

A N N U A L F I N A N C I A L S T A T E M E N T S



AUDITED ANNUAL FINANCIAL STATEMENTS

DECEMBER 2015

EAST COAST INVESTMENT GRADE INCOME FUND

EAST COAST INVESTMENT GRADE INCOME FUND

Statements of Financial Position
As at December 31,

	2015	2014
ASSETS		
Current assets		
Financial assets held for trading		
Forward agreement (Note 2)	\$50,457,532	\$95,321,628
Cash	46,029	69,047
	<u>50,503,561</u>	<u>95,390,675</u>
LIABILITIES		
Current liabilities		
Distributions payable	273,475	459,292
Other liabilities (Note 8)	191,326	276,254
	<u>464,801</u>	<u>735,546</u>
Net assets attributable to holders of redeemable units	<u>\$50,038,760</u>	<u>\$94,655,129</u>
Net assets attributable to holders of redeemable units	\$50,038,760	\$94,655,129
Number of units outstanding (Note 7)	5,469,503	9,185,830
Net assets attributable to holders of redeemable units per unit	\$9.15	\$10.30

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

"James L. McGovern"

"Robert W. Maxwell"

James L. McGovern, Director

Robert W. Maxwell, Director

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

EAST COAST INVESTMENT GRADE INCOME FUND

Statements of Comprehensive Income
For the years ended December 31,

	2015 \$	2014 \$
INCOME		
Net gains (losses) on investments and forward agreement		
Interest for distribution purposes (Note 6)	-	167
Net realized gain (loss) on investments and forward agreement (Note 6)	2,052,899	1,580,591
Net change in unrealized appreciation (depreciation) in value of investments and forward agreement (Note 6)	(5,565,968)	(1,484,337)
Net gains (losses) on investments and forward agreement	(3,513,069)	96,421
EXPENSES		
Securityholder reporting fees	117,021	142,095
Management fees (Note 8)	213,894	276,275
Service fees (Note 8)	333,479	434,456
Legal	5,375	6,312
Audit fees	20,000	18,144
Independent review committee fees	4,573	4,518
Custodial fees	2,564	10,324
Harmonized sales tax	65,851	86,813
Total expenses	762,757	978,937
Increase (decrease) in net assets attributable to holders of redeemable units	(4,275,826)	(882,516)
Increase (decrease) in Net Assets attributable to holders of redeemable units per Unit (Note 11)	(0.49)	(0.09)

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

EAST COAST INVESTMENT GRADE INCOME FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
For the years ended December 31,

	2015 \$	2014 \$
Net assets attributable to holders of redeemable units at beginning of year	94,655,129	113,339,877
Increase (decrease) in net assets attributable to holders of redeemable units	(4,275,826)	(882,516)
Distributions to holders of redeemable units		
Return of capital	(5,139,865)	(6,069,676)
Total distributions to holders of redeemable units	(5,139,865)	(6,069,676)
Redeemable unit transactions		
Redemption of redeemable units	(35,200,678)	(11,732,556)
Net increase (decrease) from redeemable unit transactions	(35,200,678)	(11,732,556)
Net increase (decrease) in net assets attributable to holders of redeemable units	(44,616,369)	(18,684,748)
Net assets attributable to holders of redeemable units at end of year	50,038,760	94,655,129

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

EAST COAST INVESTMENT GRADE INCOME FUND

Statements of Cash Flow

For the years ended December 31,

	2015 \$	2014 \$
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	(4,275,826)	(882,516)
Adjustment for:		
Net realized loss (gain) on investments and forward agreement	(2,052,899)	(1,580,591)
Net change in unrealized depreciation (appreciation) in value of investments and forward agreement	5,565,968	1,484,337
Net proceeds on sale of securities from partial settlement of forward agreement (1)	41,351,027	18,858,011
Proceeds on sale of investments	-	20,000
Decrease (increase) in accrued interest and dividends receivable	-	33
Increase (decrease) in other liabilities	(84,928)	(56,277)
Net cash from (used in) operating activities	40,503,342	17,842,997
Cash flows from (used in) financing activities		
Redemption of redeemable units	(35,200,678)	(11,732,556)
Distributions paid to holders of redeemable units, net of reinvested distributions	(5,325,682)	(6,125,493)
Net cash from (used in) financing activities	(40,526,360)	(17,858,049)
Net Increase (decrease) in cash	(23,018)	(15,052)
Cash at beginning of the year	69,047	84,099
Cash at end of the year	46,029	69,047
(1) Net of counterparty fees		
Interest received*	-	200

*Included as part of cash flows from operating activities

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio - As at December 31, 2015

FORWARD AGREEMENT	PERCENTAGE OF FUND %	AVERAGE COST \$	FAIR VALUE * \$
Forward Agreement (Note 2)	100.8	49,319,984	50,457,532

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

INVESTMENT PORTFOLIO SUMMARY	%	AVERAGE COST \$	FAIR VALUE \$
Forward Agreement	100.8	49,319,984	50,457,532
Total Investments	100.8	49,319,984	50,457,532
Total Other Net Assets	(0.8)	-	(418,772)
Total Net Assets	100.0	49,319,984	50,038,760

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

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio from ECIGIF Trust – As at December 31, 2015

The following positions are held in ECIGIF Trust

Equity Positions – Long		4.0%			
Security Name	Currency		Quantity	Average Cost \$	Fair Value \$
Energy		0.7%			
Enbridge Inc.	CAD		9,415	146,226	145,933
Enbridge Inc.	USD		8,738	222,047	217,681
				<u>368,273</u>	<u>363,614</u>
Financial		2.3%			
Bank of Montreal	CAD		17,700	361,035	386,214
The Bank of Nova Scotia	CAD		36,000	721,626	753,120
				<u>1,082,661</u>	<u>1,139,334</u>
Funds		1.0%			
BMO Laddered Preferred Share Index ETF	CAD		47,000	465,770	499,140
				<u>1,916,704</u>	<u>2,002,088</u>

Fixed Income Positions – Long		372.9%				
Security Name	Currency	Coupon Rate %	Maturity Date	Par Value	Average Cost \$	Fair Value \$
Ag Growth International Inc. ⁽¹⁾⁽²⁾	CAD	5.25	12-31-19	668,000	699,729	644,620
Algonquin Power Co.	CAD	5.50	07-25-18	636,000	694,798	678,981
Algonquin Power Co.	CAD	4.65	02-15-22	344,000	361,922	361,867
American Media, Inc. ⁽²⁾	USD	11.50	12-15-17	369,000	369,304	504,951
Aon Finance N.S. 1, ULC	CAD	4.76	03-08-18	5,782,000	6,213,484	6,118,917
Artis Real Estate Investment Trust	CAD	3.75	03-27-19	781,000	793,152	786,561
Heathrow Funding Limited	CAD	4.00	07-03-21	1,890,000	2,012,321	2,020,202
Bank of America Corporation	CAD	3.23	06-22-22	3,170,000	3,170,000	3,248,458
Bank of Montreal	CAD	2.43	03-04-19	3,583,000	3,660,500	3,673,578
Bank of Montreal	CAD	2.96	08-02-16	6,000,000	6,100,620	6,068,280
Bell Canada	CAD	5.52	02-26-19	656,000	725,733	727,242
Bell Canada	CAD	4.88	04-26-18	1,679,000	1,819,851	1,794,263
Bell Canada	CAD	4.40	03-16-18	1,587,000	1,703,630	1,677,142
Bell Canada	CAD	3.54	06-12-20	1,972,000	2,092,706	2,079,632
Bombardier Inc. ⁽²⁾	USD	7.50	03-15-25	686,000	692,812	669,344
Brookfield Infrastructure Finance ULC	CAD	3.54	10-30-20	646,000	646,000	652,622
Canadian Imperial Bank of Commerce	CAD	1.70	10-09-18	2,157,000	2,162,673	2,167,375
Canadian Imperial Bank of Commerce	CAD	1.75	06-01-16	6,000,000	6,031,560	6,020,280
CCO Safari II, LLC ⁽²⁾	USD	4.91	07-23-25	520,000	676,545	720,067
Citigroup Inc.	CAD	3.39	11-18-21	1,277,000	1,325,590	1,328,540
Cominar Real Estate Investment Trust	CAD	4.16	06-01-22	599,000	599,000	592,609
Cominar Real Estate Investment Trust	CAD	4.27	06-15-17	1,286,000	1,338,946	1,317,880
Cominar Real Estate Investment Trust	CAD	3.62	06-21-19	1,017,000	1,021,953	1,027,007
Cominar Real Estate Investment Trust	CAD	1.94	09-22-16	1,255,000	1,255,000	1,249,641
Enbridge Inc. ⁽²⁾	USD	4.50	06-10-44	1,425,000	1,398,906	1,349,680
The Export-Import Bank of Korea	CAD	2.71	12-05-19	699,000	699,000	721,585
Ford Auto Securitization Trust ⁽²⁾	CAD	2.00	11-15-20	1,547,000	1,547,000	1,563,027

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio from ECIGIF Trust – As at December 31, 2015

The following positions are held in ECIGIF Trust

Fixed Income Positions – Long		372.9%					
Security Name	Currency	Coupon Rate %	Maturity Date	Par Value	Average Cost \$	Fair Value \$	
Ford Credit Canada Limited	CAD	2.45	05-07-20	866,000	859,981	855,322	
Ford Credit Canada Limited	CAD	2.92	09-16-20	3,564,000	3,564,000	3,576,011	
Ford Credit Canada Limited	CAD	3.28	07-02-21	866,000	881,735	876,730	
Ford Credit Canada Limited	CAD	3.70	08-02-18	2,160,000	2,230,524	2,232,598	
General Motors Financial of Canada, Ltd.	CAD	3.08	05-22-20	5,644,000	5,622,722	5,636,268	
The Goldman Sachs Group, Inc.	CAD	5.00	05-03-18	5,189,700	5,615,993	5,576,748	
Government of Canada	CAD	4.00	06-01-17	1,939,000	2,045,470	2,034,884	
Government of Canada	CAD	3.25	06-01-21	162,980	182,274	183,561	
Government of Canada	CAD	2.00	06-01-16	229	234	230	
Government of Canada	CAD	2.50	06-01-24	650,000	717,833	712,914	
Government of Canada	CAD	1.50	02-01-17	945,000	956,813	955,452	
H&R Real Estate Investment Trust	CAD	5.90	02-03-17	968,000	1,044,891	1,006,468	
Home Trust Company	CAD	2.35	05-24-17	879,000	876,715	873,858	
JPMorgan Chase & Co.	CAD	2.92	09-19-17	4,812,000	4,938,395	4,936,823	
KRCX North Holdings, LLC	CAD	3.86	08-04-20	2,027,000	2,178,152	2,140,938	
KRCX North Holdings, LLC	CAD	5.99	04-13-18	2,152,000	2,364,338	2,339,697	
Lloyds Bank PLC	CAD	5.28	04-19-16	5,624,000	5,787,142	5,700,599	
Loblaw Companies Limited ⁽²⁾	CAD	4.86	09-12-23	618,000	682,766	694,539	
Loblaw Companies Limited	CAD	5.22	06-18-20	1,818,000	2,062,304	2,054,413	
Manitoba Telecom Services Inc.	CAD	4.59	10-01-18	2,000,000	2,155,932	2,136,260	
The Manufacturers Life Insurance Company ⁽²⁾	CAD	3.18	11-22-27	1,640,000	1,640,000	1,662,747	
McGraw-Hill Global Education ⁽²⁾	USD	9.75	04-01-21	310,000	456,484	456,928	
Medavie Inc. ⁽²⁾	CAD	6.00	05-21-24	380,000	380,000	392,350	
Metropolitan Life Global Funding I	CAD	2.68	04-16-19	3,153,000	3,237,745	3,239,108	
Molson Coors International LP	CAD	2.25	09-18-18	4,749,000	4,747,908	4,745,723	
Mood Media Corporation ⁽²⁾	USD	9.25	10-15-20	220,000	228,573	197,912	
Morgan Stanley	CAD	4.85	02-03-16	1,385,000	1,403,318	1,388,712	
Morgan Stanley	CAD	3.13	08-05-21	1,062,000	1,081,074	1,096,526	
National Bank of Canada	CAD	1.00	06-22-16	10,000,000	10,000,000	9,995,800	
Navient Corporation	USD	5.63	08-01-33	574,000	504,156	536,231	
NRL Energy Investment Ltd. ⁽²⁾	CAD	8.25	04-13-18	340,000	284,750	37,400	
Postmedia Network Inc. ⁽²⁾	CAD	8.25	08-16-17	129,854	132,918	125,249	
Quebecor Media Inc. ⁽²⁾	CAD	7.38	01-15-21	330,000	346,500	341,963	
RONA inc.	CAD	5.40	10-20-16	190,000	197,048	193,325	
Royal Bank of Canada	CAD	3.36	01-11-16	500	508	500	
Royal Bank of Canada	CAD	2.82	07-12-18	1,000,000	1,038,450	1,032,180	
Royal Bank of Canada	CAD	2.89	10-11-18	10,763,000	11,184,006	11,157,033	
The Royal Bank of Scotland Group Public Limited Company ⁽²⁾	CAD	6.67	12-31-49	526,000	490,521	589,910	
The Royal Bank of Scotland plc ⁽²⁾	CAD	10.50	03-16-22	250,000	285,000	272,490	
Shaw Communications Inc.	CAD	6.75	11-09-39	1,609,000	1,890,476	1,856,448	
Shaw Communications Inc. ⁽²⁾	CAD	4.35	01-31-24	2,340,000	2,371,654	2,434,559	
Southern Pacific Resource Corp. ⁽²⁾	CAD	0.00	01-25-18	1,301,000	1,217,803	13,010	
TELUS Corporation ⁽²⁾	CAD	3.75	03-10-26	1,189,000	1,179,654	1,192,615	
TELUS Corporation ⁽²⁾	CAD	3.75	01-17-25	735,000	733,346	749,450	
TELUS Corporation ⁽²⁾	CAD	4.40	01-29-46	660,000	645,711	595,366	
TELUS Corporation	CAD	5.05	07-23-20	1,480,000	1,671,142	1,653,412	
Thomson Reuters Corporation	CAD	3.37	05-23-19	2,277,000	2,396,560	2,365,757	
Thomson Reuters Corporation ⁽²⁾	CAD	3.31	11-12-21	712,000	712,000	729,045	
Thomson Reuters Corporation	CAD	4.35	09-30-20	2,419,000	2,608,897	2,607,416	

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio from ECIGIF Trust – As at December 31, 2015

The following positions are held in ECIGIF Trust

Fixed Income Positions – Long		372.9%					
Security Name	Currency	Coupon Rate %	Maturity Date	Par Value	Average Cost \$	Fair Value \$	
The Toronto-Dominion Bank	CAD	2.45	04-02-19	4,779,000	4,884,329	4,903,732	
The Toronto-Dominion Bank	CAD	2.95	08-02-16	15,000,000	15,251,400	15,171,300	
TransCanada PipeLines Limited	CAD	9.45	03-20-18	5,585,000	6,816,183	6,494,070	
TransCanada PipeLines Limited ⁽²⁾	USD	6.35	05-15-67	638,000	701,606	668,867	
US Treasury Bond	USD	3.00	05-15-45	95,000	127,192	130,913	
Ventas Canada Finance Limited (f/k/a 3280986 Nova Scotia Limited) ⁽²⁾	CAD	4.13	09-30-24	760,000	756,975	791,289	
Videotron Ltd. ⁽²⁾	CAD	5.75	01-15-26	147,000	147,000	147,072	
Videotron Ltd. ⁽²⁾	CAD	6.88	07-15-21	1,191,000	1,282,485	1,257,994	
Videotron Ltd. ⁽²⁾	CAD	5.63	06-15-25	4,015,000	3,959,098	4,015,000	
Wells Fargo Canada Corporation	CAD	2.78	11-15-18	3,958,000	4,104,367	4,087,229	
WTH Car Rental, ULC	CAD	1.91	07-20-20	4,004,000	3,997,583	3,937,654	
Xplornet Communications Inc. ⁽²⁾	CAD	13.00	05-15-17	203,759	212,928	217,003	
Yellow Pages Digital & Media Solutions Limited ⁽²⁾	CAD	9.25	11-30-18	389,464	403,444	410,885	
					<u>190,291,741</u>	<u>188,180,837</u>	

⁽¹⁾ Convertible

⁽²⁾ Callable

Fixed Income Positions – Short		(282.8%)					
Security Name	Currency	Coupon Rate %	Maturity Date	Par Value	Proceeds \$	Fair Value \$	
Canadian Imperial Bank of Commerce ⁽²⁾	CAD	3.00	10-28-24	(2,055,000)	(2,108,944)	(2,058,822)	
Enbridge Inc. ⁽²⁾	CAD	3.16	03-11-21	(1,699,000)	(1,704,550)	(1,673,209)	
Enbridge Inc.	CAD	4.53	03-09-20	(1,308,000)	(1,395,871)	(1,378,632)	
Government of Canada	CAD	0.75	09-01-20	(3,962,000)	(3,953,791)	(3,966,556)	
Government of Canada	CAD	5.00	06-01-37	(209,924)	(279,283)	(313,360)	
Government of Canada	CAD	4.25	06-01-18	(29,679,000)	(32,922,209)	(32,342,987)	
Government of Canada	CAD	4.00	06-01-41	(938,000)	(1,103,816)	(1,274,508)	
Government of Canada	CAD	3.75	06-01-19	(5,019,000)	(5,660,546)	(5,558,693)	
Government of Canada	CAD	3.50	06-01-20	(9,740,000)	(11,046,894)	(10,938,604)	
Government of Canada	CAD	2.75	06-01-22	(4,962,000)	(5,430,797)	(5,490,205)	
Government of Canada	CAD	3.50	12-01-45	(236,000)	(302,885)	(306,210)	
Government of Canada	CAD	1.50	09-01-17	(4,822,000)	(4,920,368)	(4,903,588)	
Government of Canada	CAD	1.50	06-01-23	(8,941,000)	(9,133,201)	(9,148,521)	
Government of Canada	CAD	1.25	09-01-18	(31,092,000)	(31,744,371)	(31,711,353)	
Government of Canada	CAD	1.75	03-01-19	(12,897,000)	(13,323,232)	(13,386,054)	
Government of Canada	CAD	2.25	06-01-25	(311,000)	(326,650)	(334,341)	
Government of Canada	CAD	1.50	03-01-20	(10,274,000)	(10,578,837)	(10,638,111)	
The Toronto-Dominion Bank	CAD	3.23	07-24-24	(4,730,000)	(4,974,678)	(4,933,816)	
US Treasury Bond	USD	2.88	08-15-45	(472,000)	(622,631)	(634,595)	
US Treasury Bond	USD	3.00	11-15-45	(257,000)	(348,127)	(354,681)	
US Treasury Note	USD	2.38	08-15-24	(725,000)	(799,453)	(1,014,022)	
US Treasury Note	USD	2.13	05-15-25	(238,000)	(298,074)	(325,133)	
					<u>(142,979,208)</u>	<u>(142,686,001)</u>	

⁽¹⁾ Convertible

⁽²⁾ Callable

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio from ECIGIF Trust – As at December 31, 2015

The following positions are held in ECIGIF Trust

Futures Contracts – Long		0.0%				Unrealized
Security Name	Currency	Contracts	Contract Size	Expiry Date	Notional Value	Gain / Loss \$
Interest Rate Futures		0.0%				
90DAY BANK ACCEPT FUTURE (MSE)	CAD	79	2,500	03-14-16	19,592,988	6,913

Futures Contracts – Short		0.0%				Unrealized
Security Name	Currency	Contracts	Contract Size	Expiry Date	Notional Value	Gain / Loss \$
Bond Futures		0.0%				
US 10YR TREAS NTS FUTURE (CBT)	USD	(6)	1,000	03-21-16	(755,438)	4,541
Currency Futures		0.0%				
CANADIAN DOLLAR CCY FUT (CME)	USD	(25)	1,000	03-15-16	(1,808,250)	14,878
						19,419

Options Positions – Long		0.9%				
Security Name	Currency	Strike Price	Expiry Date	Contracts	Average Cost \$	Fair Value \$
BMO S&P/TSX EQUAL WEIGHT BANKS	CAD	18	01-20-2017	1,445	132,940	104,763
S & P 500 EMINI INDEX FUT SEP	USD	1800	01-16-2016	42	333,190	168,571
S&P 500 EMINI INDEX FUT(CME)	USD	1700	01-16-2016	44	280,013	126,359
S&P 500 EMINI INDEX FUTURE SEP	USD	1900	01-16-2016	10	66,374	55,706
					812,517	455,399

Swap Positions		(4.3%)				
Security Name	Currency			Notional Value	Average Cost \$	Fair Value \$
CDS SP ENBRIDGE INC	USD	Credit Default Swap		10,000,000	(273,035)	(1,813,902)
CDS SP ENBRIDGE INC	USD	Credit Default Swap		344,000	(49,261)	(66,445)
CDS SP NAVIENT CORP	USD	Credit Default Swap		3,500,000	397,782	(283,675)
CDX BP NA HY S24 5Y	USD	Credit Default Swap Index		200,000	(8,872)	(10,253)
					66,614	(2,174,275)

Warrant Positions – Long		0.0%				
Security Name	Currency	Strike Price	Maturity Date	Quantity	Average Cost \$	Fair Value \$
Xplornet Communications Inc.	CAD	0	05-15-17	174	1	1

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio from ECIGIF Trust – As at December 31, 2015

The following positions are held in ECIGIF Trust

Investment Portfolio Summary	%	Average Cost \$	Fair Value \$
Equity Positions - Long	4.0	1,916,704	2,002,088
Fixed Income Positions - Long	372.9	190,291,741	188,180,837
Fixed Income Positions - Short	(282.8)	(142,979,208)	(142,686,001)
Futures Contracts - Long	0.0	-	6,913
Futures Contracts - Short	0.0	-	19,419
Option Positions - Long	0.9	812,517	455,399
Swap Positions	(4.3)	66,614	(2,174,275)
Warrant Positions - Long	0.0	1	1
Total Investments	<u>90.8</u>	<u>50,108,369</u>	<u>45,804,381</u>
Total Other Net Assets	9.2	-	4,653,164
Total Net Assets	<u>100.0</u>	<u>50,108,369</u>	<u>50,457,545</u>

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

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 trust indenture was last amended on September 27, 2013.

The Fund completed its initial public offering ("IPO") and commenced operations on May 18, 2012.

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

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

The Fund's units are listed on the Toronto Stock Exchange and trade under the symbol ECF.UN. The closing market price on December 31, 2015 was \$8.52 (2014: \$9.95).

The Manager of the Fund is Arrow Capital Management Inc. (the "Manager"). The address of the Fund's registered office is 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5.

These financial statements are as at December 31, 2015 and December 31, 2014 and for the years then ended.

2. FORWARD AGREEMENT

On May 18, 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 the Underlying Fund, 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 of its IPO 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 the Underlying Fund specified in the Forward Agreement. To secure the obligations of the Counterparty under the Forward Agreement, the Counterparty will pledge collateral, consisting of securities listed on the Toronto Stock Exchange, 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%. The Counterparty may substitute other forms of collateral with the consent of the Fund. As at December 31, 2015, the market value of securities held as collateral was \$50,346,420 (2014: \$95,552,830).

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 0.45% of the Net Asset Value of the Underlying Fund calculated and payable quarterly in arrears.

As at December 31, 2015 the Fund's exposure to the Underlying Fund, by way of the Forward Agreement, represented 100.8% (2014: 100.7%) of the Fund's net assets attributable to holders of redeemable units (the "Underlying Fund Exposure").

The 2013 Federal Budget eliminated the tax benefits associated with character conversion transactions, forward sale and forward purchase agreements used by many mutual funds and other investment funds to convert the return on a portfolio of investments from fully taxable ordinary income into capital gains. A Grandfathering provision was made available for a derivative forward agreement entered into before March 21, 2013. The Fund utilizes such an arrangement to provide a tax advantaged return to its investors. The Grandfathering provision will remain in effect until the termination date of the Forward Agreement which is May 18, 2017. At that date it is anticipated that the Fund will participate directly in the returns offered by the Underlying Fund.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

These financial statements were authorized for issue by the Manager on March 28, 2016.

b) Financial Instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit and loss ("FVTPL"). Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's long investment positions are designated at FVTPL. The Fund's Forward Agreement is classified as held for trading. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. Due to their short term nature, the carrying values of other assets and liabilities and net assets attributable to holders of redeemable units approximate their fair values. The Fund's accounting policies for measuring the fair value of its investments and derivatives are the same to those used in measuring its net asset value ("NAV") for transactions with unitholders. There were no differences between the net assets attributable to holders of redeemable units used for reporting purposes under IFRS and that used for transactions with unitholders at December 31, 2015 and 2014.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined on an average cost basis.

Interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis.

c) Financial Instruments - Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for securities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The fair value of bonds is determined using mid-market pricing derived from bid and ask prices provided by independent security pricing services or recognized investment dealers. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same and other commonly used methods by market participants which make the maximum use of 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 Underlying Fund. The fair value for actively traded securities of the Underlying Fund will be determined using closing prices however, if no sale has taken place that day, valuation will be at the average of the bid and ask price. The fair value of bonds of the Underlying Fund will be determined by taking the average of the bid and ask prices. The value takes into account amounts equal to other assets including cash, prepaid expenses and interest receivable, less the liabilities of the Underlying Fund 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 comprehensive income.

d) Impairment of Financial Assets

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of future cash

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flows discounted using the assets original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

e) Foreign Currency Translation

The Fund's functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as 'Foreign exchange gain (loss)' and those relating to other financial assets and liabilities are presented within 'Net realized gain (loss) on investments and forward agreement' and 'Net change in unrealized appreciation (depreciation) in value of investments and forward agreement' in the statement of comprehensive income.

f) Cash

Cash is comprised of deposits with financial institutions.

g) Commissions and Other Portfolio Transaction Costs

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers. Such costs are expensed when incurred.

h) Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units divided by the weighted average number of units outstanding during the period. Refer to Note 11 for the calculation.

i) Classification of Redeemable Units

The Fund's outstanding redeemable units' entitlements include a contractual termination date and therefore the ongoing redemption feature is not the units' only contractual obligation. Consequently, the units do not meet the conditions in IAS 32 to be classified as equity. As a result, the Fund's obligations for net assets attributable to holders of redeemable shares are presented at the redemption amounts.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting estimates and judgments that the Fund has made in preparing the financial statements:

Use of Estimates

Fair Value measurement of derivatives and securities not quoted in an active market

The Fund holds financial instruments that are not quoted in active markets, including derivatives. Fair value of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 6 for further information about the fair value measurement of the Fund's financial instruments.

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Use of Judgments

Classification and Measurement of Investments and Application of the Fair Value Option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments - Recognition and Measurement (IAS 39). The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

Capital Risk Management

Units issued and outstanding are considered to be the capital of the Fund. The Fund does not have any specific capital requirements on the subscription and redemption of units. Additional redemption requirements are disclosed in notes 10.

5. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

Risk Management

The Fund's activities expose it to a variety of risks associated with financial instruments, as follows: credit risk, liquidity risk and market risk (including price risk, foreign exchange risk, and interest rate risk).

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 the Underlying Fund's positions and market events, diversifying the investment portfolio within the constraints of the investment objectives of the Fund and the Underlying Fund, and periodically may use derivatives to hedge certain risk exposures.

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 December 31, 2015, 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 is Scotia Capital Inc., which has a credit rating of Aa3 (December 31, 2014: Aa2), as rated by Moody's bond rating services.

The Fund has indirect credit risk related to the Underlying Fund's investments in debt instruments and derivatives to the extent of the Fund's Underlying Fund Exposure.

The analysis below summarizes the credit quality of the Underlying Fund's debt portfolio at December 31, 2015 and 2014.

Credit Rating*	Percentage of total debt securities	
	As at December 31, 2015	As at December 31, 2014
	%	%
AAA	3.0	2.4
AA	27.6	0.5
A	18.7	13.9
BBB	30.4	73.2
Below BBB	8.3	8.0
Not Rated	12.0	2.0
Total	100.0	100.0

* Credit ratings are obtained from Standard & Poor's, Moody's and / or Dominion Bond Rating Service.

The Underlying Fund has provided the broker with a general lien over assets held in return for services including borrowed securities and derivatives trading. The terms and conditions associated with collateral have no significant unusual requirements from the usual practice of recourse when a default occurs. Therefore, the Underlying Fund is also exposed to credit risk of the broker.

The Underlying Fund is exposed to counterparty credit risk on cash, cash collateral, margin deposits, swaps, futures contracts, receivable for securities sold, and other receivable balances. The Underlying Fund's brokerage agreements require cash collateral in return for services including borrowed

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securities and derivatives trading. The Fund's and the Underlying Fund's broker and custodian services are provided by CIBC Mellon, TD Securities, Bank of Montreal and Bank of Nov Scotia, which have credit ratings of Aa3, Aa1,Aa3 and Aa3 respectively (December 31, 2014: A1, Aa1, Aa3 and Aa2 respectively), as rated by Moody's bond rating services. The counterparty to the Underlying Fund's swaps are Bank of America, JP Morgan Chase & Co. and Credit Suisse which have credit rating as rated by Moody's bond rating services of Baa1, A3 and Baa3 respectively (December 31, 2014: Baa2, A3 and A2 respectively). The counterparty to the Underlying Fund's futures contracts is JP Morgan Chase & Co. which has a credit rating of A3 (December 31, 2014: A3) as rated by Moody's bond rating services.

The Fund and Underlying Fund are exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (December 31, 2014: Aa1).

There are also risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund and Underlying Fund respectively. Therefore, the Fund and Underlying Fund should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Fund and Underlying Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

All transactions in listed securities by the Fund and Underlying Fund are settled or paid for upon delivery using approved brokers. The credit risk related to the associated receivables is considered limited, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing the Fund's rights and Underlying Fund's rights to their respective assets in the case of an insolvency of any such party.

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. Annual redemptions are payable on demand at the holder's option before the 15th business day of the month following the Annual Redemption Date while monthly redemptions are payable on demand at the holder's option 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 typically due within three months except for monthly distributions which are payable monthly).

Market Risk

The Fund's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

(a) 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 December 31, 2015 and 2014, the Fund was only exposed to the Canadian Dollar and investments denominated in the Canadian Dollar.

The Underlying Fund invests in financial instruments and enters into transactions that are denominated in currencies other than the Canadian dollar, primarily US dollars (USD). Consequently, the Fund is indirectly exposed to currency risk to the extent of the Fund's Underlying Fund Exposure.

The table below indicates the Underlying Fund's exposure to USD as at December 31, 2015 and 2014, in Canadian dollar terms. The table below also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Non-monetary items are comprised of long and short equities. Monetary includes cash, derivatives, fixed income securities, and other current receivables and payables.

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December 31, 2015	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$	\$	\$	\$	\$	\$
Currency						
United States Dollar - Long	7,161,702	568,317	7,730,019	716,170	56,832	773,002
United States Dollar - Short	(10,789,860)	-	(10,789,860)	(1,078,986)	-	(1,078,986)
Euro Currency - Short	(88,594)	-	(88,594)	(8,859)	-	(8,859)
Total	(3,716,752)	568,317	(3,148,435)	(371,675)	56,832	(314,843)
% of net assets attributable to holders of redeemable units	(7.4%)	1.1%	(6.2%)	(0.7%)	0.1%	(0.6%)

December 31, 2014	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$	\$	\$	\$	\$	\$
Currency						
United States Dollar - Long	7,889,491	29,299	7,918,790	788,949	2,930	791,879
United States Dollar - Short	(11,746,936)	-	(11,746,936)	(1,174,694)	-	(1,174,694)
Euro Currency - Long	30,952	-	30,952	3,095	-	3,095
Euro Currency - Short	(130,199)	-	(130,199)	(13,020)	-	(13,020)
Total	(3,956,692)	29,299	(3,927,393)	(395,670)	2,930	(392,740)
% of net assets attributable to holders of redeemable units	(4.2%)	0.0%	(4.2%)	(0.4%)	0.0%	(0.4%)

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2015 and 2014, the Fund had no direct exposure to debt instruments. Such exposure did not produce any material interest rate risk for current or comparative periods.

The Fund has indirect interest rate risk as a result of the Underlying Fund's investments in interest bearing financial instruments to the extent of the Fund's Underlying Fund Exposure.

The table below summarizes the Underlying Fund's exposure to interest rate risk as at December 31, 2015 and 2014. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable units if the prevailing levels of market interest rates changed by 1.0%, assuming a parallel shift in the yield curve with all other variables held constant.

Term to Maturity	Long Exposure		Short Exposure	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Less than 1 year	\$ 45,788,667	\$ 9,221,179	\$ -	\$ -
1-3 years	64,672,079	45,457,851	(68,957,928)	(25,337,190)
3-5 years	45,043,817	88,229,052	(45,866,650)	(48,976,790)
Greater than 5 years	32,676,274	94,104,336	(27,861,423)	(62,155,270)
Total	\$ 188,180,837	\$ 237,012,418	\$ (142,686,001)	\$ (136,469,250)
Sensitivity:				
Total \$ sensitivity	+/- \$ 5,805,156	+/- \$ 11,888,349	+/- \$ 5,582,627	+/- \$ 9,408,661
Total % sensitivity	11.5%	12.5%	11.1%	9.9%

(c) 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 the Underlying Fund and is exposed to indirect other price risk.

In 2015, the Fund changed its relevant benchmark from the FTSE TMX Canada All Corp Bond Index to FTSE TMX Canada Universe Bond Index to better reflect the underlying nature of the portfolio. As at December 31, 2015, if the Fund's relevant benchmark index, FTSE TMX Canada Universe Bond Index,

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had increased or decreased by 10%, with all other variables constant, the net assets attributable to holders of redeemable units of the Fund would have increased or decreased by approximately \$400,310 (2014: \$1,815,552) representing 0.8% of net assets attributable to holders of redeemable units (2014: 1.9%).

The Underlying Fund engages in short selling activities, wherein it borrows securities and sells them to third parties. Until the Underlying Fund 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.

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.

As at December 31, 2015, the Fund held 100.8% (2014: 100.7%) of its net assets attributable to holders of redeemable shares in the Forward Agreement whose value is based on the performance of the Underlying Fund and is therefore exposed to the concentration risk of the Underlying Fund.

The following is a summary of the Underlying Fund's concentration risk:

Market Segment	December 31, 2015			
	Fixed Income	Fixed Income	Equity	Equity
	Long %	Short %	Long %	Short %
Asset Backed Securities	3.1	-	-	-
Basic Materials	-	-	-	-
Communications	61.4	-	-	-
Consumer, Cyclical	26.5	-	-	-
Consumer, Non-Cyclical	15.6	-	-	-
Energy	17.0	(6.0)	0.7	-
Diversified	2.1	-	-	-
Financial	230.0	(13.9)	2.3	-
Funds	-	-	1.0	-
Government	9.4	(262.9)	-	-
Industrial	6.6	-	-	-
Utilities	1.3	-	-	-
Options	-	-	0.9	-
Total	373.0	(282.8)	4.9	-

Market Segment	December 31, 2014			
	Fixed Income	Fixed Income	Equity	Equity
	Long %	Short %	Long %	Short %
Asset Backed Securities	0.2	-	-	-
Basic Materials	1.0	-	-	-
Communications	73.2	-	-	-
Consumer, Cyclical	17.4	-	-	-
Consumer, Non-Cyclical	24.7	-	-	-
Energy	23.0	-	-	-
Diversified	2.0	-	-	-
Financial	91.9	(4.6)	-	-
Funds	-	-	-	-
Government	3.2	(138.6)	-	-
Industrial	2.4	-	-	-
Utilities	9.6	-	-	-
Options	-	-	0.1	(0.1)
Total	248.6	(143.2)	0.1	(0.1)

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6. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2015 and 2014:

December 31, 2015	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Forward Agreement	-	50,457,532	-	50,457,532
Total	-	50,457,532	-	50,457,532

December 31, 2014	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial liabilities				
Forward Agreement	-	95,321,628	-	95,321,628
Total	-	95,321,628	-	95,321,628

As at December 31, 2015 and 2014, the Fund did not hold any level 3 financial instruments. There were no transfers between levels during the years ending December 31, 2015 and 2014.

a) Bonds

The Fund's bond portfolio consists of an investment in government bonds. Bond pricing is obtained from bid and ask prices provided by independent security pricing services or recognized investment dealers. Bond prices may be derived by using models which include inputs such as interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Fund's bonds have been classified as Level 2.

b) Derivative assets and liabilities

Derivative assets and liabilities consist of the Forward Agreement whose fair value is determined with reference to the fair value of the underlying investments of the Underlying Fund, as described in Note 3. The inputs that are significant to valuation are generally observable and therefore the Forward Agreement has been classified as Level 2.

The following table illustrates the classification of the Underlying Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2015 and 2014:

December 31, 2015	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Equities	2,002,088	-	-	2,002,088
Fixed income long	-	188,180,838	-	188,180,838
Derivatives	481,731	1	-	481,732
Total	2,483,819	188,180,839	-	190,664,658
Financial liabilities				
Fixed income short	-	(142,686,001)	-	(142,686,001)
Derivatives	-	(2,174,275)	-	(2,174,275)
Total	-	(144,860,276)	-	(144,860,276)

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December 31, 2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Fixed income long	-	237,012,418	-	237,012,418
Derivatives	138,252	-	-	138,252
Total	138,252	237,012,418	-	237,150,670
Financial liabilities				
Fixed income short	-	(136,469,250)	-	(136,469,250)
Derivatives	(212,755)	(626,051)	-	(838,806)
Total	(212,755)	(137,095,301)	-	(137,308,056)

As at December 31, 2015 and 2014, the Underlying Fund did not hold any level 3 financial instruments. There were no transfers between levels during the years ended December 31, 2015 and 2014.

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

c) Equities

The Fund's equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. Certain of the Fund's equities do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g. transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

d) Bonds

The Underlying Fund's bond portfolio is comprised primarily of investment grade Canadian bonds and also includes government bonds. Bond pricing is obtained from bid and ask prices provided by independent security pricing services or recognized investment dealers. Bond prices may be derived by using models which include inputs such as interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Underlying Fund's bonds have been classified as Level 2.

e) Derivative assets and liabilities

The Underlying Fund's derivative assets and liabilities consist of futures contracts, options, interest rate swaps and credit default swaps. Futures contracts and options are exchange traded and are classified as Level 1 as they are actively traded and a reliable price is observable. Interest rate swaps are valued using indicative bid/ask prices from third party broker dealers while credit default swaps are valued based upon quotations from independent security pricing sources. The inputs that are significant to valuation are generally observable and therefore both interest rate swaps and credit default swaps have been classified as Level 2.

Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2015 and 2014.

December 31, 2015	Net realized gains / (losses) \$	Net change in unrealized gains / (losses) \$	Interest income \$	Interest expense \$	Dividend income \$	Dividend expense \$	Total \$
Financial asset at FVTPL:							
HFT	2,052,899	(5,565,968)	-	-	-	-	(3,513,069)
	2,052,899	(5,565,968)	-	-	-	-	(3,513,069)
Financial liabilities at FVTPL:							
HFT	-	-	-	-	-	-	-
Total	2,052,899	(5,565,968)	-	-	-	-	(3,513,069)

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

December 31, 2014	Net realized gains / (losses) \$	Net change in unrealized gains / (losses) \$	Interest income \$	Interest expense \$	Dividend income \$	Dividend expense \$	Total \$
Financial asset at FVTPL:							
Designated as FVTPL	23	(25)	167	-	-	-	165
HFT	1,580,568	(1,484,312)	-	-	-	-	96,256
	1,580,591	(1,484,337)	167	-	-	-	96,421
Financial liabilities at FVTPL:							
HFT	-	-	-	-	-	-	-
Total	1,580,591	(1,484,337)	167	-	-	-	96,421

7. REDEEMABLE UNITS

During the years ended December 31, 2015 and 2014, the number of units issued, redeemed and outstanding was as follows:

December 31, 2015	Redeemable units outstanding at beginning of year	Redeemable units issued	Redeemable units issued on reinvestments	Redeemable units redeemed	Redeemable units issued and outstanding at end of year
Units	9,185,830	-	-	(3,716,327)	5,469,503

December 31, 2014	Redeemable units outstanding at beginning of year	Redeemable units issued	Redeemable units issued on reinvestments	Redeemable units redeemed	Redeemable units issued and outstanding at end of year
Units	10,302,185	-	-	(1,116,355)	9,185,830

8. RELATED PARTY TRANSACTIONS

The Manager is responsible for making decisions relating to the investment of the Fund's assets and providing key management personnel.

Management fees of 0.25% per annum are paid by the Fund to the Manager as compensation for investment management and advisory services. The Underlying Fund pays management fees to the Manager of 1.00% per annum of the Net Asset Value of the Underlying Fund. Management fees are calculated and paid as of the last Valuation Date of each month.

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. The Manager will receive an amount equal to the Service Fee, plus any applicable taxes, from the Fund. This Service Fee is reflected in the calculation of the NAV of the Fund.

No Performance Fee will be charged by the Fund. The Manager is entitled to receive from the Underlying Fund an annual Performance Fee equal to 10% of the increase in the Net Asset Value of the Underlying Fund 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.

As at December 31, 2015, included in other liabilities are amounts owing to the Manager relating to management fees of \$10,754 (excluding HST) (2014: \$21,624). Also included in other liabilities are amounts owing to the Manager for administration expenses paid on behalf of the Fund by the Manager in the amount of \$8,750 (2014: \$14,291).

9. TAXATION

The Fund qualifies as a mutual fund trust as defined in the Income Tax Act (Canada). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any taxation year are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and noncapital losses has not been reflected in the statement of financial position as a deferred income tax asset. As at December 31, 2015, the Fund had \$6,757,550 of unused non-capital losses which expire no earlier than 2032.

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

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 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.

Differences, if any, between the redemption price per unit and the NAV per unit at the redemption date is recorded as a realized gain or loss on redemption of redeemable units in the statement of comprehensive income.

11. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2015 and 2014 is calculated as follows:

	December 31, 2015	December 31, 2014
Increase (decrease) in net assets attributable to holders of redeemable units	\$(4,275,826)	\$(882,516)
Weighted average units outstanding during the year	8,737,834	10,170,669
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$(0.49)	\$(0.09)

12. FUTURE ACCOUNTING CHANGES - IFRS 9, FINANCIAL INSTRUMENTS

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 28, 2016

The accompanying audited 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 International Financial Reporting Standards 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 2 to the financial statements.

PricewaterhouseCoopers LLP is the external auditor of the Fund, appointed by the unitholders. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out on the following page.

"James L. McGovern"

JAMES L. MCGOVERN
Managing Director & CEO
ARROW CAPITAL MANAGEMENT INC.

"Robert W. Maxwell"

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

Independent Auditor's Report

To the Unitholders

East Coast Investment Grade Income Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2015 and 2014 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 28, 2016

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