**NOTICE OF SPECIAL MEETING AND**

**MANAGEMENT INFORMATION CIRCULAR**

---

**SPECIAL MEETING OF UNITHOLDERS OF**

**CURVATURE MULTI-STRATEGY FUND**

**THE ABOVE MEETING IS TO BE HELD ON**
**MARCH 19, 2019**

**in Toronto, Ontario**

---

If you are a unitholder and you have any questions as to how to deal with the documents or matters referred to herein, you should immediately consult your investment advisor.

THESE DOCUMENTS REQUIRE IMMEDIATE ATTENTION.

**TABLE OF CONTENTS**

NOTICE OF SPECIAL MEETING OF UNITHOLDERS OF CURVATURE MULTI-STRATEGY FUND .......... 1

MANAGEMENT INFORMATION CIRCULAR .......... 3

SOLICITATION OF PROXIES AND VOTING INSTRUCTIONS .......... 3

- Registered Owners .......... 3
- Non-Registered Owners .......... 4

PROPOSED MERGER OF CURVATURE MULTI-STRATEGY FUND .......... 5

- Introduction .......... 5
- Reasons for the Merger .......... 5
- Procedures for the Merger .......... 6
- Implementation of the Merger .......... 6
- Fund Comparisons .......... 7
- Additional Information .......... 18
- Authorization by Unitholders .......... 18
- Recommendation Regarding the Merger .......... 19
- Income Tax Considerations Regarding the Merger .......... 19

SECURITIES OF THE FUNDS AND PRINCIPAL UNITHOLDERS .......... 23

MANAGEMENT OF THE TERMINATING FUND .......... 23

# NOTICE OF SPECIAL MEETING OF UNITHOLDERS OF CURVATURE MULTI-STRATEGY FUND

---

**NOTICE IS HEREBY GIVEN** that a special meeting of the unitholders (the "**Special Meeting**") of Curvature Multi-Strategy Fund (the "**Terminating Fund**") will be held on March 19, 2019 at the head office of Arrow Capital Management Inc., 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5 at 9:30 a.m. (Toronto time) for the following purposes:

to consider and, if deemed appropriate, to pass a resolution to approve all matters relating to the merger of the Terminating Fund into Curvature Market Neutral Fund, as more particularly described in the accompanying Management Information Circular; and

to transact such other business as may properly come before the Special Meeting or any adjournment thereof.

The text of the proposed resolutions to be passed by unitholders at the Special Meeting is set out in Schedule A to the accompanying Management Information Circular.

DATED at Toronto, Ontario, this 22nd day of February, 2019.

ARROW CAPITAL MANAGEMENT INC. as Trustee of
Curvature Multi-Strategy Fund

*"James L. McGovern"*

By: James L. McGovern

## I M P O R T A N T

**Unitholders who are unable to attend the Special Meeting in person and who wish to appoint, as their proxy, the officers and directors of Arrow Capital Management Inc., whose names are printed on the proxy, are requested to complete, date, sign and return the accompanying form of proxy. A self-addressed return envelope has been provided. The proxy should be sent to Arrow Capital Management Inc., 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5, or it may be faxed to 416-323-3199, SO AS TO ARRIVE NOT LATER THAN THE CLOSE OF BUSINESS ON THE DAY THAT IS 48 HOURS PRIOR to the commencement of the Special Meeting or any adjournment thereof (excluding Saturdays and holidays) or deposited with the Chairman of the Special Meeting prior to the commencement thereof.**

**MANAGEMENT INFORMATION CIRCULAR**

**IN RESPECT OF THE SPECIAL MEETING OF UNITHOLDERS OF:**

**CURVATURE MULTI-STRATEGY FUND (the "Terminating Fund")**

---

## SOLICITATION OF PROXIES AND VOTING INSTRUCTIONS

The information in this management information circular (the "Management Information Circular") is furnished in connection with the solicitation of proxies (and of voting instructions in the case of non-registered owners of units) from unitholders of the Terminating Fund by or on behalf of Arrow Capital Management Inc. ("Arrow"), as manager and trustee of the Terminating Fund, to be used at the special meeting and at all adjournments thereof (the "Special Meeting"), at the time and place and for the purposes set forth in the accompanying notice of Special Meeting. Solicitation of proxies and voting instructions will be made by mail or courier or by telephone by the directors, officers and employees of Arrow or its agents directly to unitholders or to dealers who acted on behalf of unitholders in the purchase of units of the Terminating Fund. Costs of the Special Meeting of the Terminating Fund will be borne by Arrow. The information contained herein is given as at January 31, 2019 except where otherwise noted.

### REGISTERED OWNERS

If you are a registered owner of units, you may vote in person at the Special Meeting or you may appoint another person to represent you as proxyholder and vote your units at the Special Meeting. If you wish to attend the Special Meeting, do not complete or return the enclosed form of proxy because you will vote in person at the Special Meeting. Please register when you arrive at the Special Meeting.

#### Appointment of Proxies

If you do not wish to attend the Special Meeting, you should complete and return the enclosed form of proxy. The individuals named in the form of proxy are representatives of the manager of the Terminating Fund and are directors and officers of Arrow. You have the right to appoint someone else to represent you at the Special Meeting. If you wish to appoint someone else to represent you at the Special Meeting, insert that other person's name in the blank "appointee" space provided in the form of proxy. The person you appoint to represent you at the Special Meeting need not be a unitholder of the Terminating Fund and must be present at the Special Meeting in order to vote the units.

To be valid, proxies must be sent to and reviewed by Arrow Capital Management Inc., 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5 or faxed to 416-323-3199 not later than the close of business on the day that is 48 hours prior to the commencement of the Special Meeting or any adjournment thereof (excluding Saturdays and holidays).

#### Revocation

If you have submitted a proxy and later wish to revoke it you can do so by:

1. completing and signing a form of proxy bearing a later date and depositing it with Arrow as described above;

2. depositing a document that is signed by you (or by someone you have properly authorized to act on your behalf) (i) at the offices of Arrow at any time up to the last business day preceding the day of the Special Meeting, or any adjournment of the Special Meeting, at which the proxy is to be used, or (ii) with the chair of the Special Meeting before the Special Meeting starts on the day of the Special Meeting or any adjournment of the Special Meeting;

3. electronically transmitting your revocation in a manner permitted by law, provided that the revocation is received (i) at the offices of Arrow at any time up to and including the last business day preceding the day of the Special Meeting, or any adjournment of the Special Meeting, at which the proxy is to be used, or (ii) by the chair of the Special Meeting before the Special Meeting starts on the day of the Special Meeting or any adjournment of the Special Meeting; or

4. following any other procedure that is permitted by law.

**Voting of Proxies**

In connection with any ballot that may be called for, the representatives of Arrow designated in the enclosed form of proxy will vote your units in accordance with the instructions you have indicated on the proxy and, if you specify a choice with respect to any matter to be acted upon, the units will be voted accordingly. **In the absence of any direction, your units will be voted by the representatives of Arrow FOR the Merger of Curvature Multi-Strategy Fund into Curvature Market Neutral Fund as indicated under Proposed Merger of Curvature Multi-Strategy Fund in this Management Information Circular.**

The representatives of Arrow designated in the enclosed form of proxy have discretionary authority with respect to amendments to or variations of matters identified in the notice of meeting and with respect to other matters that may properly come before the Special Meeting. At the date of this Management Information Circular, management of Arrow knows of no such amendments, variations or other matters.

**NON-REGISTERED OWNERS**

These meeting materials are being sent to both registered and non-registered owners of units of the fund.

If your units are registered in the name of an intermediary (such as a bank, trust company, securities dealer or broker, or trustee or administrator of a self-administered registered retirement savings plan, registered retirement income fund, registered education savings plan, deferred profit sharing plan or similar plan (a "Registered Plan")), you are a non-registered owner.

Only registered owners of units, or the persons they appoint as their proxies, are permitted to attend and vote at the Special Meeting. If you are a non-registered owner, you are entitled to direct how the units beneficially owned by you are to be voted or you may obtain a form of legal proxy that will entitle you to attend and vote at the Special Meeting.

You will receive the notice of the Special Meeting and this Management Information Circular (collectively, the "meeting materials"), and a request for voting instructions from Arrow.

By choosing to send these materials to you directly, Arrow (and not the intermediary holding the units of the Funds on your behalf) has assumed responsibility for (i) delivering these meeting materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

If you do not wish to attend the Special Meeting (or have another person attend and vote on your behalf), you should write your name, or the name of your designate, on the "appointee" line on the form of proxy, then sign and return it by mail to Arrow. You may revoke your voting instructions at any time by written notice, except that Arrow is not required to honour the revocation of your voting instructions unless the revocation is received by 5:00 p.m. (Toronto time) on March 18, 2019.

When you write your name or the name of your designate, on the "appointee" line, you or your designate will have the right to attend the Special Meeting and vote in person. If you have another person voting on your behalf, you should instruct your designate how to complete the form of proxy. You, or your designate, must attend the Special Meeting. You (or the other person) must register when you arrive at the Special Meeting.

You should follow the instructions on the request for voting instructions and contact Arrow promptly if you need assistance.

If you wish to obtain a legal proxy please contact the individual who services your account.

## PROPOSED MERGER OF CURVATURE MULTI-STRATEGY FUND

### INTRODUCTION

Arrow, as manager of Curvature Multi-Strategy Fund (the "**Terminating Fund**"), is seeking the approval of unitholders of the Terminating Fund to merge the Terminating Fund into Curvature Market Neutral Fund (the "**Continuing Fund**") (the "**Merger**").

The Terminating Fund and the Continuing Fund are hereinafter referred to collectively as the "**Merging Funds**" and individually as a "**Merging Fund**".

### REASONS FOR THE MERGER

In the opinion of Arrow, the Merger will be beneficial to unitholders of the Terminating Fund and the Continuing Fund for the following reasons:

1. The Terminating Fund and the Continuing Fund are managed by the same team of investment personnel at CHS Asset Management Inc. ("**CHS Asset**");

2. A portion of the Terminating Fund's investments are similar to investments in the Continuing Fund;

3. the Merger will enable CHS Asset to focus on one investment objective and strategy;

4. The Merger will eliminate duplicative administrative and regulatory costs of operating the Terminating Fund and the Continuing Fund as separate mutual funds; and

5. Following the Merger, the Continuing Fund will have more assets allowing for increased portfolio diversification opportunities and a smaller proportion of assets set aside to fund redemptions.

The Terminating Fund will be wound-up as soon as reasonably possible following the Merger.

Neither of the Merging Funds will bear any of the costs and expenses associated with the Merger. Such costs will be borne by Arrow.

## PROCEDURES FOR THE MERGER

The Merger will be implemented as described below.

1. The value of the Terminating Fund's assets will be determined at the close of business on the effective date of the Merger in accordance with the trust agreements of the Terminating Fund and the Continuing Fund.

2. The Continuing Fund will acquire substantially all of the assets of the Terminating Fund. In return, the Continuing Fund will issue to the Terminating Fund units of the Continuing Fund having an aggregate net asset value equal to the value of the assets acquired.

3. The Continuing Fund will issue units of the Continuing Fund in exchange for units of the Terminating Fund, whereby Class A and Class F Units will be exchanged for Class A and Class F Units of the Continuing Fund, respectively.

4. The Continuing Fund will not assume the Terminating Fund's liabilities. Instead, the Terminating Fund will retain sufficient assets to satisfy its estimated liabilities, if any, as of the date of the Merger.

5. In the event that there is any net income or net realized capital gains in the Terminating Fund, the Terminating Fund will declare, pay and automatically reinvest a distribution to its unitholders of net capital gains prior to redeeming the units as described below.

6. Immediately thereafter, the Terminating Fund will redeem all of its outstanding units at their net asset value which will be paid by delivering to its unitholders units of an equivalent class of the Continuing Fund having an equal aggregate net asset value.

7. The Merger will be implemented on a taxable basis for the Terminating Fund, which will result in unitholders of the Terminating Fund realizing a capital gain or loss on their investment in units of the Terminating Fund as of the Merger Date.

8. The Terminating Fund will be wound-up.

**Arrow anticipates that, immediately prior to effecting the Merger, the Terminating Fund will have unrealized net capital losses and loss carry-forwards to shelter any income or capital gains realized by the Terminating Fund as a result of the merger. In addition, a taxable merger will mean that only unutilized losses of the Terminating Fund will expire on the Merger. The Continuing Fund will continue to have full access to its tax loss carry forwards following the merger, which can be used to shelter future income and gains. It will therefore be advantageous to unitholders of the Terminating Fund if this Merger is effected on a taxable basis. The Terminating Fund is expected to only have minimal unutilized losses at the Merger Date which will expire unused. Further tax information is described under "Income Tax Considerations Regarding the Merger" later in this Management Information Circular.**

## IMPLEMENTATION OF THE MERGER

If unitholders of the Terminating Fund approve the Merger, it is proposed that the Merger will occur after the close of business on or about March 22, 2019 or such later date as may be determined by Arrow. Arrow may, in its discretion, postpone implementing the approved Merger until a later date (which shall be not later than April 30, 2019) and may elect to not proceed with the Merger.

If the Merger is approved by unitholders of the Terminating Fund, the right of unitholders to redeem or transfer their units of the Terminating Fund will cease as of the close of business on the effective date of the Merger. Unitholders of the Terminating Fund will subsequently be able to redeem, in the ordinary course, the units of the Continuing Fund that they will acquire through the Merger, which units will be subject to the same redemption charges, if any, to which the unitholder's units of the Terminating Fund were subject prior to the Merger. Purchases of, and transfers to, units of the Terminating Fund will be suspended on or prior to the effective date of the Merger. Any pending redemptions for the Terminating Fund for March 31, 2019 will be processed as a redemption of the Continuing Fund on March 31, 2019.

**FUND COMPARISONS**

**General**

Set out below is a description of certain features which are common between the Terminating Fund and the Continuing Fund.

| Feature | Description | |
|---|---|---|
| **Manager** | Arrow is the manager of each of the Merging Funds. | |
| **Investment Advisor** | Management of the both of the Merging Fund's investment portfolios is conducted by CHS Asset. | |
| **Registered Plan Eligibility** | The securities of each of the Terminating Fund and the Continuing Fund are qualified investments for Registered Plans. | |
| **Distribution Policies** | Both Merging Funds pay an annual distribution, if any. | |
| **Management Fees** | **Terminating Fund**<br>• Class A Units: 2.50%<br>• Class F Units: 1.50% | **Continuing Fund**<br>• Class A Units: 2.50%<br>• Class F Units: 1.50% |
| **Servicing Commissions** | **Terminating Fund**<br>The servicing commissions is based on the daily total Net Asset Value of client assets invested in the Terminating Fund at an annual rate of 1.00% for Class A Units. | **Continuing Fund**<br>The servicing commissions is based on the daily total Net Asset Value of client assets invested in the Continuing Fund at an annual rate of 1.00% for Class A Units. |
| **Performance Fees** | **Terminating Fund**<br>For the Terminating Fund there is a performance fee based on an amount | **Continuing Fund**<br>For the Continuing Fund there is a performance fee based on an amount |

| Feature | Description | |
|---|---|---|
| | equal to 20% of the Fund's net gain for each period (including net unrealized capital gains, if any), subject to reduction for prior period losses that have not previously been offset against net gains. | equal to 20% of the Fund's net gain for each period (including net unrealized capital gains, if any), subject to reduction for prior period losses that have not previously been offset against net gains. |
| **Operating Expenses** | Each of the Terminating Fund and the Continuing Fund is responsible, on a separate basis, for the payment of all fees and expenses relating to its operation. | |
| **Fees Payable Directly by Investors** | Investors pay a commission to their dealers when purchasing units of a Merging Fund on a front-end sales charge basis. The amount of the commission is negotiable between the investor and his or her dealer but is not to exceed 5% of the total invested. The maximum front-end sales charge applicable on the purchase of units of the Terminating Fund is the same as that of the Continuing Fund. There are no front-end sales charges payable by investors who purchase class F Units of a Merging Fund.<br><br>The Merging Funds have substantially similar arrangements with respect to switch fees: in no case is any fee charged by the Merging Fund or Arrow, but the investor's dealer may charge a fee up to 2% of the value of the units switched.<br><br>No fees are charged for opening or maintaining an Arrow-sponsored Registered Plan for investing in either of the Merging Funds. | |
| **Valuation Procedures** | Each Merging Fund calculates its net asset value weekly at 4:00 p.m. (Toronto time) on each Valuation Date. Net asset values per unit are calculated for each class of units using the same methodologies and currencies. Assets and liabilities generally are valued in the same manner. | |
| **Purchases and Redemptions of Units** | Purchases can be made on the Valuation Date for Class A and F Units of both Merging Funds which is the last trading day of each week and of each calendar month in which the Toronto Stock Exchange is open for business or such other business day as Arrow may determine. Redemptions can be made on the Valuation Date for all Units of both Merging Funds which is the last trading day of each calendar month in which the Toronto Stock Exchange is open for business or such other business day as Arrow may determine. Redemption orders for both Merging Funds must be received by the Arrow prior to 4:00pm (Eastern time) at least twenty business days prior to the redemption trade date. | |

The following is a description of the fundamental investment objective, investment strategies and restrictions and risk factors of the Continuing Fund:

**Fundamental Investment Objective**

The investment objective of the Continuing Fund is to maximize absolute returns on investments.

**Investment Strategies and Restrictions**

The Continuing Fund seeks to achieve its objective primarily through investments in opportunities that provide what CHS Asset believes, at the time of investment, to have the best risk/return ratio. CHS Asset also intends to optimize the returns of the Continuing Fund's investment portfolio by varying the allocation of long and short positions amongst at least three distinct strategies that have non-perfect correlation characteristics providing added diversification benefits. The common themes of the three strategies are that they focus on capturing market inefficiencies by focusing on identifying significant changes in company fundamentals and are implemented utilizing less efficient small cap equity and equity-linked securities.

The initial strategies which CHS Asset or the Investment Advisor expects to initially employ are as follows:

1. *Fundamental Change Strategy*: Trading in long and short positions where the primary investment criteria are fundamental change. Specific catalysts for forecasted position appreciation are typically necessary before entering a position. CHS Asset attempts to capture market inefficiencies created by the market's systematic under-reaction to major "changes" in the intermediate timeframe, caused by a combination of behavioral inefficiencies and market "reflexivity".

2. *Event-Driven Change Strategy*: Trading in long/short positions where the primary investment objective is capturing alpha from major corporate events such as merger arbitrage and equity-linked financings.

3. *Systematic Change Investment Strategy*: Trading in long/short positions where investment decisions are based upon change-based quantitative model inputs overlaid upon the Continuing Fund's core investment universe. As with the Fundamental Change Strategy, CHS Asset attempts to capture market inefficiencies created by the market's systematic under-reaction to major "changes" in the intermediate timeframe, caused by a combination of behavioral inefficiencies and market "Reflexivity" (defined as a feedback loop between significant changes in company fundamentals and changes in the market valuation of that company).

CHS Asset shall not be restricted to utilizing only the foregoing investment strategies and, in its discretion, may employ other or additional investment strategies from time to time in seeking to achieve the Continuing Fund's investment objective.

**Risk Management and Controls**

CHS Asset has adopted a set of risk management controls and policies. CHS Asset's Chief Investment Officer and Chief Compliance Officer ("CIO/CCO") is responsible for identifying and managing the material trading risks of the Continuing Fund and supervising CHS Asset's portfolio manager(s) and analyst(s) adherence to internal risk management policies and Continuing Fund risk limits.

The quantifiable risks relating to the Continuing Fund's investment strategies will be monitored using risk management tools. A risk budget and limits will be assigned to the portfolio manager(s) and will be monitored on a “real time” basis. The portfolio manager is required to manage the portfolio within the risk budget. Non quantifiable risks and risks not handled in the risk budgeting system will be monitored and managed by the CIO/CCO.

CHS Asset will employ the following investment policies and restrictions:

1. Long / Short: The proportion of long positions versus short positions in the Continuing Fund will fluctuate from time to time and will be determined by CHS Asset. It is anticipated that under normal circumstances the net market exposure will range from -10% to +10% but may be exceeded if CHS Asset believes current market conditions warrant it.

2. Leverage: Leverage will be employed subject to the following limits: A maximum leverage of 200% of the Net Asset Value of the Continuing Fund will be employed, although it is expected that the Continuing Fund will normally be operated significantly below this threshold.

3. Concentration: The Continuing Fund will limit the weighting in a particular security at the time of investment to no more than 5% of the Net Asset Value of the Continuing Fund.

4. Illiquid Investments: Purchases of non-marketable securities at the time of investment will be limited to less than 5% of the Net Asset Value of the Continuing Fund,

5. Derivatives: The Continuing Fund may make use of options and other derivatives to enhance returns or to manage risk.

**Inherent Risks**

In accordance with the methodology described on page 8 of the offering memorandum, we have rated the Continuing Fund as low-to-medium risk.

It is not intended as a complete investment program and is designed only for investors who have adequate means of providing for their needs and contingencies without relying on distributions or withdrawals from their Continuing Fund accounts, who are financially able to maintain their investment and who can afford the loss of their investment. There can be no assurance that the Continuing Fund will achieve its investment objectives. All potential investors in the Continuing Fund should understand the investment approaches and techniques that CHS Asset expects to use in the management of the Continuing Fund and the particular risks associated with those approaches and techniques.

Risks investing in the Continuing Fund include: Arbitrage Risk; Broad Authority of the Manager Risk; Business Risk; Commodity Risk; Conflicts of Interest Risk; Counterparty Risk; Credit Risk; Earnings Surprise Risk; Foreign Exchange Hedge Risk; Forward Contracts Risk; Futures Trading Risk; Hedging Risk; Illiquid Assets Risk; Income Trusts and Partnerships Risk; Interest Rate Fluctuations Risk; International Securities Risk; Investment Advisor Risk; Lack of Insurance Risk; Low Rated or Unrated Debt Obligation Risk; Margin Trading Risk; Short Sales Risk; Market Risk; Net Asset Value Risk; Newly Established and Smaller Capitalization Companies Risk; Portfolio Turnover Risk; Potential Lack of Diversification Risk; Reliance on Manager and Investment Advisor Risk; Securities Believed to be Undervalued or Incorrectly Valued Risk; Unitholder Liability Risk; Use of Options Risk; and Use of Prime Broker to Hold Assets Risk. These and other risks, which may also apply to the Continuing Fund, are described under the heading “Risk Factors” below.

Except as identified above, the investments of the Continuing Fund will not be subject to restrictions.

**Risk Factors**

**An investment in the Continuing Fund involves significant risks.**

An investment in the Continuing Fund is appropriate for investors with an investment tolerance for low-to-medium risk. It is not intended as a complete investment program and is designed only for investors who have adequate means of providing for their needs and contingencies without relying on distributions or withdrawals from their Continuing Fund accounts, who are financially able to maintain their investment and who can afford the loss of their investment. There can be no assurance that the Continuing Fund will achieve its investment objectives. All potential investors in the Continuing Fund should understand the investment approaches and techniques that the Manager expects to use in the management of the Continuing Fund and the particular risks associated with those approaches and techniques.

Investors should consider the following risk factors before investing.

**Arbitrage Risk:** Arbitrage has unique risk factors. Merger arbitrage focuses on companies involved in a merger or acquisition. The key risks in merger arbitrage are (i) that the deal may not be consummated; (ii) the deal may be significantly delayed; and (iii) the deal is re-priced to the detriment of the vendor. Special situations arbitrage is a non-standard, unique arbitrage opportunity. The risks associated with a given special situation will generally be unique to that arbitrage.

**Broad Authority of Arrow Risk:** The trust indentures and management agreements give Arrow broad discretion over the conduct of the Continuing Fund's business, over the specific companies in which the Continuing Fund invests and over the types of securities transactions in which the Continuing Fund engages.

**Business Risk:** While Arrow believes that the Continuing Fund's investment policies will be successful over the long term, there can be no guarantee against losses resulting from an investment in units of the Funds and there can be no assurance that the Continuing Fund's investment approach will be successful or that its investment objective will be attained. The Continuing Fund could realize substantial losses, rather than gains, from some or all of the investments described herein.

**Commodity Risk:** The market value of the Continuing Fund's investments may be affected by adverse movements in commodity prices. When commodity prices decline, this generally has a negative impact on earnings of companies whose business is based in commodities, such as oil and gas.

**Conflicts of Interest Risk:** Certain inherent conflicts of interest are likely to arise as a result of Arrow and affiliated persons carrying on similar investment activities both for themselves and for clients other than the Fund. Arrow and such other persons are or may be engaged in other business activities. Arrow and such persons will not be required to refrain from any other activity or to disgorge any profits from any such activity, and will not be required to devote all of their time and efforts to the Fund and their affairs. The Continuing Fund and other investment funds in which Arrow and their affiliates may participate as an investor or serve as a manager and other investment management and consulting clients that Arrow and such other persons or their affiliates may have from time to time may share administrative offices and utilize common services, facilities, investment research and management. Arrow and such other persons may also determine from time to time that some investment opportunities are appropriate for certain investment management clients and not others, including the Continuing Fund, due to differing objectives, time horizons, liquidity needs or availability, tax consequences and assessments of general market conditions and of individual securities. It may also occasionally be necessary to allocate limited investment opportunities among the Continuing Fund and others on a basis deemed appropriate by Arrow which may mean that Arrow or other accounts managed by any of them achieve profits that the Continuing Fund does not or avoid losses that the Continuing Fund suffers.

Arrow have complete discretion regarding the selection of those registered securities broker-dealers and other financial intermediaries with and through which the Continuing Fund executes and clears its portfolio transactions, the commissions and fees payable to a broker and the prices at which the Continuing Fund buys and sells its investments. It is expected that Arrow will allocate portfolio transaction business generally on the basis of best available execution and net results for the Continuing Fund, subject to compliance with applicable law, but they may also allocate the Continuing Fund's portfolio transactions based in part on the provision of or payment for other products or services (including but not limited to investment research) to the Continuing Fund, Arrow or affiliated persons. Such products or services may not be used for the direct or exclusive benefit the Continuing Fund and may reduce the overhead and administrative expenses otherwise payable by Arrow under the terms of the Management Agreements. These "soft dollar" or "directed brokerage" arrangements could also give Arrow an incentive to "churn" the Continuing Fund's account by trading more actively in order to produce more credits with the securities firms providing the soft dollar or directed brokerage benefits. Arrow or any of such persons may also determine in the future to establish or become affiliated with a securities broker-dealer and to execute transactions for the Continuing Fund through such affiliated broker-dealer.

**Counterparty Risk:** The Continuing Fund bears the risk of loss of the amount expected to be received under options, swaps, forward contracts or securities lending agreements in the event of the default or bankruptcy of a counterparty to such contracts or agreements.

**Credit Risk:** Credit risk is the risk that the government or company issuing a fixed income security will be unable to make interest payments or pay back the original investment. Securities that have a low credit rating have high credit risk. Lower-rated debt securities issued by companies or governments in emerging markets often have higher credit risk. Securities issued by well-established companies or by governments of developed countries tend to have lower credit risk. Investment funds that invest in companies or markets with high credit risk tend to be more volatile in the short term. However, they may offer the potential of higher returns over the long term.

**Earnings Surprises Risk:** There can be no assurance that the investments will report earnings in the manner expected. The Continuing Fund may hold stocks that disappoint earnings expectations and decline rapidly, and the Continuing Fund may short stocks that exceed earnings expectations and rise rapidly, in both cases producing losses.

**Emerging Markets Risk:** Many securities markets in developing and/or emerging markets have substantially less volume and are subject to less government supervision than in Canada and other developed country securities markets. Securities of many issuers in emerging markets may be less liquid and more volatile than securities of comparable Canadian and other developed country issuers. In addition, there is generally less governmental regulation of securities exchanges, securities dealers and listed and unlisted companies and less stringent reporting requirements in emerging markets than in Canada and other developed countries. Emerging markets may have slower clearance and settlement procedures, higher transaction costs and restrictions on investment in certain instruments, which may restrict or delay investments in such markets by the Fund. In addition, certain governments may require approval for, or otherwise restrict, the repatriation of investment income, capital or proceeds of sales of securities by foreign investors. War, governmental intervention, lack of capital, generally smaller size companies with less management depth and expertise or lack of availability of capital are also common risks in these markets.

**Foreign Exchange Hedge Risk:** Since it is expected that some of the assets of the Continuing Fund will not be denominated in the same currency as a unitholder has invested, the Continuing Fund will, on an on-going basis, use best efforts to hedge the currency exposure to the fluctuation of the currency of the investments compared to the unitholder's currency by using over–the-counter foreign exchange forward contracts and foreign exchange spot transactions. The performance of the Continuing Fund and the performance of a particular class of the Continuing Fund may be impacted by the cost of foreign exchange hedges, and will not benefit from the appreciation of those currencies compared to the unitholder's currency as a result of the foreign exchange hedges. There are currency risks and some funds may use best efforts to hedge currency, if successful there's no exposure to currency.

**Forward Contracts Risk:** The Continuing Fund may engage in forward contracts for hedging purposes and to participate in foreign markets. A forward contract is an obligation to purchase or sell an underlying asset, including currency and stocks, for an agreed price at a future date. The use of forward contracts as a hedging strategy may not be effective and may result in losses greater than if hedging had not been used. There may be an imperfect historical correlation between changes in the market value of the investment being hedged and the hedging derivative. Hedging against a decline in the value of the currency or stock or bond market does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. It may also preclude an opportunity for gain if the value of the hedged currency or stock or bond market should rise, because the derivative would incur an offsetting loss. Moreover, there is no assurance that a market will exist to purchase the forward contract when the Continuing Fund wants to close out its position. If the Continuing Fund is unable to close out a position, it will be unable to realize its profits or limit its losses until such time as the forward contract terminates. Forward contracts traded in foreign markets may offer less liquidity and greater credit risks than derivatives traded in North American markets, because North American markets are generally larger and more active.

**Futures Trading:** Futures prices are highly volatile, with price movements being influenced by a multitude of factors such as changing supply and demand relationships, government trade, fiscal, monetary and exchange control programs and policies, national and international political and economic events and speculative frenzy and the emotions of the marketplace. In addition, governments from time to time intervene in certain markets, particularly currency and interest-rate markets.

**Hedging Risk:** Various hedging techniques may be used in an attempt to reduce certain risks, including but not limited to currency risks associated with investments denominated in foreign currencies. For example, hedging in options may reduce the risks of both short-selling and taking long positions in certain transactions. Recalculations and adjustments to specific position hedges will be performed as market conditions warrant. However, such position hedges entail risks of their own. For example, unanticipated changes in currency exchange rates may result in an overall poorer performance than if currency risks had not been hedged. If market conditions are analyzed incorrectly or a risk reduction strategy is employed that does not correlate well with the Continuing Fund's investments, risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return.

**Illiquid Assets Risk:** An illiquid asset is a security or other position that cannot be disposed of quickly in the normal course of business. Illiquid assets generally include securities of a private company, and securities listed under an initial public offering or other securities the resale of which is restricted under applicable securities legislation. While investments in illiquid assets can often present above average growth opportunities, they can be difficult or impossible to value and/or sell at the time and price preferred by the Continuing Fund. Accordingly, there is a risk that the Fund may be unable to dispose of its illiquid assets, it may have to sell such securities at a lower price, or sell other securities instead to obtain cash and would therefore have to forego other investment opportunities. Although it is expected that the portfolio of each the Continuing Fund, will be highly liquid, securities that were liquid at the time of purchase may become less so over time as a result of numerous factors.

**Income Trusts and Partnerships Risk:** Recent amendments to the Tax Act significantly change the income tax treatment of most publicly traded income trusts and partnerships (other than certain real estate investment trusts). Generally, these new tax rules (the "**SIFT Rules**") apply a tax on certain income earned by these entities at a rate similar to the combined tax rate paid by a corporation and distributions or income allocations, as the case may be, of such income from these entities to investors will be treated as dividends from taxable Canadian corporations. The SIFT Rules may reduce the tax effectiveness to investors that are not eligible for the enhanced dividend tax credit in respect of investment in income trusts and partnerships to which the SIFT Rules apply through a Continuing Fund. As a result of these changes it is also expected that many publicly traded trusts and partnerships will convert to a corporate structure in the coming years. Such conversions could affect the return on investment in respect of these entities held through a Continuing Fund. In addition, the changes have had, and may continue to have, an adverse effect on the trading price of such trusts and partnerships which may affect the net asset value of a Continuing Fund.

**Interest Rate Fluctuations Risk:** In the case of interest rate sensitive securities, the value of a security may change as the general level of interest fluctuates. When interest rates decline, the value of such securities can be expected to rise. Conversely, when interest rates rise, the value of such securities can be expected to decline.

**International Securities Risk:** The Continuing Fund may invest a portion of its assets in securities of issuers domiciled or operating in one or more foreign countries or in securities issued by international governments. Investing in these securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in Canada, including instability of some international governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in Canada or abroad) or changed circumstances in dealings between nations. The application of international tax laws (for example, the imposition of withholding taxes on dividends, interest payments or capital gains) or confiscatory taxation may also affect investments in international securities. Higher expenses may result from investments in international securities than would be the case for investments in U.S. securities because of costs incurred in connection with conversions between various currencies and higher international brokerage commissions. International securities markets also may be less liquid, more volatile and less subject to governmental supervision than in Canada. Investments in international countries could be affected by other factors not present in Canada, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

**Low Rated or Unrated Debt Obligations Risk:** A portion of the Continuing Fund's portfolio may consist of instruments that have a credit quality rated below investment grade by internationally recognized credit rating organizations or may be unrated. These securities involve significant risk exposure as there is uncertainty regarding the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations. Low rated and unrated debt instruments generally offer a higher current yield than that available from higher grade issuers, but typically involve greater risk.

**Lack of Insurance Risk:** The assets of the Continuing Fund are not insured by any government or private insurer except to the extent portions may be deposited in bank accounts insured by a government agency such as the Canada Deposit Insurance Corporation or the Federal Deposit Insurance Corporation (United States) or with brokers insured by the Canadian Investor Protection Fund, or the Securities Investor Protection Corporation (United States) and such deposits and securities are subject to such insurance coverage (which, in any event, is limited in amount). Therefore, in the event of the insolvency of a depository or custodian, the Continuing Fund may be unable to recover all of its funds or the value of its securities so deposited.

**Margin Trading Risk; Short Sales Risk:** The Continuing Fund may engage in short sales, hedging, option trading, leverage and other strategies from time to time. A short sale will result in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed. A short sale will result in a loss if the price of the securities sold short increases. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend or interest that may be required to be paid with respect to the borrowed securities, offset (wholly or partly) by short interest credits. In a generally rising market, short positions may be more likely to result in losses because securities sold short may be more likely to increase in value. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss. Hedging strategies in general are usually intended to limit or reduce investment risk, but they can also be expected to limit or reduce the potential for profit.

Trading on margin and other leveraging strategies can increase the profit potential of a securities portfolio, but can also increase the risk of loss. Any such strategies that the Continuing Fund employs should be expected to increase transaction costs, interest expense and other costs and expenses. In addition, margin trading requires the pledge of securities as collateral, and margin calls can result in the Continuing Fund being required to pledge additional collateral or to liquidate securities holdings, which can result in the necessity for selling portfolio securities at substantial losses that would not otherwise be realized. No assurance can be given that short sales, hedging, leverage and other techniques and strategies will not result in material losses for the Continuing Fund.

**Market Risk:** The value of those securities in which the Continuing Fund invests and that are traded on exchanges or over-the-counter markets and the risks associated therewith vary in response to events that affect such markets and that are beyond the control of the Continuing Fund. Market disruptions such as those that occurred during October of 1987, September of 2001 and the second half of 2008 could result in substantial losses to the Continuing Fund.

There is no guarantee that securities exchanges and markets can at all times provide continuously liquid markets in which the Continuing Fund can close out its positions in those securities that are publicly traded, in particular because the Continuing Fund may invest in securities that are thinly traded or traded infrequently. The Continuing Fund could experience delays and may be unable to sell securities purchased through a broker or clearing member that has become insolvent. In that event, positions could also be closed out fully or partially without the Continuing Fund’s consent.

**Net Asset Value Risk:** The Net Asset Value of the Continuing Fund and the class Net Asset Value of the units of the Continuing Fund will fluctuate with changes in the market value of the Continuing Fund’s investments. Such changes in market value may occur as a result of various factors, including material changes in the intrinsic value of an issuer whose securities are held by the Continuing Fund.

**Newly Established and Smaller Capitalization Companies Risk:** A substantial portion of the Continuing Fund’s assets may be invested at any time in the equity securities of smaller and less well established companies. The earnings and stock prices of such smaller companies tend to be more volatile and the markets for their stocks tend to be less liquid, with resulting higher risk of loss, when compared to investments in larger and more established companies.

**Portfolio Turnover Risk:** The operation of the Continuing Fund may result in a high annual portfolio turnover rate. The Continuing Fund has not placed any limit on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of Arrow investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate (e.g., greater transaction costs such as brokerage fees) and may result in different tax consequences.

**Potential Lack of Diversification Risk:** The Continuing Fund does not have any specific limits on holdings in securities of issuers in any one country, region or industry. Unlike many mutual funds which are required by applicable securities laws to diversify portfolio holdings so that no more than a fixed percentage of their assets are invested in any industry or group of industries, the Continuing Fund may not adopt fixed guidelines for diversification. Although the Continuing Fund's portfolio will generally be diversified, this may not be the case at all times if Arrow deems it advantageous for the Continuing Fund to be less diversified. Accordingly, the investment portfolio of the Continuing Fund may be subject to more rapid change in value than would be the case if there were a requirement to maintain a wide diversification among companies, industries, regions, types of securities and other asset classes.

**Reliance on Arrow:** Unitholders have no right or power to take part in the management of the Continuing Fund. Accordingly, no person should purchase units unless such person is willing to entrust all aspects of the management and all investment decisions of Continuing Fund to Arrow and their officers, employees and agents from time to time.

**Securities Believed to be Undervalued or Incorrectly Valued Risk:** Securities which Arrow believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Arrow anticipates. As a result, the Continuing Fund may lose all or substantially all of its investment in any particular instance. In addition, there is no minimum credit standard that is a prerequisite to the Continuing Fund's investment in any instrument and some obligations and preferred stock in which the Continuing Fund invests may be less than investment grade.

**Unitholder Liability Risk:** The Trust Indenture provides that no unitholder or annuitant shall have any personal liability in his or her capacity as a holder of units or a fraction of a unit, and no resort shall be had to a unitholder's property for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Continuing Fund, Arrow or the Trustee or out of or in connection with any obligation which a unitholder would otherwise have to indemnify the Trustee for any liability incurred by it in its capacity as trustee under the Trust Indenture, but rather that the assets of the Continuing Fund exclusively are to be extended and subject to levy or execution for such satisfaction. Notwithstanding the foregoing statement in the Trust Indenture, because of uncertainties in the law relating to trusts such as the Continuing Fund, there is a risk that a unitholder could be held personally liable for obligations of the Continuing Fund to the extent that claims are not satisfied out of the assets of the Continuing Fund. It is intended that Continuing Fund's operation will be conducted in such a way as to minimize any such risk. In particular, Arrow will follow the investment restrictions of the Continuing Fund and will use its best efforts to avoid such liability being placed upon the unitholders. Based upon these measures being adhered to by the Continuing Fund, it is considered by Arrow that the risk of unitholder liability is remote in the circumstances. In any event, the risk of personal liability of unitholders is minimal in view of the large anticipated equity of the Continuing Fund relative to its anticipated indebtedness and liabilities, the Continuing Fund's investment approach and the intention that any agreement which is related to the borrowing of money by the Continuing Fund or the creation of potential liabilities of a the Continuing Fund include an express disavowal of liability of unitholders. In the event that a unitholder should be required to satisfy any obligation of the Continuing Fund, such unitholder will be entitled to reimbursement from any available assets of the Continuing Fund. However, neither the Continuing Fund nor the unitholders of the Continuing Fund are expected to have any exposure in respect of any underlying funds which are corporations. In order to better protect unitholders from liability, the Continuing Fund may elect, without the consent of its unitholders, to become subject to any new trust legislation which would limit the liability of unitholders.

**Use of a Prime Broker to hold Assets Risk:** Special risks exist where the assets of the Continuing Fund are held by a prime broker rather than through a conventional custodial arrangement with a bank or trust company. Due to the use of leverage and the presence of short positions, some or all of the assets of the Continuing Fund may be held in one or more margin accounts which may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. In the event that the prime broker experiences severe financial difficulty, the assets of the Continuing Fund could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time while the prime broker's business is liquidated, resulting in a potential loss to the Continuing Fund's investment due to adverse market movements while the positions cannot be traded. Furthermore, if the prime broker's pool of customer assets is determined to be insufficient to meet all claims, the Continuing Fund could suffer a loss of some or all of the assets held by the prime broker.

**Use of Options Risk:** Subject to the restrictions on the use of options described under the Continuing Fund's "Investment Objective" and "Investment Strategies and Restrictions" may purchase and write exchange-traded put and call options on debt and equity securities and indices (both narrow-and-broad-based), national securities exchange-traded put and call options on currencies and options on commodities and futures contracts. Put and call options are derivative securities traded on exchanges, including NYSE Amex Equities, Chicago Board Options Exchange, NASDAQ OMX PHLX, TMX Exchange and New York Stock Exchange. Additionally, the Fund may purchase dealer options that are not traded on a securities exchange and options which trade on foreign exchanges.

A put option on securities or currencies gives the purchaser of the option, upon payment of a premium, the right to deliver a specified amount of the securities or currencies to the writer of the option on or before a fixed date at a predetermined price. A put option on a securities index gives the purchaser of the option, upon payment of a premium, the right to a cash payment from the writer of the option if the index drops below a predetermined level on or before a fixed date.

A call option on securities or currencies gives the purchaser of the option, upon payment of a premium, the right to call upon the writer to deliver a specified amount of the securities or currencies on or before a fixed date at a predetermined price. A call option on a securities index gives the purchaser of the option, upon payment of a premium, the right to a cash payment from the writer of the option if the index rises above a predetermined level on or before a fixed date.

The ability of the Continuing Fund to close out a position as a purchaser or seller of a listed put or call option is dependent, in part, upon the liquidity of the option market.

Call options may be purchased for speculative purposes or to provide exposure to increases in the market (e.g., with respect to temporary cash positions) or to hedge against an increase in the price of securities or other investments that the Continuing Fund intends to purchase. Similarly, put options may be purchased for speculative purposes or to hedge against a decrease in the market generally or in the price of securities or other investments. Buying options may reduce the Continuing Fund's returns, but by no more than the amount of the premiums paid for the options.

The Continuing Fund may also write (sell) listed covered options. Call options written give the holder the right to buy the underlying securities at a stated exercise price; put options give the holder the right to sell the underlying security. A call option is covered if the owner owns the security underlying the call or has an absolute and immediate right to acquire that security without additional cash consideration upon conversion or exchange of securities currently held. A put option is covered if the owner maintains cash or cash equivalents equal to the exercise price in a segregated amount. If a written option expires unexercised, a gain is realized equal to the premium received at the time the option was written. If a purchased option expires unexercised, a capital loss is realized equal to the premium paid.

Prior to the earlier of exercise or expiration, an option written may be closed out by an offsetting purchase or sale of an option. The Continuing Fund will realize a gain from a closing purchase transaction if the cost of the closing transaction is less than the premium received from writing the option; if it is more, the Continuing Fund will realize a capital loss. If the premium received from a closing sale transaction is more than the premium paid to purchase the option, the Fund will realize a gain; if it is less, the Continuing Fund will realize a loss.

Options on futures contracts and physical commodities are similar to options on stocks, except that the option on a commodity or futures contract gives the holder the right, in exchange for a premium representing the market value of the option, to either buy or sell the underlying futures contract or physical commodity during a certain period of time for a fixed price. Unless the price of the futures contract or the commodity underlying the option changes and it becomes profitable to exercise or offset the option before it expires, the Continuing Fund may lose the entire amount of the premium. Conversely, if the Continuing Fund sells an option (to either sell or buy a futures contract or commodity), the Continuing Fund will be credited with the premium but will have to deposit margin with a commodities broker due to the contingent liability to deliver or accept the futures contract or commodity (less any premium received).

The Continuing Fund may also employ certain combinations of put and call options. A "straddle" involves the purchase of a put and call option on the same security with the same exercise prices and expiration dates. A "strangle" involves the purchase of a put option and a call option on the same security with the same expiration dates but different exercise prices. A "spread" involves the sale of an option and the purchase of the same type of option (put or call) on the same security with the same or different expiration dates and different exercise prices. The Continuing Fund may, at the same time it employs certain combination of options, also have a position in the underlying security, and a holding of segregated collateral as part of its "coverage" of short options. Thus, the Continuing Fund's entire position related to a particular security or index may be complex.

Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary market risks.

## ADDITIONAL INFORMATION

Unitholders may obtain a copy of the financial statements of the Continuing Fund for the periods ended December 31, 2017 and June 30, 2018 by contacting Arrow at 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5, Tel. (416) 323-0477.

## AUTHORIZATION BY UNITHOLDERS

In order to carry out the proposed Merger, the unitholders of the Terminating Fund must approve the merger of the Terminating Fund into the Continuing Fund. By approving the Merger, unitholders of the Terminating Fund also will be authorizing any director or officer of Arrow to take all such steps as may be necessary or desirable to give effect to the Merger. Under such authority, Arrow will make such other changes to the Terminating Fund immediately prior to the Merger as may be necessary to fulfill regulatory and other requirements.

To give effect to the foregoing, unitholders of the Terminating Fund are being asked to pass the resolution set out in Schedule A to this Management Information Circular.

To be approved, the resolution set out in Schedule A to this Management Information Circular requires the affirmative vote of not less than a majority of the votes cast by unitholders of the Terminating Fund at the Special Meeting.

Immediately following completion of the Merger, an investor, as a unitholder of the Continuing Fund, may redeem his or her units and receive the net asset value therefor, subject to the notice period of the Continuing Fund. Any pending redemptions for the Terminating Fund for March 31, 2019 will be processed as a redemption of the Continuing Fund on March 31, 2019.

## RECOMMENDATION REGARDING THE MERGER

For the reasons set out above under the sub-heading "Reasons for the Merger", Arrow strongly recommends that unitholders of the Terminating Fund vote **FOR** the proposed resolution.

## INCOME TAX CONSIDERATIONS REGARDING THE MERGER

This is a general summary of the principal Canadian federal income tax consequences of the Merger relevant to a unitholder of the Terminating Fund who, for purposes of the Income Tax Act (Canada) (the "**Tax Act**"), is an individual (other than a trust) resident, or deemed to be a resident, in Canada, deals arm's length and is not affiliated with the Terminating Fund or the Continuing Fund and who holds units of the Terminating Fund and will hold units of the Continuing Fund as capital property. This description is based on the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**"), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and Arrow's understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency ("**CRA**"). Except for the Tax Proposals, this summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative action or decision, or changes in the administrative practices of the CRA, nor does it consider provincial, territorial or foreign income tax legislation or considerations.

This summary is based on the assumption that both the Terminating Fund and the Continuing Fund are and will continue to be a "mutual fund trust" within the meaning of the Tax Act and the Regulations at all material times and are not "SIFT Trusts" within the meaning of the Tax Act.

The summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular unitholder. Accordingly, unitholders should consult with their own tax advisors for advice with respect to the tax consequences of the Merger having regard to their own particular circumstances.

### Redemption of Units Prior to Merger

A unitholder who redeems units of the Terminating Fund on or before the date of the Merger will realize a capital gain (or capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the aggregate of the unitholder's adjusted cost base of the units redeemed and any reasonable costs of disposition. A unitholder that holds units of the Terminating Fund directly, rather than in a Registered Plan, must include one-half of a capital gain (a "**taxable capital gain**") in income. One-half of a capital loss (an "**allowable capital loss**") realized by a unitholder in a taxation year must be deducted against taxable capital gains realized by the unitholder in that year. Allowable capital losses in excess of taxable capital gains realized in any year may, subject to certain limitations under the Tax Act, be carried-back three years or forward indefinitely for deduction against net taxable capital gains realized in those years. Capital gains realized by an individual may give rise to a liability for alternative minimum tax.

If units are held by a Registered Plan, capital gains realized on a redemption of units will generally be exempt from tax until withdrawn from the Registered Plan (other than a tax-free savings account or a withdrawal of contributions from a registered education savings plan).

**Status as a Mutual Fund Trust**

The Terminating Fund is a mutual fund trust for tax purposes. As a result of the proposed Merger, unitholders will hold units of the Continuing Fund, which is also a mutual fund trust. The summary below contains a description of the income tax consequences of acquiring, holding and disposing of units of the Continuing Fund.

**Basis of Taxable Merger**

The proposed Merger will occur on a taxable basis. The general Canadian federal income tax consequences of the proposed Merger to unitholders and to the Terminating Fund and the Continuing Fund are summarized below.

**Tax Consequences of the Merger to the Terminating Fund and the Continuing Fund**

On the Merger, the Terminating Fund will transfer all of its assets to the Continuing Fund for a purchase price equal to the aggregate fair market value thereof which will be satisfied by the issuance of units of the Continuing Fund having an aggregate net asset value equal to the value of the assets acquired. The Continuing Fund will acquire each asset transferred to it by the Terminating Fund at a cost equal to the fair market value of such asset. This transfer may cause the Terminating Fund to realize capital gains. However, Arrow expects that the Terminating Fund will have sufficient accrued or realized losses or loss carry-forwards to offset any such amounts and, accordingly, the proposed Merger is not expected to trigger net taxable income to the Terminating Fund. It is anticipated that there will be some losses of the Terminating Fund that will expire unutilized as a result of the Merger.

**Tax Consequences of the Merger for Unitholders**

On the Merger, the distribution of units of the Continuing Fund to unitholders of the Terminating Fund will constitute a disposition by the unitholders of their units in the Terminating Fund for proceeds of disposition equal to the fair market value of the units of the Continuing Fund received on the Merger. As a result, unitholders will realize a capital gain (or a capital loss) to the extent that the proceeds of disposition of the units of the Terminating Fund exceed (or are exceeded by) the aggregate of the adjusted cost base to them of such units and any reasonable costs of disposition. The adjusted cost base of units of the Continuing Fund received by a unitholder on the termination of the Terminating Fund in connection with the Merger will be equal to the fair market value thereof. To determine the adjusted cost base of the units, this cost must be averaged with the adjusted cost base of all other units of the same series of the Continuing Fund owned by the unitholder.

A unitholder who holds units of the Terminating Fund directly, rather than in a Registered Plan, must include one-half of any such capital gain in income as a taxable capital gain. One-half of any capital loss realized by a unitholder in a taxation year will be deductible as an allowable capital loss against taxable capital gains realized by the unitholder in that year. Allowable capital losses in excess of taxable capital gains realized in any year may, subject to certain limitations under the Tax Act, be carried-back three years or forward indefinitely for deduction against net taxable capital gains realized in those years. Individuals are subject to an alternative minimum tax. Such persons may be liable for this alternative minimum tax in respect of realized capital gains.

If units of the Terminating Fund are held in a Registered Plan, capital gains realized on a redemption of those units will generally not be subject to tax until withdrawn from the plan. Withdrawals from the Registered Plan, other than withdrawals from a tax-free savings account, and certain permitted withdrawals from a registered education savings plan or a registered disability savings plan, are generally fully taxable.

Unitholders of the Continuing Fund will not realize any capital gain or capital loss, nor any change in the adjusted cost base of their units, as a result of the Merger.

**Tax Consequences of Investing in the Continuing Fund**

The following portion of the summary outlines certain income tax considerations under the Tax Act relevant to the acquisition, holding and disposition of units of the Continuing Fund.

The Continuing Fund intends to distribute to unitholders in each year its net income and net realized capital gains, if any, and will deduct amounts in computing its income for purposes of the Tax Act, to such an extent that it will not be liable in any year for income tax under Part I of the Tax Act. The Continuing Fund is required to compute its net income and net realized capital gains in Canadian dollars for purposes of the Tax Act and may, as a consequence, realize a foreign exchange gain or loss by virtue of changes in the value of any foreign currencies or foreign currency derivative investments acquired or disposed of by the Continuing Fund, relative to the Canadian dollar. Also, where the Continuing Fund accepts subscriptions or makes payments for redemptions or distributions in US dollars or other foreign currency, it may experience a foreign exchange gain or loss between the date the order is accepted or the distribution is calculated and the date the Continuing Fund receives or makes payment. This summary does not consider the tax consequences to the Continuing Fund of particular revenues earned by the Continuing Fund or particular expenses or fees incurred by the Continuing Fund. The tax treatment of a particular revenue item, fee or other expense will depend on many factors. All of the Continuing Fund's deductible expenses, including expenses common to all classes of the Continuing Fund and fees and other expenses specific to a particular class of the Continuing Fund, will be taken into account in determining the income or loss of the Continuing Fund as a whole and applicable taxes payable by the Continuing Fund as a whole.

Unitholders of the Continuing Fund are generally required to include in their income (in Canadian dollars) for tax purposes for a particular year the amount of net income and net taxable capital gains, if any, paid or payable to them in the year and deducted by the Continuing Fund in computing the Continuing Fund's income, including such amounts reinvested in additional units, management fee distributions and distributions in connection with Performance Fees. To the extent that distributions by the Continuing Fund in any year exceed the net income and the net realized capital gains of the Continuing Fund for the year, such distributions will generally be a return of capital and will not be taxable but will reduce the adjusted cost base of a unitholder's units.

The Continuing Fund will designate, to the extent permitted by the Tax Act, the portion, if any, of the net income distributed to unitholders that may reasonably be considered to consist of taxable dividends received by the Continuing Fund on securities of taxable Canadian corporations and net taxable capital gains of the Continuing Fund. Any such designated amount will be deemed for tax purposes to be received or realized by unitholders in the year as a taxable dividend and as a taxable capital gain, respectively. The dividend gross-up and tax credit treatment normally applicable to taxable dividends paid by a taxable Canadian corporation will apply to the amounts designated as taxable dividends to unitholders. An "eligible dividend" as defined in subsection 89(1) of the Tax Act will be entitled to an enhanced dividend gross-up and tax credit. Arrow intends that, to the extent permitted under the Tax Act and CRA's administrative practice, the Continuing Fund will pass on to unitholders in respect of eligible dividends the benefits of the enhanced dividend gross-up and tax credit. Capital gains so designated will be subject to the general rules relating to the taxation of capital gains, which are described below. In addition, the Continuing Fund may make designations in respect of its income from foreign sources so that, for the purpose of computing any foreign tax credit to a unitholder, the unitholder will be deemed to have paid its proportionate share of such foreign income tax paid by the Continuing Fund. Unitholders will be advised each year of the composition of amounts distributed to them.

Unitholders are required to compute their net income and net realized capital gains in Canadian dollars for purposes of the Tax Act and may, as a consequence, realize income or capital gains by virtue of changes in the value of the U.S. dollar relative to the value of the Canadian dollar in connection with U.S. dollar denominated holdings of units purchased in U.S. dollars.

Upon the actual or deemed disposition of a unit, including any redemption of a unit by the Continuing Fund and the exchange of units of the Continuing Fund for units of another Fund, a capital gain (or a capital loss) will generally be realized to the extent that the proceeds of disposition of the units exceed (or are exceeded by) the aggregate of the adjusted cost base to the unitholder of the unit and any reasonable costs of disposition. The proportion of a capital gain to be included in a taxpayer's income is one-half.

The reclassification of units of a class into units of another class of the Continuing Fund will not be considered a disposition for tax purposes and accordingly a unitholder will realize neither a gain nor loss as a result of a reclassification.

The Tax Act provides for an alternative minimum tax on individuals and certain trusts and estates. To compute taxable income subject to the alternative minimum tax, various adjustments are made to the unitholder's taxable income including adjustments with respect to realized capital gains and taxable dividends received from taxable Canadian corporations. Accordingly, such income may affect the unitholder's liability for alternative minimum tax.

## Eligibility for Investment

Units of the Continuing Fund are qualified investments for Registered Plans. However, unitholders may be subject to a penalty tax if the units are "prohibited investments" within the meaning of the Tax Act for a tax-free savings account ("**TFSA**"), a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), a registered disability savings plan ("**RDSP**") or a registered education savings plan ("**RESP**"). Units of the Continuing Fund will not be prohibited investments for a TFSA, a RRSP, RRIF, RDSP or RESP provided that the holder of the TFSA or RDSP, the annuitant under the RRSP or RRIF or a subscriber of a RESP, as the case may be, deals at arm's length with the Continuing Fund for purposes of the Tax Act and does not have a "significant interest" (as defined in the Tax Act) in the Continuing Fund or in a corporation, partnership or trust with which the Continuing Fund does not deal at arm's length for purposes of the Tax Act. You should consult your own tax advisor with respect to whether units of the Continuing Fund may be a prohibited investment.

## SECURITIES OF THE FUNDS AND PRINCIPAL UNITHOLDERS

As at January 31, 2019, 3,499,768 units of the Terminating Fund were issued and outstanding.

As at January 31, 2019, to the knowledge of the directors and officers of Arrow no person or company beneficially owns, directly or indirectly, or exercises control or direction over, units carrying more than 10% of the voting rights attached to the units of the Terminating Fund entitled to vote at the Special Meeting.

## MANAGEMENT OF THE TERMINATING FUND

Pursuant to the management agreement with the Terminating Fund, Arrow acts as manager of the Terminating Fund and is responsible for the day-to-day business of the Terminating Fund, including the management of the investment portfolios of the Terminating Fund.

The Terminating Fund is responsible for the payment of all fees and expenses relating to its establishment and operation, including registrar and transfer agent fees and expenses, audit, accounting, administration (other than advertising and promotional expenses which are paid for by the manager), record keeping and legal fees and expenses, custody and safekeeping charges, all costs and expenses associated with the qualification for sale of the units, providing financial and other reports to unitholders and convening and conducting meetings of unitholders, all taxes, assessments or other governmental charges levied against the Terminating Fund, interest and all brokerage and other fees relating to the purchase and sale of the assets of the Terminating Fund. Each class of units is responsible for the operating expenses incurred by the Terminating Fund relating to the offering of units and the expenses specifically related to that class and a proportionate share of expenses that are common to all classes of units.

The address of Arrow is 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5.

### APPROVAL BY THE MANGER OF THE TERMINATING FUND

The contents and the sending of this Management Information Circular to unitholders of the Terminating Fund has been approved by Arrow, as manager and trustee of the Terminating Fund.

DATED at Toronto, Ontario, this 22nd day of February 2019.

ARROW CAPITAL MANAGEMENT INC., as manager and trustee of Curvature Multi-Strategy Fund

(Signed) James L. McGovern

## SCHEDULE “A”

**FORM OF SPECIAL RESOLUTION OF THE UNITHOLDERS OF THE CURVATURE MULTI-STRATEGY FUND**

**BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

The merger (the “Merger”), in the manner described in the Management Information Circular dated February 22, 2019 of the Curvature Multi-Strategy Fund into the Curvature Market Neutral Fund is approved;

Arrow Capital Management Inc. as manager of Curvature Multi-Strategy Fund may, in its discretion, elect to not proceed with the Merger; and

Any director or officer of Arrow Capital Management Inc. is authorized to take all such steps as may be necessary or desirable to give effect to the foregoing.