



UNAUDITED SEMI-ANNUAL FINANCIAL STATEMENTS

JUNE 2016

EAST COAST INVESTMENT GRADE INCOME FUND

EAST COAST INVESTMENT GRADE INCOME FUND

Statements of Financial Position (Unaudited)

	As at June 30, 2016	As at December 31, 2015
ASSETS		
Current assets		
Financial assets held for trading		
Forward agreement (Note 2)	\$51,174,249	\$50,457,532
Cash	29,464	46,029
	51,203,713	50,503,561
LIABILITIES		
Current liabilities		
Distributions payable	273,475	273,475
Other liabilities (Note 8)	133,843	191,326
	407,318	464,801
Net assets attributable to holders of redeemable units	\$50,796,395	\$50,038,760
Number of units outstanding (Note 7)	5,469,503	5,469,503
Net assets attributable to holders of redeemable units per unit	\$9.29	\$9.15

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 (Unaudited)
For the periods ended June 30,

	2016 \$	2015 \$
INCOME		
Net gains (losses) on investments and forward agreement <i>(Note 6)</i>		
Net realized gain (loss) on investments and forward agreement	76,393	243,014
Net change in unrealized appreciation (depreciation) in value of investments and forward agreement	2,531,281	318,140
Net gains (losses) on investments and forward agreement	2,607,674	561,154
EXPENSES		
Securityholder reporting fees	48,002	57,309
Management fees <i>(Note 8)</i>	62,429	114,648
Service fees <i>(Note 8)</i>	73,053	175,709
Legal	1,536	4,642
Audit fees	7,306	9,500
Independent Review Committee fees	2,300	2,483
Custodial fees	266	4,134
Harmonized sales tax	14,297	34,515
Total expenses	209,189	402,940
Increase (decrease) in net assets attributable to holders of redeemable units	2,398,485	158,214
<i>Increase (decrease) in Net Assets attributable to holders of redeemable units per Unit</i> <i>(Note 11)</i>	0.44	0.02

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 (Unaudited)
For the periods ended June 30,

	2016 \$	2015 \$
Net assets attributable to holders of redeemable units at beginning of period	50,038,760	94,655,129
Increase (decrease) in net assets attributable to holders of redeemable units	2,398,485	158,214
Distributions to holders of redeemable units		
Return of capital	(1,640,850)	(2,755,749)
Total distributions to holders of redeemable units	(1,640,850)	(2,755,749)
Redeemable unit transactions		
Redemption of redeemable units	-	-
Net increase (decrease) from redeemable unit transactions	-	-
Net increase (decrease) in net assets attributable to holders of redeemable units	757,635	(2,597,535)
Net assets attributable to holders of redeemable units at end of period	50,796,395	92,057,594

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

EAST COAST INVESTMENT GRADE INCOME FUND

Statements of Cash Flow (Unaudited)
For the periods ended June 30,

	2016 \$	2015 \$
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	2,398,485	158,214
Adjustment for:		
Net realized loss (gain) on investments and forward agreement	(76,393)	(243,014)
Net change in unrealized depreciation (appreciation) in value of investments and forward agreement	(2,531,281)	(318,140)
Net proceeds on sale of securities from partial settlement of forward agreement (1)	1,890,957	3,140,482
Increase (decrease) in other liabilities	(57,483)	(26,888)
Net cash from (used in) operating activities	<u>1,624,285</u>	<u>2,710,654</u>
Cash flows from (used in) financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	(1,640,850)	(2,755,749)
Net cash from (used in) financing activities	<u>(1,640,850)</u>	<u>(2,755,749)</u>
Net Increase (decrease) in cash	<u>(16,565)</u>	<u>(45,095)</u>
Cash at beginning of the period	46,029	69,047
Cash at end of the period	<u>29,464</u>	<u>23,952</u>
(1) Net of counterparty fees		

*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 June 30, 2016 (Unaudited)

FORWARD AGREEMENT	PERCENTAGE OF FUND %	AVERAGE COST \$	FAIR VALUE * \$
Forward Agreement (Note 2)	100.7	47,519,800	51,174,249

*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	100.7	47,519,800	51,174,249
Total Investments	100.7	47,519,800	51,174,249
Total Other Net Assets	(0.7)	-	(377,854)
Total Net Assets	100.0	47,519,800	50,796,395

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 June 30, 2016 (Unaudited)

The following positions are held in ECIGIF Trust

Equity Positions - Long		5.3%			
Security Name	Currency		Quantity	Average Cost \$	Fair Value \$
Energy		1.4%			
Enbridge Inc.	CAD		9,415	146,226	128,138
Enbridge Inc.	USD		8,738	222,047	191,084
TransCanada Corporation	CAD		14,600	365,000	380,184
				733,273	699,406
Financials		3.9%			
Bank of Montreal	CAD		26,700	529,026	528,660
The Bank of Nova Scotia	CAD		52,000	1,026,567	1,034,800
Royal Bank of Canada	CAD		16,000	400,000	428,640
				1,955,593	1,992,100
				2,688,866	2,691,506

Funds - Long		2.6%			
Security Name	Currency		Quantity	Average Cost \$	Fair Value \$
BMO Laddered Preferred Share Index ETF	CAD		141,000	1,401,265	1,355,010

Fixed Income Positions - Long		331.6%					
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	684,667	
Aon Finance N.S. 1, ULC	CAD	4.76	03-08-18	5,782,000	6,213,484	6,036,697	
Bank of America Corporation	CAD	3.23	06-22-22	1,708,000	1,708,000	1,778,165	
Bank of Montreal	CAD	2.84	06-04-20	2,687,000	2,810,924	2,826,617	
Bank of Montreal	CAD	2.10	10-06-20	4,000,000	4,091,240	4,097,040	
The Bank of Nova Scotia	CAD	2.60	02-27-17	10,000,000	10,125,200	10,102,700	
Bell Canada	CAD	4.88	04-26-18	1,679,000	1,819,851	1,777,305	
BMW Canada Inc.	CAD	1.55	06-14-19	1,583,000	1,583,000	1,585,549	
Brookfield Infrastructure Finance ULC	CAD	3.54	10-30-20	646,000	646,000	671,691	
Bruce Power L.P.	CAD	2.84	06-23-21	1,130,000	1,130,000	1,150,035	
Canadian Imperial Bank of Commerce	CAD	1.39	06-01-18	2,500,000	2,500,488	2,504,575	
Citigroup Inc.	CAD	3.39	11-18-21	1,277,000	1,325,590	1,341,118	
Cominar Real Estate Investment Trust	CAD	4.27	06-15-17	1,286,000	1,338,946	1,309,920	
Cominar Real Estate Investment Trust	CAD	3.62	06-21-19	2,397,000	2,420,210	2,436,407	
Enbridge Inc. ⁽²⁾	USD	4.50	06-10-44	476,000	467,284	538,345	
The Export-Import Bank of Korea	CAD	2.71	12-05-19	699,000	699,000	724,912	
Ford Auto Securitization Trust ⁽²⁾	CAD	2.00	11-15-20	1,547,000	1,547,000	1,559,887	
Ford Credit Canada Limited	CAD	2.45	05-07-20	866,000	859,981	870,243	
Ford Credit Canada Limited	CAD	3.14	06-14-19	1,032,000	1,032,000	1,061,412	
Ford Credit Canada Limited	CAD	2.92	09-16-20	2,787,000	2,787,000	2,847,227	
Ford Credit Canada Limited	CAD	2.58	05-10-21	518,000	515,483	520,010	
General Motors Financial of Canada, Ltd.	CAD	3.08	05-22-20	2,977,000	2,965,777	3,002,424	
The Goldman Sachs Group, Inc.	CAD	5.00	05-03-18	6,894,700	7,431,742	7,311,898	
Government of Canada	CAD	3.25	06-01-21	1,215,980	1,369,987	1,372,513	
Government of Canada	CAD	3.50	12-01-45	196,000	262,249	276,654	
Government of Canada	CAD	2.50	06-01-24	1,702,000	1,884,073	1,916,826	

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio from ECIGIF Trust – As at June 30, 2016 (Unaudited)

The following positions are held in ECIGIF Trust

Fixed Income Positions - Long		331.6%					
Security Name	Currency	Coupon Rate %	Maturity Date	Par Value	Average Cost \$	Fair Value \$	
H&R Real Estate Investment Trust	CAD	5.90	02-03-17	968,000	1,044,891	990,419	
Home Trust Company	CAD	2.35	05-24-17	879,000	876,715	880,064	
JPMorgan Chase & Co.	CAD	2.92	09-19-17	3,140,000	3,222,477	3,197,996	
KRCX North Holdings, LLC	CAD	3.86	08-04-20	2,027,000	2,178,152	2,175,417	
KRCX North Holdings, LLC	CAD	5.99	04-13-18	2,152,000	2,364,338	2,310,237	
The Manufacturers Life Insurance Company ⁽²⁾	CAD	4.21	11-18-21	4,555,000	4,612,084	4,595,403	
Manulife Bank of Canada	CAD	1.51	06-01-18	4,085,000	4,085,000	4,090,188	
Medavie Inc. ⁽²⁾	CAD	6.00	05-21-24	380,000	380,000	391,180	
Metropolitan Life Global Funding I	CAD	2.68	04-16-19	3,153,000	3,237,745	3,243,333	
Molson Coors International LP	CAD	2.84	07-15-23	1,611,000	1,610,694	1,610,694	
Molson Coors International LP	CAD	2.25	09-18-18	4,749,000	4,747,908	4,788,749	
Morgan Stanley	CAD	3.13	08-05-21	1,576,000	1,606,654	1,638,993	
National Bank of Canada	CAD	1.40	06-14-18	9,875,000	9,875,000	9,889,418	
Navient Corporation	USD	5.63	08-01-33	316,000	277,549	290,842	
Northgroup Preferred Capital Corporation ⁽²⁾	USD	6.38	01-29-49	966,000	1,224,258	1,259,810	
NRL Energy Investments Ltd. ⁽²⁾	CAD	8.25	04-13-18	340,000	284,750	45,900	
Penske Truck Leasing Canada Inc.	CAD	3.65	02-01-18	755,000	771,995	772,191	
Petro-Canada	USD	6.05	05-15-18	788,000	1,157,767	1,102,964	
Postmedia Network Inc. ⁽²⁾	CAD	8.25	08-16-17	125,810	128,779	109,297	
Quebecor Media Inc. ⁽²⁾	CAD	7.38	01-15-21	330,000	346,500	341,138	
RONA inc.	CAD	5.40	10-20-16	190,000	197,048	193,325	
Royal Bank of Canada	CAD	2.58	04-13-17	8,000,000	8,111,500	8,095,920	
Royal Bank of Canada	CAD	2.89	10-11-18	7,000,000	7,237,110	7,241,290	
Royal Bank of Canada	CAD	2.77	12-11-18	7,500,000	7,757,100	7,751,250	
Royal Bank of Canada	CAD	1.92	07-17-20	1,000,000	1,007,380	1,013,580	
The Royal Bank of Scotland Group plc ⁽²⁾	CAD	6.67	12-31-49	526,000	490,521	548,671	
The Royal Bank of Scotland plc ⁽²⁾	CAD	10.50	03-16-22	250,000	285,000	262,485	
Shaw Communications Inc.	CAD	3.15	02-19-21	790,000	789,131	812,318	
Shaw Communications Inc.	CAD	5.65	10-01-19	3,400,000	3,763,371	3,768,526	
The Manufacturers Life Insurance Company ⁽²⁾	CAD	3.94	09-21-22	486,000	497,246	498,004	
Sun Life Financial Inc. ⁽²⁾	CAD	4.38	03-02-22	2,603,000	2,652,249	2,647,537	
Suncor Energy Inc.	USD	6.10	06-01-18	1,098,000	1,610,661	1,545,294	
Thomson Reuters Corporation	CAD	3.37	05-23-19	1,992,000	2,096,596	2,071,660	
The Toronto-Dominion Bank	CAD	1.69	04-02-20	5,000,000	5,025,750	5,043,050	
The Toronto-Dominion Bank	CAD	2.56	06-24-20	4,779,000	4,941,295	4,974,509	
TransCanada PipeLines Limited	CAD	9.45	03-20-18	5,585,000	6,816,183	6,289,715	
TransCanada PipeLines Limited ⁽²⁾	USD	6.35	05-15-67	1,389,000	1,357,427	1,282,934	
TransCanada PipeLines Limited	USD	3.13	01-15-19	628,000	887,416	844,055	
US Treasury Bill	USD	0.00	04-27-17	1,000,000	1,279,412	1,294,436	
Ventas Canada Finance Limited	CAD	3.00	09-30-19	812,000	831,447	830,505	
Videotron Ltd. ⁽²⁾	CAD	6.88	07-15-21	2,195,000	2,326,645	2,271,825	
Videotron Ltd. ⁽²⁾	CAD	5.63	06-15-25	1,819,000	1,798,001	1,866,749	
WTH Car Rental, ULC	CAD	1.91	07-20-20	4,004,000	3,997,583	3,958,475	

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio from ECIGIF Trust – As at June 30, 2016 (Unaudited)

The following positions are held in ECIGIF Trust

Fixed Income Positions - Long		331.6%				
Security Name	Currency	Coupon Rate %	Maturity Date	Par Value	Average Cost \$	Fair Value \$
Xplornet Communications Inc. ⁽²⁾	CAD	13.00	05-15-17	203,759	212,928	209,872
Yellow Pages Digital & Media Solutions Limited ⁽²⁾	CAD	9.25	11-30-18	354,980	367,723	370,954
					<u>170,604,217</u>	<u>169,716,009</u>

⁽¹⁾ Convertible

⁽²⁾ Callable

Fixed Income Positions - Short		(241.5%)				
Security Name	Currency	Coupon Rate %	Maturity Date	Par Value	Proceeds \$	Fair Value \$
Enbridge Inc. ⁽²⁾	CAD	3.16	03-11-21	(980,000)	(993,681)	(1,004,578)
Government of Canada	CAD	0.75	09-01-20	(5,524,000)	(5,543,363)	(5,570,015)
Government of Canada	CAD	5.00	06-01-37	(209,924)	(279,283)	(331,086)
Government of Canada	CAD	4.00	06-01-17	(1,187,000)	(1,246,587)	(1,224,296)
Government of Canada	CAD	4.25	06-01-18	(19,506,000)	(21,479,524)	(20,887,220)
Government of Canada	CAD	3.75	06-01-19	(5,666,000)	(6,363,699)	(6,192,881)
Government of Canada	CAD	3.50	06-01-20	(12,055,000)	(13,466,720)	(13,429,993)
Government of Canada	CAD	2.75	06-01-22	(1,536,000)	(1,684,862)	(1,719,859)
Government of Canada	CAD	1.50	03-01-17	(2,614,000)	(2,632,037)	(2,630,939)
Government of Canada	CAD	1.50	09-01-17	(3,689,000)	(3,760,033)	(3,730,354)
Government of Canada	CAD	1.50	06-01-23	(1,414,000)	(1,482,013)	(1,483,837)
Government of Canada	CAD	1.25	09-01-18	(22,723,000)	(23,109,313)	(23,087,477)
Government of Canada	CAD	1.75	03-01-19	(6,211,000)	(6,419,914)	(6,415,342)
Government of Canada	CAD	1.75	09-01-19	(5,002,000)	(5,197,804)	(5,191,926)
Government of Canada	CAD	2.25	06-01-25	(69,000)	(75,472)	(76,666)
Government of Canada	CAD	1.00	11-01-16	(4,918,000)	(4,928,735)	(4,925,770)
Government of Canada	CAD	1.50	03-01-20	(12,507,000)	(12,883,625)	(12,940,868)
Government of Canada	CAD	1.25	02-01-18	(700,000)	(708,050)	(708,001)
Government of Canada	CAD	0.75	03-01-21	(1,100,000)	(1,109,405)	(1,109,130)
The Toronto-Dominion Bank	CAD	3.23	07-24-24	(4,730,000)	(4,974,678)	(5,154,092)
US Treasury Note	USD	3.00	11-15-45	(257,000)	(348,127)	(384,442)
US Treasury Note	USD	1.00	12-31-17	(1,827,000)	(2,582,692)	(2,391,690)
US Treasury Note	USD	1.13	01-15-19	(605,000)	(855,767)	(795,914)
US Treasury Note	USD	0.75	01-31-18	(375,000)	(524,650)	(489,171)
US Treasury Note	USD	2.13	05-15-25	(238,000)	(298,074)	(327,102)
Videotron Ltd. ⁽²⁾	USD	5.38	06-15-24	(1,058,000)	(1,478,495)	(1,400,438)
					<u>(124,426,603)</u>	<u>(123,603,087)</u>

⁽¹⁾ Convertible

⁽²⁾ Callable

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio from ECIGIF Trust – As at June 30, 2016 (Unaudited)

The following positions are held in ECIGIF Trust

Futures Contracts - Long		0.2%				Unrealized
Security Name	Currency	Contracts	Contract Size	Expiry Date	Notional Value	Gain / Loss \$
Interest Rate Futures		0.1%				
90DAY EURODOLLAR FUTURE (CME)	USD	79	2,500	09-19-16	19,622,613	24,408
90DAY EURODOLLAR FUTURE (CME)	USD	81	2,500	12-19-16	20,113,313	48,735
						<u>73,143</u>
Bond Futures		0.1%				
US 10YR TREAS NTS FUTURE (CBT)	USD	9	1,000	09-21-16	1,196,859	26,160
						<u>99,303</u>

Futures Contracts - Short		(0.2%)				Unrealized
Security Name	Currency	Contracts	Contract Size	Expiry Date	Notional Value	Gain / Loss \$
Bond Futures		(0.0%)				
CANADA 10YR BOND FUTURE (MSE)	CAD	(2)	1,000	09-21-16	(296,080)	(7,880)
Currency Futures		0.0%				
C\$ CURRENCY FUTURE (CME)	USD	(3)	1,000	09-20-16	(231,360)	4,839
Interest Rate Futures		(0.2%)				
90DAY EURODOLLAR FUTURE (CME)	USD	(160)	2,500	12-18-17	(39,670,000)	(99,356)
						<u>(102,397)</u>

Option Positions - Long		0.3%				Average	Fair Value
Security Name	Currency	Strike Price	Expiry Date	Contracts	Cost \$	\$	
BMO S&P/TSX Equal Weight Banks	CAD	18.00	01-21-17	1,445	132,940	39,738	
Enbridge Inc.	CAD	30.00	01-20-18	532	228,494	50,274	
S & P 500 EMINI IND FUT (CME)	USD	1600.00	09-17-16	12	51,884	2,264	
S & P 500 EMINI INDEX FUT SEP	USD	1800.00	09-17-16	42	333,190	25,270	
S&P 500 EMINI INDEX FUT(CME)	USD	1700.00	09-17-16	53	314,042	17,237	
					<u>1,060,550</u>	<u>134,783</u>	

Swap Positions		(1.1%)				Average	Fair Value
Security Name	Currency			Notional	Cost \$	\$	
				Value			
CDS BP CANADIAN NATURAL RESOURCES LIMITED	USD	Credit Default Swap		1,723,000	176,142	123,100	
CDS SP ENBRIDGE INC	USD	Credit Default Swap		6,528,000	(178,237)	(518,977)	
CDS SP ENBRIDGE INC	USD	Credit Default Swap		344,000	(49,261)	(29,945)	
CDS SP ENBRIDGE INC	USD	Credit Default Swap		1,027,000	(216,237)	(89,399)	
RECV CDX IG S26 100 06/21	USD	Credit Default Swap Index		5,000,000	(72,657)	(71,198)	
					<u>(340,250)</u>	<u>(586,419)</u>	

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio from ECIGIF Trust – As at June 30, 2016 (Unaudited)

The following positions are held in ECIGIF Trust

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	2	2

Investment Portfolio Summary	%	Average Cost \$	Fair Value \$
Equity Positions - Long	5.3	2,688,866	2,691,506
Funds - Long	2.6	1,401,265	1,355,010
Fixed Income Positions - Long	331.6	170,604,217	169,716,009
Fixed Income Positions - Short	(241.5)	(124,426,603)	(123,603,087)
Futures Contracts - Long	0.2	-	99,303
Futures Contracts - Short	(0.2)	-	(102,397)
Option Positions - Long	0.3	1,060,550	134,783
Swap Positions	(1.1)	(340,250)	(586,419)
Warrant Positions - Long	0.0	2	2
Total Investments	97.1	50,988,047	49,704,710
Total Other Net Assets	2.9	-	1,469,549
Total Net Assets	100.0	50,988,047	51,174,259

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2016

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 June 30, 2016 was \$8.91 (December 31, 2015: \$8.52).

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 June 30, 2016 and December 31, 2015 and for the periods ended June 30, 2016 and 2015.

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 June 30, 2016, the market value of securities held as collateral was \$51,163,234 (December 31, 2015: \$50,346,420).

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 June 30, 2016 the Fund's exposure to the Underlying Fund, by way of the Forward Agreement, represented 100.7% (December 31, 2015: 100.8%) 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 August 29, 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 June 30, 2016 and December 31, 2015.

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.

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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 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,

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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.

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 June 30, 2016, 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, 2015: Aa3), 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 June 30, 2016 and December 31, 2015.

Credit Rating*	Percentage of total debt securities	
	As at June 30, 2016	As at December 31, 2015
	%	%
AAA	3.8	3.0
AA	39.8	27.6
A	20.0	18.7
BBB	24.2	30.4
Below BBB	5.4	8.3
Not Rated	6.8	12.0
Total	100.0	100.0

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

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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 CIBC Mellon, TD Securities, Bank of Montreal and Bank of Nov Scotia, which have credit ratings of A1, Aa1, Aa3 and Aa3 respectively (December 31, 2015: Aa3, Aa1, Aa3 and Aa3 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, 2015: Baa1, A3 and Baa3 respectively). The counterparty to the Underlying Fund's futures contracts is JP Morgan Chase & Co. which has a credit rating of A3 (December 31, 2015: 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, 2015: 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 June 30, 2016 and December 31, 2015, the Fund was only exposed to the Canadian Dollar and investments denominated in the Canadian Dollar.

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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 foreign currencies as at June 30, 2016 and December 31, 2015, 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 foreign currencies, with all other variables held constant. Non-monetary is comprised of long and short equities. Monetary includes cash, derivatives, fixed income securities, and other current receivables and payables.

June 30, 2016	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency	\$	\$	\$	\$	\$	\$
United States Dollar - Long	10,053,739	235,855	10,289,594	1,005,374	23,586	1,028,960
United States Dollar - Short	(10,452,275)	-	(10,452,275)	(1,045,228)	-	(1,045,228)
Euro Currency - Short	(85,105)	-	(85,105)	(8,511)	-	(8,511)
Total	(483,641)	235,855	(247,786)	(48,365)	23,586	(24,779)
% of net assets attributable to holders of redeemable units	(0.9%)	0.5%	(0.5%)	(0.1%)	0.0%	(0.0%)

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%)

(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 June 30, 2016 and December 31, 2015, 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 June 30, 2016 and December 31, 2015. 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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Term to Maturity	Long Exposure		Short Exposure	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Less than 1 year	\$ 23,076,656	\$ 45,788,667	\$ (12,511,359)	\$ -
1-3 years	82,871,772	64,672,079	(66,159,622)	(68,957,928)
3-5 years	39,870,329	45,043,817	(33,050,006)	(45,866,650)
Greater than 5 years	23,897,252	32,676,274	(11,882,100)	(27,861,423)
Total	\$ 169,716,009	\$ 188,180,837	\$ (123,603,087)	\$ (142,686,001)
Sensitivity:				
Total \$ sensitivity	+/- \$ 5,009,504	+/- \$ 5,805,156	+/- \$ 3,623,947	+/- \$ 5,582,627
Total % sensitivity	9.8%	11.5%	7.1%	11.1%

(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 June 30, 2016, if the Fund's relevant benchmark index, FTSE TMX Canada Universe Bond Index, 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 \$355,575 (December 31, 2015: \$400,310) representing 0.7% of net assets attributable to holders of redeemable units (December 31, 2015: 0.8%).

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 June 30, 2016, the Fund held 100.7% (December 31, 2015: 100.8%) 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	June 30, 2016			
	Fixed Income Long %	Fixed Income Short %	Equity Long %	Equity Short %
Consumer Discretionary	39.6	-	-	-
Energy	25.0	(2.0)	1.4	-
Financials	249.2	(236.8)	6.8	-
Health Care	0.8	-	-	-
Industrials	2.8	-	-	-
Telecommunication Services	12.9	(2.7)	0.0	-
Utilities	1.3	-	-	-
Total	331.6	(241.5)	8.2	-

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Market Segment	December 31, 2015			
	Fixed Income	Fixed Income	Equity	Equity
	Long %	Short %	Long %	Short %
Consumer Discretionary	30.0	-	-	-
Consumer Staples	5.4	-	-	-
Energy	17.0	(6.0)	0.7	-
Financials	270.7	(276.8)	4.2	-
Health Care	0.8	-	-	-
Industrials	6.6	-	-	-
Telecommunication Services	41.2	-	-	-
Utilities	1.3	-	-	-
Total	373.0	(282.8)	4.9	-

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 June 30, 2016 and December 31, 2015:

June 30, 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Forward Agreement	-	51,174,249	-	51,174,249
Total	-	51,174,249	-	51,174,249

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

As at June 30, 2016 and December 31, 2015, the Fund did not hold any level 3 financial instruments. There were no transfers between levels during the periods ending June 30, 2016 and 2015.

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.

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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 June 30, 2016 and December 31, 2015:

June 30, 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities long	2,691,506	-	-	2,691,506
Fixed income long	-	169,716,009	-	169,716,009
Funds	1,355,010	-	-	1,355,010
Derivatives	234,086	123,102	-	357,188
Total	4,280,602	169,839,111	-	174,119,713
Financial liabilities				
Fixed income short	-	(123,603,087)	-	(123,603,087)
Derivatives	(102,397)	(709,519)	-	(811,916)
Total	(102,397)	(124,312,606)	-	(124,415,003)

December 31, 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities long	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	-	(2,174,274)	-	(2,174,274)
Total	-	(144,860,275)	-	(144,860,275)

As at June 30, 2016 and December 31, 2015, the Underlying Fund did not hold any level 3 financial instruments. There were no transfers between levels during the periods ended June 30, 2016 and 2015.

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.

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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 periods ended June 30, 2016 and 2015.

	Net realized gains / (losses)	Net change in unrealized gains / (losses)	Interest income	Interest expense	Dividend income	Dividend expense	Total
June 30, 2016	\$	\$	\$	\$	\$	\$	\$
Financial asset at FVTPL:							
HFT	76,393	2,531,281	-	-	-	-	2,607,674
	76,393	2,531,281	-	-	-	-	2,607,674
Financial liabilities at FVTPL:							
Total	76,393	2,531,281	-	-	-	-	2,607,674

	Net realized gains / (losses)	Net change in unrealized gains / (losses)	Interest income	Interest expense	Dividend income	Dividend expense	Total
June 30, 2015	\$	\$	\$	\$	\$	\$	\$
Financial asset at FVTPL:							
HFT	243,014	318,140	-	-	-	-	561,154
	243,014	318,140	-	-	-	-	561,154
Financial liabilities at FVTPL:							
Total	243,014	318,140	-	-	-	-	561,154

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2016

7. REDEEMABLE UNITS

During the periods ended June 30, 2016 and 2015, the number of units issued, redeemed and outstanding was as follows:

	Redeemable units outstanding at beginning of period	Redeemable units issued	Redeemable units issued on reinvestments	Redeemable units redeemed	Redeemable units issued and outstanding at end of period
June 30, 2016					
Units	5,469,503	-	-	-	5,469,503

	Redeemable units outstanding at beginning of period	Redeemable units issued	Redeemable units issued on reinvestments	Redeemable units redeemed	Redeemable units issued and outstanding at end of period
June 30, 2015					
Units	9,185,830	-	-	-	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 June 30, 2016, included in other liabilities are amounts owing to the Manager relating to management fees of \$10,458 (excluding HST) (December 31, 2015: \$10,754). 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 \$11,817 (December 31, 2015: \$8,750).

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.

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

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2016

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 periods ended June 30, 2016 and 2015 is calculated as follows:

	June 30, 2016	June 30, 2015
Increase (decrease) in net assets attributable to holders of redeemable units	\$2,398,485	\$158,214
Weighted average units outstanding during the period	5,469,503	9,185,830
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$0.44	\$0.02

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

August 29, 2016

The accompanying unaudited 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.

"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.

NOTICE TO UNITHOLDERS**The auditor of the Fund has not reviewed these interim financial statements.**

The Manager of the Fund appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice.

Arrow Capital Management Inc.

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