

Management Report of Fund Performance

This management report of fund performance contains financial highlights but does not contain the complete audited financial statements for East Coast Investment Grade Income Fund (the "Fund"). If you have not received a copy of the audited annual financial statements with the management report of fund performance, you may obtain a copy of the audited annual financial statements, at no cost, by calling 1-877-327-6048 or by sending a request to Arrow Capital Management Inc. (the "Manager"), 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5, or by visiting our website at www.arrow-capital.com or SEDAR at www.sedar.com.

Unitholders may also contact us by using one of these methods to request a copy of the Fund's semi-annual financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

The Fund

The Fund is a closed-end investment trust managed by the Manager. The units of the Fund trade on the Toronto Stock Exchange ("TSX") under the symbol ECF.UN. East Coast Fund Management Inc. (the "Portfolio Advisor"), is the portfolio advisor of the Fund.

Forward-Looking Information

This Management Report of Fund Performance contains forward-looking information and statements relating, but not limited to, anticipated or prospective financial performance and results of operations of the Fund. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. For this purpose, any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking information. Without limiting the foregoing, the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "projects", and similar expressions are intended to identify forward-looking information.

Although the Fund believes it has a reasonable basis for making the forecasts or projections included in this Management Report of Fund Performance, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, the forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, those associated with the performance of the equity securities market, expectations about interest rates and factors incorporated by reference herein as risk factors.

The above list of important factors affecting forward-looking information is not exhaustive, and reference should be made to the other risks discussed in the Fund's filings with Canadian securities regulatory authorities. The forward-looking information is given as of the date of this Management Report of Fund Performance, and the Fund undertakes no obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Investment Objectives and Strategies

The Fund's investment objectives are to provide unitholders with attractive monthly, tax-advantaged cash distributions, while preserving capital through an actively managed, diversified portfolio of investment grade debt securities 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 portfolio consists primarily of corporate investment grade debt securities and government bonds. Distributions are targeted to be \$0.04 per month per unit.

Risks

Risks associated with an investment in the units of the Fund are discussed in the Fund's prospectus dated April 26, 2012 (the "Prospectus"), which is available on the Fund's website at www.arrow-capital.com or on SEDAR at www.sedar.com. There were no changes to the Fund over the year that materially affected the risks associated with an investment in the units of the Fund.

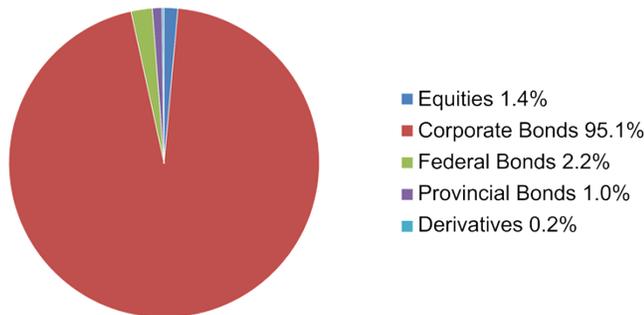
Results of Operations

Investment Portfolio

As of June 30, 2019, the Fund's portfolio included a total of 114 [December 31, 2018 – 105] corporate investment grade debt securities held both long and short, the net representing approximately 343.3% [December 31, 2018 – 409%] of the net assets of the Fund.

As part of its investment strategy, the Fund sells government bonds short and invests its proceeds in corporate investment grade debt securities. Incorporating short sales also enhances the portfolio yield and allows the Fund to offset some or all of the interest rate risk on that portion of the portfolio. As at June 30, 2019, the Fund had \$329.4 million [December 31, 2018 - \$404.5 million] fixed income short positions and a related unrealized loss of \$5.6 million [December 31, 2018 - \$6.6 million unrealized gain] from short sales.

The breakdown of the portfolio by industry is shown in the accompanying pie chart. A detailed listing of Fund's security holdings is provided in the financial statements.



During the period, the Fund generated net realized and unrealized gain of \$2.7 million [December 31, 2018 – Loss of \$4.5 million], including net realized and unrealized gains from derivatives of \$2.7 million [December 31, 2018 – gains of \$3.0 million].

Revenues, Expenses and Distributions

The Fund earned interest income of \$0.35 per unit during the period including interest expense on short sales. Total expenses of the Fund for the period were \$0.17 per unit including security borrowing expenses of \$0.05 per unit. During the period ended June 30, 2019, The Fund declared monthly cash distributions to unitholders through the year at the targeted monthly rate of \$0.04 [December 31, 2018 - \$0.04], which totaled \$0.24 per unit for the period [December 31, 2018 - \$0.60].

Net Asset Value

The Net Asset Value of the Fund is dependent upon the performance of the Fund's portfolio. The aggregate Net Asset Value of the Fund as at June 30, 2019 was \$121.3 million, down from \$124.8 million at December 31, 2018. During the period, the Net Asset Value per unit decreased by \$0.14, from \$9.14 at December 31, 2018 to \$9.28 as at June 30, 2019 [December 31, 2018 - decrease of \$0.35 from \$9.49 to \$9.41]. There were distributions to unitholders of \$3.25 million during the period.

Liquidity

To provide liquidity for unitholders, units of the Fund are listed on the TSX under the symbol ECF.UN. During the period, units of the Fund traded at an average discount to their Net Asset Value per unit of (1.9%) [December 31, 2018 – premium of 2.4%]. Investors may also redeem their units in accordance with the Fund's redemption provisions.

Redemption

The Fund had redemptions during the period of \$5.3 million [December 31, 2018 - \$nil million].

Related Party Transactions

Related party transactions consist of services provided by the Manager pursuant to a management agreement. See the Management Fees section below.

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. 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 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 5.3%.

The performance fee shall 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 will pay a Performance Fee in respect of any redeemed units of the Fund (the "Semi-annual Performance Fee"). The Semi-annual Performance Fees shall be payable on the applicable redemption date. For any partial fiscal year, including with respect to Semi-annual Performance Fees the hurdle rate will be pro-rated. During the period ended June 30, 2019, the Manager earned \$523,964 in Performance Fees (December 31, 2018: \$nil).

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

As at June 30, 2019, included in other liabilities are amounts owing to the Manager relating to management fees of \$119,632 (excluding HST) (December 31, 2018: \$133,196). 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 \$26,797 (December 31, 2018: \$21,312).

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance. This information is derived from the Fund's unaudited semi-annual financial statements. The information in the following tables is presented in accordance with National Instrument ("NI") 81-106 and, as a result, does not act as a continuity of opening and closing Net Assets per unit. The increase (decrease) in Net Assets from operations is based on average units outstanding during the period, and all other numbers are based on actual units outstanding at the relevant point in time.

Net Assets per Unit					
For the period ended June 30, 2019 and for the years ended December 31,					
	2019	2018	2017	2016	2015
	\$	\$	\$	\$	\$
Net Assets per unit, beginning of period / year⁽¹⁾	9.14	9.49	9.48	9.15	10.30
Increase (decrease) from operations:⁽¹⁾					
Total revenue	0.35	0.72	0.60	-	-
Total expenses	(0.35)	(0.27)	(0.29)	(0.08)	(0.09)
Realized gains	0.06	0.08	1.13	0.16	0.23
Unrealized gains	0.13	(0.47)	(0.87)	0.84	(0.63)
Total increase (decrease) in Net Assets from operations⁽¹⁾	0.19	0.06	0.57	0.92	(0.49)
Distributions to unitholders:⁽¹⁾					
Return of capital	(0.24)	(0.48)	(0.60)	(0.60)	(0.60)
Total distributions to unitholders⁽²⁾	(0.24)	(0.48)	(0.60)	(0.60)	(0.60)
Net Assets per unit, end of period / year⁽¹⁾	9.28	9.14	9.49	9.48	9.15

(1) The net assets per unit shown for December 31, 2018, December 31, 2017, December 31, 2016, December 31, 2015 and December 31, 2014 are referenced to net assets attributable to holders of redeemable units determined in accordance with IFRS and are derived from the Fund's audited annual financial statements. The net assets per unit shown for prior years are referenced to Net Assets determined in accordance with Canadian generally accepted accounting principles ("GAAP") and are derived from the Fund's audited annual financial statements. The Net Assets presented in the audited annual financial statements may differ from the NAV calculated for fund pricing purposes. NAV is calculated using fair value measures as defined by National Instrument 81-106 ("NI 81-106"), whereas Net Assets are calculated in accordance with IFRS/GAAP. An explanation of these differences can be found in the notes to the audited annual financial statements. Net Assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time. The

increase/decrease from operations is based on the weighted average number of units outstanding over the financial year. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

(2) Distributions were paid in cash.

Ratios and Supplemental Data (Based on Net Asset Value)					
For the period ended June 30, 2019 and for the years ended December 31,					
	2019	2018	2017	2016	2015
	\$	\$	\$	\$	\$
Net Asset Value (in 000s)	\$121,330	\$124,767	\$84,450	\$46,090	\$50,039
Number of units outstanding (in 000s)	13,073	13,649	8,894	4,862	5,470
Management expense ratio ("MER") ⁽¹⁾	1.25%	1.66%	2.20%	3.85%	2.20%
Trading expense ratio ⁽²⁾	0.58%	1.24%	0.84%	1.07%	0.72%
Portfolio turnover rate ⁽³⁾	414.83%	390.09%	294.30%	434.36%	175.94%
Net Asset Value per unit	\$9.28	\$9.14	\$9.49	\$9.48	\$9.15
Closing market price	\$9.25	\$9.00	\$10.06	\$9.50	\$8.45

*Ratios have been annualized

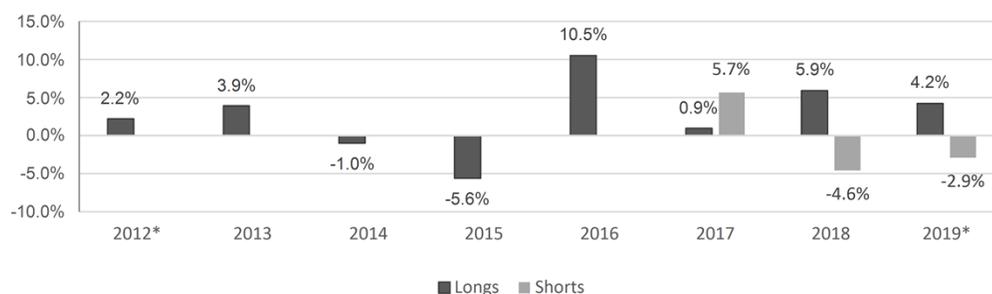
- MER is based on the requirements of NI 81-106 and includes the total expenses (excluding commissions, margin interest, security borrowing costs, and other portfolio transaction costs) of the Fund and Underlying Fund for the stated year, including issuance costs, and is expressed as an annualized percentage of the average Net Asset Value of the year.
- The trading expense ratio represents total commissions, margin interest, and security borrowing costs of the Fund and Underlying Fund expressed as an annualized percentage of the daily average Net Asset Value of the Fund during the year.
- The Fund's portfolio turnover rate indicates how actively the Fund's Portfolio Advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rates in a year, the greater the trading costs payable by the Fund in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities of Fund or Underlying Fund for the year, excluding cash and short-term investments maturing in less than one year, by the average market value of investments of Fund or Underlying Fund during the year.

Past Performance

The following chart and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on Net Asset Value per unit and assumes that distributions made by the Fund on its units in the year shown were reinvested (at Net Asset Value per unit) in additional units of the Fund.

The bar chart shows the Fund's overall total return for each year since inception. The chart shows, in percentage terms, how an investment held on the first day of the fiscal year would have changed by the last day of the fiscal year.

Year-by-year Returns



* Represents partial year

Annual Compound Returns

The following table shows the Fund's return for the year indicated, compared with the FTSE TMX Canada Universe Bond Index.

The benchmark index is calculated without the deduction of fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

The following table shows the compound total returns of the Fund for the period ended June 30, 2019.

	1 Year %	3 Years %	5 Years %	Annualized Since Inception ⁽¹⁾ %
East Coast Investment Grade Income Fund	3.46	5.86	2.58	2.98
FTSE TMX Canada Universe Bond	7.37	2.66	3.88	3.72

(1) Year from May 18, 2012 (commencement of operations) to June 30, 2019.

Summary of Investment Portfolio as at June 30, 2019

The summary of investment portfolio below includes information regarding the Fund as a whole. This summary may change due to ongoing portfolio transactions of the Fund and a quarterly update is available by contacting Arrow at 877.327.6048 or by visiting Arrow's website at www.arrow-capital.com.

Industry Sector	Exposure		Industry Sector	% of Net Asset Value
	Long (%)	Short (%)		
Corporate Bonds	352.8	(9.5)	Long Positions	
Derivatives	0.9	(0.8)	Merrill Lynch & Co. Inc. 2.93% 05/20/2022	21.7
Equities	5.3	-	Ford Credit Canada Co. 2.81% 09/21/2020	12.7
Federal Bonds	8.2	(258.3)	Cash and Cash Equivalents	10.4
Provincial Bonds	-	(3.7)	Manulife Financial Capital Trust II, Series '1' 7.41% 12/31/2108	10.0
Cash and Cash Equivalents	10.4	-	Manulife Bank of Canada 2.2% 01/27/2020	9.9
Other Net Assets	-	(5.3)	Goldman Sachs Group Inc. (The) 2.43% 04/26/2023	9.6
Total	377.6	(277.6)	Canadian Imperial Bank of Commerce 3.1% 04/02/2024	9.3
			AT&T Inc. 3.83% 11/25/2020	8.4
			Metropolitan Life Global Funding 3.03% 06/11/2020	8.3
			Choice Properties L.P., Series '9' 3.6% 09/20/2021	7.9
			Wells Fargo & Co. 3.18% 02/08/2024	7.4
			Canadian Natural Resources Ltd. Series '2' 2.89% 08/14/2020	7.1
			Citigroup Inc. 3.39% 11/18/2021	6.9
			Total long positions	129.6
			Short Positions	
			Government of Canada 0.75% 09/01/2020	(40.8)
			Government of Canada 1.0% 06/01/2027	(40.4)
			Government of Canada 0.75% 09/01/2021	(29.0)
			Government of Canada 1.5% 06/01/2023	(21.8)
			Government of Canada 2.0% 09/01/2023	(17.8)
			Government of Canada 0.75% 03/01/2021	(17.8)
			Government of Canada 3.25% 06/01/2021	(15.8)
			Government of Canada 0.5% 03/01/2022	(14.8)
			Government of Canada 2.75% 06/01/2022	(14.0)
			Government of Canada, Series 'J546' 2.25% 03/01/2024	(8.1)
			United States Treasury Bond 2.25% 04/30/2024	(7.1)
			Government of Canada 2.5% 06/01/2024	(6.9)
			Total short positions	(234.3)
			Total (%)	(104.7)
			Total Net Asset Value (in \$millions)	121.3

The summary of investment portfolio may change due to ongoing portfolio transactions. A quarterly update is available.

Portfolio Advisor

East Coast Fund Management Inc. ("ECFMI"), incorporated under Business Corporations Act (Ontario) on June 22, 2009, is the portfolio advisor of the Fund. ECFMI is responsible for all portfolio advisory and investment management services that are provided to the Fund.

Portfolio Advisor Report

For the period ended June 30, 2019

Results of Operations

Credit spreads tightened 35bps in the first half of 2019 as all Q4 2018 concerns were all but forgotten and interest rates staged their biggest rally in years. Canadian and U.S. credit spreads are currently trading at their most expensive levels in 2019 and interest rate curves remain inverted. It is rare that both risk and safe haven assets rally at the same time, but one could argue we are in 'rare' times. Markets are pricing in multiple rate cuts and any further QE or stimulus would be supportive of these market's government bond yields. At the same time, if Central Bank actions are seen as being able to prevent economic slowdown from turning into a recession or sustained economic downturn, this would be positive for risk assets as well. The expectation that Global CBs will save the [economic] day, and provide the stimulus needed to keep economic expansion going, can do more harm than good. The Bank of International Settlements recently reminded us that "zero rates and quantitative easing (QE) alone cannot deliver genuine growth". With equities still frothing at all-time highs, it appears market participants are almost entirely basing valuation on the belief that Central Bank action can save the day. We aren't convinced.

Risk premiums remain extremely tight (expensive) as investors scramble for yield. With all-in corporate bonds yielding their most expensive levels in years, traditional fund managers continue to purchase longer dated or lower credit quality credit to try and provide investors with return. Our PMs are much more focused on being defensive. Our more conservatively positioned portfolio is focused on short dated, Canadian investment grade credit. With risk premiums at their 5yr tight (when comparing BBB to BB rated credits), investors are not being compensated for the additional risk associated with these holdings. We are not looking to add outsized risk here – in this environment, we aim to extract value from the steepest part of the credit curve where yield and roll down provide outsized compensation to our investors.

Corporate supply has been slow to start 2019 but picked up in Q2. We still remain behind 2018 supply YTD but issuance may be picking up - June had the largest issuance month in over 10yrs. Our core portfolio is always exposed to credit spreads and, as such, if spreads widen, the core holdings suffer a mark to market loss. We expect spreads will likely widen (weaken) by year end; however, our defensive positioning should help our fund offset some of the weakness if/as/when spread widening occurs.