

	1 mo	3 mos	6 mos	YTD	1 yr*	3 yr*	Ann. ITD	Cum. ITD
Marret Resource Yield Fund <sup>1</sup>	2.9%	6.7%	2.8%	11.3%	20.3%	(3.1%)	(1.6%)	(5.9%)
S&P/TSX (Toronto)	3.8%	9.5%	2.7%	5.3%	8.5%	(4.3%)	(1.4%)	(5.1%)

<sup>1</sup>From February 2007, returns are for the Marret Resource Yield Fund (Class A), (formerly the Arrow Canadian Income Fund (Class A)), net of all fees and in Canadian dollars. Since inception, the Fund was advised by Aston Hill Financial Inc. until the advisor was replaced in November 2008 by Marret Asset Management. All performance data assume reinvestment of all distributions or dividends and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. This document is not to be construed as a public offering of securities in any jurisdiction in Canada and is for informational purposes only. Important information about Arrow Funds, including statement of each fund's fundamental investment objective, is contained in their respective offering memorandum, a copy of which may be obtained from Arrow Hedge Partners Inc. Please read the applicable offering memorandum carefully before investing. Past returns are not necessarily indicative of future performance. While the information and material in this document are believed to be accurate at the time they are prepared, Arrow Hedge Partners Inc. cannot give any assurance that they are accurate, complete or current at all times. Risk and exposure information in this document is intended to be utilized solely for illustrative purposes. Actual results will vary. Arrow Hedge Partners Inc. (and its affiliates or subsidiaries) specifically disclaims any responsibility for any use of this information. The unauthorized disclosure, use, dissemination or copying of the information is strictly prohibited.

\* Returns are annualized.

Volatility in financial markets continued in Q3, although returns were strongly positive. The anticipation of further stimulus by the U.S. Federal Reserve was the major driver, especially during September. The Canadian Income Trust market gained 11.02% in Q3 (incl. distributions) (YTD +15.04%) while the Energy Trust Index returned 8.77% (YTD +12.27%). The broader TSX market gained 10.26% (YTD +7.46%).

All sectors - energy, base metals, gold and silver, gained in Q3, although precious metals were the strongest. This is directly related to market expectations of a new round of Quantitative Easing (QE2) by the Federal Reserve. The size of QE2 is still open to debate but the probability of it being announced in November appears to be high. The bigger question in our mind is not whether, when or how much QE is coming but rather whether it will have any material impact on economic growth. We remain skeptical that printing money to buy government debt will do much to stimulate growth and lower the unemployment rate. Printing money does little for the economy if it doesn't result in new lending (velocity) for new investment activity. Currently, banks do not want to lend (negative velocity) and borrowers don't wish to borrow (corporate balance sheets are flush with cash). QE appears to us as being very useful at driving up the prices of Treasury bonds, base metals, oil and especially precious metals, but does little to lower the unemployment rate.

The risks of large scale QE, seems to us as far larger than the benefits. The biggest problem is that it artificially lowers U.S. Treasury yields and therefore provides negative impetus to the U.S. government to address its fiscal problems. Furthermore, it raises the potential for future inflation, although we see the former risk as being much greater.

The resurgence of growth in China and its return to the commodity markets also benefitted our positions in Q3. As noted in our Q2 commentary, we felt China was intentionally

de-stocking commodity inventories in Q2 and demand would return in Q3. This did occur, and copper, coal and iron ore prices all rose in the quarter. Infrastructure plays continue to be attractive to us especially if the U.S. shifts its stimulus programmes to "roads and bridges".

Oil has broken above the \$80 level but we still see it trading broadly in a \$70 – 80 range. The anticipation of QE2 has provided a boost which we feel will dissipate once the programme is actually instituted. We continue to be bearish on natural gas, based on high inventories and strong production in the shale plays.

While we see the markets as being too optimistic as to the benefits of QE2, we don't see the economy slipping back into recession (in the next several quarters) or a major decline in equities. Liquidity remains high, stimulus programmes continue and interest rates are stuck near zero. The weak U.S. dollar is supporting most commodity markets and there is little fundamental reason to expect U.S. dollar strength. Accordingly, we are retaining a long bias to the fund, but keeping quality and liquidity high. Longer term, we expect sovereign debt problems to have a major impact on markets so we are erring on the side of caution.

At quarter-end, the fund's top five positions were:

1. 30 year U.S. Treasury bonds
2. Canadian Oil Sands
3. Arc Energy Trust
4. Silver Wheaton
5. NAL Oil & Gas Trust