



EAST COAST INVESTMENT GRADE INCOME FUND

Unaudited Financial Statements

June 30, 2013

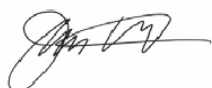
Experience. Intelligent Investing.

EAST COAST INVESTMENT GRADE INCOME FUND

Statements of Net Assets (Unaudited) As at June 30, 2013 and December 31, 2012

	2013	2012
	\$	\$
Assets		
Forward agreement (Note 2)	128,511,660	130,360,424
Investments	19,951	19,950
Cash and cash equivalents	77,566	42,491
Accrued interest and dividends receivable	32	33
	128,609,209	130,422,898
Liabilities		
Distribution payable	579,250	579,250
Other liabilities	342,366	355,101
	921,616	934,351
Net assets	127,687,593	129,488,547
Unitholders' capital	126,701,623	126,711,106
Retained earnings	985,970	2,777,441
Net Assets representing unitholders' equity	127,687,593	129,488,547
Number of units outstanding (Note 7)	11,585,000	11,585,000
Net assets per unit (Note 10)	11.02	11.18

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



James L. McGovern, Director



Robert W. Maxwell, Director

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

Statement of Operations and Retained Earnings (Unaudited) For the period ended June 30

	2013
	\$
Income	
Interest income	99
	99
Expenses (Note 3)	
Administration fees	365,032
Management fees	159,115
HST	55,897
	580,044
Net investment (loss)	(579,945)
Realized and unrealized gain(loss) on investments:	
Net realized gain (loss) on investments	181,569
Net change in unrealized appreciation (depreciation) in value of investments and foreign currencies	2,082,405
Commissions and other portfolio transaction costs	-
Net realized and unrealized gain (loss) on investments:	2,263,974
Increase (decrease) in net assets from operations	1,684,029
Increase (decrease) in Net Assets from Operations per Class	
Retained earnings, beginning of period	2,777,441
Distributions to unitholders	(3,475,500)
Retained earnings, end of period	985,970
Increase (decrease) in Net Assets per Unit (Note 2)	0.15

Statements of Changes in Net Assets (Unaudited) For the periods ended June 30

	2013
	\$
Increase (decrease) in net assets from operations	1,684,029
Distributions to unitholders	(3,475,500)
	(3,475,500)
Gross proceeds from issuance of units	-
Issuance costs and agents' fees	(9,483)
Net proceeds from issuance of units	-
	(9,483)
Change in net assets during the period	(1,800,954)
Net assets - beginning of period	129,488,547
Net assets - end of period	127,687,593

EAST COAST INVESTMENT GRADE INCOME FUND

Statements of Cash Flow (unaudited)
For the period ended June 30

	2013 \$
Operating Activities	
Net investment (loss) for the period	(579,945)
Prepayment of forward agreement	(287,166)
Proceeds on partial settlement of forward agreement	4,399,905
Decrease (increase) in interest and dividends receivable	1
Increase (decrease) in other liabilities	(12,737)
Net cash provided by (used in) operating activities	3,520,058
Financing Activities	
Issuance costs and agents' fees	(9,483)
Distributions paid	(3,475,500)
Net cash provided by financing activities	(3,484,983)
Increase in cash and cash equivalents during the period	35,075
Balance of cash and cash equivalents, beginning of period	42,491
Balance of cash and cash equivalents, end of period	77,566

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

EAST COAST INVESTMENT GRADE INCOME FUND

Statement of Investment Portfolio (Unaudited) - As at June 30, 2013

PREPAID FORWARD 100.7%

Forward Agreement	Percentage of Fund	Fair Value *	Average Cost
Forward Agreement	100.6%	128,511,660	122,867,934
		\$128,511,660	\$122,867,934

FIXED INCOME LONG POSITIONS 0.0%

SECURITY NAME	Coupon Rate	Maturity Date	Par Value	Fair Value	Average Cost
Canadian Government Bond	1.00%	Nov/01/2014	20,000	19,951	19,977
				\$19,951	\$19,977

		FAIR VALUE	AVERAGE COST
INVESTMENT PORTFOLIO SUMMARY			
Forward Agreement	100.6%	\$128,511,660	\$122,867,934
Fixed Income Long Positions	0.0%	19,951	19,977
Total Other Net Assets	-0.7%	(844,018)	
TOTAL NET ASSETS	100.0%	\$127,687,593	

*See attached schedule for summary of the ECIGIF Trust portfolio to which the Forward Agreement gives exposure (Note 2)

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

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio from ECIGIF Trust (Unaudited) - As at June 30, 2013

The following positions are held in ECIGIF Trust

FIXED INCOME LONG POSITIONS 193.7%

SECURITY NAME		COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE	AVERAGE COST
Aimia Inc	CAD	7.90%	Sep/02/2014	1,360,000	1,439,769	1,471,003
AltaGas Ltd	CAD	7.42%	Apr/29/2014	1,568,000	1,630,614	1,690,787
American Media Inc	USD	11.50%	Dec/15/2017	369,000	377,599	369,304
Aon Finance NS 1 ULC	CAD	4.76%	Mar/08/2018	5,965,000	6,302,509	6,434,579
APT Pipelines Ltd	AUD	4.25%	Jul/24/2019	4,410,000	4,367,185	4,528,717
Athabasca Oil Corp	CAD	7.50%	Nov/19/2017	694,000	660,534	694,000
BAC Canada Finance Co	CAD	5.00%	Feb/18/2014	4,500,000	4,584,172	4,643,325
Bank of Montreal	CAD	2.84%	Jun/04/2020	3,340,000	3,262,195	3,339,165
Bell Aliant Regional Communications LP	CAD	6.29%	Feb/17/2015	7,613,000	8,100,643	8,241,954
Bell Canada	CAD	3.35%	Mar/22/2023	2,608,000	2,445,853	2,603,592
BHP Billiton Finance Ltd	AUD	3.23%	May/15/2023	5,375,000	5,053,294	5,371,829
BMO Capital Trust	CAD	5.47%	Dec/29/2049	6,037,000	6,344,026	6,463,192
Calloway Real Estate Investment Trust	CAD	3.99%	May/30/2023	2,507,000	2,400,809	2,512,741
Canada Safeway Ltd	CAD	3.00%	Mar/31/2014	7,222,000	7,261,092	7,296,072
Canadian Energy Services & Technology Corp	CAD	7.38%	Apr/17/2020	1,610,000	1,618,153	1,610,000
Canadian Western Bank	CAD	2.53%	Mar/22/2018	5,215,000	5,093,929	5,215,000
Canadian Western Bank	CAD	3.46%	Dec/17/2024	6,744,000	6,632,983	6,728,665
CI Financial Corp	CAD	4.19%	Dec/16/2014	1,862,000	1,923,852	1,932,504
Cogeco Cable Inc	CAD	4.93%	Feb/14/2022	762,000	782,966	815,980
Cogeco Cable Inc	CAD	4.18%	May/26/2023	2,482,000	2,358,292	2,483,812
Cogeco Cable Inc	CAD	5.95%	Jun/09/2014	9,358,000	9,683,185	9,873,625
Cominar Real Estate Investment Trust	CAD	4.23%	Dec/04/2019	3,612,000	3,520,001	3,598,611
Emigrant Bancorp Inc	USD	6.25%	Jun/15/2014	749,000	772,381	738,949
Enbridge Income Fund Holdings Inc	CAD	3.94%	Jan/13/2023	2,248,000	2,199,304	2,247,573
Enbridge Income Fund Holdings Inc	CAD	2.27%	Nov/28/2014	3,149,000	3,160,820	3,149,000
Enbridge Income Fund Holdings Inc	CAD	2.92%	Dec/14/2017	7,642,000	7,606,838	7,640,624
First Capital Realty Inc	CAD	5.95%	Jun/01/2015	2,343,000	2,500,350	2,541,921
First National Financial Corp	CAD	5.07%	May/07/2015	9,139,000	9,408,069	9,489,929
Ford Credit Canada Ltd	CAD	4.88%	Mar/17/2014	2,717,000	2,769,068	2,797,610
Ford Credit Canada Ltd	CAD	7.50%	Aug/18/2015	10,575,000	11,591,189	11,866,328
Frist Capital Realty Inc	CAD	3.90%	Oct/30/2023	3,694,000	3,471,631	3,682,770
GE Capital Canada Funding Co	CAD	2.42%	May/31/2018	4,176,000	4,085,025	4,175,791
Gibson Energy Inc	CAD	7.00%	Jul/15/2020	369,000	363,926	363,956
H&R Real Estate Investment Trust	CAD	5.20%	Feb/03/2015	1,065,000	1,110,325	1,123,042
Home Capital Group Inc	CAD	5.20%	May/04/2016	1,390,000	1,439,018	1,453,523
JPMorgan Chase & Co	USD	2.92%	Sep/19/2017	8,030,000	7,971,812	8,030,000
Laurentian Bank Of Canada	CAD	2.45%	Feb/13/2015	2,653,000	2,668,639	2,657,643
Leisureworld Senior Care LP	CAD	4.81%	Nov/24/2015	5,442,000	5,767,419	5,781,644
Loblaw Cos Ltd	CAD	5.90%	Jan/18/2036	445,000	475,117	494,728
Loblaw Cos Ltd	CAD	6.15%	Jan/29/2035	788,000	864,686	908,990
Manulife Bank of Canada, FRN	CAD	1.82%	Mar/14/2016	2,202,000	2,203,027	2,202,000
Manulife Financial Corp	CAD	4.90%	Jun/02/2014	3,287,000	3,379,886	3,430,577
Metropolitan Life Global Funding I	USD	2.62%	Apr/10/2015	1,549,000	1,565,971	1,562,926
Metropolitan Life Global Funding I	USD	3.03%	Jun/11/2020	2,037,000	1,986,022	2,037,000
Metropolitan Life Global Funding I, FRN	USD	2.17%	Jun/17/2014	1,179,000	1,184,789	1,187,123
Molson Coors Capital Finance ULC	CAD	5.00%	Sep/22/2015	2,100,000	2,223,423	2,252,040
Morgan Stanley	USD	4.90%	Feb/23/2017	368,000	386,355	386,058
Pembina Pipeline Corp	CAD	3.77%	Oct/24/2022	2,243,000	2,211,101	2,242,619
Penske Truck Leasing Canada Inc	CAD	3.65%	Feb/01/2018	5,895,000	5,906,711	5,888,339
Quebecor Media Inc	CAD	6.63%	Jan/15/2023	2,692,000	2,753,916	2,692,000
Rogers Communications Inc	CAD	6.11%	Aug/25/2040	550,000	601,818	675,483
RONA Inc	CAD	5.40%	Oct/20/2016	190,000	196,175	197,048
Royal Bank of Canada	CAD	4.35%	Jun/15/2020	7,431,000	7,746,431	7,835,061
Royal Bank of Scotland Group PLC	GBP	6.67%	Dec/31/2049	666,000	619,380	621,079
Shaw Communications Inc	CAD	6.75%	Nov/09/2039	4,015,000	4,461,758	4,592,159
Shaw Communications Inc	CAD	5.65%	Oct/01/2019	8,258,000	9,161,580	9,188,697
SNC-Lavalin Group Inc	CAD	6.19%	Jul/03/2019	3,627,000	4,051,203	4,142,306
Southern Pacific Resource Corp	CAD	8.75%	Jan/25/2018	2,735,000	2,105,950	2,650,959
Sydney Airport Finance Co Pty Ltd	AUD	4.60%	Jul/27/2018	5,405,000	5,678,626	5,750,163
Telebec LP	CAD	5.75%	Nov/05/2013	2,841,000	2,877,750	2,943,986
TELUS Corp	CAD	4.40%	Apr/01/2043	3,786,000	3,460,358	3,777,216
Telus Corp	CAD	3.35%	Apr/01/2024	3,908,000	3,628,468	3,885,920
The Royal Bank of Scotland PLC	GBP	2.00%	Mar/30/2015	2,507,000	2,425,632	2,444,325
Toronto-Dominion Bank	CAD	4.97%	Oct/30/2104	6,457,000	6,866,754	6,962,927
TransAlta Corp	CAD	6.45%	May/29/2014	4,123,000	4,271,093	4,384,728
Videotron Ltd	CAD	7.13%	Jan/15/2020	2,672,000	2,873,675	2,946,448
Videotron Ltd	CAD	5.63%	Jun/15/2025	9,186,000	8,770,196	9,186,000
YPG Financing Inc	CAD	9.25%	Nov/30/2018	161,274	164,499	164,562

Total Fixed Income Long Positions

247,831,819

253,292,227

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio from ECIGIF Trust (Unaudited) - As at June 30, 2013

The following positions are held in ECIGIF Trust

FIXED INCOME SHORT POSITIONS -94.8%

SECURITY NAME		COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE	AVERAGE COST
Canadian Government Bond	CAD	1.50%	Aug/01/2015	(113,000)	(113,648)	(114,095)
Canadian Government Bond	CAD	2.00%	Jun/01/2016	(1,587,524)	(1,614,250)	(1,627,153)
Canadian Government Bond	CAD	2.75%	Sep/01/2016	(199,000)	(206,855)	(209,945)
Canadian Government Bond	CAD	1.50%	Mar/01/2017	(23,000)	(22,948)	(23,267)
Canadian Government Bond	CAD	4.00%	Jun/01/2017	(105,000)	(114,384)	(116,551)
Canadian Government Bond	CAD	1.50%	Sep/01/2017	(22,461,000)	(22,252,856)	(22,600,656)
Canadian Government Bond	CAD	1.25%	Mar/01/2018	(7,254,000)	(7,078,635)	(7,271,995)
Canadian Government Bond	CAD	4.25%	Jun/01/2018	(1,225,000)	(13,646,977)	(13,944,594)
Canadian Government Bond	CAD	3.75%	Jun/01/2019	(26,417,000)	(29,007,838)	(29,947,864)
Canadian Government Bond	CAD	3.50%	Jun/01/2020	(5,250,000)	(5,710,422)	(5,818,642)
Canadian Government Bond	CAD	3.25%	Jun/01/2021	(719,000)	(770,854)	(802,548)
Canadian Government Bond	CAD	2.75%	Jun/01/2022	(4,694,000)	(4,843,632)	(5,065,773)
Canadian Government Bond	CAD	1.50%	Jun/01/2023	(29,978,000)	(27,525,050)	(28,502,002)
Canadian Government Bond	CAD	5.00%	Jun/01/2037	(869,000)	(1,182,862)	(1,274,912)
Canadian Government Bond	CAD	4.00%	Jun/01/2041	(5,877,000)	(7,118,451)	(7,554,323)

Total Fixed Income Short Positions (121,209,661) (124,874,320)

LONG OPTION POSITIONS 0.4%

SECURITY NAME		CONTRACTS	EXPIRY DATE	STRIKE PRICE	FAIR VALUE	AVERAGE COST
Swaption CDX NA IG S20 Put		41,900,000	18-Sep-13	90	217,021	101,621
S&P 500 EMINI Put		34	19-Jul-13	1,500	6,008	27,737
S&P 500 EMINI Put		168	20-Sep-13	1,500	190,524	141,612
S&P 500 EMINI Put		41	19-Jul-13	1,550	20,004	19,355
S&P 500 EMINI Call		34	19-Jul-13	1,615	27,798	16,106

Total Long Option Contracts 461,356 306,431

SHORT OPTION POSITIONS -0.5%

SECURITY NAME		CONTRACTS	EXPIRY DATE	STRIKE PRICE	FAIR VALUE	AVERAGE COST
Swaption CDX NA IG S20 Put		(146,900,000)	18-Sep-13	100	(522,751)	(279,685)
Swaption CDX NA IG S20 Put		(41,900,000)	18-Sep-13	110	(105,299)	(40,225)

Total Short Option Contracts (628,050) (319,909)

FUTURES CONTRACTS -0.0%

SECURITY NAME		CONTRACTS	EXPIRY DATE	NOTIONAL VALUE	UNREALIZED GAIN/(LOSS)
S&P 500 EMINI		(34)	20-Sep-13	(2,664,888)	(57,293)

Total Futures Contracts (2,664,888) (57,293)

SWAPS LONG POSITIONS 0.1%

SECURITY NAME		NOTIONAL VALUE	FAIR VALUE	AVERAGE COST	CREDIT RATING	COUNTER PARTY
CDX NA IG S20 V1 BP 1% 06/20/2018 JPM		30,500,000	17,992	-	Aa3	JP Morgan Chase & Co.
CDX NA HY S20 V1 5% BP 06/20/2018 GS		4,935,000	70,935	-	Aa2	Goldman Sachs

Total Swaps Long Positions 88,927 -

		FAIR VALUE	AVERAGE COST
INVESTMENT PORTFOLIO SUMMARY			
Fixed Income Long Positions	193.7%	247,831,819	253,292,227
Fixed Income Short Positions	-94.8%	(121,209,661)	(124,874,320)
Option Long Positions	0.4%	461,356	306,431
Option Short Positions	-0.5%	(628,050)	(319,909)
Futures Contracts	0.0%	(57,293)	-
Swaps Positions	0.1%	88,927	-
Total Investments	98.9%	126,487,098	128,404,428
Total Other Net Assets	1.1%	1,426,174	-
Total Net Assets	100.0%	127,913,272	

(1) As at June 30, 2013
 Net Assets of ECIGIF Trust 127,913,272
 Valuations adjustment to portfolio securities to closing prices 598,388
 Forward Agreement, at fair value 128,511,660

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2013

1. Formation of the Fund

East Coast Investment Grade Income Fund (the Fund) was formed as a closed-end investment trust created pursuant to a trust indenture dated April 26, 2012. The Manager of the Fund is Arrow Capital Management Inc. (the "Manager").

The Fund completed its initial public offering ("IPO") and commenced operations and trading on May 18, 2012. On that date, the Fund issued 11,250,000 units at \$12.00 per unit for gross proceeds of \$135.00 million. The Fund closed its over-allotment option on May 30, 2012, issuing 335,000 units at \$12.00 per unit for gross proceeds of \$4.02 million, bringing the total gross proceeds to \$139.02 million. The offering costs were \$8.05 million, bringing the total net proceeds to \$130.97 million.

On March 21, 2013, the Federal Minister of Finance presented the majority government's budget. The budget will treat the return from the derivative investment portion of character conversion transactions, such as those employed by the Fund, as ordinary income rather than capital gains. The changes apply to agreements entered into or amended after March 20, 2013. Based on the Fund's legal structure and derivative contracts in place, the Manager does not currently expect any impact of these changes on the Fund, prior to the maturity of its existing derivative agreement on May 15, 2017.

The financial statements are denominated in Canadian Dollars.

2. Forward Agreement

The Fund will seek to achieve its investment objective by obtaining exposure to the ECIGIF Trust which invests in a broad range of public and private corporate debt securities. The Manager of ECIGIF Trust is Arrow Capital Management Inc. (the "Manager"). East Coast Fund Management Inc. (the "Portfolio Advisor"), is the portfolio advisor of ECIGIF Trust.

On May 30, 2012, the Fund entered into a forward purchase and sale agreement (the "Forward Agreement") with a Canadian chartered bank ("Counterparty"). The obligations of the Counterparty to the Fund under the Forward Agreement are determined by reference to the performance of ECIGIF Trust, with the profit and loss allocated to the Fund.

Under the terms of the Forward Agreement, the Fund paid substantially all of the net proceeds to the Counterparty and in return the Counterparty has agreed to deliver to the Fund, on or about May 15, 2017 or earlier, in whole or in part at the request of the Fund, a Canadian securities portfolio having a value equal to the redemption proceeds of the units of ECIGIF Trust specified in the Forward Agreement. To secure the obligations of the Counterparty under the Forward Agreement, the Counterparty will pledge collateral in favour of the Fund with an aggregate value equal to 100% of the mark-to-market value of the Fund's exposure under the Forward Agreement and the amount of the collateral will be reset on a weekly basis to 100%. As at June 30, 2013, the collateral of securities held as collateral amount to \$127,546,250.

In order to permit the Fund to pay (i) monthly distributions, (ii) redemptions and repurchases of units, and (iii) operating expenses and other liabilities of the Fund, the terms of the Forward Agreement provide that the Forward Agreement may be settled in whole or in part prior to May 15, 2017, by the Fund at its discretion.

Under the Forward Agreement, the Fund pays to the Counterparty a fee of 0.3% of the Net Asset Value of ECIGIF Trust calculated and payable quarterly in arrears.

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2013

3. Summary of Significant Accounting Policies

a) Valuation of Investments

Investments are categorized as held for trading in accordance with Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting Section 3855, “Financial Instruments – Recognition and Measurement”. The fair value of investments as at the financial reporting date is determined as follows:

- i. Investments held that are traded in an active market through recognized public stock exchanges, over-the-counter markets on which the investments are traded, or through recognized investment dealers, are valued at their quoted bid value for long securities and at their quoted ask value for short securities. Investments held may include shares, bonds, debentures, options and warrants. The difference between these valuation amounts and average cost is recorded as unrealized appreciation or depreciation in value of investments. For bonds, money market instruments and debentures, the fair value is derived from bid or ask prices provided by independent security pricing services or recognized investment dealers.
- ii. Investments held for which a market quotation is not readily available or to which in the opinion of the Manager, the above principles cannot be applied shall be the fair value thereof determined in such manner as the Manager from time to time determines. The availability of valuation techniques and observable inputs can vary from security to security and is affected by a variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the security existed.

The net asset value per unit for the subscription and redemption of shares may be different from the net assets per unit calculation presented on the Statement of Net Assets. Generally, any difference is due to valuing actively traded securities at bid price for long positions and ask price for short positions for financial statement purposes but utilizing closing price to determine fair value for the subscription and redemption of units. Refer to Note 9 for a per unit comparison between the net asset value per unit and the net assets per unit.

As at June 30, 2013 and December 31, 2012, the Fund did not have any significant positions in securities valued by any non-observable inputs.

The fair value of the Forward Agreement (Note 2) is the value that would be realized if, as of any date, the Forward Agreement were settled in accordance with its terms, in which case the value shall be determined with reference to the current fair value of the underlying investments of the ECIGIF Trust using closing sale prices. If no sale has taken place that day, valuation will be at the average of the bid and ask price. The value takes into account amounts equal to other assets including cash, prepaids and interest receivable, less the liabilities of the ECIGIF Trust and other liabilities attributed to the Forward Agreement on such date.

The unrealized appreciation on the Forward Agreement and the realized gains on partial settlements on the Forward Agreement are included in the statement of operations.

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2013

b) Investment Transactions

Investment transactions are accounted for on the trade date for financial reporting purposes. Realized gains and losses on investments and unrealized appreciation or depreciation in value of investments are calculated on an average cost basis.

c) Commissions and other portfolio transaction costs

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Such costs are expensed and are included in "Commissions and other portfolio transaction costs" in the Statements of Operations.

d) Income Recognition

Interest income is accrued on a daily basis.

e) Foreign Exchange

Foreign currency amounts are expressed in Canadian dollars on the following basis:

- i) Fair value of investments and other assets and liabilities at the exchange rate prevailing at the period-end; and
- ii) Purchase and sale of investments and income and expenses at the rate of exchange prevailing on the transaction date

Foreign exchange gains (losses) on completed transactions are included in the net realized gain (loss) on investments in the Statement of Operations.

f) Increase (Decrease) in Net Assets from operations per unit

The increase (decrease) in net assets from operations per unit is calculated as the increase (decrease) in net assets divided by the weighted average number of units outstanding during the period.

g) Service fees

The Manager will pay each registered dealer a service fee (the "Service Fee") equal to 0.40% annually of the NAV per Unit for each Unit held by the clients of such registered dealer, plus any applicable taxes.

h) Agents' fees and issue expenses

Agents' fees and issue expenses related to the offering of Units were recognized as a reduction of shareholders' equity and paid out of the gross proceeds of the initial public offering.

i) Cash and cash equivalents

Cash and cash equivalents include cash on deposit and short-term investments with maturities of 90 days or less.

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2013

j) Use of Estimates

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles requires the Fund's manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

4. Management and Performance Fees

Management fees are paid by the Fund to the Manager as compensation for investment management and advisory services as follows:

	
East Coast Investment Grade Income Fund	0.25%

The ECIGIF Trust will pay the Manager an annual rate of 1.00% of the Net Asset Value of the ECIGIF Trust. Management fees are calculated and paid as of the last Valuation Date of each month.

No Performance Fee will be charged by the Fund. The Manager is entitled to receive from the ECIGIF Trust an annual Performance Fee equal to 10% of the increase in the Net Asset Value of the ECIGIF Trust including distributions, subject to an annual hurdle rate of 5.30%.

The Fund is responsible for all operating expenses incurred by or on behalf of the Fund. If the Manager provides any of these services, it shall be entitled to fees for such services not exceeding fees charged by arm's length third parties for the provision of similar services.

5. Related Party Transactions

As at June 30, 2013, amounts owing to the Manager relating to management fees and administration fees included in other liabilities were \$342,366.

6. Units Issued and Outstanding

Units issued and outstanding represent the capital of the Fund. The Fund is a closed-end trust and its units are redeemed at the net asset value per unit as determined on the Annual or Monthly Redemption Date at the option of the unitholders (see Note 10). If applicable, the unitholders are entitled to distributions when declared. Distributions are reinvested in additional units of the Fund or paid in cash. The characterization of the distributions is based on Management's estimate of the actual income for the year. Changes in the Fund's capital during the period are identified in the Statement of Changes in Net Assets and in the schedule below.

The following number of units were issued or redeemed during the period indicated:

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2013

For the period from January 1 to June 30, 2013		
	Number or Units	Amount \$
Beginning of Period	11,585,000	126,711,106
Issuance of Units	-	(9,483)
Redemption of Units	-	-
Return of Capital	-	-
End of Period	11,585,000	126,701,623

7. Management of Financial Instrument Risks

Risk Management

The Manager seeks to minimize potential adverse effects of financial instruments risks on the Fund's performance by employing professional managers and experienced portfolio advisors to monitor the Fund's and ECIGIF Trust's positions and market events, diversifying the investment portfolio within the constraints of the investment objectives of the Fund, and periodically may use derivatives to hedge certain risk exposures.

The Fund's investment objectives are to provide unitholders with attractive monthly, tax-advantaged cash distributions, while preserving capital through an actively managed, diversified portfolio of investment grade debt securities of Canadian corporate and government issuers.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument or a security issuer will fail to discharge an obligation or commitment that it has entered into with the Fund.

As at June 30, 2013 and December 31, 2012, the Fund was fully exposed to credit risk of the forward counterparty, however, the counterparty has pledged collateral in favour of the Fund to secure its obligations under the Forward Agreement. The counterparty of the Fund's Forward Agreement contract is Scotia Capital, which has a credit rating of Aa1, as rated by Moody's bond rating services.

The Fund invests in the Forward Agreement whose value is based on the performance of ECIGIF Trust and is exposed to indirect credit risk in the event that ECIGIF Trust invests in debt instruments and derivatives.

As at June 30, 2013 and December 31, 2012, ECIGIF Trust invested in debt instruments and derivatives, as applicable, with the following credit ratings:

LONG POSITIONS DEBT INSTRUMENTS BY CREDIT RATING **	JUNE 30, 2013		DECEMBER 31, 2012	
	FAIR VALUE *	PERCENTAGE OF NET ASSETS (%)	FAIR VALUE *	PERCENTAGE OF NET ASSETS (%)
AAA	-	-	\$68,174	0.1%
A	\$39,722,292	31.1%	35,793,931	27.6%
BBB	93,769,109	73.3%	157,577,122	121.6%
Below BBB (O)	18,184,323	14.2%	50,385,690	38.9%
Unrated (U)	96,156,094	75.2%	31,423,089	24.2%
TOTAL LONG POSITIONS	\$247,831,819	193.7%	\$275,248,006	212.4%

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2013

LONG POSITIONS CREDIT DEFAULT SWAPS BY CREDIT RATING **	JUNE 30, 2013		DECEMBER 31, 2012	
	FAIR VALUE *	PERCENTAGE OF NET ASSETS (%)	FAIR VALUE *	PERCENTAGE OF NET ASSETS (%)
Aa2	\$17,992	0.0%	-	-
Aa3	70,935	0.1%	(\$69,505)	(0.1%)
TOTAL LONG POSITIONS	\$88,927	0.1%	(\$69,505)	(0.1%)

* Excludes Cash And Cash Equivalents

** Credit Ratings Are Obtained From Moody's Bond Rating Services

The Fund's and ECIGIF Trust's broker and custodian services are provided by RBC Investor Services Trust, TD Securities and Bank of Montreal, which have credit ratings of A2, Aaa and Aa2 respectively, as rated by Moody's bond rating services. The counterparty of ECIGIF Trust's swaps and futures contract is JP Morgan Chase & Co., which has a credit rating of Aa3, as rated by Moody's bond rating services.

Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Cash and cash equivalents and other money market instruments are short term in nature and are not generally subject to significant amounts of interest rate risk.

As at June 30, 2013 and December 31, 2012, the Fund had no direct exposure to direct debt instruments except for a \$20,000 investment in government bonds which produces no material interest rate risk.

The Fund invests in a Forward Agreement whose value is based on the performance of ECIGIF Trust and is exposed to indirect interest rate risk in the event that ECIGIF Trust invests in interest bearing financial instruments.

As at June 30, 2013 and December 31, 2012, ECIGIF Trust's exposure to debt instruments by maturity and the impact on net assets had the yield curve shifted in parallel by 100 basis points, with all other variables held constant ("sensitivity"), is as follows:

LONG POSITIONS DEBT INSTRUMENTS BY MATURITY DATE**	JUNE 30, 2013 (\$)	DECEMBER 31, 2012 (\$)
LESS THAN 1 YEAR	\$4,508,364	-
1 – 3 YEARS	87,791,766	\$93,375,473
3 – 5 YEARS	50,178,609	56,107,177
GREATER THAN 5 YEARS	105,353,080	125,765,355
SENSITIVITY +/- 100 BASIS POINTS	+/- \$11,879,666	+/- \$11,792,899

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2013

SHORT POSITIONS	JUNE 30, 2013	DECEMBER 31, 2012
DEBT INSTRUMENTS BY MATURITY DATE**	(\$)	(\$)
1 – 3 YEARS	(\$1,727,898)	(\$113,844)
3 – 5 YEARS	(43,322,654)	(66,470,407)
GREATER THAN 5 YEARS	(76,159,109)	(82,220,230)
SENSITIVITY +/- 100 BASIS POINTS	+/- \$8,169,980	+/- \$8,630,351

**Excludes cash and cash equivalents

In practice, actual results may differ from the above sensitivity analysis and the difference could be material. Due to short term nature of the cash and cash overdraft the interest impact is not material as actual fair value does not get impacted by long term interest rate fluctuations.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund invests in a Forward Agreement whose value is based on the performance of ECIGIF Trust and is exposed to indirect other price risk.

The impact on net assets of the Fund due to a 10 percent change in its selected benchmark, using historical correlation between the Fund's return as compared to the return of the Fund's benchmark, as at June 30, 2013 and December 31, 2012, with all other variables held constant, is included in the following table. Regression analysis has been utilized to estimate the historical correlation. The analysis uses data points based on the monthly net returns since the inception of Fund.

BENCHMARK	THE FUND'S VARIANCE WITH A 10% CHANGE IN THE BENCHMARK	IMPACT ON NET ASSETS \$
JUNE 30, 2013		
DEX UNIVERSE ALL CORPORATE BOND INDEX (PC-BOND)	+/- 2%	\$2,553,752
DECEMBER 31, 2012		
DEX UNIVERSE ALL CORPORATE BOND INDEX (PC-BOND)	+/- 1%	\$1,294,885

The historical correlation may not be representative of the future correlation, and accordingly the impact on net assets could be materially different. The maximum exposure to other price risk is the market value of the investments for any long positions and is potentially unlimited for short positions.

Concentration Risk

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

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2013

As at June 30, 2013, the Fund held 100.6% of its net assets (December 31, 2012 – 100.7%) in the Forward Agreement whose value is based on the performance of ECIGIF Trust and is therefore exposed to the concentration risk of ECIGIF Trust.

Concentration risk to which ECIGIF Trust has exposure as at June 30, 2013 and December 31, 2012 are as follows:

Market Segment	June 30, 2013		December 31, 2012	
	Fixed Income (Long)	Fixed Income (Short)	Fixed Income (Long)	Fixed Income (Short)
Basic Materials	4.0%	-	7.6%	-
Communications	50.0%	-	50.5%	-
Consumer, Cyclical	0.2%	-	-	-
Consumer, Non-Cyclical	17.6%	-	5.6%	-
Diversified	-	-	1.4%	-
Energy	6.7%	-	18.3%	-
Financial	90.9%	-	103.6%	-
Government	-	(94.8%)	0.1%	(114.8%)
Industrial	7.6%	-	4.4%	-
Utilities	16.9%	-	20.8%	-

Currency Risk

Currency risk is the risk that the value of investments and cash, denominated in currencies other than the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. Equities in foreign markets and foreign bonds are exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund's functional currency in determining fair value. The Fund's exposure to currency risk, if any, is presented below.

As at June 30, 2013 and December 31, 2012, the Fund was only exposed to the Canadian Dollar and investments denominated in the Canadian Dollar.

The Fund invests in a Forward Agreement whose value is based on the performance of ECIGIF Trust and has indirect exposure to currency risk in the event that ECIGIF Trust invests in financial instruments which are denominated in other currencies.

Currencies to which the ECIGIF Trust has exposure as at June 30, 2013 and December 31, 2012 are as follows:

CURRENCY	JUNE 30, 2013	DECEMBER 31, 2012
	NET EXPOSURE (\$)*	NET EXPOSURE (\$)*
FOREIGN CURRENCIES LONG	\$1,603,528	\$1,282,004
FOREIGN CURRENCIES SHORT	(3,258,199)	(2,423,130)
NET EXPOSURE	(\$1,654,671)	(\$1,141,126)
AS A PERCENTAGE OF NET ASSETS (%)	(1.3%)	(0.9%)

*All amounts in Canadian Dollars

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2013

Short Selling Risk

ECIGIF Trust engages in short selling activities, wherein it borrows securities and sells them to third parties. Until ECIGIF Trust covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold, not yet purchased, at prices which may be significantly higher than the fair value reflected in the financial statements.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to annual and monthly cash redemptions of redeemable units, which are payable on or before the last business day of the following month. The Fund aims to retain sufficient cash and pre-settle the Fund's Forward Agreement to maintain adequate liquidity including coverage of obligations related to all current liabilities payable (liabilities are due with three months).

Custody and Prime Brokerage Risk

There are risks involved in dealing with the custodians or prime brokers who settle trades. Under certain circumstances, the securities and other assets deposited with the custodian or broker may be exposed to a credit risk with regard to such parties. In addition, there may be practical or time problems associated with enforcing ECIGIF Trust's rights to its assets in the case of an insolvency of any such party.

ECIGIF Trust maintains a custody account with its prime broker and primary custodian. Although ECIGIF Trust believes that it is an appropriate custodian, there is no guarantee that the custodian will not become insolvent. In the event of a failure, there is no guarantee ECIGIF Trust would not incur losses due to its assets being unavailable for a period of time, recoup ultimately less than full recovery of its assets, or both. Because substantially all of ECIGIF Trust's assets are custodied with a single prime broker, such losses could be significant and could materially impair the ability of ECIGIF Trust to achieve its investment objective.

Forward Agreement Counterparty Risk

The Forward Agreement, which is the principal material asset of the Fund, exposes the Fund to the credit risk associated with the Counterparty, however the agreement also requires collateral to be provided by the Counterparty. The Counterparty may have relationships with any or all of the issuers whose securities are included in ECIGIF Trust which could conflict with the interests of the Fund. In addition, the possibility exists that the Counterparty will default on its payment obligations under the Forward Agreement or that the proceeds from the sale of the Canadian Securities Portfolio acquired pursuant to the Forward Agreement will be used to satisfy other liabilities of the Fund, which liabilities could include obligations to third-party creditors in the event the Fund has insufficient assets, excluding the proceeds from the sale of the Canadian Securities Portfolio acquired pursuant to the Forward Agreement, to pay its liabilities.

8. Fair Value of Financial Instruments

Handbook Section 3862, Financial Instruments - Disclosures, requires publicly accountable enterprises to enhance the disclosures about fair value measurements and the liquidity risk of financial instruments, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and lowest priority to unobservable inputs (level 3). The three levels of fair value are:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices that are observable for the assets or liabilities either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2013

Valuation of trading assets, liabilities and derivatives are at fair value. Where there is no quoted market value, fair value is determined using a variety of valuation techniques and assumptions. Fair value amounts disclosed represent point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Fair value represents our estimate of the amounts for which we could exchange the financial instruments with willing third parties who were interested in acquiring the instruments. In some cases, however, the financial instruments are not typically exchangeable or exchanged and therefore it is difficult to determine their fair value.

For traded securities, quoted market value is considered to be fair value. Quoted market value is based on bid prices, where available. For securities where market quotes are not available, the use of estimation techniques to determine fair value is implemented. These estimation techniques include discounted cash flows, internal models that utilize observable market data or comparisons with other securities that are substantially the same.

For transactional purposes, for the Forward Agreement, the value of the investment is based upon the net asset value as provided by the administrator or manager of the ECIGIF Trust. When final net asset values are not available, the administrator or manager may provide estimates of the net asset value. The valuation represents management's best estimates based on a range of methodologies and assumptions; since they involve uncertainties, the fair values may not be realized in an actual sale or immediate settlement of the instruments.

The following table illustrates the classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2013 and December 31, 2012:

Assets (Liabilities) at Fair Value as at June 30, 2013				
	Level 1	Level 2	Level 3	Total
Forward Agreement	-	\$128,511,660	-	\$128,511,660
Fixed Income Long	-	19,951	-	19,951
Totals	-	\$128,531,611	-	\$128,531,611

Assets (Liabilities) at Fair Value as at December 31, 2012				
	Level 1	Level 2	Level 3	Total
Forward Agreement	-	\$130,360,424	-	\$130,360,424
Fixed Income Long	-	19,950	-	19,950
Totals	-	\$130,380,374	-	\$130,380,374

As at June 30, 2013 and December 31, 2012, the Fund did not hold any level 3 financial instruments.

The following table illustrates the classification of ECIGIF Trust's financial instruments within the fair value hierarchy as at June 30, 2013 and December 31, 2012:

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2013

Assets (Liabilities) at Fair Value as at June 30, 2013				
	Level 1	Level 2	Level 3	Total
Fixed Income Long	-	\$247,831,819	-	\$247,831,819
Options Long	-	461,356	-	461,356
Futures Contracts	-	(57,293)	-	(57,293)
Swaps Contracts	-	88,927	-	88,927
Fixed Income Short	-	(121,209,661)	-	(121,209,661)
Options Short	-	(628,050)	-	(628,050)
Totals	-	\$126,487,098	-	\$126,487,098

Assets (Liabilities) at Fair Value as at December 31, 2012				
	Level 1	Level 2	Level 3	Total
Fixed Income Long	-	\$275,248,006	-	\$275,248,006
Options Long	-	84,095	-	84,095
Futures Contracts	-	(11,059)	-	(11,059)
Swaps Contracts	-	(69,505)	-	(69,505)
Fixed Income Short	-	(148,804,481)	-	(148,804,481)
Options Short	-	(118,979)	-	(118,979)
Totals	-	\$126,328,077	-	\$126,328,077

As at June 30, 2013 and December 31, 2012, the ECIGIF Trust did not hold any level 3 financial instruments.

9. Reconciliation of Net Assets per Unit to Net Asset Value per Unit

Reconciliation of the Fund's Net Asset Value and Net Assets is included in the table below:

Net Asset Value per Unit (NAVPU) and Net Assets per Unit (NAPU)		
As at June 30, 2013		
	NAVPU	NAPU
	\$11.02	\$11.02

10. Redemption

Unitholders may redeem their units annually during the period from September 15th until 5:00 p.m. (Toronto time) on the 10th business day in October of each year (the "Notice Period"). Units properly surrendered for redemption during the Notice Period will be redeemed on the last business day in October of each year (the "Annual Redemption Date") and the redeeming unitholder will receive a redemption price per unit equal to 100% of the net asset value per unit as determined on the Annual Redemption Date on or before the 15th business day of the month following the Annual Redemption Date, less any costs and expenses incurred by the Fund in order to fund such redemption, if any.

Unitholders may also redeem their units monthly to the Fund's registrar and transfer agent on the last business day of any month, other than October 2013 or October any year following 2013 (the "Monthly Redemption Date"), by no later than 5:00 p.m. (Toronto time) on the 15th day of such month or the immediately preceding business day in the event that the 15th day is not a business day. Payment of the proceeds of redemption will be made on or before the last business day of the following month (the "Redemption Payment Date"). Unitholders whose Units are surrendered for redemption will be entitled to

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2013

receive a redemption price per Unit (the "Monthly Redemption Price") equal to the lesser of: (i) 95% of the Trading Price (the weighted average trading price on the TSX or such other stock exchange on which the units may be listed for the ten trading days immediately preceding the relevant Monthly Redemption Date) of the units; and (ii) the Market Price (the closing price of the Units on the TSX or such other stock exchange on which the Units may be listed on the Monthly Redemption Date or, if there was no trade during the relevant period preceding a Monthly Redemption Date, the average of the last bid and the last asking prices of the Units on the TSX or such other stock exchange on which the Units may be listed for each day during the relevant period) and less any costs and expenses incurred by the Fund in order to fund such redemption, if any.

11. Future Accounting Change

At the December 12, 2011 meeting, the Canadian Accounting Standards Board (AcSB) decided to extend the mandatory International Financial Reporting Standards (IFRS) changeover date for Canadian investment companies by an additional year. This is the third such deferral for investment companies. Accordingly, the new mandatory IFRS changeover date for these entities is January 1, 2014. The AcSB issued the amendment to the Introduction to Part I of the CICA Handbook in March 2012.

The Fund has been monitoring developments in the IFRS conversion program and has been assessing the likely impacts on implementation decisions, internal controls, information systems and training. In May 2011, the International Accounting Standards Board issued IFRS 13 Fair Value Measurement, which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. It only applies when other IFRSs require or permit fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. It allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. This may result in elimination of the differences between the Net Assets per unit and Net Asset Value per unit at the financial statements reporting dates.

Based on the Fund's current assessment of the differences between Canadian GAAP and IFRS, other than the impact due to IFRS 13 noted above, it is not expected that there would be any other impact on the Fund's Net Asset Value per unit or Net Assets per unit. Management has presently determined that the impact of IFRS to the financial statements would be limited to additional note disclosures and potential modifications to presentation including unitholders' equity. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

The Manager has commenced the development of a changeover plan to meet the implementation date. The key elements of the plan include identifying differences between the Fund's current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on the Net Assets or Net Asset Value of the Funds. The manager does not expect that there will be significant impact to the Fund's Net Asset Value as a result of the changeover to IFRS. The Manager expects the changes to be limited to presentation and disclosure relating to fund consolidation, classification of puttables, and additional note disclosures. However, the Manager's current assessment may change if new standards are issued or if interpretations of existing standards are revised.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

August 29, 2013

The accompanying financial statements have been prepared by Arrow Capital Management Inc., the Manager of East Coast Investment Grade Income Fund (the Fund), and approved by the Board of Directors of the Manager. The Fund's manager is responsible for the information and representations contained in these financial statements.

Arrow Capital Management Inc. maintains appropriate processes to ensure that reliable financial information is produced. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 to the financial statements.



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Managing Director & CEO
ARROW CAPITAL MANAGEMENT INC.



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

