



**ARROWSHARES**  
EXCHANGE TRADED SOLUTIONS

Arrow QVM Equity Factor ETF

QVM

Semi Annual Report

July 31, 2016

1-877-277-6933  
1-877-ARROW-FD  
[www.ArrowShares.com](http://www.ArrowShares.com)



**Arrow QVM Equity Factor ETF**  
**PORTFOLIO REVIEW (Unaudited)**  
**July 31, 2016**

The Fund's performance figures\* for the period ended July 31, 2016, as compared to its benchmarks:

	Six months	One Year	Annualized Since Inception** July 31, 2016
Arrow QVM Equity Factor ETF - NAV	8.25%	(5.87)%	(3.85)%
Arrow QVM Equity Factor ETF - Market Price	8.28%	(5.91)%	(3.92)%
AI Quality Value Momentum Index	8.20%	(5.88)%	(3.85)%
S&P 500 Total Return Index	13.29%	5.61%	4.47%

\*The Fund's past performance does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting [www.ArrowShares.com](http://www.ArrowShares.com) or by calling 1-877-277-6933.

The Fund's per share net asset value or "NAV" is the value of one share of the Fund as calculated in accordance with the standard formula for valuing mutual fund shares. The NAV return is based on the NAV of the Fund and the market return is based on the market price per share of the Fund. The price used to calculate market return ("Market Price") is determined by using the midpoint between the highest bid and the lowest offer on the primary stock exchange on which shares of the Fund are listed for trading, as of the time that the Fund's NAV is calculated. Market and NAV returns assume that dividends and capital gain distributions have been reinvested in the Fund at Market Price and NAV, respectively. The Fund's total annual operating expenses, before fee waivers and/or expense reimbursements, are 2.40% per the June 1, 2016 prospectus. After fee waivers, the Fund's total annual operating expenses are 0.65%

\*\*As of the close of business on the day of commencement of trading on February 27, 2015.

AI Quality Value Momentum Index (AIQVM) is a US based index, composed of quality rankings that measure profitability, consistency of earnings, and management confidence.

The combined models aim to reduce volatility and are combined with value and long term momentum rankings to enhance performance.

The S&P 500 Total Return Index is a widely accepted, unmanaged index of U.S. stock market performance which does not take into account charges, fees and other expenses.

The Fund's Top Asset Classes are as follows:

<u>Asset Class</u>	<u>% of Net Assets</u>
Consumer, Cyclical	28.0%
Consumer, Non-cyclical	18.3%
Communications	10.5%
Technology	10.3%
Industrial	10.2%
Energy	8.9%
Financial	8.3%
Basic Materials	5.3%
Other, Cash & Cash Equivalents	0.2%
	<u>100.0%</u>

Please refer to the Portfolio of Investments in this Semi-Annual report for a detailed analysis of the Fund's Holdings.

**Arrow QVM Equity Factor ETF**  
**PORTFOLIO OF INVESTMENTS (Unaudited)**

July 31, 2016

Shares		Value
	<b>COMMON STOCKS - 99.8%</b>	
	<b>ADVERTISING - 1.9%</b>	
1,085	Omnicom Group, Inc.	89,285
	<b>AEROSPACE &amp; DEFENSE - 6.2%</b>	
668	The Boeing Co.	89,285
388	Lockheed Martin Corp.	98,059
716	Raytheon Co.	99,903
		287,247
	<b>AGRICULTURE - 4.1%</b>	
737	British American Tobacco PLC ADR	94,108
918	Philip Morris International, Inc.	92,039
		186,147
	<b>AIRLINES - 3.4%</b>	
1,267	Alaska Air Group, Inc.	85,168
561	Allegiant Travel Co	72,801
		157,969
	<b>AUTO PARTS &amp; EQUIPMENT - 1.8%</b>	
1,217	Delphi Automotive PLC	82,537
	<b>BANK - 2.1%</b>	
4,084	Walker & Dunlop, Inc.*	96,668
	<b>BEVERAGES - 2.1%</b>	
875	PepsiCo, Inc.	95,305
	<b>BIOTECHNOLOGY - 1.7%</b>	
1,011	Gilead Sciences, Inc.	80,344
	<b>CHEMICALS - 5.3%</b>	
1,274	Celanese Corporation	80,797
1,089	LyondellBasell Industries NV	81,958
744	Terra Nitrogen Company LP	80,002
		242,757
	<b>COMMERCIAL SERVICES - 4.3%</b>	
4,449	H&R Block, Inc.	105,842
4,503	Western Union Co.	90,060
		195,902
	<b>COMPUTERS - 6.4%</b>	
1,600	Amdocs Ltd	93,376
962	Apple, Inc.	100,250
620	International Business Machines Corp.	99,584
		293,210
	<b>DIVERSIFIED FINANCIAL SERVICES - 2.0%</b>	
6,588	Navient Corp.	93,550

**Arrow QVM Equity Factor ETF**  
**PORTFOLIO OF INVESTMENTS (Unaudited)(Continued)**  
**July 31, 2016**

Shares		Value
	<b>FOOD - 2.0%</b>	
1,459	Campbell Soup Co.	90,852
	<b>HOUSEHOLD PRODUCTS - 2.0%</b>	
723	Kimberly-Clark Corp.	93,665
	<b>HOUSEWARES - 2.1%</b>	
1,555	Tupperware Brands Corp.	97,467
	<b>INSURANCE - 4.1%</b>	
1,306	Aflac, Inc.	94,398
819	Travelers Cos, Inc.	95,184
		189,582
	<b>INTERNET - 2.2%</b>	
2,339	CDW Corporation	100,413
	<b>MEDIA - 2.2%</b>	
2,202	Viacom, Inc.	100,125
	<b>MISCELLANEOUS MANUFACTURER - 2.0%</b>	
2,196	American Railcar Industries, Inc.	92,254
	<b>OFFICE &amp; BUSINESS EQUIPMENT - 1.8%</b>	
4,288	Pitney Bowes, Inc.	82,801
	<b>OIL &amp; GAS - 8.9%</b>	
2,304	Marathon Petroleum Corp.	90,755
1,089	Phillips 66	82,829
1,130	Tesoro Corp.	86,049
1,530	Valero Energy Corp.	79,988
3,365	Western Refining, Inc.	70,160
		409,781
	<b>PHARMACEUTICALS - 2.2%</b>	
2,753	Pfizer, Inc.	101,558
	<b>RETAIL - 18.8%</b>	
1,960	Big Lots, Inc.	104,233
1,944	Brinker International, Inc.	91,640
1,466	Foot Locker, Inc.	87,403
3,878	Gap, Inc./The	100,014
673	Home Depot, Inc./The	93,035
2,030	Kohl's Corp.	84,428
713	McDonald's Corp.	83,884
2,180	Outerwall, Inc.	114,799
4,921	PetMed Express, Inc.	102,012
		861,448

**Arrow QVM Equity Factor ETF**  
**PORTFOLIO OF INVESTMENTS (Unaudited)(Continued)**

July 31, 2016

Shares		Value
	<b>SOFTWARE - 2.2%</b>	
1,871	Ebix, Inc.	99,762
	<b>TELECOMMUNICATIONS - 4.2%</b>	
2,844	TELUS Corp.	95,132
1,768	Verizon Communications, Inc.	97,965
		193,097
	<b>TOYS/GAMES/HOBBIES - 1.9%</b>	
1,069	Hasbro, Inc.	86,835
	<b>TRANSPORTATION - 1.9%</b>	
5,936	Ship Finance International Ltd.	89,634
	<b>TOTAL COMMON STOCKS</b> (Cost \$4,729,463)	4,590,195
	<b>TOTAL INVESTMENTS - 99.8%</b> (Cost \$4,729,463)(a)	<b>4,590,195</b>
	<b>OTHER ASSETS LESS LIABILITIES - 0.2%</b>	10,951
	<b>NET ASSETS - 100.0%</b>	<b>4,601,146</b>

(a) Represents cost for financial reporting purposes. Aggregate cost for Federal tax purposes is \$4,730,830 and differs from value by net unrealized appreciation (depreciation) of securities as follows:

Unrealized Appreciation:	304,810
Unrealized Depreciation:	(445,444)
Net Unrealized Depreciation:	(140,634)

\* Non-income producing security.

ADR - American Depositary Receipt

LP - Limited Partnership

PLC - Public Limited Company

**Arrow QVM Equity Factor ETF**  
**STATEMENT OF ASSETS AND LIABILITIES (Unaudited)**  
July 31, 2016

**ASSETS**

Investment securities:	
At cost	\$ 4,729,463
At value	<u>\$ 4,590,195</u>
Cash	30,664
Due from Advisor	13,756
Dividends and interest receivable	4,249
<b>TOTAL ASSETS</b>	<u><u>4,638,864</u></u>

**LIABILITIES**

Payable to Related Parties	4,454
Accrued expenses and other liabilities	<u>33,264</u>
<b>TOTAL LIABILITIES</b>	<u>37,718</u>

<b>NET ASSETS</b>	<u><u>\$ 4,601,146</u></u>
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**Net Assets Consist Of:**

Paid in capital	\$ 5,061,115
Undistributed net investment income	10,651
Accumulated net realized loss from investment transactions	(331,352)
Net unrealized depreciation of investment transactions	<u>(139,268)</u>
<b>NET ASSETS</b>	<u><u>\$ 4,601,146</u></u>

**Net Asset Value Per Share:**

Net Assets	\$ 4,601,146
Shares of beneficial interest outstanding (\$0 par value, unlimited shares authorized)	<u>200,000</u>
Net asset value (Net Assets ÷ Shares Outstanding)	<u><u>\$ 23.01</u></u>

**Arrow QVM Equity Factor ETF**  
**STATEMENT OF OPERATIONS (Unaudited)**  
For the Six Months Ended July 31, 2016

<b>INVESTMENT INCOME</b>	
Dividends	\$ 74,884
Interest	35
<b>TOTAL INVESTMENT INCOME</b>	74,919
 <b>EXPENSES</b>	
Investment advisory fees	13,342
Custodian fees	6,379
Legal fees	3,671
Audit fees	5,661
Listing expenses	2,273
Transfer agent fees	4,753
Printing and postage expenses	2,139
Trustees fees and expenses	3,933
Administrative service	3,190
Professional fees	57
<b>TOTAL EXPENSES</b>	45,398
Less: Fees waived/reimbursed by the Advisor	(31,202)
<b>NET EXPENSES</b>	14,196
<b>NET INVESTMENT INCOME</b>	60,723
 <b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>	
Net realized gain/(loss) on:	
In-kind redemptions	230
Investments	(35,055)
Net change in unrealized appreciation on investments	262,486
<b>NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS</b>	227,661
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	\$ 288,384



**Arrow QVM Equity Factor ETF**  
**STATEMENT OF CHANGES IN NET ASSETS**

	<b>Six Months Ended July 31, 2016 (Unaudited)</b>	<b>Period Ended January 31, 2016 (a)</b>
<b>FROM OPERATIONS</b>		
Net investment income	\$ 60,723	\$ 67,610
Net realized loss on investments and foreign currency transactions	(34,825)	(297,439)
Net change in unrealized appreciation (depreciation) on investments	262,486	(401,754)
Net increase (decrease) in net assets resulting from operations	<u>288,384</u>	<u>(631,583)</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS</b>		
From net investment income	(50,780)	(65,990)
Net decrease in net assets resulting from distributions to shareholders	<u>(50,780)</u>	<u>(65,990)</u>
<b>FROM SHARES OF BENEFICIAL INTEREST</b>		
Proceeds from shares sold	-	10,837,655
Cost of shares redeemed	(1,011,265)	(4,765,275)
Net increase (decrease) in net assets resulting from shares of beneficial interest	<u>(1,011,265)</u>	<u>6,072,380</u>
<b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	(773,661)	5,374,807
<b>NET ASSETS</b>		
Beginning of Period	5,374,807	-
End of Period*	<u>\$ 4,601,146</u>	<u>\$ 5,374,807</u>
*Includes undistributed net investment income of:	<u>\$ 10,651</u>	<u>\$ 708</u>
<b>SHARE ACTIVITY</b>		
Shares Sold	-	450,000
Shares Redeemed	(50,000)	(200,000)
Net increase (decrease) in shares of beneficial interest outstanding	<u>(50,000)</u>	<u>250,000</u>

(a) The Arrow QVM Equity Factor ETF commenced operations on February 24, 2015.

## Arrow QVM Equity Factor ETF

### FINANCIAL HIGHLIGHTS

Per Share Data and Ratios for a Share of Beneficial Interest Outstanding Throughout the Period

	Six Months Ended July 31, 2016 (Unaudited)	Period Ended January 31, 2016 (1)
Net asset value, beginning of period	\$ 21.50	\$ 25.00
Activity from investment operations:		
Net investment income	0.30	0.30
Net realized and unrealized gain (loss) on investments	1.46	(3.50)
Total from investment operations	1.76	(3.20)
Less distributions from:		
Net investment income	(0.25)	(0.30)
Total distributions	(0.25)	(0.30)
Net asset value, end of period	\$ 23.01	\$ 21.50
Total return (3)(5)(7)	8.25%	(12.90)% (6)
Net assets, at end of period (000s)	\$ 4,601	\$ 5,375
Ratio of gross expenses to average net assets (2)	2.06%	2.40%
Ratio of net expenses to average net assets (2)	0.65%	0.65%
Ratio of net investment income to average net assets (2)	2.74%	1.63%
Portfolio Turnover Rate (3)(4)	96%	62%

(1) The Arrow QVM Equity Factor ETF shares commenced operations on February 24, 2015.

(2) Annualized.

(3) Not Annualized.

(4) Portfolio turnover rate excludes portfolio securities received or delivered as a result of processing capital share transactions in Creation Units.

(5) Total return is calculated assuming a purchase of shares at net asset value on the first day and a sale at net asset value on the last day of the period. Distributions are assumed, for the purpose of this calculation, to be reinvested at the ex-dividend date net asset value per share on their respective payment dates.

(6) Represents total return based on net asset values per share from commencement of investment operations on February 24, 2015 through January 31, 2016. Total return based on net asset value per share, as of the close of business on the day of commencement of trading on the NYSE Arca on February 27, 2015 to January 31, 2016 was (12.64)%.

(7) Includes adjustments in accordance with accounting principles generally accepted in the United States and, consequently, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset values and returns for shareholder transactions.

**ARROW QVM EQUITY FACTOR ETF**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)**  
**July 31, 2016**

**I. ORGANIZATION**

The Arrow QVM Equity Factor ETF (the “Fund”) is a diversified series of Arrow Investments Trust ( the “Trust”), a statutory trust organized under the laws of the State of Delaware on August 2, 2011, and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company. The Fund’s investment objective seeks to replicate the investment results that generally correspond, before fees and expenses, to the price and yield performance of the AI Quality Value Momentum Index. The investment objective is non-fundamental. The Fund commenced operation on February 24, 2015.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies followed by the Fund in preparation of its financial statements. These policies are in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses for the period. Actual results could differ from those estimates. The Fund follows the specialized accounting and reporting requirements under GAAP that are applicable to investment companies.

**Securities valuation** – Securities listed on an exchange are valued at the last reported sale price at the close of the regular trading session of the exchange on the business day the value is being determined, or in the case of securities listed on NASDAQ at the NASDAQ Official Closing Price (“NOCP”). In the absence of a sale such securities shall be valued at the last bid price on the day of valuation. Debt securities (other than short-term obligations) are valued each day by an independent pricing service approved by the Board of Trustees of the Trust (the “Board”) using methods which include current market quotations from a major market maker in the securities and based on methods which include the consideration of yields or prices of securities of comparable quality, coupon, maturity and type. Investments valued in currencies other than the U.S. dollar are converted to U.S. dollars using exchange rates obtained from pricing services. If market quotations are not readily available or if the Advisor believes the market quotations are not reflective of market value, securities will be valued at their fair value as determined in good faith by the Trust’s Fair Value Committee and in accordance with the Trust’s Portfolio Securities Valuation Procedures (the “Procedures”). The Board will review the fair value method in use for securities requiring a fair value determination at least quarterly. The Procedures consider, among others, the following factors to determine a security’s fair value: the nature and pricing history (if any) of the security; whether any dealer quotations for the security are available; and possible valuation methodologies that could be used to determine the fair value of the security. Fair value may also be used by the Board if extraordinary events occur after the close of the relevant world market but prior to the NYSE close, generally 4:00pm Eastern Time. Short-term debt obligations having 60 days or less remaining until maturity, at time of purchase, may be valued at amortized cost.

**ARROW QVM EQUITY FACTOR ETF**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)(Continued)**  
**July 31, 2016**

The Fund utilizes various methods to measure the fair value of all of its investments on a recurring basis. GAAP establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of input are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that the Fund has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Fund’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following tables summarize the inputs used as of July 31, 2016 for the Fund’s assets measured at fair value:

**Arrow QVM Equity Factor ETF**

Assets *	Level 1	Level 2	Level 3	Total
Common Stocks	\$ 4,590,195	\$ -	\$ -	\$ 4,590,195
Total	\$ 4,590,195	\$ -	\$ -	\$ 4,590,195

There were no transfers into or out of Level 1 and Level 2 during the current period presented. It is the Fund’s policy to record transfers into or out of Level 1 and Level 2 at the end of the reporting period.

The Fund did not hold any Level 2 or Level 3 securities during the period.

\* See Portfolio of Investments for industry classification.

**ARROW QVM EQUITY FACTOR ETF**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)(Continued)**  
**July 31, 2016**

**Security transactions and related income** – Security transactions are accounted for on the trade date. Interest income is recognized on an accrual basis. Discounts are accreted and premiums are amortized on securities purchased over the lives of the respective securities. Dividend income is recorded on the ex-dividend date. Realized gains or losses from sales of securities are determined by comparing the identified cost of the security lot sold with the net sales proceeds.

**Dividends and distributions to shareholders** – Dividends from net investment income, if any, are declared and paid monthly. Distributable net realized capital gains, if any, are declared and distributed annually. Dividends from net investment income and distributions from net realized gains are determined in accordance with federal income tax regulations, which may differ from GAAP. These “book/tax” differences are considered either temporary (e.g., deferred losses) or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the composition of net assets based on their federal tax-basis treatment; temporary differences do not require reclassification. Dividends and distributions to shareholders are recorded on ex-dividend date.

**Federal Income Taxes** – The Fund intends to continue to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income to its shareholders. Therefore, no provision for federal income tax is required. The Fund recognizes the tax benefits of uncertain tax positions only where the position is “more likely than not” to be sustained assuming examination by tax authorities. Management has analyzed the Fund’s tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions expected to be taken in the Fund’s 2016 tax returns. The Fund identified its major tax jurisdictions as U.S. Federal and foreign jurisdictions where the Fund makes significant investments. The Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

**Indemnification** – The Trust indemnifies its officers and Trustees for certain liabilities that may arise from the performance of their duties to the Trust. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties and which provide general indemnities. The Fund’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the risk of loss due to these warranties and indemnities appears to be remote.

### **3. INVESTMENT TRANSACTIONS**

For the six months ended July 31, 2016, cost of purchases and proceeds from sales of portfolio securities (excluding in-kind transactions and short-term investments), amounted to \$2,613,710 and \$21,838,278 respectively.

For the six months ended July 31, 2016, cost of purchases and proceeds from sales of portfolio securities for in-kind transactions, amounted to \$0 and \$1,796,032 respectively.

**ARROW QVM EQUITY FACTOR ETF**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)(Continued)**  
**July 31, 2016**

**4. INVESTMENT ADVISORY AGREEMENT / TRANSACTIONS WITH RELATED PARTIES**

The business activities of the Fund are overseen by the Board, which is responsible for the overall management of the Fund. Arrow Investment Advisors, LLC serves as the Fund's Investment Advisor (the "Advisor") pursuant to an Investment Advisory Agreement with the Trust (the "Advisory Agreement"). The Trust has entered into a Global Custody Agreement with Brown Brothers Harriman & Co. to serve as Custodian and to act as transfer and shareholder services agent. The Trust has also entered into an Underwriting Agreement with Northern Lights Distributors, LLC to serve as the principal underwriter and distributor for the Trust.

Pursuant to the Advisory Agreement, the Advisor, under the oversight of the Board, directs the daily operations of the Fund and supervises the performance of administrative and professional services provided by others. As compensation for its services and the related expenses borne by the Advisor, the Fund pays the Advisor a fee, computed and accrued daily and paid monthly, at an annual rate of 0.60% of the Fund's average daily net assets.

Pursuant to a written contract (the "Waiver Agreement"), the Advisor has agreed, at least until May 31, 2017 to waive a portion of its advisory fee and has agreed to reimburse the Fund for other expenses to the extent necessary so that total expenses incurred (exclusive of any front-end or contingent deferred sales loads, taxes, leverage interest, brokerage commissions, expenses incurred in connection with any merger or reorganization, dividend expense on securities sold short, underlying fund fees and expenses and extraordinary expenses such as litigation ) will not exceed 0.65%.

The amounts will herein be referred to as the "Expense Limitation."

If the Advisor waives any fee or reimburses any expenses pursuant to the Waiver agreement, and the Fund's operating expenses are subsequently lower than its Expense Limitation, the Advisor, on a rolling three year period, shall be entitled to reimbursement by the Fund provided that such reimbursement does not cause the Fund's operating expense to exceed the Expense Limitation. If the Fund's operating expenses subsequently exceed the Expense Limitation, the reimbursements for the Fund shall be suspended. For the six months ended July 31, 2016, the Advisor waived fees and reimbursed expenses in the amount of \$31,202.

The following amounts are subject to recapture by the Advisor by the following dates:

1/31/2016
\$ 72,527

The Advisor may seek reimbursement only for expenses waived or paid by it during the three fiscal years prior to such reimbursement; provided, however, that such expenses may only be reimbursed to the extent they were waived or paid after the effective date of the Waiver Agreement (or any similar agreement). The Board may terminate this expense reimbursement arrangement at any time.

**ARROW QVM EQUITY FACTOR ETF**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)(Continued)**  
**July 31, 2016**

The Trust, with respect to the Fund, has adopted a distribution and service plan (“Plan”) pursuant to Rule 12b-1 under the 1940 Act. Under the Plan, the Fund is authorized to pay distribution fees to the distributor and other firms that provide distribution and shareholder services (“Service Providers”). If a Service Provider provides these services, the Fund may pay fees at an annual rate not to exceed 0.25% of average daily net assets, pursuant to Rule 12b-1 under the 1940 Act.

No distribution or service fees are currently paid by the Fund and there are no current plans to impose these fees. In the event Rule 12b-1 fees were charged, over time they would increase the cost of an investment in the Fund.

Gemini Fund Services, LLC (“GFS”), provides administration and fund accounting services to the Trust. Pursuant to separate servicing agreements with GFS, the Fund pays GFS customary fees for providing administration and fund accounting services to the Fund. Certain officers of the Trust are also officers of GFS, and are not paid any fees directly by the Fund for serving in such capacities.

Blu Giant, LLC (“Blu Giant”) – an affiliate of GFS, provides EDGAR conversion and filing services as well as print management services for the Fund on an ad-hoc basis. For the provision of these services, Blu Giant receives customary fees from the Fund.

Bassett Compliance Consulting Services, LLC (“BCCS”) provides Chief Compliance Officer (“CCO”) to the Trust. Under the terms of such agreement, BCCS receives customary fees from the Fund.

## **5. CAPITAL SHARE TRANSACTIONS**

Shares are not individually redeemable and may be redeemed by the Fund at NAV only in large blocks known as “Creation Units.” Shares are created and redeemed by the Fund only in Creation Unit size aggregations of 50,000 shares. Only Authorized Participants or transactions done through an Authorized Participant are permitted to purchase or redeem Creation Units from the Fund. An Authorized Participant is either (i) a broker-dealer or other participant in the clearing process through the Continuous Net Settlement System of the National Securities Clearing Corporation or (ii) a DTC participant and, in each case, must have executed a Participant Agreement with the Distributor. Such transactions are generally permitted on an in-kind basis, with a balancing cash component to equate the transaction to the NAV per share of the Fund on the transaction date. Cash may be substituted equivalent to the value of certain securities generally when they are not available in sufficient quantity for delivery, not eligible for trading by the Authorized Participant or as a result of other market circumstances. In addition, the Fund may impose transaction fees on purchases and redemptions of Fund shares to cover the custodial and other costs incurred by the Fund in effecting trades. A fixed fee payable to the Custodian may be imposed on each creation and redemption transaction regardless of the number of Creation Units involved in the transaction (“Fixed Fee”). Purchases and redemptions of Creation Units for cash or involving cash-in-lieu are required to pay an additional variable charge to compensate the Fund and its ongoing shareholders for brokerage and market impact expenses relating to Creation Unit transactions (“Variable Charge,” and together with the Fixed Fee, the “Transaction Fees”). Transactions in capital shares for the Fund are disclosed in the Statement of Changes in Net Assets.

**ARROW QVM EQUITY FACTOR ETF**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)(Continued)**  
**July 31, 2016**

The Transaction Fees for the Fund are listed in the table below:

Fixed Fee	Variable Charge
\$500	2.00%*

\* The maximum Transaction Fee may be up to 2.00% of the amount invested.

**6. DISTRIBUTIONS TO SHAREHOLDERS AND TAX COMPONENTS OF CAPITAL**

The tax character of fund distributions paid for the period ended January 31, 2016 was as follows:

	Fiscal Period Ended January 31, 2016
Ordinary Income	<u>\$ 65,990</u>

As of January 31, 2016, the components of accumulated earnings/(deficit) on a tax basis were as follows:

Undistributed Ordinary Income	Undistributed Long-Term Gains	Post October Loss and Late Year Loss	Capital Loss Carry Forwards	Other Book/Tax Differences	Unrealized Appreciation/ (Depreciation)	Total Accumulated Earnings/(Deficits)
\$ 708	\$ -	\$ (295,160)	\$ -	\$ -	\$ (403,121)	\$ (697,573)

The difference between book basis and tax basis, accumulated net realized loss, and unrealized depreciation from investments is primarily attributable to the tax deferral of losses on wash sales.

Capital losses incurred after October 31 within the fiscal year are deemed to arise on the first business day of the following fiscal year for tax purposes. The Fund incurred and elected to defer such capital losses of \$295,160.

Permanent book and tax differences, primarily attributable to the book/tax basis treatment of foreign currency gains/(losses), adjustments for publicly traded partnerships and grantor trusts, resulted in reclassification for the period ended January 31, 2016 as follows:

Paid In Capital	Undistributed Net Investment Income	Accumulated Net Realized Loss
\$ -	\$ (912)	\$ 912



**ARROW QVM EQUITY FACTOR ETF**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)(Continued)**  
**July 31, 2016**

**7. NEW ACCOUNTING PRONOUNCEMENT**

In May 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-07, “Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)”, modifying ASC 946 “Financial Services – Investment Companies”. Under the modifications, investments in affiliated and private investment funds valued at Net Asset Value are no longer included in the fair value hierarchy disclosed in Footnote 2. ASU 2015-07 is effective for fiscal years beginning on or after December 15, 2015, and interim periods within those annual periods. Early application is permitted. Management is currently evaluating the implications of ASU 2015-07 and its impact on financial statement disclosures.

**8. SUBSEQUENT EVENTS**

The Fund is required to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the Statement of Assets and Liabilities. For non-recognized subsequent events that must be disclosed to keep the financial statement from being misleading, the Fund is required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. Subsequent events after the date of the Statement of Assets and Liabilities have been evaluated through the date the financial statements were issued.

Distributions: The Fund’s Board of Trustees declared the following distributions after July 31, 2016:

<b>Fund</b>	<b>Distribution Per Share</b>	<b>Record Date</b>	<b>Payable Date</b>
Arrow QVM Equity Factor ETF	\$0.1080	9/20/2016	9/26/2016

At a Special Meeting of Shareholders of the Funds, held at the offices of Gemini Fund Services, LLC, 80 Arkay Drive, Hauppauge, NY 11788, on Friday, August 19, 2016, shareholders of record at the close of business on July 1, 2016 voted to approve the following proposals:

**Proposal I:** To elect Thomas T. Sarkany and Robert S. Andrialis to the Board of Trustees of the Trust.

<b>Thomas T. Sarkany</b>	
<b>Shares Voted <u>In Favor</u> 54,363,525</b>	<b>Shares Voted Against or <u>Abstentions</u> 347,402</b>

**ARROW QVM EQUITY FACTOR ETF**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)(Continued)**  
**July 31, 2016**

<b>Robert S. Andrialis</b>	
<b>Shares Voted <u>In Favor</u> 54,344,003</b>	<b>Shares Voted Against <u>or</u> <u>Abstentions</u> 366,924</b>

Management has determined that there were no other subsequent events to report through the issuance of these financial statements.

**Arrow QVM Equity Factor ETF**  
**EXPENSE EXAMPLES (Unaudited)**  
**July 31, 2016**

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including brokerage commissions on purchases and sales of Fund shares; (2) ongoing costs, including management fees and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from February 1, 2016 through July 31, 2016.

**Actual Expenses**

The “Actual” expenses line in the table below provides information about actual account values and actual expenses. You may use the information below, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the table under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

**Hypothetical Example for Comparison Purposes**

The “Hypothetical” line in the table below provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balances or expenses you paid for the period. You may use this information to compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as brokerage commissions paid on purchases and sales of Fund shares. Therefore, the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value 2/1/2016	Ending Account Value 7/31/2016	Expenses Paid During Period* 2/1/16 - 7/31/16	Expenses Paid During Period** 2/1/16 -7/31/16
Actual	\$1,000.00	\$1,082.50	\$3.37	0.65%
Hypothetical (5% return before expenses)	\$1,000.00	\$1,021.63	\$3.37	0.65%

*\*\*\*Actual” expense information for the Fund is for the period from February 1, 2016 to July 31, 2016. Actual expenses are equal to the Fund’s annualized net expense ratio multiplied by 180/366 (to reflect the period from February 1, 2016 to July 31, 2016). “Hypothetical” expense information for the Fund is presented on the basis of the full one-half year period to enable comparison to other funds. It is based on assuming the same net expense ratio and average account value over the period, but it is multiplied by 182/366 (to reflect the full half-year period).*

*\*\* Annualized.*

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**PRIVACY NOTICE**

**ARROW INVESTMENTS TRUST**

**FACTS**

**WHAT DOES ARROW INVESTMENTS TRUST DO WITH YOUR PERSONAL INFORMATION?**

**Why?**

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some, but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

**What?**

The types of personal information we collect and share depends on the product or service that you have with us. This information can include:

- Social Security number and wire transfer instructions
- account transactions and transaction history
- investment experience and purchase history

When you are *no longer* our customer, we continue to share your information as described in this notice.

**How?**

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Arrow Investments Trust chooses to share; and whether you can limit this sharing.

<b>Reasons we can share your personal information:</b>	<b>Does Arrow Investments Trust share information?</b>	<b>Can you limit this sharing?</b>
<b>For our everyday business purposes</b> - such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus.	<b>YES</b>	<b>NO</b>
<b>For our marketing purposes</b> - to offer our products and services to you.	<b>NO</b>	<b>We don't share</b>
<b>For joint marketing with other financial companies.</b>	<b>NO</b>	<b>We don't share</b>
<b>For our affiliates' everyday business purposes</b> - information about your transactions and records.	<b>NO</b>	<b>We don't share</b>
<b>For our affiliates' everyday business purposes</b> - information about your credit worthiness.	<b>NO</b>	<b>We don't share</b>
<b>For nonaffiliates to market to you</b>	<b>NO</b>	<b>We don't share</b>

**QUESTIONS?** Call 1-877-277-6933

# ***PRIVACY NOTICE***

## **ARROW INVESTMENTS TRUST**

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### **What we do:**

<b>How does Arrow Investments Trust protect my personal information?</b>	<p>To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.</p> <p>Our service providers are held accountable for adhering to strict policies and procedures to prevent any misuse of your nonpublic personal information.</p>
<b>How does Arrow Investments Trust collect my personal information?</b>	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> <li>• open an account or deposit money</li> <li>• direct us to buy securities or direct us to sell your securities</li> <li>• seek advice about your investments</li> </ul> <p>We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.</p>
<b>Why can't I limit all sharing?</b>	<p>Federal law gives you the right to limit only:</p> <ul style="list-style-type: none"> <li>• sharing for affiliates' everyday business purposes – information about your creditworthiness.</li> <li>• affiliates from using your information to market to you.</li> <li>• sharing for nonaffiliates to market to you.</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>

### **Definitions**

<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>• <i>Arrow Investments Trust does not share with our affiliates.</i></li> </ul>
<b>Nonaffiliates</b>	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>• <i>Arrow Investments Trust does not share with nonaffiliates so they can market to you.</i></li> </ul>
<b>Joint marketing</b>	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>• <i>Arrow Investments Trust does not jointly market.</i></li> </ul>

### **PROXY VOTING POLICY**

Information regarding how the Fund voted proxies relating to portfolio securities for the most recent twelve-month period ended June 30 as well as a description of the policies and procedures that the Fund uses to determine how to vote proxies is available without charge, upon request, by calling 1-877-277-6933 or by referring to the Securities and Exchange Commission's ("SEC") website at <http://www.sec.gov>.

### **PORTFOLIO HOLDINGS**

The Fund files its complete schedules of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Form N-Q is available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC (1-800-SEC-0330). The information on Form N-Q is available without charge, upon request, by calling 1-877-277-6933.

### **INVESTMENT ADVISOR**

Arrow Investment Advisors, LLC  
6100 Chevy Chase Drive  
Suite 100  
Laurel, MD 20707

### **ADMINISTRATOR**

Gemini Fund Services, LLC  
80 Arkay Drive, Suite 110  
Hauppauge, NY 11788