

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



AUDITED ANNUAL FINANCIAL STATEMENTS

DECEMBER 2018

EAST COAST INVESTMENT GRADE INCOME FUND

East Coast Investment Grade Income Fund

Statements of Financial Position

	As at December 31, 2018	As at December 31, 2017
ASSETS		
Current assets		
Financial assets at fair value through profit and loss		
Investments	\$530,137,123	\$388,069,184
Options - long	12,547	1,596
Unrealized gain on futures contracts - long	3,643,530	27,755
Unrealized gain on futures contracts - short	-	5,224
Cash and cash equivalents	5,581,553	813,980
Margin deposits	7,956,782	5,919,689
Accrued interest and dividends receivable	3,559,765	2,893,222
Receivable for securities sold	2,464,006	-
	553,355,306	397,730,650
LIABILITIES		
Current liabilities		
Financial liabilities at fair value through profit and loss		
Investments sold short	404,468,928	299,876,353
Options - short	44,930	-
Unrealized loss on futures contracts - long	5,543	1,450,249
Unrealized loss on futures contracts - short	293,088	-
Unrealized loss on swap contracts	272,036	1,329,514
Margin loans	19,555,552	8,851,452
Payable for securities purchased	2,163,170	-
Accrued interest and dividends payable	987,601	695,925
Distributions payable	545,993	444,718
Other liabilities (Note 9)	251,213	632,333
	428,588,054	313,280,544
Net assets attributable to holders of redeemable units	\$124,767,252	\$84,450,106
Number of units outstanding (Note 8)	13,649,828	8,894,356
Net assets attributable to holders of redeemable units per unit	\$9.14	\$9.49

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 (Loss)
For the years ended December 31,

	2018 \$	2017 \$
INCOME		
Net gains (losses) on investments and derivatives		
Interest for distribution purposes	14,389,238	6,465,588
Interest expense on derivatives	(460,863)	(76,958)
Interest expense on short sales	(5,888,256)	(2,594,488)
Dividend income	294,132	119,201
Dividend expense on short sales	(3,287)	-
Net realized gain (loss) on investments and derivatives	1,096,196	7,040,003
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	(5,182,782)	(5,821,140)
Net gains (losses) on investments and derivatives	4,244,378	5,132,206
Other income items:		
Interest on cash	40,404	18,538
Foreign exchange gain (loss)	(235,173)	266,262
Net change in unrealized foreign exchange gain (loss)	(241,113)	135,509
Total net income (loss)	3,808,496	5,552,515
EXPENSES		
Unitholder reporting fees	197,636	130,307
Management fees (Note 9)	1,369,762	642,791
Performance fees (Note 9)	-	216,061
Interest expense on margin loan	172,205	88,276
Service fees	-	42,921
Audit fees	32,717	38,832
Legal fees	9,352	100,922
Independent Review Committee fees	6,187	5,590
Custodial fees	39,022	10,734
Security borrowing expenses	1,168,953	519,226
Commissions and other portfolio transaction costs (Note 10)	18,565	2,988
Harmonized sales tax	134,776	94,882
Total expenses	3,149,175	1,893,530
Increase (decrease) in net assets attributable to holders of redeemable units (Note 13)	659,321	3,658,985
Increase (decrease) in net assets attributable to holders of redeemable units per unit (Note 13)	\$0.06	\$0.56

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

East Coast Investment Grade Income Fund

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

	2018 \$	2017 \$
Net assets attributable to holders of redeemable units at beginning of year	84,450,106	46,090,355
Increase (decrease) in net assets attributable to holders of redeemable units	659,321	3,658,985
Distributions to holders of redeemable units		
From net investment income	-	(3,279,622)
From net realized gains on investments and derivatives	(3,661,499)	-
Return of Capital	(1,971,577)	(729,282)
Total distributions to holders of redeemable units	(5,633,076)	(4,008,904)
Redeemable unit transactions		
Proceeds from redeemable units issued	46,186,550	39,475,662
Issuance costs and agents' fees	(895,649)	(765,992)
Net increase (decrease) from redeemable units transactions	45,290,901	38,709,670
Net increase (decrease) in net assets attributable to holders of redeemable units	40,317,146	38,359,751
Net assets attributable to holders of redeemable units at end of year	124,767,252	84,450,106

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

East Coast Investment Grade Income Fund

Statements of Cash Flows For the years ended December 31,

	2018 \$	2017 \$
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	659,321	3,658,985
Adjustment for:		
Unrealized foreign exchange (gain) loss on cash and cash equivalents (Note 14)	58,249	(12,279)
Net realized (gain) loss on investments and derivatives	(1,096,196)	(7,040,003)
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	5,182,782	5,821,140
Purchase of investments	(3,145,048,143)	(2,082,333,479)
Settlement of forward agreement (1) (Note 2)	-	(4,322,775)
Proceeds on sale of investments	3,097,399,689	2,048,793,309
Change in margin deposits	(2,037,093)	(5,919,689)
Change in margin loans	10,704,100	8,851,452
Change in accrued interest and dividends receivable	(666,543)	(2,893,222)
Change in accrued interest and dividends payable	291,676	695,925
Change in other liabilities	(381,120)	498,470
Net cash from (used in) operating activities	(34,933,278)	(34,202,166)
Cash flows from (used in) financing activities		
Proceeds from redeemable units issued	46,186,550	39,475,662
Issuance Costs and agents' fees	(895,649)	(765,992)
Distributions paid to holders of redeemable units, net of reinvested distributions	(5,531,801)	(3,807,280)
Net cash from (used in) financing activities	39,759,100	34,902,390
Net Increase (decrease) in cash	4,825,822	700,224
Cash and cash equivalents at beginning of the year	813,980	101,477
Unrealized foreign exchange gain (loss) on cash and cash equivalents (Note 14)	(58,249)	12,279
Cash and cash equivalents at end of the year	5,581,553	813,980
<i>(1) Net of counterparty fees</i>		
Supplemental information:		
Interest received*	13,780,899	3,580,593
Dividends received, net of withholding tax*	276,332	112,171
Interest paid*	6,228,324	2,063,797
Dividends paid*	3,287	-
*Included as part of cash flows from operating activities		

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

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio – As at December 31, 2018

Equities - Long - 7.3%

Security Name	Currency	No. of Shares/Units	Average Cost (\$)	Fair Value (\$)
Equities - 7.3%				
Bank of Montreal, Preferred, Class 'B', Series '25', Variable Rate, Perpetual	CAD	61,500	1,336,922	1,414,500
Bank of Nova Scotia, Preferred, Series '23', Floating Rate, Perpetual	CAD	24,000	600,480	599,280
Bank of Nova Scotia, Preferred, Series '30', Convertible, Callable	CAD	35,000	842,240	834,750
Bank of Nova Scotia, Preferred, Series '31', Floating Rate, Perpetual	CAD	44,500	1,075,040	1,073,340
Bank of Nova Scotia, Preferred, Series '32', Variable Rate, Convertible, Perpetual	CAD	19,600	454,397	457,072
Bank of Nova Scotia, Preferred, Series '33', Floating Rate, Perpetual	CAD	33,000	790,020	784,080
Enbridge Inc., Preferred, Series 'B', Variable Rate, Perpetual	CAD	12,800	232,445	196,480
Enbridge Inc., Preferred, Series 'L', Variable Rate, Perpetual	USD	2,738	86,659	71,619
Kinder Morgan Canada Ltd., Preferred, Series '1', Variable Rate, Perpetual	CAD	32,000	796,480	702,400
Royal Bank of Canada, 5.00%, Preferred, Series 'AJ', Perpetual	CAD	8,000	200,000	200,640
Royal Bank of Canada, Preferred, Series 'AK', Variable Rate, Perpetual	CAD	5,000	125,075	125,500
Royal Bank of Canada, Preferred, Series 'AL', Variable Rate, Perpetual	CAD	103,000	2,592,385	2,589,420
Trident Exploration Corp.	CAD	133,963	39,100	39,100
			9,171,243	9,088,181

Fixed Income - Long - 417.6%

Security Name	Maturity Date	Coupon Rate (%)	Currency	Par Value	Average Cost (\$)	Fair Value (\$)
Corporate Bonds - 417.6%						
Allied Properties REIT, Series 'A'	05-13-20	3.75	CAD	1,273,000	1,333,633	1,285,321
AltaGas Ltd.	09-28-21	3.72	CAD	5,111,000	5,293,658	5,142,870
AltaGas Ltd., Series '7'	06-01-20	4.07	CAD	4,192,000	4,284,602	4,240,690
Anheuser-Busch InBev Finance Inc.	01-25-23	3.38	CAD	6,948,000	6,981,150	6,939,544
APT Pipelines Ltd.	07-24-19	4.25	CAD	7,075,000	7,225,137	7,137,459
AT&T Inc.	11-25-20	3.83	CAD	7,532,000	7,790,115	7,646,649
AT&T Inc. ⁽²⁾	05-25-24	2.85	CAD	6,343,000	6,045,300	6,033,609
Bank of Montreal ⁽²⁾	10-05-28	4.34	USD	3,083,000	3,971,161	4,194,396
Bank of Montreal ⁽²⁾	09-19-24	3.12	CAD	12,581,000	12,638,407	12,610,951
Bank of Nova Scotia	10-28-19	2.40	CAD	29,966,000	29,939,061	29,978,085
Bank of Nova Scotia ⁽²⁾	10-18-24	3.04	CAD	4,708,000	4,714,126	4,719,145
Bell Canada	06-17-20	3.25	CAD	466,000	469,024	469,150
Bell Canada ⁽²⁾	09-11-23	4.70	CAD	822,000	858,678	865,879
Bell Canada, Series 'M-26' ⁽²⁾	03-22-23	3.35	CAD	3,324,000	3,342,904	3,326,181
BRP Finance ULC	02-07-22	4.79	CAD	6,261,000	6,639,527	6,498,018
Bruce Power L.P.	06-23-21	2.84	CAD	4,751,000	4,853,450	4,733,841
Canadian Imperial Bank of Commerce	06-24-19	2.35	CAD	7,908,000	7,913,338	7,913,396
Canadian Imperial Bank of Commerce	09-16-19	2.54	CAD	8,092,000	8,102,681	8,065,539
Canadian Imperial Bank of Commerce ⁽²⁾	10-28-24	3.00	CAD	4,541,000	4,542,892	4,548,632
Canadian Natural Resources Ltd.	06-01-20	2.05	CAD	1,716,000	1,693,349	1,692,544
Canadian Natural Resources Ltd., Series '2'	08-14-20	2.89	CAD	8,944,000	9,007,835	8,916,445
Canadian Western Bank	06-29-20	2.75	CAD	4,310,000	4,312,434	4,299,068
Central 1 Credit Union	03-16-20	1.87	CAD	7,464,000	7,444,197	7,385,780
Central 1 Credit Union, Series '16'	02-05-21	2.56	CAD	1,554,000	1,554,000	1,545,531
Choice Properties L.P., Series '10' ⁽²⁾	09-20-22	3.60	CAD	4,000,000	4,036,160	4,023,778
Choice Properties L.P., Series '7' ⁽²⁾	09-20-19	3.00	CAD	3,902,000	3,926,632	3,910,300
Choice Properties L.P., Series '8', Restricted ⁽²⁾	04-20-20	3.60	CAD	2,000,000	2,011,360	2,016,720
Choice Properties L.P., Series '9' ⁽²⁾	09-20-21	3.60	CAD	7,613,000	7,692,177	7,683,528
Choice Properties REIT	02-08-21	3.50	CAD	41,000	41,077	41,304
Choice Properties REIT, Series 'B' ⁽²⁾	07-05-23	4.90	CAD	1,423,000	1,517,217	1,493,237
CI Financial Corp.	12-07-20	2.65	CAD	6,639,000	6,624,176	6,593,663
Citigroup Inc.	11-18-21	3.39	CAD	6,502,000	6,578,104	6,559,724
Cominar REIT	12-04-19	4.23	CAD	1,993,000	2,011,808	2,004,938
Cominar REIT, Series '7'	06-21-19	3.62	CAD	7,420,000	7,448,207	7,439,310
Concentra Bank	05-07-20	2.81	CAD	5,484,000	5,484,000	5,484,000
Crombie REIT	06-01-21	3.96	CAD	1,299,000	1,309,027	1,309,362
Crombie REIT, Series 'B', Restricted	06-01-21	3.96	CAD	627,000	628,881	632,511
Crombie REIT, Series 'C'	02-10-20	2.78	CAD	674,000	669,012	671,005
Dollarama Inc. ⁽²⁾	11-06-23	3.55	CAD	805,000	801,273	803,801
Dollarama Inc.	03-16-20	2.88	CAD	1,946,000	1,959,720	1,940,999
Enbridge Inc.	11-12-20	4.85	CAD	3,193,000	3,408,389	3,302,889
Enbridge Inc.	09-02-19	4.77	CAD	4,986,000	5,081,388	5,057,610
Enbridge Inc.	03-09-20	4.53	CAD	2,752,000	2,806,410	2,806,015
Enbridge Inc.	05-24-19	2.82	CAD	11,267,000	11,296,624	11,279,619
Enbridge Inc. ⁽²⁾	03-01-78	6.25	USD	4,412,000	5,460,777	5,429,661

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio – As at December 31, 2018

Export-Import Bank of Korea	02-24-20	1.93	CAD	301,000	294,850	298,306
Export-Import Bank of Korea	02-24-20	1.93	CAD	4,750,000	4,708,218	4,707,488
Fairfax Financial Holdings Ltd.	05-25-21	6.40	CAD	2,232,000	2,425,726	2,401,065
First Capital Realty Inc., Series 'N'	03-01-21	4.50	CAD	794,000	835,256	816,251
Ford Credit Canada Co.	05-07-20	2.45	CAD	4,265,000	4,218,098	4,199,182
Ford Credit Canada Co.	05-10-21	2.58	CAD	1,652,000	1,633,993	1,594,365
Ford Credit Canada Co.	09-21-20	3.13	CAD	13,653,000	13,679,581	13,464,862
General Motors Financial of Canada Ltd.	05-22-20	3.08	CAD	7,310,000	7,338,277	7,293,015
Goldman Sachs Group Inc. (The)	02-12-21	3.55	CAD	5,568,000	5,624,704	5,614,550
Goldman Sachs Group Inc. (The) ⁽²⁾	04-26-23	2.43	CAD	13,414,000	13,033,078	12,935,744
Honda Canada Finance Inc., Series '16-2'	02-18-21	2.16	CAD	8,859,000	8,691,928	8,740,616
HSBC Bank Canada	07-07-20	1.82	CAD	4,454,000	4,380,519	4,394,231
HSBC Bank Canada	01-29-21	2.45	CAD	1,371,000	1,355,905	1,360,097
JPMorgan Chase & Co.	03-05-21	3.19	CAD	1,392,000	1,403,136	1,403,052
JPMorgan Chase & Co. ⁽²⁾	12-05-24	4.02	USD	1,513,000	2,054,496	2,083,367
Kraft Canada Inc. ⁽²⁾	07-06-20	2.70	CAD	6,290,000	6,301,341	6,273,267
Leisureworld Senior Care L.P., Series 'B'	02-03-21	3.47	CAD	4,664,000	4,798,063	4,713,206
Manulife Financial Capital Trust II, Series '1' ⁽²⁾	12-31-08	7.41	CAD	7,119,000	7,617,271	7,417,765
Medavie Inc., Series '1' ⁽²⁾	05-21-24	6.00	CAD	380,000	383,165	383,245
Merrill Lynch & Co. Inc. ⁽²⁾	05-30-22	3.17	CAD	26,187,000	26,188,397	26,160,813
Molson Coors International L.P. ⁽²⁾	07-15-23	2.84	CAD	4,042,000	3,882,275	3,905,508
Molson Coors International L.P., Series '2' ⁽²⁾	09-18-20	2.75	CAD	5,843,000	5,824,765	5,818,288
Morgan Stanley ⁽²⁾	10-15-21	2.48	CAD	8,811,000	8,798,508	8,733,904
Morgan Stanley ⁽²⁾	12-29-20	3.01	CAD	4,521,000	4,546,632	4,524,300
National Bank of Canada	10-28-19	2.40	CAD	13,721,000	13,701,322	13,725,960
Nissan Canada Financial Services Inc., Series 'D'	10-19-20	2.42	CAD	5,704,000	5,720,563	5,642,760
Nissan Canada Financial Services, Inc., Series 'C'	04-09-20	1.75	CAD	2,756,000	2,708,597	2,717,947
Pembina Pipeline Corp.	03-29-21	4.89	CAD	4,048,000	4,298,037	4,197,779
Reliance L.P.	03-15-19	5.19	CAD	3,111,000	3,194,630	3,127,311
RioCan REIT	08-26-20	2.19	CAD	2,356,000	2,366,178	2,326,741
RioCan REIT, Series 'U'	06-01-20	3.62	CAD	2,476,000	2,519,157	2,500,356
Royal Bank of Canada	05-07-19	2.98	CAD	5,938,000	5,967,876	5,954,407
Royal Bank of Canada	12-09-19	2.35	CAD	12,284,000	12,266,858	12,278,506
Royal Bank of Canada	03-04-21	2.86	CAD	1,109,000	1,112,638	1,113,170
Royal Bank of Canada	04-09-19	2.49	CAD	1,112,000	1,114,351	1,113,257
Royal Bank of Canada ⁽²⁾	07-17-24	3.04	CAD	9,343,000	9,385,116	9,361,092
Shaw Communications Inc. ⁽²⁾	11-02-28	4.40	CAD	395,000	393,894	395,905
Shaw Communications Inc.	10-01-19	5.65	CAD	5,266,000	5,434,341	5,379,044
SmartCentres REIT	07-27-20	4.05	CAD	1,544,000	1,629,744	1,568,077
SmartCentres REIT, Series 'L'	02-11-21	3.75	CAD	9,395,000	9,529,009	9,503,259
SNC-Lavalin Group Inc.	07-03-19	6.19	CAD	2,500,000	2,595,032	2,543,503
Sun Life Financial Inc. ⁽²⁾	09-25-25	2.60	CAD	10,513,000	10,537,387	10,463,576
TELUS Corp.	01-26-21	3.60	CAD	2,749,000	2,773,491	2,784,957
TELUS Corp., Series 'CO'	04-05-21	3.20	CAD	5,637,000	5,638,893	5,658,477
Toronto-Dominion Bank (The)	07-31-19	2.25	CAD	26,079,000	26,085,835	26,081,608
TransCanada Trust ⁽²⁾	03-15-77	5.30	USD	2,871,000	3,527,481	3,390,358
Ventas Canada Finance Ltd. ⁽²⁾	02-01-22	3.30	CAD	2,193,000	2,229,272	2,196,395
VW Credit Canada Inc.	03-29-21	2.90	CAD	1,458,000	1,456,756	1,448,845
VW Credit Canada Inc.	06-24-20	2.15	CAD	3,237,000	3,195,113	3,196,847
VW Credit Canada Inc.	11-13-20	2.84	CAD	2,417,000	2,417,000	2,412,166
Wells Fargo & Co.	10-27-23	2.51	CAD	1,274,000	1,217,097	1,222,036
Wells Fargo & Co.	04-25-22	2.09	CAD	2,499,000	2,403,343	2,417,041
Wells Fargo Bank NA ⁽²⁾	10-22-21	3.63	USD	1,614,000	2,090,879	2,217,352
Wells Fargo Financial Canada Corp.	07-25-19	2.94	CAD	4,180,000	4,198,262	4,193,036
					523,469,412	521,040,952
Federal Bonds - 0.01%						
Government of Canada	06-01-29	5.75	CAD	5,000	6,618	6,756
Government of Canada	06-01-37	5.00	CAD	76	106	109
Government of Canada	12-01-48	2.75	CAD	1,000	1,109	1,125
					7,833	7,990
					523,477,245	521,048,942

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio – As at December 31, 2018

Fixed Income - Short - (324.2%)

Security Name	Maturity Date	Coupon Rate (%)	Currency	Par Value	Average Cost (\$)	Fair Value (\$)
Corporate Bonds - (8.6%)						
Bell Canada ⁽²⁾	08-12-26	2.90	CAD	(2,000)	(1,930)	(1,892)
Enbridge Inc. ⁽²⁾	06-08-27	3.20	CAD	(4,130,000)	(3,935,199)	(3,932,408)
Royal Bank of Canada	09-26-23	3.30	CAD	(3,784,000)	(3,792,608)	(3,801,446)
Royal Bank of Canada	04-09-19	2.49	CAD	(1,112,000)	(1,114,569)	(1,113,257)
Toronto-Dominion Bank (The) ⁽²⁾	03-04-31	4.86	CAD	(1,261,000)	(1,342,221)	(1,339,089)
TransCanada Trust, Series '2017-A' ⁽²⁾	05-18-77	4.65	CAD	(537,000)	(503,083)	(481,266)
					(10,689,610)	(10,669,358)
Federal Bonds - (315.6%)						
Government of Canada	09-01-20	0.75	CAD	(54,137,000)	(52,816,198)	(53,170,365)
Government of Canada	09-01-23	2.00	CAD	(93,000)	(93,130)	(93,481)
Government of Canada	06-01-19	3.75	CAD	(15,000,000)	(15,129,600)	(15,124,287)
Government of Canada	06-01-20	3.50	CAD	(42,171,000)	(43,480,986)	(43,145,629)
Government of Canada	06-01-22	2.75	CAD	(14,009,000)	(14,285,950)	(14,413,056)
Government of Canada	06-01-21	3.25	CAD	(11,204,020)	(11,555,354)	(11,567,886)
Government of Canada	06-01-23	1.50	CAD	(10,026,000)	(9,667,012)	(9,864,272)
Government of Canada	06-01-24	2.50	CAD	(3,910,000)	(3,975,432)	(4,030,016)
Government of Canada	06-01-27	1.00	CAD	(118,117,000)	(104,646,715)	(109,496,743)
Government of Canada	06-01-28	2.00	CAD	(382,000)	(367,363)	(383,199)
Government of Canada	11-01-19	1.25	CAD	(1,984,000)	(1,975,012)	(1,975,073)
Government of Canada	03-01-20	1.50	CAD	(32,526,000)	(32,382,490)	(32,404,611)
Government of Canada	06-01-26	1.50	CAD	(484,000)	(458,243)	(469,626)
Government of Canada	08-01-19	0.75	CAD	(13,816,000)	(13,717,538)	(13,735,869)
Government of Canada	03-01-22	0.50	CAD	(16,499,000)	(15,549,597)	(15,806,647)
Government of Canada	09-01-21	0.75	CAD	(20,510,000)	(19,668,784)	(19,919,572)
Government of Canada	03-01-21	0.75	CAD	(40,880,000)	(39,479,874)	(39,920,848)
United States Treasury Bond	10-15-21	2.88	USD	(1,611,000)	(2,081,362)	(2,222,877)
United States Treasury Bond	11-30-23	2.88	USD	(4,359,000)	(5,893,761)	(6,055,513)
					(387,224,401)	(393,799,570)
					(397,914,011)	(404,468,928)
Commissions					109	
Total Investments - 100.7%					134,734,586	125,668,195
Derivatives (see schedule of derivative instruments) - 2.4%						3,040,480
Cash and Other Net Assets (Liabilities) - (3.1%)						(3,941,414)
Net Assets Attributable to Holders of Redeemable Units - 100.0%						124,767,261

⁽¹⁾ Convertible ⁽²⁾ Callable

EAST COAST INVESTMENT GRADE INCOME FUND

Schedule of Investment Portfolio – As at December 31, 2018

SCHEDULE OF DERIVATIVE INSTRUMENTS

Options Bought - 0.01%

Security Name	Strike Price (\$)	Expiry Date	Currency	No. of Contracts	Average Cost (\$)	Fair Value \$
Markit CDX.NA.IG.S31 FEB 19 RECEIVE Put Option	0.7500	02-21-19	USD	15,000,000	24,288	10,633
Markit CDX.NA.IG.S31 JAN 19 RECEIVE Put Option	0.6500	01-17-19	USD	9,000,000	9,531	690
Markit CDX.NA.IG.S31 JAN 19 RECEIVE Put Option	0.7250	01-17-19	USD	9,000,000	10,421	1,224
					<u>44,240</u>	<u>12,547</u>

Options Written - (0.04%)

Security Name	Strike Price (\$)	Expiry Date	Currency	No. of Contracts	Proceeds (\$)	Fair Value (\$)
Markit CDX.NA.IG.S31 FEB 19 PAYER Put Option	1.0500	02-21-19	USD	(15,000,000)	(24,288)	(34,605)
Markit CDX.NA.IG.S31 JAN 19 PAYER Put Option	1.0000	01-16-19	USD	(9,000,000)	(9,531)	(7,192)
Markit CDX.NA.IG.S31 JAN 19 PAYER Put Option	1.1000	01-16-19	USD	(9,000,000)	(10,421)	(3,133)
					<u>(44,240)</u>	<u>(44,930)</u>

Futures Contracts - Long - 2.9%

Security Name	Contract Size	Expiry Date	Currency	No. of Contracts	Notional Value (\$)	Unrealized Gain/(Loss) (\$)
Bond Futures - 2.9%						
Canada 10 Year Bond Futures	1,000	03-20-19	CAD	834	114,099,540	3,643,530
Currency Futures - 0.0%						
Canadian Dollar Futures	1,000	03-19-19	USD	3	301,068	(5,543)
						<u>3,637,987</u>

Futures Contracts - Short - (0.2%)

Security Name	Contract Size	Expiry Date	Currency	No. of Contracts	Notional Value (\$)	Unrealized Gain/(Loss) (\$)
Bond Futures - (0.2%)						
US 10Year Ultra Futures	1,000	03-20-19	USD	(44)	(7,813,637)	(241,670)
						<u>(241,670)</u>
Interest Rate Futures - (0.04%)						
90 Days Bank Acceptance Futures	2,500	09-16-19	CAD	(63)	(15,397,200)	(3,150)
Bank Acceptance Futures	2,500	03-16-20	CAD	(40)	(9,777,000)	(48,268)
						<u>(51,418)</u>
						<u>(293,088)</u>

Swaps - (0.2%)

Security Name	Currency	Notional Value (\$)	Average Cost (\$)	Unrealized Gain/(Loss) (\$)
BP CDS Republic of Korea 12/20/2022	Credit Default Swap	USD	1,500,000	(25,546)
BP Markit CDX.NA.IG.S31-5Y 100 12/20/2023	Credit Default Swap	USD	28,681,275	(701,480)
				<u>(727,026)</u>
				<u>(272,036)</u>

Total derivative instruments at fair value					\$(727,026)	\$3,040,480
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EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and December 31, 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.

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.

Prior to April 17, 2017, the Fund achieved its investment objective by obtaining exposure to ECIGIF Trust (the "Underlying Fund") which invested in a broad range of public and private corporate debt securities. Through a forward agreement, on April 17, 2017, the forward agreement settled and the Fund acquired the Underlying Fund. The Manager of the Underlying Fund was Arrow Capital Management Inc. East Coast Fund Management Inc., was 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 December 31, 2018 was \$9.00 (2017: \$10.06).

The address of the Fund's registered office is 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5.

The Statements of Financial Position of the Fund are as at December 31, 2018 and December 31, 2017. The Statements of Comprehensive Income, Statements of Changes in Net Assets Attributable to Holders of Redeemable Units and Statements of Cash Flows for the Fund are for the years ended December 31, 2018 and 2017. The Schedule of Investment Portfolio for the Fund is as at December 31, 2018.

These financial statements were authorized for issue by management on March 27, 2019.

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and December 31, 2017

3.1 Basis of Accounting

These financial statements (“financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities that have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgement in its process of applying the Fund’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5: FINANCIAL INSTRUMENTS – RISK MANAGEMENT.

New Standards Effective January 1, 2018

In July 2014, the International Accounting Standards Board (‘IASB’) issued the final version of IFRS 9, *Financial Instruments* (“IFRS 9”), which introduces new requirements for classification, measurement, impairment and hedge accounting. It replaces the multiple classification and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”) and is effective for reporting periods beginning on or after January 1, 2018. The Fund has adopted IFRS 9 effective January 1, 2018 retrospectively and did not result in a change to the classification or measurement of financial instruments in either the current or comparative period.

The new standard requires financial instruments to be either carried at amortized cost or at fair value with changes in fair value recognized in profit and loss (“FVTPL”) or in other comprehensive income (“FVOCI”), based on the Fund’s business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments.

The Manager has evaluated the standard and has determined that the impact to the Funds included additional disclosures related to changes to the classification of certain financial instruments to align with the classifications under IFRS 9. Adoption of the standard did not impact net assets attributable to holders of redeemable units.

3.2 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 investments and derivatives are presented within ‘Net realized gain (loss) on investments and derivatives’ and ‘Net change in unrealized appreciation (depreciation) in value of investments and derivatives’ in the Statements of Comprehensive Income (Loss).

3.3 Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

Financial instruments include financial assets and liabilities such as debt and equity securities, open-ended investment funds and derivatives. The Fund classifies and measures financial instruments in accordance with IFRS 9.

a) Classification

Assets

The Fund classifies investments based on both the Fund’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and use that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as FVOCI. The contractual cash flows of the Fund’s debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and sale. The collection of contractual cash flows is only incidental to achieving the Fund’s business model’s objective. Consequently, all investments are measured at FVTPL.

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and December 31, 2017

Liabilities

The Fund may make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are consistently classified as financial liabilities at FVTPL. Derivative contracts that have a negative fair value are presented as liabilities at FVTPL. As such, the Fund classifies all of its investment portfolio as financial assets or liabilities as FVTPL.

The Fund's policy requires the Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

Investments in financial assets previously designated at fair value through profit or loss.

Upon transition to IFRS 9, the Fund's financial assets and financial liabilities previously designated at FVTPL at inception or classified as held for trading under IAS 39 continue to be classified as FVTPL under IFRS 9. The Fund holds equity and debt securities of \$530,137,123 (2017: \$388,069,184) which had previously been designated at FVTPL at inception. The Fund also holds equity and debt securities sold short of \$404,468,928 (2017: \$299,876,353) and derivative instruments net assets (liabilities) of \$3,040,480 (2017: (\$2,745,188)) which were previously designated as held for trading. These financial assets and liabilities are mandatorily classified as FVTPL under IFRS 9. There were no changes in the measurement attributes for the Fund's financial assets and financial liabilities upon transition to IFRS 9.

b) Recognition, Derecognition and Measurement

Regular purchases and sales of financial assets are recognized in the Statements of Financial Position at their trade date – the date on which the Fund commit to purchase or sell the investment. Financial assets and financial liabilities at FVTPL are initially recognized at fair value. Transaction costs are expensed as incurred.

All financial instruments are recognized in the Statements of Financial Position when the Fund becomes a party to the contractual requirements of the instrument.

Financial assets are derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled or expires.

Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at FVTPL category are recognized in the Statements of Comprehensive Income (Loss) in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives'.

The Fund's accounting policies for measuring the fair value of their investments and derivatives are the same as 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 as at December 31, 2018 or December 31, 2017.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined on an average cost basis excluding commissions and other portfolio transaction costs, which are separately reported in the Statements of Comprehensive Income (Loss) in 'Commissions and other portfolio transaction costs'. 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.

Interest for distribution purposes shown on the Statements of Comprehensive Income (Loss) represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums or discounts received on the purchase of fixed income securities.

Dividend income and dividend expense on short sales are recognized in the Statements of Comprehensive Income (Loss) on the ex-dividend date. Distributions received from investment trust units are recorded as dividends, interest for distribution purposes, net realized gains (losses) on sale of investments or a return of capital, based on the best information available to the Manager. Due to the nature of those investments, actual allocations could vary from this information.

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and December 31, 2017

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 fair value of futures contracts is based on the settlement price assigned by the exchange. Gains and losses arising from changes in the fair value of financial assets or liabilities are presented in the Statements of Comprehensive Income (Loss). The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels at the beginning of each period.

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 make 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.

d) 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 premium paid or received, and fair value, are presented in 'Change in unrealized appreciation (depreciation) in value of investments and derivatives' in the Statements of Comprehensive Income (Loss). 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 premium if the option expires worthless, is recognized as a gain or loss and is presented in the Statements of Comprehensive Income (Loss) within 'Net realized gain (loss) on investments and derivatives'.

e) Forward Currency Contracts

The Fund may enter into forward currency contracts for purposes of minimizing currency exposure or to establish an exposure to a particular currency. The value of forward currency contracts entered into by the Fund is recorded as the difference between the contract rate and the current forward rates at the measurement date, applied to the contract's notional amount and adjusted for counterparty risk. The change in the fair value of forward currency contracts is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the Statements of Comprehensive Income (Loss). Upon closing of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the Statements of Comprehensive Income (Loss).

f) Futures Contracts

The Fund may purchase or sell exchange traded futures contracts. Futures contracts are 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 'Change in unrealized appreciation (depreciation) in value of investments and derivatives' in the Statements of Comprehensive Income (Loss). When futures contracts are closed out, the gain or loss is presented in the Statements of Comprehensive Income (Loss) within 'Net realized gain (loss) on investments and derivatives'.

g) 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.

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and December 31, 2017

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' in the Statements of Comprehensive Income (Loss). 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 (Loss).

h) 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' in the Statements of Comprehensive Income (Loss). 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 (Loss).

i) Investments in Structured Entities

The Fund may invest in underlying investment vehicles ("Structured Investments") that are managed by their respective Investment Advisors and whose investment objectives may range from achieving short-term to long-term income and capital growth. Structured Investments may use leverage in a manner consistent with their respective objectives and as permitted by their respective governing regulatory authorities. Structured Investments finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportionate stake in the respective fund's net assets. The Fund's interest in Structured Investments as at December 31, 2018 and 2017, if any, held the form of redeemable units, which are included at their fair value in the Statements of Financial Position which represents the Fund's maximum exposure in these Structured Investments. The Fund does not provide, and has not committed to provide, any additional significant financial or other support to the Structured Investments. The change in fair value of each of the Structured Investments during the periods is included in 'Change in unrealized appreciation (depreciation) in value of investments and derivatives' in the Statements of Comprehensive Income (Loss) in 'Net gains (losses) on investments and derivatives'.

3.4 Offsetting Financial Statements

Financial assets and liabilities are offset and the net amount reported in the Statements 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 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.

3.5 Due from and to Brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statements of Financial Position date respectively. The due from brokers balance is held for collection. These amounts are recognized initially at fair value and subsequently measured at amortized cost.

3.6 Cash and Cash Equivalents

Cash and cash equivalents which includes cash deposited with financial institutions and short-term investments that are readily convertible to cash, are subject to an insignificant risk of changes in value, and are used by the Fund in the management of short-term commitments. Cash and cash equivalents are reported at fair value which closely approximates their amortized cost due to their nature of being highly liquid and having short terms to maturity.

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and December 31, 2017

3.7 Margin Deposits

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

3.8 Margin Loans

Margin loans represent cash amounts borrowed under a margin agreement with the Fund's prime broker. 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. Amounts owing are payable upon demand (if applicable), which is identified in the Statements of Financial Position as 'Margin Loans'.

3.9 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.

3.10 Income and Expense Allocation

The net assets of each class are computed by calculating the value of that class' proportionate share of the Fund's assets less that class' proportionate share of the Fund's common liabilities less class specific liabilities, if any. Expenses directly attributable to a class are charged to that class. Other income, expenses and gains/losses are allocated based on a reasonable allocation methodology which will include allocations based upon the assets of the Fund or the number of unitholders in the Fund or other methodology the Manager determines is fair.

3.11 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 is calculated by dividing the increase (decrease) in net assets attributable to the class by the weighted average number of units outstanding in that class during the period. Refer to Note 13 for the calculation.

3.12 Classification of Redeemable Units issued by the Fund

The Fund's redeemable units are multi-series and contain multiple dissimilar contractual obligations and therefore meet the criteria for classification as financial liabilities under IAS 32, *Financial Instruments: Presentation*. The Fund's obligation for net assets attributable to unitholders is presented at the redemption amount.

3.13 Impairment Policy

At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganization, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty rating which has fallen below BBB/Baa. Any contractual payment which is more than 90 days past due is considered credit impaired.

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

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and December 31, 2017

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: FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT 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 Funds, the Manager is required to make significant judgments in order to determine the most appropriate classification in accordance with IFRS 9. The Manager has assessed the Fund's business model, the manner in which all financial instruments are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Fund's financial statements.

Assessment as Investment Entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The Fund meets the definition of investment entity as it obtains funds from one or more investors for the purpose of providing those investors with professional investment management services and commit to their investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both. The Fund measures and evaluates the performance of substantially all of its investments on a fair value basis.

Determination if Underlying Funds Meet the Structured Entity Definition

The Fund has concluded that its investments in the Underlying Funds are investments in unconsolidated structured entities. This represents a significant judgment by the Fund that is based generally on the fact that the decision making about the Underlying Funds investing activities is not governed by voting rights held by the Fund and other investors.

5. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

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.

Risk Management

In the normal course of business, the Fund's activities expose it to a variety of risks associated with financial instruments: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk), concentration risk and capital risk.

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments present a risk of loss of capital. The maximum loss of capital on long equity, options, interest rate swaps, credit default swaps and debt securities is limited to the fair value of those positions. The maximum loss on equities, options and debt sold short can be unlimited and the maximum loss on futures contracts is the notional contract value of those positions.

The management of these risks is carried out by the Manager and Investment Advisor in accordance with the Declaration of Trust.

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn can also increase the potential returns the Fund can achieve. The Investment Advisor uses leverage against assets with satisfactory liquidity characteristics in order to increase return on capital subject to market conditions.

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and December 31, 2017

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'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 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.

The analysis below summarizes the credit quality of the Fund's debt portfolio at December 31, 2018 and 2017.

Credit Rating*	Percentage of total debt securities	
	December 31, 2018	December 31, 2017
	%	%
AAA	-	34.5
AA	18.1	-
A	16.4	-
BBB	46.1	45.4
Below BBB	-	-
Not Rated	19.4	20.1
Total	100.0	100.0

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

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management considers the probability of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognized based on 12 month expected credit losses as any such impairment would be wholly insignificant to the Fund.

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, JP Morgan Chase & Co. and Goldman, Sachs & Co. which have credit rating as rated by Moody's bond rating services of A3, A2, and A3 respectively (2017: A3, A3, and A3 respectively). The counterparty to the Fund's futures contracts is Bank of America which has a credit rating of A3 (2017: A3) 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, Aa2, and Aa2 respectively (2017: A1, Aa2, Aa3, and A1, 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 (2017: Aa2).

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.

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and December 31, 2017

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 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 year ended December 31, 2018, the minimum margin borrowings used was \$6,254,057 (2017: \$3,605,440) and the maximum net margin borrowings used was \$22,518,796 (2017: \$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 was 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 invested in financial instruments and entered 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 December 31, 2018 and 2017, 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.

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and December 31, 2017

December 31, 2018	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary \$	Non-Monetary \$	Total \$	Monetary \$	Non-Monetary \$	Total \$
Currency						
United States Dollar - Long	18,805,437	71,619	18,877,056	1,880,544	7,162	1,887,706
United States Dollar - Short	(18,630,680)	-	(18,630,680)	(1,863,068)	-	(1,863,068)
Total	174,757	71,619	246,376	17,476	7,162	24,638
% of net assets attributable to holders of redeemable units	0.1%	0.1%	0.2%	0.0%	0.0%	0.0%

December 31, 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	9,309,180	82,325	9,391,505	930,918	8,233	939,151
United States Dollar - Short	(8,630,816)	-	(8,630,816)	(863,082)	-	(863,082)
Total	678,364	82,325	760,689	67,836	8,233	76,069
% of net assets attributable to holders of redeemable units	0.8%	0.1%	0.9%	0.1%	0.0%	0.1%

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2018 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.

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2018 and 2017. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable units if the prevailing levels of market interest rates changed by 1.0%, assuming a parallel shift in the yield curve with all other variables held constant.

Term to Maturity	Long Exposure		Short Exposure	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Less than 1 year	\$ 157,182,888	\$ 144,521,857	\$ (31,948,486)	\$ -
1-3 years	220,038,387	99,417,112	(202,351,788)	(123,533,377)
3-5 years	72,787,975	74,811,774	(50,034,415)	(61,289,672)
Greater than 5 years	185,139,232	159,004,095	(127,947,876)	(117,097,559)
Total	\$ 635,148,482	\$ 477,754,838	\$ (412,282,565)	\$ (301,920,608)
Sensitivity:				
Total \$ sensitivity	+/- \$ 22,028,730	+/- \$ 17,337,038	+/- \$ 15,692,473	+/- \$ 14,355,520
Total % sensitivity	17.7%	20.5%	12.6%	17.0%

(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.

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.

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and December 31, 2017

As at December 31, 2018, 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 \$1,621,974 (2017: \$844,501) representing 1.3% of net assets attributable to holders of redeemable units (2017: 1.0%).

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.

Market Segment	December 31, 2018		December 31, 2017	
	Long (%)	Short (%)	Long (%)	Short (%)
Equities	7.3	-	5.4	-
Corporate Bonds	417.6	(8.6)	454.1	(2.7)
Federal Bonds	0.0	(315.6)	0.0	(352.4)
Derivatives	2.9	(0.5)	(1.7)	(1.6)
Totals	427.8	(324.7)	457.8	(356.7)

6. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2018 and 2017.

December 31, 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Equities long	9,049,081	-	39,100	9,088,181
Fixed income long	-	521,048,942	-	521,048,942
Derivatives	3,656,077	-	-	3,656,077
Total	12,705,158	521,048,942	39,100	533,793,200
Financial liabilities				
Equities sold short	-	-	-	-
Fixed income short	-	(404,468,928)	-	(404,468,928)
Derivatives	(343,561)	(272,036)	-	(615,597)
Total	(343,561)	(404,740,964)	-	(405,084,525)

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and December 31, 2017

December 31, 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities long	4,500,447	-	39,100	4,539,547
Fixed income long	-	383,529,638	-	383,529,638
Derivatives	34,575	-	-	34,575
Total	4,535,022	383,529,638	39,100	388,103,760
Financial liabilities				
Fixed income short	-	(299,876,353)	-	(299,876,353)
Derivatives	(1,450,249)	(1,329,514)	-	(2,779,763)
Total	(1,450,249)	(301,205,867)	-	(302,656,116)

All fair value measurements above are recurring. 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.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. This includes private and illiquid securities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, the Manager has used its best judgment to derive the fair value.

The following table presents the movement in Level 3 instruments for the years ended December 31, 2018 and 2017 by class of financial instrument:

	Equities	
	December 31, 2018 \$	December 31, 2017 \$
Opening balance	39,100	-
Net purchases and sales	-	39,100
Net transfers in (out)	-	-
Realized gain (loss)	-	-
Unrealized gain (loss)	-	-
Closing balance	39,100	39,100

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2018, (2017; \$nil)

a) 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.

December 31, 2018

Security Name	Currency	Quantity	Average Cost \$	Fair Value \$
Trident Exploration Corp.	CAD	133,963	39,100	39,100

December 31, 2017

Security Name	Currency	Quantity	Average Cost \$	Fair Value \$
Trident Exploration Corp.	CAD	133,963	39,100	39,100

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and December 31, 2017

The Fund values these instruments based on cost as there is lack of market data throughout the year. The Fund also considers other liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary. The change in valuation disclosed in the below table shows the direction an increase or decrease in the respective input variables would have on the valuation result.

Description	Value \$	Valuation Technique	Unobservable inputs	Weighted average input %	Reasonable possible shift (+/-) %	Change in valuation (+/-) \$
Equities – Private companies	39,100	Cost with adjustments	Probability of Bankruptcy	-	10.0	4,000

b) Bonds

The 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.

c) Derivative assets and liabilities

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.

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 December 31, 2018 and 2017. 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.

December 31, 2018	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	3,643,530	-	3,643,530	(515,984)	-	3,127,546
Counterparty 2	11,857	-	11,857	(11,857)	-	-
Counterparty 3	690	-	690	(690)	-	-
Financial liabilities:						
Counterparty 1	(515,984)	-	(515,984)	515,984	-	-
Counterparty 2	(92,421)	-	(92,421)	11,857	80,564	-
Counterparty 3	(7,192)	-	(7,192)	690	-	(6,502)

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and December 31, 2017

December 31, 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	32,979	-	32,979	(32,979)	-	-
Counterparty 2	-	-	-	-	-	-
Counterparty 3	-	-	-	-	-	-
Financial liabilities:						
Counterparty 1	(2,738,205)	-	(2,738,205)	32,979	2,705,226	-
Counterparty 2	(41,559)	-	(41,559)	-	-	(41,559)
Counterparty 3	-	-	-	-	-	-

8. REDEEMABLE UNITS

During the years ended December 31, 2018 and 2017, the number of units issued, redeemed and outstanding was as follows: 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.

December 31, 2018	Redeemable units outstanding at beginning of year	Redeemable units issued	Redeemable units issued on reinvestments	Redeemable units redeemed	Redeemable units issued and outstanding at end of year
Units	8,894,356	4,755,472	-	-	13,649,828

December 31, 2017	Redeemable units outstanding at beginning of year	Redeemable units issued	Redeemable units issued on reinvestments	Redeemable units redeemed	Redeemable units issued and outstanding at end of year
Units	4,861,877	4,032,479	-	-	8,894,356

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 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 years ended December 31, 2018 and December 31, 2017, the Manager earned \$nil in Performance Fees (2017: \$216,061).

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

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and December 31, 2017

As at December 31, 2018, included in other liabilities are amounts owing to the Manager relating to management fees of \$133,196 (excluding HST) (2017: \$89,991) and performance fees of \$nil (2017: \$431,335). 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 \$21,312 (2017: \$23,356).

b) Related Party Unit Holdings

Unitholders who represent the Manager or Directors of the Manager of the fund held the following units:

	December 31, 2018	December 31, 2017
Units	1,000	-

10. BROKERAGE COMMISSIONS

Total commissions paid to dealers for the year ended December 31, 2018 in connection with portfolio transactions were \$11,033 (2017: \$2,988).

11. 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 Statements of Financial Position as a deferred income tax asset. As at December 31, 2018 the Fund had \$206,870 of unused non-capital losses which expire no earlier than 2032 and \$nil unused allowable capital losses.

12. REDEMPTION

Unitholders may redeem their units annually during the period from April 15th until 5:00 p.m. (Toronto time) on the 10th business day in May of each year (the "Notice Period"). Units properly surrendered for redemption during the Notice Period will be redeemed on the last business day in May 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 May (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, subject to the Fund's right to suspend redemptions in certain circumstances. 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. Any declared and unpaid distributions payable on or before a Monthly Redemption Date in respect of units tendered from redemption on such Month Redemption Date will also be paid on the Redemption Payment Date.

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 Statements of Comprehensive Income (Loss).

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

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2018 and 2017 is calculated as follows:

	December 31, 2018	December 31, 2017
Increase (decrease) in net assets attributable to holders of redeemable units	\$659,321	\$3,658,985
Weighted average units outstanding during the year	11,625,802	6,526,379
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$0.06	\$0.56

EAST COAST INVESTMENT GRADE INCOME FUND

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

For the years ended December 31, 2018 and December 31, 2017

14. REVISION OF COMPARATIVE FIGURES

For the year ended December 31, 2017, "Unrealized foreign exchange (gain) loss on cash and cash equivalents" and "Unrealized foreign exchange (gain) loss" disclosed in the Statements of Cash Flows has been revised to exclude the unrealized foreign exchange gain (loss) on margin deposits and margin loans and unrealized foreign exchange (gain) loss on margin deposits and margin loans. The reclassified amounts for the Fund was \$123,852. This change was made to more appropriately reflect the balance relating to the cash and cash equivalents held by the Fund.

15. SUBSEQUENT EVENT

Effective January 3, 2019, the Canadian Securities Administrators (the "CSA") put into force new rules regulating non-redeemable investment funds. The Rules contain transitional rules that exempt the Fund from certain portions of Part 2 of NI 81-102 relating to permitted investments, which will allow the Fund to continue to operate as it has for the past seven years. Absent exemptive relief from the CSA, if the Manager decides after May 2019 to renew the short form base shelf prospectus of the Fund dated April 25, 2017 certain operational changes to the Fund will have to be made to comply with the Rules. 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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 27, 2019

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

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

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

"James L. McGovern"

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

"Robert W. Maxwell"

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



Independent auditor's report

To the Unitholders and Trustee of
East Coast Investment Grade Income Fund (the Fund)

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Fund's financial statements comprise:

- the statements of financial position as at December 31, 2018 and 2017;
 - the statements of comprehensive income (loss) for the years then ended;
 - the statements of changes in net assets attributable to holders of redeemable units for the years then ended;
 - the statements of cash flows for the years then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
-

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance.

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Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Steven Wilson.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 27, 2019

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