



AUDITED FINANCIAL STATEMENTS DECEMBER 2014

EAST COAST INVESTMENT GRADE INCOME FUND

EAST COAST INVESTMENT GRADE INCOME FUND

Statements of Financial Position

	Note	As at December 31, 2014	As at December 31, 2013	As at January 1, 2013
Assets				
Current assets				
Financial assets designated at fair value through profit and loss		\$ -	\$ 20,002	\$ 19,950
Financial assets held for trading				
Forward agreement	2	95,321,628	114,083,383	130,360,424
Cash		69,047	84,099	42,491
Accrued interest and dividends receivable		-	33	33
		95,390,675	114,187,517	130,422,898
Liabilities				
Current liabilities				
Distributions payable		459,292	515,109	579,250
Other liabilities	8	276,254	332,531	355,101
		735,546	847,640	934,351
Net assets attributable to holders of redeemable units		\$ 94,655,129	\$ 113,339,877	\$ 129,488,547
Net assets attributable to holders of redeemable units		\$ 94,655,129	\$ 113,339,877	\$ 129,488,547
Number of units outstanding	7	9,185,830	10,302,185	11,585,000
Net assets attributable to holders of redeemable units per unit		\$ 10.30	\$ 11.00	\$ 11.18

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

"James L. McGovern"

James L. McGovern, Director

"Robert W. Maxwell"

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

	Note	2014 \$	2013 \$
Income			
Net gains (losses) on investments and forward agreement			
Interest for distribution purposes	6	167	201
Net realized gain (loss) on investments and forward agreement	6	1,580,591	1,387,698
Net change in unrealized appreciation (depreciation) in value of investments and forward agreement	6	(1,484,337)	4,612,179
Net gains (losses) on investments and forward agreement		96,421	6,000,078
Expenses			
Securityholder reporting fees		142,095	132,205
Management fees	8	276,275	316,358
Service fees	8	434,456	502,210
Legal		6,312	69,931
Audit fees		18,144	21,000
Investment review committee fees		4,518	-
Custodial fees		10,324	10,276
Harmonized sales tax		86,813	102,150
Total expenses		978,937	1,154,130
Increase (decrease) in net assets attributable to holders of redeemable units		(882,516)	4,845,948
<i>Increase (decrease) In Net Assets attributable to holders of redeemable units</i>		(882,516)	4,845,948
<i>Increase (decrease) In Net Assets attributable to holders of redeemable units per Unit</i>	11	(0.09)	0.43

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

	2014 \$	2013 \$
Net assets attributable to holders of redeemable units at beginning of year	113,339,877	129,488,547
Increase (decrease) in net assets attributable to holders of redeemable units	(882,516)	4,845,948
Distributions to holders of redeemable units		
From net investment income	-	-
From net realized gains on investments and derivatives	-	-
Return of capital	(6,069,676)	(6,822,719)
Total distributions to holders of redeemable units	(6,069,676)	(6,822,719)
Redeemable unit transactions		
Proceeds from redeemable units issued	-	-
Redemption of redeemable units	(11,732,556)	(14,171,899)
Net increase (decrease) from redeemable unit transactions	(11,732,556)	(14,171,899)
Net increase (decrease) in net assets attributable to holders of redeemable units	(18,684,748)	(16,148,670)
Net assets attributable to holders of redeemable units at end of year	94,655,129	113,339,877

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

Note	2014 \$	2013 \$
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	(882,516)	4,845,948
Adjustment for:		
Net realized loss (gain) on investments and forward agreement	(1,580,591)	(1,387,698)
Net change in unrealized depreciation (appreciation) in value of investments and forward agreement	1,484,337	(4,612,179)
Net proceeds on sale of securities from partial settlement of forward agreement ⁽¹⁾	18,858,011	22,276,866
Proceeds on sale of investments	20,000	-
Decrease (increase) in accrued interest and dividends receivable	33	-
Increase (decrease) in other liabilities	(56,277)	(22,570)
Net cash from (used in) operating activities	17,842,997	21,100,367
Cash flows from (used in) financing activities		
Issuance costs and agents' fees	-	-
Redemption of redeemable units	(11,732,556)	(14,171,899)
Distributions paid to holders of redeemable units, net of reinvested distributions	(6,125,493)	(6,886,860)
Net cash from (used in) financing activities	(17,858,049)	(21,058,759)
Net Increase (decrease) in cash	(15,052)	41,608
Cash at beginning of the year	84,099	42,491
Net change in unrealized foreign gain (loss)	-	-
Cash at end of the year	69,047	84,099
⁽¹⁾ Net of counterparty fees		
Interest received*	200	201
*Included as part of cash flows from operating activities		

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

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio - As at December 31, 2014

Forward Agreement	Percentage of Fund	Fair Value *	Average Cost
Forward Agreement (Note 2)	100.7%	\$ 95,321,628	\$ 88,632,492
		\$ 95,321,628	\$ 88,632,492

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

INVESTMENT PORTFOLIO SUMMARY	FAIR VALUE	AVERAGE COST
Forward Agreement	100.7% \$ 95,321,628	\$ 88,632,492
Total Investments	95,321,628	88,632,492
Total Other Net Assets	-0.7% (666,499)	
Total Net Assets	100.0% \$ 94,655,129	

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio from ECIGIF Trust - As at December 31, 2014
The following positions are held in ECIGIF Trust

FIXED INCOME LONG POSITIONS		248.6%					
SECURITY NAME		COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE	AVERAGE COST	
Algonquin Power Co	CAD	4.65%	Feb/15/2022	1,144,000	\$ 1,215,137	\$	1,203,602
Algonquin Power Co	CAD	5.50%	Jul/25/2018	636,000	694,779		694,798
AltaGas Ltd	CAD	4.60%	Jan/15/2018	3,190,000	3,411,557		3,414,353
American Media Inc (2)	USD	11.50%	Dec/15/2017	369,000	425,258		369,304
Aon Finance NS 1 ULC	CAD	4.76%	Mar/08/2018	8,632,000	9,187,823		9,282,532
APT Pipelines Ltd	CAD	4.25%	Jul/24/2019	4,101,000	4,308,232		4,211,399
Artis Real Estate Investment Trust	CAD	3.75%	Mar/27/2019	1,133,000	1,155,167		1,147,072
Bed Bath & Beyond Inc (2)	USD	5.17%	Aug/01/2044	1,131,000	1,373,773		1,220,505
Bell Canada	CAD	4.40%	Mar/16/2018	7,136,000	7,637,066		7,660,429
Bell Canada (2)	CAD	4.70%	Sep/11/2023	1,318,000	1,453,809		1,326,151
Bell Canada	CAD	4.88%	Apr/26/2018	1,679,000	1,823,971		1,819,851
Bell Canada	CAD	5.00%	Feb/15/2017	2,797,000	2,977,229		3,023,174
BP Capital Markets PLC	CAD	3.50%	Nov/09/2020	986,000	1,024,975		1,014,654
BP Capital Markets PLC	CAD	2.74%	Feb/24/2017	378,000	383,666		386,138
Brookfield Renewable Energy Partners ULC	CAD	6.13%	Nov/30/2016	1,595,000	1,714,580		1,724,179
Canadian Government Bond	CAD	3.75%	Jun/01/2019	2,141,000	2,370,558		2,366,661
Canadian Government Bond	CAD	2.00%	Jun/01/2016	229	232		234
Cascades Inc (2)	CAD	5.50%	Jul/15/2021	945,000	919,879		923,738
Choice Properties Real Estate Investment Trust	CAD	3.55%	Jul/05/2018	4,044,000	4,209,718		4,181,185
Clitigroup Inc	USD	3.39%	Nov/18/2021	3,078,000	3,132,055		3,077,231
Cominar Real Estate Investment Trust	CAD	4.27%	Jun/15/2017	3,315,000	3,449,715		3,451,482
Cominar Real Estate Investment Trust	CAD	2.35%	Sep/22/2016	1,255,000	1,254,796		1,255,000
Commerzbank AG	USD	8.13%	Sep/19/2023	210,000	280,593		268,243
Enbridge Income Fund	CAD	2.92%	Dec/14/2017	4,785,000	4,878,688		4,873,877
Enmax Corp (2)	CAD	3.81%	Dec/05/2024	780,000	791,033		788,151
Export-Import Bank of Korea	CAD	2.71%	Dec/05/2019	699,000	707,378		699,000
First National Financial Corp	CAD	5.07%	May/01/2015	9,139,000	9,221,179		9,497,420
Ford Auto Securitization Trust	CAD	1.35%	Mar/15/2016	600,000	194,371		194,349
Ford Credit Canada Ltd	CAD	2.63%	Nov/21/2016	4,302,000	4,352,533		4,352,228
Ford Credit Canada Ltd	CAD	4.88%	Feb/08/2017	6,595,000	6,971,590		7,021,060
GFL Environmental Corp (2)	CAD	7.50%	Jun/18/2018	280,000	275,683		289,100
Goldman Sachs Group Inc/The	USD	1.84%	Nov/29/2023	3,304,000	3,939,757		3,730,844
Goldman Sachs Group Inc/The	USD	5.00%	May/03/2018	7,678,000	8,325,437		8,331,453
H&R Real Estate Investment Trust	CAD	5.90%	Feb/03/2017	1,608,000	1,728,854		1,735,729
Heathrow Funding Ltd	CAD	4.00%	Jul/03/2019	1,890,000	2,027,323		2,012,321
Home Trust Co	CAD	2.35%	May/24/2017	1,679,000	1,680,594		1,674,635
Inter Pipeline Ltd (2)	CAD	4.44%	May/30/2044	1,890,000	1,951,431		1,897,560
JPMorgan Chase & Co	USD	2.92%	Sep/19/2017	5,669,000	5,806,581		5,815,808
Kellogg Canada Inc	CAD	2.05%	May/23/2017	1,891,000	1,897,463		1,890,622
Kimco North Trust III	USD	5.99%	Apr/13/2018	1,478,000	1,646,175		1,645,265
Leisureworld Senior Care LP	CAD	3.47%	Feb/03/2021	6,226,000	6,478,556		6,312,043
Lloyds Bank PLC	CAD	5.28%	Apr/19/2016	3,800,000	3,967,777		4,049,888
Loblaws Cos Ltd (2)	CAD	4.86%	Sep/12/2023	1,235,000	1,374,700		1,364,428
Loblaws Cos Ltd	CAD	6.05%	Jun/09/2034	327,000	387,367		332,922
Loblaws Cos Ltd	CAD	6.15%	Jan/29/2035	728,000	871,150		837,230
Loblaws Cos Ltd	CAD	3.75%	Mar/12/2019	3,779,000	3,991,724		3,968,706
Manitoba Telecom Services Inc	CAD	4.59%	Oct/01/2018	2,963,000	3,190,148		3,173,646
Manufacturers Life Insurance Co/The (2)	CAD	4.21%	Nov/18/2021	6,490,000	6,765,238		6,850,371
Medavie Inc (2)	CAD	6.00%	May/21/2024	380,000	382,375		380,000
Metropolitan Life Global Funding I	USD	3.11%	Apr/16/2021	410,000	421,464		419,299
Mood Media Corp (2)	CAD	9.25%	Oct/15/2020	320,000	307,632		332,470
Morgan Stanley	USD	3.13%	Aug/05/2021	1,630,000	1,640,056		1,624,495
Navient Corp	USD	5.63%	Aug/01/2033	574,000	503,614		504,156
Navient Corp	USD	4.63%	Sep/25/2017	210,000	247,489		239,402
NRL Energy Investments Ltd (2)	CAD	8.25%	Apr/13/2018	340,000	293,675		284,750
Pembina Pipeline Corp (2)	CAD	4.81%	Mar/25/2044	1,892,000	1,932,482		1,912,216
Penske Truck Leasing Canada Inc	CAD	3.65%	Feb/01/2018	7,876,000	8,155,100		7,973,155
Postmedia Network Inc (2)	CAD	8.25%	Aug/16/2017	137,860	143,288		141,113
RioCan Real Estate Investment Trust	CAD	2.87%	Mar/05/2018	2,850,000	2,899,672		2,882,074
Rogers Communications Inc	CAD	5.38%	Nov/04/2019	2,173,000	2,451,452		2,452,141
RONA Inc	CAD	5.40%	Oct/20/2016	190,000	195,340		197,048
Royal Bank of Scotland Group PLC (2)	CAD	6.67%	Apr/29/2049	526,000	581,230		490,521
Royal Bank of Scotland PLC/The (2)	CAD	10.50%	Mar/16/2022	250,000	287,078		285,000
Shaw Communications Inc	CAD	5.70%	Mar/02/2017	562,000	606,263		618,925
Shaw Communications Inc	CAD	6.75%	Nov/09/2039	1,521,000	1,888,118		1,839,254
Shaw Communications Inc (2)	CAD	4.35%	Jan/31/2024	10,645,000	11,318,107		10,788,997
Southern Pacific Resource Corp (2)	CAD	8.75%	Jan/25/2018	1,301,000	1,040,080		1,217,803
Suncor Energy Inc	CAD	5.80%	May/22/2018	1,892,000	2,119,581		2,145,474
TELUS Corp (2)	CAD	4.85%	Apr/05/2044	3,860,000	4,075,045		3,855,136
TELUS Corp (2)	CAD	3.35%	Apr/01/2024	2,305,000	2,308,662		2,222,145
TELUS Corp (2)	CAD	3.75%	Jan/17/2025	2,964,000	3,039,512		2,957,331
TELUS Corp (2)	CAD	4.40%	Apr/01/2043	7,382,000	7,251,808		6,876,904
TELUS Corp (2)	CAD	4.75%	Jan/17/2045	1,112,000	1,156,561		1,109,270
Thomson Reuters Corp	CAD	4.35%	Sep/30/2020	4,779,000	5,173,577		5,154,163
Thomson Reuters Corp	CAD	3.37%	May/23/2019	814,000	843,882		837,241
Thomson Reuters Corp (2)	CAD	3.31%	Nov/12/2021	712,000	723,011		712,000
Tim Hortons Inc	CAD	4.20%	Jun/01/2017	897,000	908,616		921,309
TransCanada PipeLines Ltd	CAD	4.55%	Nov/15/2041	555,000	591,414		575,574
TransCanada PipeLines Ltd	CAD	9.45%	Mar/20/2018	4,785,000	5,816,603		5,869,855
United States Treasury Note/Bond	USD	1.63%	Aug/31/2019	1,000	1,160		1,095
United States Treasury Note/Bond	USD	2.13%	Jun/30/2021	2,000	2,345		2,146
Ventas Canada Finance Ltd	CAD	3.00%	Sep/30/2019	5,447,000	5,521,571		5,431,367
Ventas Canada Finance Ltd (2)	CAD	4.13%	Sep/30/2024	5,801,000	5,993,094		5,777,912
Videotron Ltd (2)	CAD	5.63%	Jun/15/2025	9,724,000	9,707,793		9,567,918
Videotron Ltd (2)	CAD	6.88%	Jul/15/2021	822,000	882,783		886,732
Videotron Ltd (2)	CAD	7.13%	Jan/15/2020	180,000	187,950		196,856
Westcoast Energy Inc (2)	CAD	3.43%	Sep/12/2024	1,763,000	1,789,172		1,762,260
WestJet Airlines Ltd	CAD	3.29%	Jul/23/2019	2,741,000	2,757,737		2,741,000
WTH Car Rental ULC	CAD	2.62%	Dec/20/2016	1,463,000	1,464,141		1,489,510
WTH Car Rental ULC	CAD	2.54%	Aug/20/2019	1,773,000	1,792,040		1,773,000
Xplornet Communications Inc/CA (2)	CAD	13.00%	May/15/2017	199,796	208,787		208,787
YPG Financing Inc (2)	CAD	9.25%	Nov/30/2018	485,486	509,760		502,913

Total Fixed Income Long Positions \$ 237,012,418 \$ 235,521,288

FIXED INCOME SHORT POSITIONS -143.2%

SECURITY NAME		COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE	PROCEEDS
Canadian Government Bond	CAD	1.75%	Sep/01/2019	(8,010,000)	\$ (8,159,185)	\$ (8,091,763)
Canadian Government Bond	CAD	1.50%	Sep/01/2017	(14,101,000)	(14,260,023)	(14,176,493)
Canadian Government Bond	CAD	1.25%	Mar/01/2018	(12,547,000)	(12,592,091)	(12,541,135)
Canadian Government Bond	CAD	4.00%	Jun/01/2017	(674,000)	(722,155)	(723,499)
Canadian Government Bond	CAD	3.50%	Dec/01/2045	(3,112,000)	(3,906,922)	(3,592,578)
Canadian Government Bond	CAD	5.00%	Jun/01/2037	(209,924)	(308,473)	(279,283)
Canadian Government Bond	CAD	4.25%	Jun/01/2018	(14,152,000)	(15,621,011)	(15,597,121)
Canadian Government Bond	CAD	4.00%	Jun/01/2041	(10,533,000)	(13,976,523)	(12,394,984)
Canadian Government Bond	CAD	2.50%	Jun/01/2024	(29,014,000)	(30,800,641)	(29,588,855)
Canadian Government Bond	CAD	1.50%	Feb/01/2017	(10,252,000)	(10,355,011)	(10,348,585)
Canadian Government Bond	CAD	1.50%	Jun/01/2023	(3,582,000)	(3,528,328)	(3,503,715)
Canadian Government Bond	CAD	1.25%	Sep/01/2018	(1,914,000)	(1,918,969)	(1,906,701)
Canadian Government Bond	CAD	3.50%	Jun/01/2020	(4,307,000)	(4,781,316)	(4,770,152)
Canadian Government Bond	CAD	1.75%	Mar/01/2019	(8,331,000)	(8,502,308)	(8,407,786)
RBC Capital Trust (2)	CAD	6.82%	Jun/30/2018	(1,894,000)	(2,182,062)	(2,216,297)
TD Capital Trust III (2)	CAD	7.24%	Dec/31/2018	(1,895,000)	(2,237,599)	(2,271,139)
United States Treasury Note	USD	1.63%	Apr/30/2019	(1,000)	(1,162)	(1,091)
United States Treasury Note	USD	2.38%	Aug/15/2024	(725,000)	(855,348)	(799,453)
United States Treasury Note	USD	2.50%	May/15/2024	(472,000)	(563,224)	(518,026)
United States Treasury Note	USD	3.63%	Feb/15/2044	(878,000)	(1,196,899)	(1,017,147)

Total Fixed Income Short Positions \$ (136,469,250) \$ (132,745,803)

(1) These positions are convertible
(2) These positions are callable

WARRANTS LONG POSITIONS 0.0%

SECURITY NAME	QUANTITY	FAIR VALUE	AVERAGE COST	STRIKE PRICE	MATURITY DATE
Xplornet Communications Inc	174	\$ -	-	-	May/15/2017

Total Warrants Positions \$ - \$ -

Schedule 1 - Derivative assets and liabilities

LONG OPTION POSITIONS 0.1%

SECURITY NAME	CONTRACTS	EXPIRY DATE	STRIKE PRICE	FAIR VALUE	AVERAGE COST
Royal Bank Put	420	15-Jan-16	40	\$ 21,891	\$ 29,299
S&P 500 EMINI Futures Call	34	20-Feb-15	2,100	41,350	58,488
S&P 500 EMINI Futures Call	40	20-Feb-15	2,115	35,326	48,739

Total Long Option Contracts \$ 98,567 \$ 136,526

SHORT OPTION POSITIONS -0.1%

SECURITY NAME	CONTRACTS	EXPIRY DATE	STRIKE PRICE	FAIR VALUE	PROCEEDS
S&P 500 EMINI Futures Put	(20)	20-Feb-15	1,995	\$ (35,037)	\$ (23,789)
S&P 500 EMINI Futures Put	(13)	20-Feb-15	2,000	(23,527)	(18,725)

Total Short Option Contracts \$ (58,564) \$ (42,514)

FUTURES CONTRACTS -0.1%

SECURITY NAME	CONTRACTS	EXPIRY DATE	NOTIONAL VALUE	CONTRACT SIZE	UNREALIZED GAIN/(LOSS)
Canadian 90Day B. A. Futures Sep 15	(188)	14-Sep-15	(46,332,600)	2,500	\$ (23,500)
IMM Canadian Dollar Futures Mar 15	(26)	17-Mar-15	(2,236,000)	100,000	8,733
S&P 500 INDEX EMINI Futures Mar 15	(34)	20-Mar-15	(3,488,825)	50	(492)
EUREX Bund (Long-Term) Futures Mar 15	34	6-Mar-15	5,277,480	1,000	30,952
Euro Oat French Government Bond Futures Mar 15	(40)	6-Mar-15	(5,796,000)	1,000	(130,199)

Total Futures Contracts \$ (114,506)

SWAP POSITIONS -0.7%

SECURITY NAME	NOTIONAL VALUE	FAIR VALUE
EC-IRS CAD 1.7575% Receive Floating/Pays Fix 6-Jun-2018	6,991,000	\$ (36,444)
EC-IRS CAD 1.95% Receive Floating/Pays Fix 6-Jun-2018	15,266,000	(158,791)
IRS CAD 1.7775% Receive Floating/Pays Fix 08-Mar-2019	7,622,000	(57,940)
IRS CAD 2.025% Receive Floating/Pays Fix 02-Aug-2018	3,693,000	(62,254)
IRS CAD 2.325% Receive Floating/Pays Fix 25-Nov-2020	7,397,000	(196,978)
New York Times SP 1% 5Y 20-Mar-2020 JPM	3,034,000	(113,644)

Total Swap Positions \$ (626,051)

INVESTMENT PORTFOLIO SUMMARY		FAIR VALUE	AVERAGE COST
Fixed Income Long Positions	248.6%	\$ 237,012,418	\$ 235,521,288
Fixed Income Short Positions	-143.2%	(136,469,250)	(132,745,803)
Option Long Positions	0.1%	98,567	136,526
Option Short Positions	-0.1%	(58,564)	(42,514)
Futures Contracts	-0.1%	(114,506)	-
Swaps Positions	-0.7%	(626,051)	-
Total Investments	104.7%	99,842,614	102,869,497
Total Other Net Assets	-4.7%	(4,520,976)	-
Total Net Assets	100.0%	\$ 95,321,638	

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 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's units are listed on the Toronto Stock Exchange and trade under the symbol ECF.UN. The closing market price on December 31, 2014 was \$9.95 (2013 - \$10.66; January 1, 2013 - \$11.15).

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.

2. FORWARD AGREEMENT

The Fund will seek to achieve its investment objective by obtaining exposure to ECLIGIF 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.

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, 2014, the market value of securities held as collateral was \$95,552,830 [December 31, 2013 - \$113,985,208; January 1, 2013 - \$130,123,880].

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, 2014 the Fund's exposure to the Underlying Fund, by way of the Forward Agreement, represented 100.7% [December 31, 2013 - 100.7%; January 1, 2013 - 99.6%] 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

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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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation and Adoption of IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Fund has adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the Chartered Professional Accountant (CPA) Canada Handbook (Canadian GAAP). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statements of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. 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.

Note 12 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

These financial statements were authorized for issue by the Manager on March 30, 2015.

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, 2014 or 2013 and January 1, 2013.

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 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

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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 flows discounted using the asset's 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 year. Refer to Note 11 for the calculation.

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i) **Agents' Fees and Issue Expenses**

Agents' fees and issue expenses related to the offering of Units are netted against proceeds received on issuance of units and are shown in the statement of changes in net assets attributable to holders of redeemable units.

j) **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 Funds' 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.

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.

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).

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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, 2014, 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 Aa2 (December 31, 2013 and January 1, 2013 – Aa1), 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, 2014, December 31, 2013 and January 1, 2013.

Percentage of total long debt securities of Underlying Fund			
Credit Rating*	As at December 31, 2014	As at December 31, 2013	As at January 1, 2013
AAA	2.4%	2.5%	0.8%
AA	0.5%	-	-
A	13.9%	16.1%	11.0%
BBB	73.2%	70.4%	81.3%
Below BBB	8.0%	11.0%	5.8%
Not Rated	2.0%	-	1.1%
Total	100.0%	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 securities and derivatives trading. The Fund's and the Underlying Fund's broker and custodian services are provided by RBC Investor Services Trust, TD Securities and Bank of Montreal, which have credit ratings of Aa3, Aa1 and Aa3 respectively (December 31, 2013 – A2, Aaa, Aa3)(January 1, 2013 – A2, Aaa, and A3 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 Baa2, A3 and A2 respectively (December 31, 2013 – Merrill Lynch International Baa2)(January 1, 2013 – JP Morgan Chase & Co. Aa3). The counterparty to the Underlying Fund's futures contracts is JP Morgan Chase & Co. which has a credit rating of A3 (December 31, 2013 and January 1, 2013 – Aa3) as rated by Moody's bond rating services.

The Fund and Underlying Fund are also 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, 2013: Aaa, January 1, 2013: Aaa).

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

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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, 2014, December 30, 2013 and January 1, 2013, 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, 2014, December 31, 2013 and January 1, 2013, 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 are comprised of long and short equities. Monetary include cash, derivatives, fixed income securities, and other current receivables and payables.

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December 31, 2014	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary
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)
European Currency - Long	30,952	-	30,952	3,095	-	3,095
European 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%)

December 31, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary
United States Dollar - Long	\$2,867,334	\$112,200	\$2,979,534	\$286,733	\$11,220	\$297,953
United States Dollar - Short	(3,804,809)	(\$4,463)	(3,809,272)	(380,481)	(446)	(380,927)
Total	(\$937,475)	\$107,737	(\$829,738)	(\$93,748)	\$10,774	(\$82,974)
% of net assets attributable to holders of redeemable units	(0.8%)	0.1%	(0.7%)	(0.1%)	0.0%	(0.1%)

January 1, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary
United States Dollar - Long	\$1,282,004	-	\$1,282,004	\$128,200	-	\$128,200
United States Dollar - Short	(2,423,130)	-	(2,423,130)	(242,313)	-	(242,313)
Total	(\$1,141,126)	-	(\$1,141,126)	(\$114,113)	-	(\$114,113)
% of net assets attributable to holders of redeemable units	(.09%)	0.0%	(.09%)	(0.1%)	0.0%	(0.1%)

(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, 2014, the Fund had no direct exposure to debt instruments (December 31, 2013 - \$20,000, January 1, 2013 - \$20,000). 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, 2014, December 31, 2013 and January 1, 2013. 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.

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Long Positions	Total Exposure		
	December 31, 2014	December 31, 2013	January 1, 2013
Term to Maturity			
Less than 1 year	\$9,221,179	\$18,400,915	-
1-3 years	45,457,851	48,057,378	\$93,375,474
3-5 years	88,229,052	36,537,271	56,107,177
Greater than 5 years	94,104,336	124,659,178	126,484,952
Total	\$237,012,418	\$227,654,742	\$275,967,603
Sensitivity:			
Total \$ sensitivity	\$11,888,349	\$9,186,462	\$11,792,899
Total % sensitivity	12.5%	8.1%	9.1%

Short Positions	Total Exposure		
	December 31, 2014	December 31, 2013	January 1, 2013
Term to Maturity			
Less than 1 year	-	-	-
1-3 years	(\$25,337,190)	(\$2,972,956)	(\$113,844)
3-5 years	(48,976,790)	(23,726,855)	(66,470,407)
Greater than 5 years	(62,155,270)	(86,065,470)	(82,192,007)
Total	(\$136,469,250)	(\$112,765,281)	(\$148,776,258)
Sensitivity:			
Total \$ sensitivity	(\$9,408,661)	(\$6,210,495)	(\$8,630,351)
Total % sensitivity	(9.9%)	5.4%	6.6%

(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.

As at December 31, 2014, if the Fund's relevant benchmark index, FTSE TMX Canada All Corporate Bond Index (formerly DEX Universe All Corporate Bond Index (PC-Bond)), 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 \$1,815,552 [December 31, 2013 - \$2,266,798; January 1, 2013 - \$1,294,885] representing 1.9% of net assets attributable to holders of redeemable units [December 31, 2013 - 2.0%; January 1, 2013 - 1.0%].

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, 2014, the Fund held 100.7% [December 31, 2013 - 100.7%; January 1, 2013 - 99.6%] 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.

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

Market Segment	December 31, 2014		December 31, 2013		January 1, 2013	
	Fixed Income (Long)	Fixed Income (Short)	Fixed Income (Long)	Fixed Income (Short)	Fixed Income (Long)	Fixed Income (Short)
Asset Backed Securities	0.2%	-	-	-	-	-
Basic Materials	1.0%	-	2.8%	-	7.6%	-
Communications	73.2%	-	75.4%	-	50.5%	-
Consumer, Cyclical	17.4%	-	3.1%	-	-	-
Consumer, Non-Cyclical	24.7%	-	19.5%	-	5.6%	-
Diversified	2.0%	-	-	-	1.4%	-
Energy	23.0%	-	5.6%	-	18.3%	-
Financial	91.9%	(4.6%)	73.8%	-	103.6%	-
Government	3.2%	(138.6%)	5.1%	(99.4%)	0.1%	(114.8%)
Industrial	2.4%	-	-	-	4.4%	-
Utilities	9.6%	-	14.8%	-	20.8%	-

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, 2014, December 31, 2013 and January 1, 2013:

As at December 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
Forward Agreement	-	\$95,321,628	-	\$95,321,628
Fixed Income	-	-	-	-
Total	-	\$95,321,628	-	\$95,321,628

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Assets				
Forward Agreement	-	\$114,083,383	-	\$114,083,383
Fixed Income	-	20,002	-	20,002
Total	-	\$114,103,385	-	\$114,103,385

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As at January 1, 2013	Level 1	Level 2	Level 3	Total
Assets				
Forward Agreement	-	\$130,360,424	-	\$130,360,424
Fixed Income	-	19,950	-	19,950
Total	-	\$130,380,374	-	\$130,380,374

As at December 31, 2014, December 31, 2013 and January 1, 2013, the Fund did not hold any level 3 financial instruments. There were no transfers between levels during the years ending December 31, 2014 and December 31, 2013.

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, 2014, December 31, 2013 and January 1, 2013:

As at December 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
Fixed income long	-	\$237,012,418	-	\$237,012,418
Derivatives	\$98,567	-	-	98,567
Total	\$98,567	\$237,012,418	-	\$237,110,985
Liabilities				
Fixed income short	-	(\$136,469,250)	-	(\$136,469,250)
Derivatives	(\$173,070)	(626,051)	-	(799,121)
Total	(\$173,070)	(\$137,095,301)	-	(\$137,268,371)

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Assets				
Fixed income long	-	\$227,654,742	-	\$227,654,742
Derivatives	\$112,200	-	-	112,200
Total	\$112,200	\$227,654,742	-	\$227,766,942
Liabilities				
Fixed income short	-	(\$112,765,281)	-	(\$112,765,281)
Derivatives	(\$46,928)	(476,190)	-	(523,118)
Total	(\$46,928)	(\$113,241,471)	-	(\$113,288,399)

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As at January 1, 2013	Level 1	Level 2	Level 3	Total
Assets				
Fixed income long	-	\$275,967,603	-	\$275,967,603
Derivatives	\$84,095	16,115	-	100,210
Total	\$84,095	\$275,983,718	-	\$276,067,813
Liabilities				
Fixed income short	-	(\$148,776,258)	-	(\$148,776,258)
Derivatives	(\$130,038)	(85,620)	-	(215,658)
Total	(\$130,038)	(\$148,861,878)	-	(\$148,991,916)

As at December 31, 2014, December 31, 2013 and January 1, 2013 the Underlying Fund did not hold any level 3 financial instruments. There were no transfers between levels during the years.

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.

a) 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.

b) 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.

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

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, 2014 and 2013.

December 31, 2014

	Net realized gains /(losses)	Net unrealized gains /(losses)	Interest Income	Total
Financial assets 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

December 31, 2013

	Net realized gains /(losses)	Net unrealized gains /(losses)	Interest Income	Total
Financial assets at FVTPL:				
Designated as FVTPL		\$52	\$201	\$253
HFT	\$1,387,698	4,612,127	-	5,999,825
	1,387,698	4,612,179	201	6,000,078
Financial liabilities at FVTPL:				
HFT	-	-	-	-
Total:	\$1,387,698	\$4,612,179	\$201	\$6,000,078

7. REDEEMABLE UNITS

During the years ended December 31, 2014, and 2013, the number of units issued, redeemed and outstanding was as follows:

For the year ended December 31, 2014

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

For the year ended December 31, 2013

	Redeemable units outstanding January 1, 2013	Redeemable units issued	Redeemable units issued on reinvestments	Redeemable units redeemed	Redeemable units issued and outstanding December 31, 2013
Units	11,585,000	-	-	(1,282,815)	10,302,185

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

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

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, 2014, included in other liabilities are amounts owing to the Manager relating to management fees of \$21,624 (excluding HST) [December 31, 2013 - \$24,147; January 1, 2013 - \$27,556]. 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 \$14,291 [December 31, 2013 - \$19,487; January 1, 2013 - \$27,402].

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, 2014, the Fund had \$5,404,929 of unused non-capital losses which expire no earlier than 2032.

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.

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

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, 2014 and 2013 is calculated as follows:

	December 31, 2014	December 31, 2013
Increase (decrease) in net assets attributable to holders of redeemable units	(\$882,516)	\$4,855,431
Weighted average units outstanding during the year	10,170,669	11,367,097
Increase (decrease) in net assets attributable to holders of redeemable units per unit	(\$0.09)	\$0.43

12. TRANSITION TO IFRS

The effect of the Fund's transition to IFRS is summarized in this note as follows:

Transition Elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, *Investment Companies*.

Revaluation of Investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, *Financial Instruments - Recognition and Measurement*, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, *Fair Value Measurement* (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also 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. There was no change in the value of the Fund's investments as at December 31, 2013 and January 1, 2013. Consequently, there were no differences between equity and comprehensive income reported previously under Canadian GAAP and IFRS.

Classification of redeemable units issued by the Fund

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 Funds' obligations for net assets attributable to holders of redeemable shares are presented at the redemption amounts. Under Canadian GAAP the Fund presented the components of shareholders' equity, including share capital, retained earnings and contributed surplus on the statement of financial position. As the Fund's shares have been reclassified to financial liability on transition to IFRS, these components are no longer presented.

13. 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,

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

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 30, 2015

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 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 3 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, 2014, December 31, 2013 and January 1, 2013 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2014 and December 31, 2013, 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, 2014, December 31, 2013 and January 1, 2013 and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 30, 2015

