

ARROW DWA BALANCED FUND

PORTFOLIO STATISTICS AS OF 9/30/2009

Arrow DWA Balanced Fund may invest in commodity related securities, which may be subject to greater volatility than investments in traditional securities. The Fund may invest in international and emerging market securities, which may be subject to special risks including fluctuations in currency, government regulation, differences in accounting standards and liquidity. Investing in small-cap securities may have special risks, including wider variations in earnings and business prospects than larger, more established companies. The Fund may invest in real estate related securities, which may be subject to mortgage-related risks and real estate market fluctuations. The Fund may invest in fixed-income securities, which are subject to risks including interest rate, credit and inflation. The Fund is nondiversified as there are a limited number of underlying funds available and each holding has the potential for a greater impact on the Fund's return. However, the underlying funds have access to a wide array of investments providing the additional diversification benefits discussed in the prospectus. Diversification does not assure a profit or protect against loss in a declining market.

Standard deviation is a statistical measurement of volatility based on historical returns. Correlation measures how closely two securities' movements are associated, ranging from 1.0 (highly correlated) to -1.0 (inversely correlated).

Comparative Benchmark

A 60%/40% blend of the S&P 500 Index and the Barclays Capital U.S. Aggregate Bond Index. The S&P 500 Index is a widely recognized composite of 500 common stocks. The Barclays Capital U.S. Aggregate Bond Index is composed of investment-grade debt securities. The indexes are unmanaged, do not include fees and are not available for investment.

Minimum Investment

- \$5,000 non-qualified account
- \$2,000 retirement account
- \$250 subsequent investments

Class	Symbol	CUSIP
A-Shares	DWAFX	66537T802
C-Shares	DWATX	66537T885



TARGETING PORTFOLIO SOLUTIONS

Fund Performance

Class	YTD	Three Month	Annualized			Since Inception	
			One Year	Three Year	Inception 8/7/06	Standard Deviation	Correlation (vs S&P 500)
A-Shares	13.77%	9.78%	0.96%	1.80%	2.01%	15.91%	0.84
C-Shares	13.07%	9.55%	0.25%	1.05%	1.25%	15.88%	0.84
Benchmark	13.89%	10.94%	2.91%	0.43%	1.63%	15.21%	0.99
S&P 500	19.26%	15.61%	-6.91%	-5.43%	-3.69%	28.95%	1.00

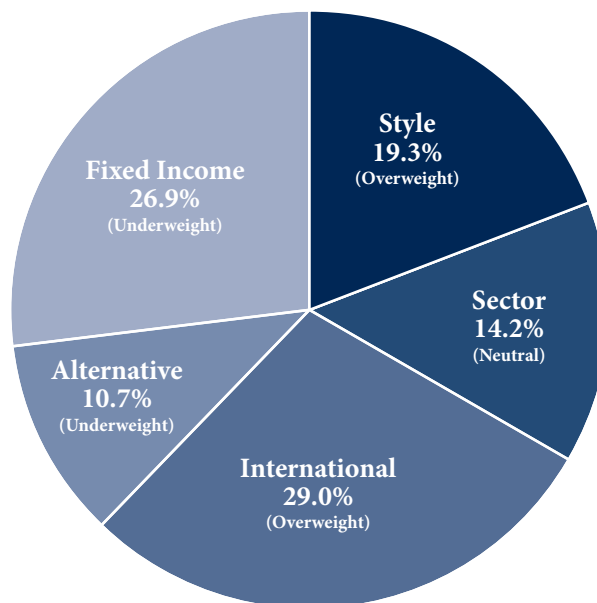
Past performance does not guarantee future results. For periods less than one year, performance is not annualized. The performance data quoted represents past performance at net asset value and current returns may be lower or higher. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. To obtain performance information current to the most recent month end, please call 1-877-277-6933. Standard deviation and correlation are calculated since the Fund's inception. The maximum sales charge for A-Shares is 5.75% and may be eligible for a reduction in sales charges. The Fund charges a fee of 1.00% on redemptions of shares held less than 30 days. Total fund expenses are 2.03% for A-Shares and 2.78% for C-Shares. The net operating expenses are 1.57% for A-Shares and 2.32% for C-Shares, plus acquired fund fees of 0.46%.

Strategy Performance Analysis

Rotation Strategy	Three Month	One Year	Inception 8/7/06
Style	16.36%	-7.01%	-5.39%
Sector	13.64%	-6.45%	-3.53%
International	13.89%	-2.89%	2.16%
Alternative	5.83%	-2.75%	6.02%
Fixed Income	2.25%	7.07%	5.43%

*Periods of one year or more are annualized.

Portfolio Allocation



Holdings

Style

9.70% VANGUARD SM-CAP GROWTH

9.62% VANGUARD SM-CAP VALUE

Sector

4.77% ISHARES DJ US CNSMER GOODS

4.70% ISHARES DJ US HEALTHCARE

4.69% ISHARES DJ US CNSMER SERV

International

5.95% ISHARES MSCI HONG KONG

5.89% ISHARES MSCI MALAYSIA

5.79% ISHARES MSCI SINGAPORE

5.71% ISHARES MSCI SOUTH AFRICA

5.61% ISHARES FTSE/XIN CHINA 25

Alternative

6.11% PWRSHARES DB GOLD FUND

4.54% PWRSHARES DB G10 CURR HARV

Fixed Income

13.70% ISHARES LEHMAN 7-10YR TREAS

12.27% VANGUARD SHORT-TERM BOND

0.94% HIGHMARK TREAS PLUS MM

For more information, visit our website at www.arrowfunds.com

So much for the old axiom, “sell in May and go away.” The third quarter turned out to be very good for investors, despite the doom and gloom projections put forth in the spring. The S&P 500®, for example, delivered its best quarterly performance in more than 10 years. International equity markets also performed very well during the last three months. The one sore spot was the U.S. dollar, which continues to fall against rival currencies.

As the result of a continuing laggard rally, we have seen asset classes that were previously the most beaten down rebound and perform significantly better than those areas that held up well during the market decline. The relative strength process is designed to buy the strongest assets and market leaders, which is why a laggard rally is generally hard to track. But relative strength investments began to perform better toward the end of Q3 as some of those rebounding laggards started to show signs of sustained market leadership. This is just part of the systematic process of relative strength portfolios—they adapt to changing market conditions as new sustained leadership takes hold.

Economists are still quite divided on the course of the global recovery. Many economists expect a sluggish growth rate for an extended period of time, as the excesses and imbalances in the system are worked off. A few economists, however, suggest we are due for a powerful recovery to compensate for such a steep drop in economic activity. Either way, the economy could hardly be called robust at this point. Perhaps we have seen some green shoots, but unemployment is still rising, consumer confidence is fragile and spending is weak. So what accounts for the recent strong markets? In truth, capital markets reflect expectations, not reality. Although consumer confidence is somewhat tenuous, markets have been strong on the expectation that the economy will improve in the future.

One thing about which there is little disagreement is the interest rate policy of the Federal Reserve. (Fed) No doubt this is because the Fed has publicly stated that they intend to keep the discount rate low for quite some time. A glance at the most recent Fed minutes shows that they have not even begun to discuss eventual rate increases. Thus, the monetary stimulus seems bound to continue for a while, which is generally a very positive factor for the stock market.

Another area where there is little disagreement is retail investors’ distrust of this market rally. According to mutual fund flow data, investors have continued to make substantially higher purchases in fixed income mutual funds rather than equity mutual funds, despite a stock market that has delivered a rally of historic proportions. Main

Street either simply doesn’t believe this rally is sustainable, or has been so traumatized by the bear market that it has sworn off equities. Whatever the case, it is never a good idea to make your bets with the retail crowd as it is usually wrong. There is still plenty of cash on the sidelines that can fuel an equity rally.

It has been a trying year for our strategies and for markets in general. We remain confident in the ability of our process to adapt to any changes in the markets. We are seeing signs that relative strength-based strategies are beginning to reassert themselves. We are hopeful that will continue through the end of the year.

Arrow DWA Balanced Fund

Style: Throughout the third quarter, the bias of the style model shifted from pure growth to a combination of small-cap growth and small-cap value. We increased the overall portfolio allocation to the style model as a result of the strong performance.

Sector: While this portion of the portfolio was up significantly during the third quarter, it trailed the broad equity indexes. As new sustained sector leadership is established, this area of the portfolio should adjust and perform accordingly. In the meantime, the allocation to the sector strategies has been scaled back.

International: International markets continued their strong performance through the third quarter. Emerging markets have recently outperformed developed markets, while on a regional basis, the model has favored Asia. An increase in these weightings has helped the overall portfolio performance this year.

Alternative: One area we have been invested in for some time is gold, which has soared to new highs on the back of the weak dollar. During the quarter we moved out of TIPS and into currencies as the markets began to favor higher-volatility assets. The portfolio’s alternative model delivered a positive return for the quarter, while many of the broad-based commodity indexes were negative.

Fixed Income: In 2008, investors were clamoring for safe assets. But in 2009, the riskier fixed income assets have performed very well and conservative ones have lagged. Our fixed income model is deliberately conservative as part of our risk-management process, and will generally remain so. With that in mind, we have cut back the portfolio’s overall allocation to fixed income throughout the course of the year.

Before investing, please read the Fund’s prospectus and shareholder reports to learn about its investment strategy and potential risks. Mutual Fund investing involves risk including loss of principal. An investor should also consider the Fund’s investment objective, charges, expenses, and risks carefully before investing. This and other information about the Fund is contained in the Fund’s prospectus, which can be obtained by calling 1-877-277-6933. Please read the prospectus carefully before investing. Distributed by Northern Lights Distributors, LLC, member FINRA/SIPC.