments in the Underlying Funds are investments in unconsolidated structured entities. This represents a significant judgment by the Funds that is based generally on the fact that the decision making about the Underlying Funds investing activities is not governed by voting rights held by the Funds and other investors.

# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

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### 4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

In the normal course of business, each Fund is exposed to a variety of financial risks: credit risk, liquidity risk, market risk (including currency risk, price risk and interest rate risk), concentration risk and capital risk management. Please refer to Notes to Financial Statements – Fund Specific Information for each Fund's specific risk disclosure.

#### **Credit Risk**

Each Fund may be exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Where a Fund invests in debt instruments and derivatives, this represents the main concentration of credit risk. The Funds are also exposed to counterparty credit risk on cash, margin deposits and other receivable balances. The Funds may also participate in securities lending and; therefore, be exposed to counterparty risk on all such loans, if any.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The credit risk related to the associated receivables is considered limited, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing a Fund's rights to its assets in the case of an insolvency of any such party.

The Funds measure credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At June 30, 2019 and December 31, 2018, all amounts due from brokers, cash and cash equivalents and margin deposits are held with counterparties with a credit rating of Baa3 or higher. Management consider the probability of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Funds.

#### **Liquidity Risk**

Liquidity risk is the risk that a Fund will encounter difficulty in meeting obligations associated with financial liabilities. Each Fund is exposed to daily cash redemptions and as such, retains sufficient cash to fund anticipated redemptions. The Funds aim to retain sufficient cash to maintain adequate liquidity including coverage of obligations related to short sales and all current liabilities. In addition, each Fund generally invests in securities that are highly liquid and where there is an observable market price that is quoted by multiple dealers.

#### **Market Risk**

The Funds' investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

##### **a) Currency Risk**

The Funds invest in financial instruments and enter into transactions that are denominated in currencies other than the Canadian dollar. Consequently, the Funds are exposed to currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Funds may enter into foreign exchange currency contracts to reduce their foreign currency exposure.

##### **b) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. A Fund may hold securities with fixed interest rates that expose that Fund to fair value interest rate risk.

# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

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### c) Price Risk

The Funds are exposed to price risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Funds' investments are subject to the risk of changes in the prices of equity securities, bonds and derivatives.

### Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

### Capital Risk Management

Shares issued and outstanding are considered to be the capital of the Funds. The Funds do not have any specific capital requirements on the subscription and redemption of shares, other than certain minimum subscription requirements. Shareholders are entitled to require payment of the net asset value per share of a Fund for all or any of the shares of such shareholder by giving written notice to the Manager. The written notice is irrevocable and must be received no later than 4:00 p.m., EST, on the valuation day upon which the shares are to be redeemed (a "Redemption Date"). The redeeming shareholder will receive payment in respect of any shares surrendered for redemption on or before the 3rd business day immediately following a Redemption Date, subject to the Manager's right to suspend redemptions in certain circumstances.

## 5. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

Each Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Please refer to Notes to the Financial Statements – Fund Specific Information for each Fund's specific risk disclosure.

The three levels of the fair value hierarchy are:

- Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;
- Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3:** Inputs that are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

The Funds may participate in securities lending and; therefore, receive collateral categorized as Level 1 or 2 as defined above. Such collateral is not considered significant to the financial instrument hierarchy of the securities owned by the Funds.

## 6. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the Funds enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the Statements of Financial Position, but still allow for the related amounts to set off in certain circumstances, such as bankruptcy or termination of the contracts. The following tables show financial instruments that may be eligible for offset, if such conditions were to arise, as at June 30, 2019 and December 31, 2018. The "Net amount" column displays what the net impact would be on a Fund's Statements of Financial Position if all amounts were set off.



# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

Canadian Advantage Alternative Class							
June 30, 2019	Gross amounts \$	Financial instruments eligible for offset \$	Net amounts presented in the Statement of Financial Position \$	Related amounts not set-off in the Statement of Financial Position		Net amount \$	
				Financial instruments \$	Collateral \$		
<b>Financial assets:</b>							
Counterparty 1	455,762	-	455,762	(9,233)	-	446,529	
Counterparty 2	211,305	-	211,305	(43,146)	-	168,159	
	667,067	-	667,067	(52,379)	-	614,688	
<b>Financial liabilities:</b>							
Counterparty 1	(9,233)	-	(9,233)	9,233	-	-	
Counterparty 2	(43,146)	-	(43,146)	43,146	-	-	
	(52,379)	-	(52,379)	52,379	-	-	

Canadian Advantage Alternative Class							
December 31, 2018	Gross amounts \$	Financial instruments eligible for offset \$	Net amounts presented in the Statement of Financial Position \$	Related amounts not set-off in the Statement of Financial Position		Net amount \$	
				Financial instruments \$	Collateral \$		
<b>Financial assets:</b>							
Counterparty 1	N/A	N/A	N/A	N/A	N/A	N/A	
Counterparty 2	N/A	N/A	N/A	N/A	N/A	N/A	
	N/A	N/A	N/A	N/A	N/A	N/A	
<b>Financial liabilities:</b>							
Counterparty 1	N/A	N/A	N/A	N/A	N/A	N/A	
Counterparty 2	N/A	N/A	N/A	N/A	N/A	N/A	
	N/A	N/A	N/A	N/A	N/A	N/A	

Global Advantage Alternative Class							
June 30, 2019	Gross amounts \$	Financial instruments eligible for offset \$	Net amounts presented in the Statement of Financial Position \$	Related amounts not set-off in the Statement of Financial Position		Net amount \$	
				Financial instruments \$	Collateral \$		
<b>Financial assets:</b>							
Counterparty 1	579,521	-	579,521	(38,331)	-	541,190	
Counterparty 2	2,230	-	2,230	(2,230)	-	-	
Counterparty 3	227	-	227	(227)	-	-	
	581,978	-	581,978	(40,788)	-	541,190	
<b>Financial liabilities:</b>							
Counterparty 1	(38,331)	-	(38,331)	38,331	-	-	
Counterparty 2	(28,686)	-	(28,686)	2,230	26,456	-	
Counterparty 3	(91,533)	-	(91,533)	227	91,306	-	
	(158,550)	-	(158,550)	40,788	117,762	-	

# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

### 7. SECURITIES LENDING

Canadian Advantage Alternative Class has entered into a securities lending program which is administered by BNY Mellon, in its capacity as Lending Agent. The tables below summarize the securities loaned and collateral held as at June 30, 2019 and December 31, 2018 and the security lending income received for the six month periods ended June 30, 2019 and 2018:

Canadian Advantage Alternative Class As at	June 30, 2019 \$	December 31, 2018 \$
<b>Non-cash Collateral Coverage</b>		
Collateral received for securities on loan	12,374,672	8,246,133
Market value of securities loaned	11,765,074	(7,846,012)
Collateral in excess of securities loaned	24,139,746	400,121
Collateral as a percentage of securities loaned	105.2%	105.1%
<b>Non-cash Collateral Exposure</b>		
CAD	5,772,975	4,064,743
USD	6,601,697	4,181,390
	12,374,672	8,246,133

Canadian Advantage Alternative Class For the periods ended	June 30, 2019		June 30, 2018	
	\$	% of gross security lending income	\$	% of gross security lending income
<b>Net Amount Received by the Fund</b>				
Securities lending income	119,096	100.00%	152,457	100.00%
Withholding taxes	(34,080)	-28.62%	(5,913)	-3.88%
BNY mellon lending agent fees	(16,059)	-13.48%	(58,613)	-38.45%
Securities lending income (net)	68,957	57.90%	87,931	57.68%

### 8. INVESTMENT IN STRUCTURED ENTITIES

Information related to investments in Structured Entities is as follows:

#### Canadian Advantage Alternative Class – June 30, 2019

	Fair Value of Fund's Investment in Underlying Fund (\$)	Net Assets Attributable to Holders of Redeemable Shares (%)	Ownership of Underlying Fund (%)
Arrow Global Advantage Alternative Class, Series ETF	8,459,269	10.26	17.82
BMO Laddered Preferred Share Index ETF	404,352	0.49	0.02
Consumer Staples Select Sector SPDR Fund	410,646	0.50	0.00
ETFMG Prime Cyber Security ETF	54,685	0.07	0.00
Health Care Select Sector SPDR Fund	229,289	0.28	0.00
Horizons Medical Marijuana Life Sciences ETF, Class 'A'	43,483	0.05	0.01
Horizons US Marijuana Index ETF, Class 'A'	1,672	0.00	0.01
iShares 20+ Year Treasury Bond ETF	466,109	0.57	0.00
iShares Barclays 3-7 Year Treasury Bond Fund	2,635,024	3.20	0.04
iShares iBoxx \$ Investment Grade Corporate Bond ETF	2,003,285	2.43	0.01
iShares S&P/TSX Capped Energy Index ETF	716,365	0.87	0.11
iShares S&P/TSX Global Gold Index ETF	571,871	0.69	0.08
iShares Silver Trust	5,817	0.01	0.00
iShares U.S. Aerospace & Defense ETF	56,104	0.07	0.00
iShares U.S. Dow Jones Medical Equipment Index	126,094	0.15	0.00

# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

iShares U.S. Home Construction ETF	209,213	0.25	0.02
Kraneshares CSI China Internet ETF	120,865	0.15	0.01
SPDR Gold Shares	1,273,354	1.54	0.00
SPDR S&P Aerospace & Defense ETF	12,248	0.01	0.00
SPDR S&P Homebuilders ETF	79,144	0.10	0.01
Utilities Select Sector SPDR Fund	320,163	0.39	0.00
VanEck Vectors Junior Gold Miners ETF	68,673	0.08	0.00
Vanguard Communication Services ETF	26,111	0.03	0.00
Vanguard REIT ETF	1,030,092	1.25	0.00
Consumer Discretionary Select Sector SPDR Fund	(124,879)	(0.15)	(0.00)
Energy Select Sector SPDR Fund	(183,549)	(0.22)	(0.00)
Industrial Select Sector SPDR Fund	(18,249)	(0.02)	(0.00)
Invesco QQQ Trust, Series '1'	(807,000)	(0.98)	(0.00)
iShares China Large-Cap ETF	(1,680)	0.00	(0.00)
iShares iBoxx High Yield Corporate Bond ETF	(114,167)	(0.14)	(0.00)
iShares MSCI Canada ETF	(569,686)	(0.69)	(0.02)
iShares MSCI Germany ETF	(24,611)	(0.03)	(0.00)
iShares Russell 2000 ETF	(2,966,962)	(3.60)	(0.01)
iShares S&P/TSX 60 Index ETF	(2,727,769)	(3.31)	(0.03)
Materials Select Sector SPDR Fund	(543,922)	(0.66)	(0.01)
SPDR S&P 500 ETF Trust	(2,240,797)	(2.72)	(0.00)
Technology Select Sector SPDR Fund	(181,911)	(0.22)	(0.00)
VanEck Vectors Semiconductor ETF	(331,858)	(0.40)	(0.03)

### Global Advantage Alternative Class – June 30, 2019

	Fair Value of Fund's Investment in Underlying Fund (\$)	Net Assets Attributable to Holders of Redeemable Shares (%)	Ownership of Underlying Fund (%)
BMO Laddered Preferred Share Index ETF	582,228	1.23	0.03
Distressed Securities Fund, Class 'A'	385,714	0.81	81.36
Global X MSCI Argentina ETF	75,878	0.16	0.08
Health Care Select Sector SPDR Fund	194,107	0.41	0.00
iShares CMBS ETF	1,853,115	3.90	0.48
iShares Floating Rate Bond ETF	1,425,614	3.00	0.01
iShares iBoxx \$ Investment Grade Corporate Bond ETF	4,591,270	9.67	0.01
iShares J.P. Morgan USD Emerging Markets Bond ETF	4,545,717	9.57	0.03
iShares MSCI Emerging Markets ETF	382,111	0.80	0.00
iShares MSCI Frontier 100 ETF	93,093	0.20	0.02
iShares MSCI Germany ETF	187,338	0.39	0.01
iShares MSCI Indonesia ETF	95,299	0.20	0.02
iShares MSCI Switzerland ETF	93,455	0.20	0.01
iShares U.S. Aerospace & Defense ETF	84,156	0.18	0.00
iShares U.S. Dow Jones Medical Equipment Index	189,141	0.40	0.00
iShares U.S. Home Construction ETF	290,296	0.61	0.02
Kraneshares CSI China Internet ETF	172,664	0.36	0.01
SPDR S&P Homebuilders ETF	196,495	0.41	0.03
Utilities Select Sector SPDR Fund	1,147,900	2.42	0.01
VanEck Vectors Vietnam ETF	155,245	0.33	0.03
Vanguard REIT ETF	549,382	1.16	0.00
Xtrackers Harvest CSI 300 China A-Shares ETF	188,072	0.40	0.01
Consumer Discretionary Select Sector SPDR Fund	(187,318)	(0.39)	(0.00)

# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

Energy Select Sector SPDR Fund	(417,157)	(0.88)	(0.00)
iShares MSCI Brazil ETF	(217,563)	(0.46)	(0.00)
iShares S&P/TSX Capped Energy Index ETF	(38,356)	(0.08)	(0.01)
Materials Select Sector SPDR Fund	(597,548)	(1.26)	(0.01)
SPDR Oil & Gas Equipment & Services ETF	(45,620)	(0.10)	(0.03)
SPDR S&P Oil & Gas Exploration & Production ETF	(99,919)	(0.21)	(0.01)
Technology Select Sector SPDR Fund	(378,130)	(0.80)	(0.00)
VanEck Vectors Semiconductor ETF	(405,444)	(0.85)	(0.03)

### Canadian Advantage Alternative Class – December 31, 2018

	Fair Value of Fund's Investment in Underlying Fund (\$)	Net Assets Attributable to Holders of Redeemable Shares (%)	Ownership of Underlying Fund (%)
Consumer Staples Select Sector SPDR Fund	457,544	0.52	0.00
ETFMG Prime Cyber Security ETF	50,608	0.06	0.00
Health Care Select Sector SPDR Fund	120,466	0.14	0.00
Horizons Medical Marijuana Life Sciences ETF, Class 'A'	34,153	0.04	0.00
iShares 20+ Year Treasury Bond ETF	301,912	0.34	0.00
iShares S&P/TSX Capped Energy Index ETF	709,632	0.80	0.09
SPDR Gold Shares	827,653	0.93	0.00
Utilities Select Sector SPDR Fund	57,797	0.07	0.00
Vanguard REIT ETF	725,855	0.82	0.00
Financial Select Sector SPDR Fund	(3,577)	(0.00)	(0.00)
Industrial Select Sector SPDR Fund	(220,711)	(0.25)	(0.00)
Invesco CurrencyShares British Pound Sterling Trust	(8,440)	(0.01)	(0.01)
Invesco CurrencyShares Euro Trust	(58,290)	(0.07)	(0.02)
Invesco QQQ Trust, Series '1'	(86,344)	(0.10)	(0.00)
iShares China Large-Cap ETF	(13,338)	(0.02)	(0.00)
iShares Edge MSCI USA Momentum Factor ETF	(1,368)	(0.00)	(0.00)
iShares iBoxx High Yield Corporate Bond ETF	(52,037)	(0.06)	(0.00)
iShares MSCI Europe Financials ETF	(11,570)	(0.01)	(0.00)
iShares MSCI Germany ETF	(9,344)	(0.01)	(0.00)
iShares MSCI Saudi Arabia ETF	(13,410)	(0.02)	(0.01)
iShares Russell 2000 ETF	(233,984)	(0.26)	(0.00)
iShares S&P/TSX 60 Index ETF	(580,713)	(0.65)	(0.01)
SPDR S&P 500 ETF Trust	(61,414)	(0.07)	(0.00)
SPDR S&P Biotech ETF	(7,836)	(0.01)	(0.00)
Technology Select Sector SPDR Fund	(8,462)	(0.01)	(0.00)
VanEck Vectors Pharmaceutical ETF	(13,533)	(0.02)	(0.01)
VanEck Vectors Semiconductor ETF	(72,684)	(0.08)	(0.01)

## 9. REDEEMABLE SHARES

During the periods ended June 30, 2019 and 2018, the number of shares issued, redeemed and outstanding was as follows:

### Canadian Advantage Alternative Class - for the period ended June 30, 2019

	Redeemable shares outstanding at beginning of period	Redeemable shares issued	Redeemable shares reinvestment of distributions	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of period
Series A	1,813,439	26,771	18,889	(365,945)	1,493,154
Series F	2,359,677	88,924	18,270	(495,007)	1,971,864
Series L	418,512	1,255	4,085	(107,402)	316,450

# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

### Canadian Advantage Alternative Class - for the period ended June 30, 2018

	Redeemable shares outstanding at beginning of period	Redeemable shares issued	Redeemable shares issued on reinvestment of distributions	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of period
Series A	2,257,526	67,769	-	(344,425)	1,980,870
Series F	3,198,223	169,857	-	(950,388)	2,417,692
Series L	575,983	958	-	(82,177)	494,764

### Global Advantage Alternative Class - for the period ended June 30, 2019

	Redeemable shares outstanding at beginning of period	Redeemable shares issued	Redeemable shares issued on reinvestment of distributions	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of period
Series A	500	1,816,584	-	(128,856)	1,688,228
Series F	14,000	1,924,187	-	(429,494)	1,508,693
Series G	N/A	173,455	-	(4,534)	168,921
Series U	N/A	131,170	-	(22,607)	108,563
Series ETF	250	615,022	-	-	615,272

### Global Advantage Alternative Class - for the period ended June 30, 2018

	Redeemable shares outstanding at beginning of period	Redeemable shares issued	Redeemable shares issued on reinvestment of distributions	Redeemable shares redeemed	Redeemable shares issued and outstanding at end of period
Series A	N/A	N/A	N/A	N/A	N/A
Series F	N/A	N/A	N/A	N/A	N/A
Series G	N/A	N/A	N/A	N/A	N/A
Series U	N/A	N/A	N/A	N/A	N/A
Series ETF	N/A	N/A	N/A	N/A	N/A

## 10. RELATED PARTY TRANSACTIONS

The Manager is responsible for making decisions relating to the investment of the Funds' assets and providing key management personnel.

As at June 30, 2019

Fund Held By	Fund Invested In	Number of units	Fair Value (\$)	% of net assets attributable to holders of redeemable units
Arrow Canadian Advantage Alternative Class	Arrow Global Advantage Alternative Class - ETF	425,015	8,459,269	10.3%
Arrow Global Advantage Alternative Class	Distressed Securities Fund - Class A	7,466	385,714	0.8%

As at December 31, 2018

Fund Held By	Fund Invested In	Number of units	Fair Value (\$)	% of net assets attributable to holders of redeemable units
Canadian Advantage Alternative Class	N/A	N/A	N/A	N/A
Global Advantage Alternative Class	N/A	N/A	N/A	N/A

# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

As of June 30, 2019, the number of shares owned by the Manager or Directors of the Manager for each Fund is as follows:

	Number of shares	Amount (\$)	% of net assets attributable to holders of redeemable shares
Canadian Advantage Alternative Class - Series A	560	11,939	0.0
Canadian Advantage Alternative Class - Series F	5,045	117,448	0.1
Global Advantage Alternative Class - Series A	6,160	60,614	0.1
Global Advantage Alternative Class - Series F	187,675	1,857,983	3.9
Global Advantage Alternative Class - Series G	49,264	652,748	1.4
Global Advantage Alternative Class - Series U	756	9,994	0.0
Global Advantage Alternative Class - Series ETF	615,272	12,246,036	25.8

As of December 31, 2018, the number of shares owned by the Manager or Directors of the Manager for each Fund is as follows:

	Number of shares	Amount (\$)	% of net assets attributable to holders of redeemable shares
Canadian Advantage Alternative Class - Series A	560	10,642	0.0
Canadian Advantage Alternative Class - Series F	5,045	104,333	0.1
Global Advantage Alternative Class - Series A	500	5,000	100.0
Global Advantage Alternative Class - Series F	14,000	140,000	100.0
Global Advantage Alternative Class - Series G	n/a	n/a	n/a
Global Advantage Alternative Class - Series U	n/a	n/a	n/a
Global Advantage Alternative Class - Series ETF	250	5,000	100.0

### Management Fee and Performance Bonus

The management fee paid to the Manager by the Canadian Advantage Alternative Class is 1.65% per annum on Series A Shares, 0.65% per annum on Series F Shares and 1.95% per annum on Series L Shares. The management fee paid to the Manager by the Global Advantage Alternative Class is 1.95% per annum on Series A and Series U Shares and 0.95% per annum on Series F, Series G and Series ETF Shares.

The Canadian Advantage Alternative Class and Global Advantage Alternative Class will pay to the Manager in respect of each fiscal year of the Funds ended December 31 a performance bonus per Share (the "Performance Bonus") equal to 20% and 15%, respectively, of the amount by which the Adjusted Net Asset Value per Share at the end of the fiscal year exceeds the highest year end Adjusted Net Asset Value per Share previously achieved. For these purposes, "Adjusted Net Asset Value per Share" of any series of shares of a Fund means the Net Asset Value per Share of that series at the end of a fiscal year without giving effect to the accrual of any Performance Bonus, plus the aggregate amount of all distributions previously declared on a per Share basis in respect of such series of Shares of the Fund. The Performance Bonus for each Fund is calculated and accrued each day the Net Asset Value of the Fund is calculated, but is only payable at the end of the fiscal year of the Fund based on the actual annual performance of the Fund.

Notwithstanding the foregoing, no Performance Bonus is payable with respect to any fiscal year of a Fund unless the Adjusted Net Asset Value per Share at the end of such fiscal year exceeds the Net Asset Value per Share at the end of the preceding year (or on the date the Shares are first issued), plus the aggregate amount of all distributions previously declared on a per share basis, by a minimum of 6% and 5% (the "Hurdle Rate") for the Canadian Advantage Alternative Class and Global Advantage Alternative Class, respectively.

The Performance Bonus is estimated and accrued each Valuation Date, calculated as at the end of each fiscal year-end of the Funds and paid within 15 business days thereafter.

# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

If any shares of the Funds are purchased during the calendar year, the Hurdle Rate will be prorated in the calculation of the performance fee with respect to those shares, in the same manner as described above.

If any shares of the Funds are redeemed prior to the end of a calendar year, a performance fee will be payable on the redemption date in respect of each such share in the same manner as described above. For greater certainty, the Hurdle Rate will be prorated in the calculation of the performance fee on a share redeemed during the calendar year. This performance fee is paid to the Funds quarterly.

Each Fund is responsible for all operating expenses incurred by or on behalf of that Fund. At the discretion of the Manager, certain fees may be absorbed by the Manager. During the period ended June 30, 2019, the Manager, agreed to absorb certain expenses associated with the Canadian Advantage Alternative Class of \$nil and Global Advantage Alternative Class of \$55,469. No amounts were absorbed in the period ended June 30, 2018.

Accrued management fees and performance fees (excluding HST) included in other liabilities on the Statements of Financial Position are as follows:

	June 30, 2019		December 31, 2018	
	Management Fees	Performance Fees	Management Fees	Performance Fees
	\$	\$	\$	\$
Canadian Advantage Alternative Class	71,064	1,174,954	172,995	1,351
Global Advantage Alternative Class	39,436	1,135	-	-

### Operation and Administration Fees

The Funds pay for all expenses incurred in connection with its operation and administration, including applicable GST, HST and any applicable provincial sales taxes. Such costs and expenses may include, without limitation, the fees and expenses of the members of the IRC appointed under NI 81-107 and NI 81-102, as applicable and expenses related to the compliance of those Canadian Securities Regulations; regulatory fees including participation or other fees payable by the Manager under applicable securities legislation; accounting; audit; valuation; legal; registrar and transfer agency, custodial and safekeeping fees; taxes; brokerage commissions; fees and expenses relating to the implementation of portfolio transactions; interest; shareholder servicing costs; shareholder meeting costs; printing and mailing costs; litigation expenses; amounts paid for damages awarded or as settlements in connection with litigation; lease payments (including prepaid portions thereof); costs of office space, facilities and equipment; costs of financial and other reports and prospectuses that are used in complying with applicable securities legislation; and any new fee that may be introduced by a securities authority or other governmental authority that is calculated based on assets or other criteria of the Funds. The Manager may provide any of these services and is reimbursed all of its costs in providing these services to the Funds which may include but are not limited to personnel costs, office space, insurance and depreciation. The common expense of the Funds and other investment funds managed by Arrow will be allocated among the Funds and other funds, as applicable. The Funds will bear separately any expense item that can be attributed specifically to the Funds. Common expense of the Funds and other funds will be allocated based on a reasonable allocation methodology which will include allocations based on the assets of the Funds or the number of shareholders of the Funds or other methodology the Manager determine is fair.

### 11. BROKERAGE COMMISSIONS

Total commissions paid to dealers for the periods ended June 30, 2019 and 2018 in connection with fund transactions are as follows:

	June 30, 2019	June 30, 2018
	\$	\$
Canadian Advantage Alternative Class	85,350	61,379
Global Advantage Alternative Class	134,261	-

For the period ended June 30, 2019, \$15,466 and \$8,908 were used for market data services by the Canadian Advantage Alternative Class and Global Advantage Alternative Class (2018: \$12,852 and \$nil).

# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

### 12. TAXATION

Each Fund is a class of shares of the Corporation. Income, expenses and capital gains and losses of each Fund are consolidated, as a single entity, in determining the Corporation's taxable income and amount of taxes payable as a whole. Any taxes payable or recoverable by the Corporation are allocated to the Funds and their various series'.

The Corporation qualifies as a mutual fund corporation under the Income Tax Act (Canada) (the "Tax Act"). The general income tax rules associated with a public corporation apply to a mutual fund corporation with the exception that taxes payable on net realized capital gains are refundable when its shares are redeemed or when it pays capital gains dividends out of its capital gains dividend account to its shareholders, such that in substance the Corporation is not taxable on capital gains. Similarly, the Corporation is subject to Part IV tax on dividends received from Canadian corporations, however, they are refundable once paid to shareholders. As a result, the Corporation does not record income taxes related to capital gains and dividends from Canadian corporations.

Interest and foreign income are taxed at normal corporate rates applicable to mutual fund corporations and can be reduced by permitted deductions for tax purposes. All of the Corporation's expenses including management fees and operating expenses will be taken into account in determining its overall tax liability, if any.

As of December 31, 2018, the Corporation has accumulated the following non-capital losses available for utilization against net income for tax purposes in future years and capital losses available for utilization against capital gains. The tax benefit of the non-capital losses has not been reflected in the financial statements.

Non-Capital Loss*	Capital Loss**
\$20,600,066	\$nil

\* Non-capital losses can be offset against income in future years for up to 20 years.

\*\* Net Capital losses can be carried forward indefinitely for offset against gains in future periods.

### 13. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES PER SHARE

The increase (decrease) in net assets attributable to holders of redeemable shares per share for the periods ended June 30, 2019 and 2018 is calculated as follows:

June 30, 2019	Increase (decrease) in net assets attributable to holders of redeemable shares (\$)	Weighted average redeemable shares outstanding during the period	Increase (decrease) in net assets attributable to holders of redeemable shares per share (\$)
Canadian Advantage Alternative Class - Series A	3,941,813	1,632,654	2.41
Canadian Advantage Alternative Class - Series F	5,887,476	2,186,479	2.69
Canadian Advantage Alternative Class - Series L	620,370	366,582	1.69
Global Advantage Alternative Class - Series A	(80,123)	950,469	(0.08)
Global Advantage Alternative Class - Series F	51,688	821,339	0.06
Global Advantage Alternative Class - Series G	(54,229)	120,228	(0.45)
Global Advantage Alternative Class - Series U	(45,662)	98,624	(0.46)
Global Advantage Alternative Class - Series ETF	(58,964)	604,964	(0.10)

June 30, 2018	Increase (decrease) in net assets attributable to holders of redeemable shares (\$)	Weighted average redeemable shares outstanding during the period	Increase (decrease) in net assets attributable to holders of redeemable shares per share (\$)
Canadian Advantage Alternative Class - Series A	1,251,638	2,100,794	0.60
Canadian Advantage Alternative Class - Series F	1,838,643	2,587,443	0.71
Canadian Advantage Alternative Class - Series L	225,880	538,031	0.42
Global Advantage Alternative Class - Series A	N/A	N/A	N/A
Global Advantage Alternative Class - Series F	N/A	N/A	N/A
Global Advantage Alternative Class - Series G	N/A	N/A	N/A
Global Advantage Alternative Class - Series U	N/A	N/A	N/A
Global Advantage Alternative Class - Series ETF	N/A	N/A	N/A



# ARROW FUNDS

## GENERAL NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

For the periods ended June 30, 2019 and December 31, 2018

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### **14. REVISION OF COMPARATIVE FIGURES**

For the period ended June 30, 2018, "Unrealized foreign exchange gain (loss) on cash and cash equivalents" and "Unrealized foreign exchange (gain) loss on cash and cash equivalents" disclosed in the Statements of Cash Flows has been revised to exclude the unrealized foreign exchange gain (loss) on margin deposits and margin loans and unrealized foreign exchange (gain) loss on margin deposits and margin loans. The reclassified amount for Canadian Advantage Alternative Trust is \$(259,698). This change was made to more appropriately reflect the balance relating to the cash and cash equivalents held by the Funds.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

August 27, 2019

### TO THE SHAREHOLDERS OF ARROW CANADIAN ADVANTAGE ALTERNATIVE CLASS AND ARROW GLOBAL ADVANTAGE ALTERNATIVE CLASS (COLLECTIVELY THE "FUNDS")

The accompanying unaudited financial statements have been prepared by Arrow Capital Management Inc. ("Arrow" or the "Manager" of the Funds), and approved by the Board of Directors of the Manager. The Manager is responsible for the information and representations contained in these financial statements.

The Manager maintains appropriate processes to ensure that reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Funds are described in Note 2 to the financial statements.

"James L. McGovern"

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JAMES L. MCGOVERN  
Managing Director & CEO  
ARROW CAPITAL MANAGEMENT INC.

"Robert W. Maxwell"

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ROBERT W. MAXWELL  
Managing Director & CFO  
ARROW CAPITAL MANAGEMENT INC.

**NOTICE TO SHAREHOLDERS**

**The auditor of the Funds has not reviewed these interim financial statements.**

The Manager of the Funds appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice.

## **FUND INFORMATION**

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