



UNAUDITED SEMI-ANNUAL FINANCIAL STATEMENTS

JUNE 2017

EAST COAST INVESTMENT GRADE INCOME FUND

EAST COAST INVESTMENT GRADE INCOME FUND

Statements of Financial Position (Unaudited)

	As at June 30, 2017	As at December 31, 2016
ASSETS		
Current assets		
Financial assets designated at fair value through profit and loss	\$220,208,962	\$-
Financial assets held for trading		
Forward agreement (Note 2)	-	46,365,835
Options at fair value - long	523,471	-
Unrealized gain on futures contracts - short	48,279	-
Cash	3,593,726	101,477
Margin deposits	1,175,340	-
Accrued interest and dividends receivable	1,553,872	-
Receivable for securities sold	9,159,525	-
	236,263,175	46,467,312
LIABILITIES		
Current liabilities		
Financial liabilities held for trading		
Investments sold short	148,252,309	-
Options at fair value - short	342,361	-
Unrealized loss on futures contracts - long	229,604	-
Margin loan	14,519,977	-
Distributions payable	321,725	243,094
Payable for securities purchased	10,277,215	-
Accrued interest and dividends payable	595,957	-
Other liabilities (Note 9)	332,779	133,863
	174,871,927	376,957
Net assets attributable to holders of redeemable units	61,391,248	46,090,355
Number of units outstanding	6,434,500	4,861,877
Net assets attributable to holders of redeemable units per unit	\$9.54	\$9.48

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 (Unaudited)
For the periods ended June 30,

	2017 \$	2016 \$
INCOME		
Net gains (losses) on investments and forward agreement <i>(Note 6)</i>		
Interest for distribution purposes	1,342,530	-
Dividend income	22,511	-
Interest expense on short sales	(541,469)	-
Net realized gain (loss) on investments and derivatives	7,587,668	76,393
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	(6,033,624)	2,531,281
Net gains (losses) on investments and derivatives	2,377,616	2,607,674
Other income items:		
Interest on cash	13,390	-
Foreign exchange gain (loss)	(159,070)	-
Net change in unrealized foreign exchange gain (loss)	162,238	-
Total income (net)	2,394,174	2,607,674
EXPENSES		
Securityholder reporting fees	47,753	48,002
Management fees <i>(Note 9)</i>	179,764	62,429
Performance fees <i>(Note 9)</i>	844	-
Interest expense on margin loan	44,670	-
Service fees <i>(Note 9)</i>	42,921	73,053
Legal	97,171	1,536
Audit fees	23,926	7,306
Independent Review Committee fees	2,715	2,300
Security borrowing expense	95,241	-
Commissions and other portfolio transaction costs	1,454	-
Custodial fees	3,693	266
Harmonized sales tax	39,203	14,297
Total expenses	579,355	209,189
Increase (decrease) in net assets attributable to holders of redeemable units	1,814,819	2,398,485
Increase (decrease) in Net Assets attributable to holders of redeemable units per Unit <i>(Note 12)</i>	0.34	0.44

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,

	2017 \$	2016 \$
Net assets attributable to holders of redeemable units at beginning of period	46,090,355	50,038,760
Increase (decrease) in net assets attributable to holders of redeemable units	1,814,819	2,398,485
Distributions to holders of redeemable units		
From net investment income	(886,543)	-
Return of capital	(729,282)	(1,640,850)
Total distributions to holders of redeemable units	(1,615,825)	(1,640,850)
Redeemable unit transactions		
Proceeds from redeemable units issued	15,101,899	-
Redemption of redeemable units	-	-
Net increase (decrease) from redeemable unit transactions	15,101,899	-
Net increase (decrease) in net assets attributable to holders of redeemable units	15,300,893	757,635
Net assets attributable to holders of redeemable units at end of the period	61,391,248	50,796,395

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

EAST COAST INVESTMENT GRADE INCOME FUND

Statements of Cash Flows (Unaudited)

For the periods ended June 30,

	2017	2016
	\$	\$
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	1,814,819	2,398,485
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	(167,411)	-
Net realized loss (gain) on investments and forward agreement	(7,587,668)	(76,393)
Net change in unrealized depreciation (appreciation) in value of investments and forward agreement	6,033,624	(2,531,281)
Purchase of investments	(847,336,845)	-
Net proceeds on sale of securities from partial settlement of forward agreement (1)	48,304,846	1,890,957
Proceeds on sale of investments	766,199,669	-
(Increase) decrease in margin deposit on futures contracts	(1,175,340)	-
Increase (decrease) in accrued interest and dividends payable	595,957	-
Increase (decrease) in other liabilities	198,916	(57,483)
Net cash from (used in) operating activities	(33,119,433)	1,624,285
Cash flows from (used in) financing activities		
Proceeds from redeemable units issued	15,101,899	-
Distributions paid to holders of redeemable units, net of reinvested distributions	(1,537,194)	(1,640,850)
Increase (decrease) in margin loan	22,879,566	-
Net cash from (used in) financing activities	36,444,271	(1,640,850)
Net Increase (decrease) in cash	3,324,838	(16,565)
Cash at beginning of the period	101,477	46,029
Net change in unrealized foreign exchange gain (loss) on cash	167,411	-
Cash at end of the period	3,593,726	29,464
<i>(1) Net of counterparty fees</i>		
Supplemental information:		
Interest received*	(193,878)	-
Dividends received, net of withholding tax*	19,468	-
Interest paid*	9,818	-

*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, 2017 (Unaudited)

Equity Positions - Long		7.9%			
Security Name	Currency		Quantity	Average Cost \$	Fair Value \$
Energy		2.5%			
Enbridge Inc. - Preferred	USD		10,000	316,504	306,174
Enbridge Inc.- Preferred Series B	CAD		48,100	873,483	911,014
Enbridge Inc.- Preferred Series L	USD		8,738	276,562	267,535
Trident Exploration Corp.	CAD		133,963	39,100	39,100
				1,505,649	1,523,823
Financials		5.3%			
Bank of Montreal - Preferred Series 40	CAD		10,000	256,450	257,500
Bank of Montreal - Preferred Series 42	CAD		49,000	1,225,000	1,224,020
Bank of Montreal - Preferred Class B	CAD		19,700	427,293	415,670
Bank of Montreal - Preferred Series 42	CAD		8,000	198,958	199,840
The Bank of Nova Scotia - Preferred Series 32	CAD		23,600	529,002	526,280
Canadian Imperial Bank of Commerce - Preferred Series 45	CAD		24,000	600,000	601,200
				3,236,703	3,224,510
				4,742,352	4,748,333

Fixed Income Positions - Long		360.5%				
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	688,040	698,060
Allied Properties Real Estate Investment Trust	CAD	3.75	05-13-20	1,273,000	1,333,633	1,313,176
AltaGas Ltd.	CAD	4.55	01-17-19	2,605,000	2,730,717	2,709,513
Anheuser-Busch Inbev Finance Inc.	CAD	3.38	01-25-23	2,619,000	2,775,010	2,732,586
Aon Finance N.S. 1, ULC	CAD	4.76	03-08-18	6,000,000	6,154,620	6,126,240
AT&T Inc.	CAD	3.83	11-25-20	6,373,000	6,734,299	6,665,457
Bank of America Corporation ⁽²⁾	CAD	2.60	03-15-23	3,815,000	3,863,293	3,815,839
Bank of America Corporation	CAD	3.23	06-22-22	1,094,000	1,135,133	1,128,231
Bank of Montreal ⁽²⁾	CAD	3.12	09-19-24	4,896,000	5,030,814	4,993,969
The Bank of Nova Scotia	CAD	2.29	06-28-24	5,717,000	5,724,431	5,667,434
The Bank of Nova Scotia	CAD	2.24	03-22-18	19,797,000	19,989,928	19,927,858
Bell Canada Inc.	CAD	3.25	06-17-20	2,881,000	2,998,228	2,986,185
BMW Canada Auto Trust ⁽²⁾	CAD	1.68	05-20-20	862,000	863,681	858,173
Brookfield Infrastructure Finance ULC	CAD	3.54	10-30-20	646,000	676,859	669,708
Bruce Power L.P.	CAD	2.84	06-23-21	3,250,000	3,361,800	3,312,205
Smart Real Estate Investment Trust	CAD	4.05	07-27-20	1,362,000	1,449,781	1,429,351
Canadian Imperial Bank of Commerce	USD	2.55	06-16-22	2,027,000	2,708,761	2,624,744
Canadian Imperial Bank of Commerce	CAD	2.22	03-07-18	8,203,000	8,278,853	8,253,448
Canadian Natural Resources Limited	CAD	2.05	06-01-20	2,078,000	2,080,165	2,062,373
Canadian Western Bank	CAD	2.38	01-23-20	2,050,000	2,078,721	2,052,112
Canadian Western Bank	CAD	3.08	01-14-19	1,045,000	1,069,777	1,061,030
Canadian Western Bank	CAD	2.75	06-29-20	1,444,000	1,464,750	1,456,866
Central 1 Credit Union	CAD	1.87	03-16-20	4,801,000	4,827,229	4,780,260
Choice Properties Limited Partnership ⁽²⁾	CAD	3.60	04-20-20	1,173,000	1,230,128	1,215,034
Choice Properties Real Estate Investment Trust	CAD	3.50	02-08-21	2,009,000	2,120,367	2,086,186
CI Financial Corp.	CAD	2.65	12-07-20	938,000	955,719	948,590
Citigroup Inc. ⁽²⁾	CAD	4.65	10-11-22	4,160,000	4,204,549	4,201,891
Cominar Real Estate Investment Trust	CAD	3.62	06-21-19	3,728,000	3,805,542	3,722,520
Dream Office Real Estate Investment Trust	CAD	3.42	06-13-18	1,038,000	1,046,958	1,045,276
Enbridge Inc. Discount Note	CAD	0.00	11-29-17	1,626,000	1,614,228	1,614,228

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, 2017 (Unaudited)

Fixed Income Positions - Long Security Name	360.5% Currency	Coupon Rate %	Maturity Date	Par Value	Average Cost \$	Fair Value \$
Enbridge Income Fund	CAD	4.10	02-22-19	883,000	921,243	915,185
The Export-Import Bank of Korea	CAD	1.93	02-24-20	2,819,000	2,832,869	2,832,616
Fairfax Financial Holdings Limited	CAD	7.25	06-22-20	3,681,000	4,203,914	4,125,591
First Capital Realty Inc.	CAD	5.60	04-30-20	2,782,000	3,085,433	3,033,382
Ford Credit Canada Company	CAD	2.77	06-22-22	166,000	166,000	165,263
Ford Credit Canada Company	CAD	2.45	05-07-20	6,204,000	6,284,853	6,224,225
Ford Credit Canada Company	CAD	2.92	09-16-20	1,077,000	1,107,425	1,094,706
General Motors Financial of Canada, Ltd.	CAD	2.60	06-01-22	6,505,000	6,489,732	6,397,993
Enbridge	CAD	0.00		5,210,000	5,171,133	5,188,483
Enbridge	CAD	0.00		6,500,000	6,449,105	6,449,105
The Goldman Sachs Group, Inc. ⁽²⁾	CAD	2.43	04-26-23	1,790,000	1,793,949	1,770,668
The Goldman Sachs Group, Inc. ⁽²⁾	USD	2.91	06-05-23	1,431,000	1,919,194	1,854,147
Government of Canada	CAD	5.00	06-01-37	76	112	112
Government of Canada	CAD	4.25	06-01-18	4,049,000	4,173,709	4,167,838
Government of Canada	CAD	1.25	03-01-18	1,215,000	1,218,767	1,217,697
Government of Canada	CAD	2.75	12-01-48	8,000	9,212	9,125
HSBC Bank Canada	CAD	2.17	06-29-22	2,525,000	2,519,963	2,504,623
Inter Pipeline Ltd.	CAD	4.97	02-02-21	4,705,000	5,211,446	5,120,922
JPMorgan Chase & Co. ⁽²⁾	CAD	1.98	02-22-21	1,583,000	1,583,527	1,587,749
Kraft Canada Inc. ⁽²⁾	CAD	2.70	07-06-20	1,132,000	1,160,628	1,149,716
Loblaw Companies Limited	CAD	3.75	03-12-19	1,431,000	1,478,967	1,477,321
Manitoba Telecom Services Inc.	CAD	5.63	12-16-19	2,256,000	2,474,453	2,457,596
Medavie Inc. ⁽²⁾	CAD	6.00	05-21-24	380,000	383,165	380,551
Metropolitan Life Global Funding I	CAD	3.11	04-16-21	771,000	807,814	794,970
Molson Coors International LP ⁽²⁾	CAD	2.75	09-18-20	1,702,000	1,744,856	1,726,985
Molson Coors International LP ⁽²⁾	CAD	2.75	09-18-20	3,799,000	3,898,281	3,854,769
Morgan Stanley	CAD	3.00	02-07-24	1,721,000	1,752,443	1,731,894
Northgroup Preferred Capital Corporation ⁽²⁾	USD	6.38	01-29-49	2,775,000	3,685,900	3,571,630
Postmedia Network Inc. ⁽²⁾	CAD	8.25	07-15-21	90,450	86,380	77,787
RioCan Real Estate Investment Trust	CAD	2.19	08-26-20	3,332,000	3,360,105	3,317,906
Royal Bank of Canada	CAD	1.92	07-17-20	2,367,000	2,396,897	2,373,273
The Royal Bank Of Scotland Group Public Ltd. Co. ⁽²⁾	CAD	6.67	12-31-49	526,000	573,340	590,672
Shaw Communications Inc.	CAD	3.15	02-19-21	778,000	802,927	798,858
Shaw Communications Inc.	CAD	5.65	10-01-19	4,347,000	4,731,374	4,696,455
The Manufacturers Life Insurance Company ⁽²⁾	CAD	3.94	09-21-22	16,000	16,186	16,088
TD Bank, National Association ⁽²⁾	CAD	4.64	09-20-22	5,326,000	5,399,073	5,361,045
TELUS Corporation	CAD	5.05	07-23-20	1,097,000	1,202,599	1,195,785
Thomson Reuters Corporation	CAD	3.37	05-23-19	1,816,000	1,880,504	1,865,304
The Toronto-Dominion Bank	CAD	2.17	04-02-18	800,000	807,392	805,080
TransCanada Trust ⁽²⁾	CAD	4.65	05-18-77	2,527,000	2,549,148	2,540,039
US Treasury Note	USD	1.75	05-31-22	1,463,000	1,895,051	1,886,325
Union Gas Limited	CAD	8.75	08-03-18	5,243,000	5,710,912	5,621,497
Wells Fargo & Company	CAD	2.22	03-15-21	4,685,000	4,747,380	4,688,982
Wells Fargo & Company	CAD	2.09	04-25-22	1,441,000	1,435,957	1,419,572
WTH Car Rental, ULC	CAD	1.91	07-20-20	4,004,000	4,017,493	3,961,317
Yellow Pages Digital & Media Solutions Limited ⁽²⁾	CAD	9.25	11-30-18	279,840	284,038	281,239
					<u>217,420,863</u>	<u>215,460,629</u>

⁽¹⁾ Convertible

⁽²⁾ Callable

⁽³⁾ Pledged as collateral with respect to swap transactions

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, 2017 (Unaudited)

Fixed Income Positions - Short Security Name	(248.0%) Currency	Coupon Rate %	Maturity Date	Par Value	Proceeds \$	Fair Value \$
General Motors Financial Company, Inc. ⁽²⁾	USD	3.45	01-14-22	(2,947,000)	(4,031,607)	(3,886,439)
Government of Canada	CAD	0.75	09-01-20	(21,483,000)	(21,362,491)	(21,165,266)
Government of Canada	CAD	1.00	06-01-27	(2,182,000)	(2,056,681)	(2,030,897)
Government of Canada	CAD	3.75	06-01-19	(6,257,000)	(6,650,628)	(6,566,534)
Government of Canada	CAD	3.50	06-01-20	(20,295,000)	(21,891,781)	(21,631,223)
Government of Canada	CAD	2.75	06-01-22	(12,302,000)	(13,255,132)	(13,085,022)
Government of Canada	CAD	3.25	06-01-21	(428,020)	(467,253)	(459,599)
Government of Canada	CAD	1.50	06-01-23	(856,000)	(878,311)	(856,282)
Government of Canada	CAD	1.25	09-01-18	(8,434,000)	(8,496,009)	(8,454,579)
Government of Canada	CAD	2.50	06-01-24	(8,391,000)	(9,013,358)	(8,904,110)
Government of Canada	CAD	1.75	03-01-19	(4,780,000)	(4,858,554)	(4,833,488)
Government of Canada	CAD	1.75	09-01-19	(13,948,000)	(14,254,341)	(14,132,253)
Government of Canada	CAD	2.25	06-01-25	(2,010,000)	(2,153,478)	(2,101,837)
Government of Canada	CAD	1.50	03-01-20	(20,926,000)	(21,330,964)	(21,103,662)
Government of Canada	CAD	1.50	06-01-26	(71,000)	(71,489)	(69,838)
Government of Canada	CAD	0.50	03-01-22	(14,330,000)	(13,987,492)	(13,763,965)
Government of Canada	CAD	0.75	03-01-21	(4,755,000)	(4,731,782)	(4,663,038)
The Toronto-Dominion Bank ⁽²⁾	CAD	4.86	03-04-31	(485,000)	(556,969)	(544,277)
					<u>(150,048,320)</u>	<u>(148,252,309)</u>

⁽¹⁾ Convertible

⁽²⁾ Callable

Futures Contracts - Long Security Name	Currency	(0.4%) Contracts	Contract Size	Expiry Date	Notional Value	Unrealized Gain / Loss \$
90DAY BANK ACCEPT FUTURE (MSE)	CAD	59	2,500	12-18-17	(10,822,900)	(19,913)
90DAY EURODOLLAR FUTURE (CME)	USD	61	2,500	09-18-17	10,850,950	(6,922)
CAN 5YR BOND FUTURE (MSE)	CAD	58	1,000	09-20-17	(1,587,430)	(128,107)
CANADA 10YR BOND FUTURE (MSE)	CAD	17	1,000	09-20-17	(7,589,700)	(74,662)
						<u>(229,604)</u>

Futures Contracts - Short Security Name	Currency	0.1% Contracts	Contract Size	Expiry Date	Notional Value	Unrealized Gain / Loss \$
90DAY BANK ACCEPT FUTURE (MSE)	CAD	(59)	2,500	12-17-18	10,852,050	25,075
90DAY EURODOLLAR FUTURE (CME)	USD	(61)	2,500	09-17-18	(26,292,575)	13,843
US 5YR TREAS NTS FUTURE (CBT)	USD	(21)	1,000	09-29-17	(3,417,242)	9,361
						<u>48,279</u>

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EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio – As at June 30, 2017 (Unaudited)

Option Positions - Long		0.9%				
Security Name	Currency	Strike Price	Expiry Date	Contracts	Average Cost \$	Fair Value \$
90DAY EURODOLLAR FUTURE DEC 18	USD	98.00	12-18-18	88	29,569	37,802
ENBRIDGE INC	CAD	30.00	01-20-18	532	6,916	6,916
S & P 500 INDEX (SPX)	USD	2,425.00	12-16-17	49	525,217	469,902
S&P 500 INDEX SPX	USD	2,275.00	07-22-17	30	77,321	8,851
					<u>639,023</u>	<u>523,471</u>

Option Positions - Short		(0.6%)				
Security Name	Currency	Strike Price	Expiry Date	Contracts	Proceeds \$	Fair Value \$
90DAY EURO\$ FUT (CME) DEC 18	USD	98.63	12-18-18	(88)	(27,205)	(18,544)
S & P 500 INDEX (SPX)	USD	2,525.00	12-16-17	(98)	(398,023)	(322,164)
S&P 500 INDEX SPX	USD	2,025.00	07-22-17	(30)	(16,265)	(1,653)
					<u>(441,493)</u>	<u>(342,361)</u>

Investment Portfolio Summary		Average Cost		Fair Value	
	%	\$		\$	
Equity Positions - Long	7.9	4,742,352		4,748,333	
Fixed Income Positions - Long	360.5	217,420,863		215,460,629	
Fixed Income Positions - Short	(248.0)	(150,048,320)		(148,252,309)	
Futures Contracts - Long	(0.4)	-		(229,604)	
Futures Contracts - Short	0.1	-		48,279	
Option Positions - Long	0.9	639,023		523,471	
Option Positions - Short	(0.6)	(441,493)		(342,361)	
Total Investments	<u>120.4</u>	<u>72,312,425</u>		<u>71,956,438</u>	
Total Other Net Assets	<u>(20.4)</u>	<u>-</u>		<u>(12,181,369)</u>	
Total Net Assets	<u>100.0</u>	<u>72,312,425</u>		<u>59,775,069</u>	

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

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2017

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 April 17, 2017.

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

The Fund's investment objectives are to maximize total returns to unitholders while reducing risk; and to provide unitholders with attractive monthly cash distributions.

The Fund will seek to achieve these investment objectives by investing in a diversified portfolio comprised primarily of investment grade debt securities (both long and short positions) of Canadian corporate and government issuers.

Prior to April 17, 2017, the Fund achieved 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 Manager of the Fund is Arrow Capital Management Inc. (the "Manager"). East Coast Fund Management Inc. (the "Portfolio Advisor"), is the portfolio advisor of the 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, 2017 was \$9.54 (December 31, 2016: \$9.48).

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, 2017 and December 31, 2016 and for the periods ended June 30, 2017 and 2016.

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.

On April 17, 2017, the Manager settled the Forward Agreement in accordance with the terms of the Forward Agreement. The Fund also consummated a portfolio acquisition agreement (the "Acquisition Agreement") with the Underlying Fund pursuant to which the Fund purchased all of the Underlying Fund's assets comprised primarily of investment grade debt securities (both long and short positions) of Canadian corporate and government issuers that are rated BBB- or higher by Standard & Poor's or a similar rating from a qualified rating agency.

The Forward Agreement was terminated in response to certain changes to the Income Tax Act (Canada) and in connection with the implementation of certain amendments to the Fund's declaration of trust (the "Declaration of Trust") to, among other things, extend the term of the Fund to May 31, 2022 (the "Extension"). The Extension was approved by the Fund's unitholders at a special meeting on April 12, 2017.

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, 2017.

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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, 2017 and 2016.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined on an average cost basis. Realized gains and losses on securities sold short and unrealized appreciation or depreciation on securities sold short are calculated with reference to the average proceeds of the related securities. Average cost does not include amortization of premiums or discounts on fixed income securities except for zero coupon bonds which are amortized on a straight line 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.

Dividend income and expense is recognized in the Statements of Comprehensive Income on the ex-dividend date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

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 (refer to 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.

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The unrealized appreciation on the Forward Agreement and the realized gains on partial settlements on the Forward Agreement are included in the Statements 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 Statements of Comprehensive Income.

f) Cash

Cash is comprised of deposits with financial institutions.

g) Margin Deposits

Cash collateral provided by the Fund to brokers for counterparties for securities sold short and counterparties to derivative transactions is identified in the Statements of Financial Position as 'Margin deposits'.

h) Cash Collateral on Swap Contracts

Cash collateral provided by the Fund to brokers for counterparties to swap transactions is identified in the statements of financial position as 'Cash collateral on swap contracts'.

i) Collateral

For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral and such party has identified the securities which are pledged as collateral, the Fund classifies that asset in the statements of financial position as 'pledged collateral'.

j) Margin Loan

Margin loan represents cash amounts borrowed under a margin agreement with the Fund's prime broker and is payable upon demand. The Fund has granted a first priority security interest over investments and other assets held at the prime broker in support of its obligations under its margin lending agreement.

k) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. When the Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. Options held by the Fund are exchange-traded. Subsequent to initial recognition, changes in fair value, the difference between the premiums paid or received, and fair value, are presented in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statements of comprehensive income. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the

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premium if the option expires worthless, is recognized as a gain or loss and is presented in the Statements of Comprehensive Income within 'Net realized gain (loss) on investments and derivatives'.

l) Futures Contracts

The Fund may purchase or sell futures contracts. Futures contracts are exchange traded contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price established in an organized market. Subsequent to initial recognition, changes in fair value are presented in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. When futures contracts are closed out, the gain or loss is presented in the Statements of Comprehensive Income within 'Net realized gain (loss) on investments and derivatives'.

m) Credit Default Swap Contracts

A credit default swap contract is an agreement to transfer credit risk from one party, a buyer of protection, to another party, a seller of protection. The Fund as a seller of protection would be required to pay a notional or other agreed upon value to the buyer of protection in the event of a default by a third party. In return, the Fund would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs. If no default occurs, the Fund would keep the stream of payments and would have no payment obligations.

The Fund as a buyer of protection would receive a notional or other agreed upon value from the seller of protection in the event of a default by a third party. In return, the Fund would be required to pay to the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs.

Premiums received or paid for entering into a credit default swap are included in the statements of financial position as either an asset or liability. Credit default swap contracts are fair valued on each valuation day based upon quotations from independent security pricing sources. The change in the difference between the premium and the fair value is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' and upon closing or expiry of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the Statements of Comprehensive Income.

n) Interest Rate Swap Contracts

An interest swap contract is a contractual agreement entered into between the Fund and a counterparty under which each party agrees to exchange periodic fixed or variable payments, based upon a stated notional amount, over the stated life of the agreement. The net differential paid or received is recognized over the life of the agreement as a realized gain or loss on investments. Interest rate swap contracts are fair valued on each valuation day using indicative bid/ask prices from third party broker dealers. The change in fair value is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' and upon closing or expiry of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the Statements of Comprehensive Income.

o) 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.

p) 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 12 for the calculation.

q) 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

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equity. As a result, the Fund's obligations for net assets attributable to holders of redeemable shares are presented at the redemption amounts.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Use of Estimates

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

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

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

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 Note 11.

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

Credit Risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The majority of the credit risk to which the Fund is exposed arises from its investments in debt securities. The Fund may also participate in securities lending and; therefore, be exposed to counterparty risk on all such loans, if any.

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The Fund's policy to manage this risk is to not invest more than 10% of its net assets in the securities of any single issuer (as determined at the time of purchase), other than securities issued or guaranteed by the Government of Canada, the Government of the United States of America or a province, state or territory thereof; to not invest more than 12.5% of its net assets in non-investment grade securities and to not invest more than 10% of its net assets in illiquid assets.

As at December 31, 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 (2016: 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 Fund's debt portfolio at June 30, 2017 and of the Underlying Fund's debt portfolio for December 31, 2016.

Credit Rating*	Percentage of total debt securities	
	As at June 30, 2017	As at December 31, 2016
	%	%
AAA	7.3	5.8
AA	10.5	12.0
A	20.2	28.7
BBB	47.5	44.2
Below BBB	0.4	2.2
Not Rated	14.2	7.1
Total	100.0	100.0

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

The 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 Fund is also exposed to credit risk of the broker.

The 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 Fund's brokerage agreements require cash collateral in return for services including borrowed securities and derivatives trading. The counterparties to the Fund's swaps are Bank of America and JP Morgan Chase & Co. which have credit rating as rated by Moody's bond rating services of Baa1 and A3 respectively (2016: Baa1 and A3 respectively). The counterparty to the Fund's futures contracts is Bank of America which has a credit rating of Baa1 (2016: Baa1) as rated by Moody's bond rating services. The Fund's broker and custodian services are provided by CIBC Mellon, TD Securities, Bank of Montreal and The Bank of Nova Scotia, which have credit ratings as rated by Moody's bond rating services of A1, Aa1, Aa3 and Aa3 respectively (December 31, 2016: A1, Aa1, Aa3, and Aa3, respectively).

The Fund's maximum exposure to counterparty risk is the carrying value of its swaps, futures contracts, cash, margin deposits, and other receivable balances.

The Fund is also exposed to credit risk on margin deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (2016: Aa1).

The Fund may also participate in securities lending up to a maximum of 50% of the aggregate net asset value of the Fund, excluding the collateral held in respect to such loans, and is exposed to counterparty risk on all such loans, if any. The credit risk related to the securities lending program is limited as the fund holds a minimum collateral equal to 102% of the fair value of the loaned securities. The collateral and loaned securities are marked to market on each valuation date.

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. Therefore, the Fund should not be exposed to credit risk with respect to such parties. However, it may not always be possible to

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achieve this segregation, so the portfolio of the Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

All transactions in listed securities 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 to its 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 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).

From time to time, the Fund may use margin borrowings in one or more of its brokerage accounts. During the period ended June 30, 2017, the minimum margin borrowings used was \$13,542,836 and the maximum net margin borrowings used was \$23,468,660.

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

The 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 exposed to currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Prior to the settlement of the Forward Agreement 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 Fund's exposure to foreign currencies as at June 30, 2017, and the Underlying Fund's exposure to foreign currencies as at December 31, 2016, 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.

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June 30, 2017	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$	\$	\$	\$	\$	\$
Currency						
United States Dollar - Long	7,851,450	3,037,414	10,888,864	785,145	303,741	1,088,886
United States Dollar - Short	(10,843,768)	(342,361)	(11,186,129)	(1,084,377)	(34,236)	(1,118,613)
Total	(2,992,318)	2,695,053	(297,265)	(299,232)	269,505	(29,727)
% of net assets attributable to holders of redeemable units	(5.0%)	4.5%	(0.5%)	(0.5%)	0.5%	(0.0%)

December 31, 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	12,770,699	394,270	13,164,969	1,277,070	39,427	1,316,497
United States Dollar - Short	(12,456,430)	(33,782)	(12,490,212)	(1,245,643)	(3,378)	(1,249,021)
Euro Currency - Short	(30)	-	(30)	(3)	-	(3)
Total	314,239	360,488	674,727	31,424	36,049	67,474
% of net assets attributable to holders of redeemable units	0.7%	0.8%	1.5%	0.1%	0.1%	0.2%

(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, 2017 the Fund holds securities with fixed interest rates that expose the Fund to fair value interest rate risk. The Portfolio Advisor manages this risk by short selling primarily government bonds to reduce the interest rate risk inherent in the Fund's corporate investment grade debt positions.

As at December 31, 2016, the Fund had no direct exposure to debt instruments, however the Fund had 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 Fund's exposure to interest rate risk as at June 30, 2017 and the Underlying Fund's exposure as at December 31, 2016. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable units if the prevailing levels of market interest rates changed by 1.0%, assuming a parallel shift in the yield curve with all other variables held constant.

Term to Maturity	Long Exposure		Short Exposure	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Less than 1 year	\$ 27,399,711	\$ 36,517,458	\$ -	\$ (15,794,772)
1-3 years	57,459,307	80,031,924	-	(86,224,238)
3-5 years	63,587,747	31,349,677	(3,886,439)	(23,960,505)
Greater than 5	41,142,404	36,289,570	(544,277)	(10,314,467)
Total	\$ 189,589,169	\$ 184,188,629	\$ (4,430,716)	\$ (136,293,982)
Sensitivity:				
Total \$ sensitivity	+/- \$ 6,289,868	+/- \$ 5,559,834	+/- \$ 214,635	+/- \$ 3,373,159
Total %	10.5%	12.0%	0.4%	7.3%

(c) Price Risk

The Fund is exposed to price 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 (other than those arising from interest rate risk or currency risk). The Fund's investments are subject to the risk of changes in the prices of bonds, options and futures contracts.

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The Fund's policy is to manage price risk through diversification and selection of investments within specified limits established by the investment restrictions within the Declaration of Trust. The Fund will not have total exposure exceeding 400% determined on a daily mark-to-market basis; will not have net long exposure exceeding 300% determined on a daily mark-to-market basis and also will not have net short exposure exceeding 150% determined on a daily mark-to-market basis. The Fund's investment restrictions also limits investments in any single issuer to 10% of the Fund's net assets (as determined at the time of purchase), limits investments in non-investment grade debt securities to no more than 12.5% of the Fund's net assets and limits investments in illiquid assets to no more than 10% of its net assets. The Fund generally invests in bonds that have observable market prices that are quoted by multiple dealers.

As at June 30, 2017, 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 \$675,304 (December 31, 2016: \$506,994) representing 1.1% of net assets attributable to holders of redeemable units (December 31, 2016: 1.1%).

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

The following is a summary of the Fund's concentration risk as at June 30, 2017 and the Underlying Fund's concentration risk as at December 31, 2016:

Market Segment	June 30, 2017		December 31, 2016	
	Long %	Short %	Long %	Short %
Energy	2.5	-	4.1	-
Financials	5.3	-	8.5	-
Funds	-	-	3.3	-
Federal Bonds	12.2	(240.6)	13.0	(277.9)
Corporate Bonds	348.2	(7.4)	384.3	(16.0)
Derivatives	1.0	(1.0)	0.2	(0.2)
Total	369.3	(249.0)	413.4	(294.1)

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, 2017 and December 31, 2016:

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June 30, 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities long	4,748,333	-	-	4,748,333
Fixed income long	-	215,460,629	-	215,460,629
Derivatives	571,750	-	-	571,750
Total	5,320,083	215,460,629	-	220,780,712
Financial liabilities				
Fixed income short	-	(148,252,309)	-	(148,252,309)
Derivatives	(571,965)	-	-	(571,965)
Total	(571,965)	(148,252,309)	-	(148,824,274)
December 31, 2016				
December 31, 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial liabilities				
Forward Agreement	-	46,365,835	-	46,365,835
Total	-	46,365,835	-	46,365,835

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, 2016:

December 31, 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities long	5,864,343	-	-	5,864,343
Fixed income long	-	184,188,629	-	184,188,629
Funds	1,508,700	-	-	1,508,700
Derivatives	402,975	20,906	-	423,881
Total	7,776,018	184,209,535	-	191,985,553
Financial liabilities				
Fixed income short	-	(136,293,982)	-	(136,293,982)
Derivatives	(107,488)	(294,333)	-	(401,821)
Total	(107,488)	(136,588,315)	-	(136,695,803)

All fair value measurements above are recurring. The carrying values of all of the Fund's and Underlying 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.

As at June 30, 2017 and December 31, 2016, the Fund and Underlying Fund did not hold any level 3 financial instruments. There were no transfers between levels during the periods ended June 30, 2017 and 2016.

a) Bonds

The Fund's and 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 Fund's bonds have been classified as Level 2.

EAST COAST INVESTMENT GRADE INCOME FUND

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For the period ended June 30, 2017

b) Derivative assets and liabilities

Derivative assets and liabilities consist of futures contracts, options, interest rate swaps, credit default swaps, and, as of December 31, 2016, the Forward Agreement. 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. The Forward Agreement's 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.

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, 2017 and 2016.

	Net realized gains / (losses)	Net change in unrealized gains / (losses)	Interest income	Interest expense	Dividend income	Dividend expense	Total
June 30, 2017	\$	\$	\$	\$	\$	\$	\$
Financial asset at FVTPL:							
Designated as FVTPL	173,092	(1,954,347)	1,342,530	-	22,511	-	(416,214)
HFT	7,262,058	(6,022,699)	-	-	-	-	1,239,359
Financial liabilities at FVTPL:							
HFT	152,518	1,943,422	-	(541,469)	-	-	1,554,471
Total	7,587,668	(6,033,624)	1,342,530	(541,469)	22,511	-	2,377,616

	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
Total	76,393	2,531,281	-	-	-	-	2,607,674

7. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the Fund enters into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position, but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. The following tables show financial instruments that may be eligible for offset, if such conditions were to arise, as at June 30, 2017 and December 31, 2016. The "Net Amount" column displays what the net impact would be on the Fund's Statements of Financial Position if all amounts were set off.

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2017

June 30, 2017	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position		
				Financial instruments	Cash collateral	Net amount
	\$	\$	\$	\$	\$	\$
Financial assets:						
Counterparty 1	-	-	-	-	-	-
Counterparty 2	86,081	-	86,081	(86,081)	-	-
Financial liabilities:						
Counterparty 1	-	-	-	-	-	-
Counterparty 2	(430,976)	-	(430,976)	86,081	344,895	-

December 31, 2016	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the Statement of Financial Position	Related amounts not set-off in the Statement of Financial Position		
				Financial instruments	Cash collateral	Net amount
	\$	\$	\$	\$	\$	\$
Financial assets:						
Counterparty 1	46,365,835	-	46,365,835	-	-	46,365,835
Financial liabilities:						
Counterparty 1	-	-	-	-	-	-

8. REDEEMABLE UNITS

During the periods ended June 30, 2017 and 2016, the number of units issued, redeemed and outstanding was as follows:

June 30, 2017	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
Units	4,861,877	1,572,623	-	-	6,434,500

June 30, 2016	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
Units	5,469,503	-	-	-	5,469,503

9. RELATED PARTY TRANSACTIONS

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

a) Management and Performance Fee

On April 17, 2017, the Management Agreement between the Fund and the Manager (the "Management Agreement") was amended to reflect changes made to the investment mandate of the Fund to hold securities directly instead of through a Forward Contract with an underlying fund. (See Note 2 – Forward Agreement). The Manager is entitled to a single management fee of 1.25% per annum on the

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2017

NAV of the Fund, instead of an aggregate direct and indirect management fee of approximately 1.25%. Management fees are calculated and paid as of the last Valuation Date of each month.

The Manager is also entitled to receive an annual Performance Fee from the Fund. Further to changes made in the Management Agreement, effective April 17, 2017 the annual Performance Fee is equal to 10% of the increase in the net asset value of the Fund (including any distributions paid on the units of the Fund), subject to an annual hurdle rate of 4%. Prior to April 17, 2017 the hurdle rate was 5.30%.

The Performance Fee will be calculated daily and payable on the last valuation date of each calendar year, except when units of the Fund are redeemed on the applicable redemption date, in which case, the Fund shall pay a Performance Fee in respect of any redeemed units of the Fund (the "Interim Performance Fee"). The Interim Performance Fees shall be payable on the applicable redemption date. For any partial fiscal year, including with respect to Interim Performance Fees the hurdle rate will be pro-rated. During the period ended June 30, 2017, the Manager earned \$207,415 in Performance Fees (including performance fees earned by the underlying fund (December 31, 2016: \$nil).

The Fund is responsible for all operating expenses incurred by or on behalf of the Fund.

As at June 30, 2017, included in other liabilities are amounts owing to the Manager relating to management fees of \$63,146 (excluding HST) (December 31, 2016: \$9,749). 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 \$17,125 (December 31, 2016: \$8,814).

b) Brokerage Commissions

Total commissions paid to dealers for the period ended June 30, 2017 in connection with portfolio transactions were \$1,454 (December 31, 2016: \$nil).

10. 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, 2016 the Fund had \$8,270,082 of unused non-capital losses which expire no earlier than 2032.

11. 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 (UNAUDITED)

For the period ended June 30, 2017

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.

12. 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, 2017 and 2016 is calculated as follows:

	June 30, 2017	June 30, 2016
Increase (decrease) in net assets attributable to holders of redeemable units	\$1,814,819	\$2,398,485
Weighted average units outstanding during the period	5,313,680	5,469,503
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$0.34	\$0.44

13. SUBSEQUENT EVENT

On July 20, 2017, the Manager in its capacity as trustee and Manager of the Fund entered into an agreement with East Coast Investment Grade II Fund whereby, it was agreed that East coast Investment Grade II Fund will purchase 625,000 restricted units at a price of \$9.585 per unit for total proceeds of \$5,990,625.

14. 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, 2017

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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