

EAST COAST INVESTMENT GRADE INCOME FUND

MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2017

Management Report of Fund Performance

This semi-annual management report of fund performance contains financial highlights but does not contain the complete unaudited semi-annual financial statements for East Coast Investment Grade Income Fund (the "Fund"). If you have not received a copy of the unaudited semi-annual financial statements with the management report of fund performance, you may obtain a copy of the unaudited semi-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.

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 \$0.05 per month per unit.

Prior to April 17, 2017, the Fund achieved its investment objective by obtaining exposure to ECIGIF Trust (the "Underlying Fund") which invests in a broad range of public and private corporate debt securities. The Manager of the Underlying Fund is Arrow Capital Management Inc. (the "Manager"). East Coast Fund Management Inc. (the "Portfolio Advisor"), is the portfolio advisor of the Underlying Fund. On April 17, 2017, the Fund 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.

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, 2017, the Fund's portfolio included a total of 72 [December 31, 2016 – 63] corporate investment grade debt securities held both long and short, the net representing approximately 329.3% [December 31, 2016 – 368.3%] of the net assets of the Fund and Underlying Fund, respectively.

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, 2017, the Fund had \$148.3 million [December 31, 2016 - \$136.3 million] fixed income short positions and a related unrealized gain of \$1.8 million [December 31, 2016 - \$1.5 million unrealized gain] from short sales.

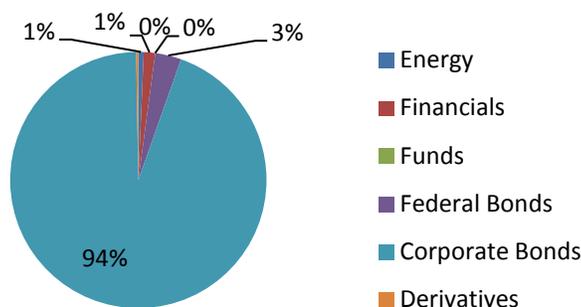
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The breakdown of the portfolio by industry is shown in the accompanying pie chart. A detailed listing of Fund's security holdings is provided in the financial statements.

Portfolio Sectors



During the period, the Fund generated net realized and unrealized gains of \$1.6 million [December 31, 2016 – \$4.3 million], including net realized and unrealized gains from derivatives of \$nil million [December 31, 2016 - \$1.9 million].

Revenues, Expenses and Distributions

The Fund earned interest income of \$0.16 per unit during the period including interest expense on short sales. Total expenses of the Fund for the year were \$0.11 per unit including security borrowing expenses of \$0.02 per unit. During the period ended June 30, 2017, The Fund declared monthly cash distributions to unitholders through the period at the targeted monthly rate of \$0.05 [June 30, 2016 - \$0.05], which totaled \$0.30 per unit for the period [June 30, 2016 - \$0.30].

Prior to April 17, 2017, through the Forward agreement, the Fund participates in interest income and other revenues earned by ECIGIF Trust and expenses of ECIGIF Trust. ECIGIF Trust earned interest income of \$0.43 per Fund unit during the period ended June 30, 2016 (June 30, 2016 \$0.61). Total combined expenses, of the Fund and ECIGIF Trust for the period ended June 30, 2017 were \$0.21 per Fund unit (June 30, 2016 \$0.22).

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, 2017 was \$61.4 million, up from \$46.1 million at December 31, 2016. During the period, the Net Asset Value per unit increased by \$0.06, from \$9.48 at December 31, 2016 to \$9.54 as at June 30, 2017 [December 31, 2016 - increase of \$0.33 from \$9.15 to \$9.48]. There were distributions to unitholders of \$1.6 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 (1.0%) [December 31, 2016 – discount of (7.3%)]. Investors may also redeem their units in accordance with the Fund's redemption provisions.

Redemption

The Fund had redemptions during the period of \$15.1 million [June 30, 2016 - \$nil].

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Recent Developments

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.

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 changed 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 calculate 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 pay a Performance Fee in respect of any redeemed units of the Fund (the "Interim Performance Fee"). The Interim Performance Fees shall be payable on the applicable redemption date. For any partial fiscal year, including with respect to Interim Performance Fees the hurdle rate will be pro-rated. During the period ended June 30, 2017, the Manager earned \$207,415 in Performance Fees (including performance fees earned by the Underlying Fund (December 31, 2016: \$nil).

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

As at June 30, 2017, included in other liabilities are amounts owing to the Manager relating to management fees of \$63,146 (excluding HST) (December 31, 2016: \$9,749). Also included in other liabilities are amounts owing to the Manager for administration expenses paid on behalf of the Fund by the Manager in the amount of \$17,125 (December 31, 2016: \$8,814).

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 audited 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 year, and all other numbers are based on actual units outstanding at the relevant point in time.

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Net Assets per Unit					
For the period/years ended December 31,	2017	2016	2015	2014	2013
	\$	\$	\$	\$	\$
Net Assets per unit, beginning of year / period ⁽¹⁾	9.48	9.15	10.30	11.00	11.18
Increase (decrease) from operations ⁽¹⁾					
Total revenue	0.16	-	-	-	-
Total expenses	(0.11)	(0.08)	(0.09)	(0.10)	(0.10)
Realized gains	1.41	0.16	0.23	0.16	0.12
Unrealized gains	(1.10)	0.84	(0.63)	(0.15)	0.41
Total increase (decrease) in Net Assets from operations ⁽¹⁾	0.36	0.92	(0.49)	(0.09)	0.43
Distributions to unitholders ⁽¹⁾					
Return of capital	(0.30)	(0.60)	(0.60)	(0.60)	(0.60)
Total distributions to unitholders ⁽¹⁾	(0.30)	(0.60)	(0.60)	(0.60)	(0.60)
Net Assets per unit, end of year / period ^{(1) (3)}	9.54	9.48	9.15	10.30	11.00

(1) The net assets per unit shown for June 30, 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"), where as 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 years / period ended December 31,	2017	2016	2015	2014	2013
Net Asset Value (in 000s)	\$61,391	\$46,090	\$50,039	\$94,655	\$113,340
Number of units outstanding (in 000s)	6,435	4,862	5,470	9,186	10,302
Management expense ratio ("MER") ⁽¹⁾	1.94%	3.85%	2.20%	2.15%	2.19%
Trading expense ratio ⁽²⁾	0.39%	1.07%	0.72%	0.42%	0.35%
Portfolio turnover rate ⁽³⁾	186.2%	434.36%	175.94%	137.74%	106.2%
Net Asset Value per unit	\$9.54	\$9.48	\$9.15	\$10.30	\$11.00
Closing market price	\$9.82	\$9.50	\$8.45	\$9.95	\$10.66

*Ratios have been annualized

- (1) 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 period, including issuance costs, and is expressed as an annualized percentage of the average Net Asset Value of the period.
- (2) 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 period.
- (3) 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 rate 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

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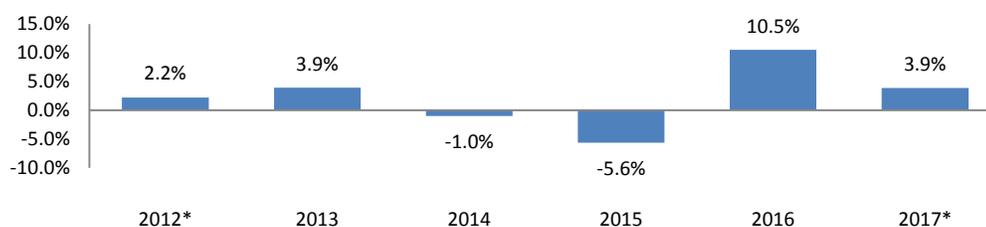
of the cost of purchases and the proceeds of sales of portfolio securities of Fund or Underlying Fund for the period, excluding cash and short-term investments maturing in less than one year, by the average market value of investments of Fund or Underlying Fund during the period.

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 period 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 period since inception. The chart shows, in percentage terms, how an investment held on the first day of the fiscal period would have changed by the last day of the fiscal period.

Year-by-Year Returns



* Represents partial year

The following table shows the Fund's return for the period 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.

Annual Compound Returns

The following table shows the annual compound total returns of the Fund, for the periods shown ended June 30, 2017.

	1 Year %	3 Years %	5 Years %	Annualized Since Inception ⁽¹⁾ %
East Coast Investment Grade Income Fund	9.43	1.57	2.62	2.54
FTSE TMX Canada All Corporate Bond Index	0.02	3.79	3.29	3.60

(1) Period from May 18, 2012 (commencement of operations) to June 30, 2017.

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Summary of Investment Portfolio

Top 25 Holdings		Portfolio Composition	
Security Name	% of Net Asset Value		% of Net Asset Value
Long Positions		Industry Sector	
The Bank of Nova Scotia	32.5	Corporate Bonds	348.2
Canadian Imperial Bank of Commerce	13.4	Federal Bonds	12.2
AT&T Inc.	10.9	Energy	2.5
Enbridge	10.5	Financials	5.3
General Motors Financial of Canada, Ltd.	10.4	Funds	0.0
Ford Credit Canada Company	10.1	Derivatives	1.0
Aon Finance N.S. 1, ULC	10.0	Total Long Positions	369.3
The Bank of Nova Scotia	9.2	Corporate Bonds	(7.4)
Union Gas Limited	9.2	Federal Bonds	(240.6)
TD Bank, National Association(2)	8.7	Derivatives	(1.0)
Enbridge	8.5	Total Short Positions	(249.0)
Inter Pipeline Ltd.	8.3		
Bank of Montreal(2)	8.1		
Central 1 Credit Union	7.8		
Shaw Communications Inc.	7.7		
Total	165.3	Credit Rating	
		AAA	7.3
		AA	10.5
		A	20.2
		BBB	47.5
		Below BBB	0.4
		Not Rated	14.2
		Total	100.0
Short Positions			
Canadian Government Bond 3.5% 1Jun20	(35.2)		
Canadian Government Bond 0.75% 1Sep20	(34.5)		
Canadian Government Bond 1.50% 1Mar20	(34.4)		
Canadian Government Bond 1.75% 1Sep19	(23.0)		
Canadian Government Bond 0.50% 1Mar 22	(22.4)		
Canadian Government Bond 2.75% 1Jun22	(21.3)		
Cash and Cash Equivalents	(15.9)		
Canadian Government Bond 2.50% 1Jun24	(14.5)		
Canadian Government Bond 1.25% 1Sep18	(13.8)		
Canadian Government Bond 3.75% 1Jun19	(10.7)		
Total Short Positions	(225.7)		
Total	(75.2)		
Total Net Asset Value (in \$millions)	61.4		

The Summary of Investment Portfolio may change due to ongoing portfolio transactions. A quarterly update is available.

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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

Investment Grade (IG) spreads in Canada narrowed 17bps and have remained resilient in the face of slowing equity markets and rising interest rates. Most of the narrowing occurred in the first month of the year and spreads have traded in a narrow range since mid-February. Because of this we have been able to earn strong returns early and have seen below average volatility in the Fund's performance. High Yield spreads continued to tighten which came as a surprise as we feel spreads on these bonds don't offer compensation for the risks but investors continued to bid on the high yielding asset class.

Interest rates were the big story in the first half of 2017. In Canada we saw the BoC change their tone on the appropriateness of interest rate hikes and 2-year rates moved up 36bps from the beginning of the year. 10-year rates in Canada were only up 4bps in the first six months ending the first half of the year at 1.76%. However, as recent as June 26th they were trading at 1.46%, with a dramatic 30bps move in the last few days of the month. The U.S. saw almost an exact same flattening of their yield curve with 2-year yields rising only 19bps while their 10-year yields fell 14bps. Although credit spreads are generally uncorrelated with movements in interest rates, a move higher in rates has been positive for investment grade credit spreads.

Oil has fallen 20% YTD which has had a drag on specific names. We have not had exposure to energy producers so we have not felt the impact of lower oil prices on our names. One of our best performing sectors however was Enbridge and TransCanada pipelines, which have long-term contracted revenue streams and are top-notch operators.

Over the last year we have outperformed long-only benchmarks due to security selection as well as our strategy of hedging underlying interest rates. Credit spreads are tighter than they were last year but still offer opportunities for active managers and we are excited about our performance in the first half of 2017 as well as our prospects for the rest of the year.

Forward-Looking Statements

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlook may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may," "will," "should," "could," "anticipate," "believe," "expect," "intend," "plan," "potential," "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based on what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof, and we assume no obligation to update or revise them to reflect new events or circumstances.