



ECIGIF TRUST

Management Report of Fund Performance
December 31, 2012

Experience. Intelligent Investing.

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2012

Management Report of Fund Performance

This annual management report of fund performance for ECIGIF Trust (the "Fund") contains financial highlights but does not contain the audited annual financial statements of the Fund. The audited annual financial statements follow this report. You may obtain a copy of the financial statements, at no cost, by calling 1-877-327-6048 or by sending a request to Arrow Capital Management Inc., 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 proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

In accordance with investment fund industry practice, all figures presented in this management report of fund performance, unless otherwise noted, are based on the Fund's calculation of its Net Asset Value, which is in accordance with the terms of the Fund's declaration of trust.

The Fund

ECIGIF Trust (the "Fund") is an investment trust managed by Arrow Capital Management Inc. (the "Manager"). East Coast Fund Management Inc. (the "Portfolio Advisor"), is the portfolio advisor for the Portfolio held by the Fund.

Investment Objectives and Strategies

The Fund's investment objectives are to provide unitholders with attractive 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.

Risks

Risks associated with an investment in the units of the Fund are discussed in the Fund's non-offering 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 period that materially affected the risks associated with an investment in the units of the Fund.

Results of Operations

Commencement of operations of the Fund was May 18, 2012, so there are no comparative periods for the period ended December 31, 2012.

Investment Portfolio

As of December 31, 2012, the Fund's portfolio included a total of 53 corporate investment grade debt securities, representing approximately 212% of the net assets of the Fund.

As part of its investment strategy, ECIGIF Trust 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. During the period ended December 31, 2012, ECIGIF Trust had \$148.8 million short positions of government bonds. During the period ended December 31, 2012, ECIGIF Trust had an unrealized gain of \$0.6 million from short sales.

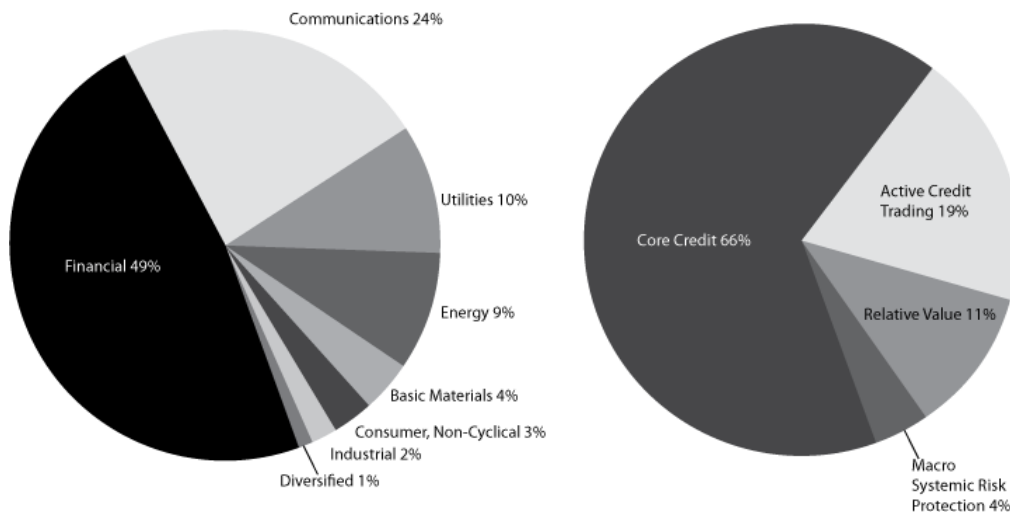
The breakdowns of the portfolio by industry and investment strategy are shown in the accompanying pie charts, and a detailed listing of ECIGIF Trust's security holdings is provided in the financial statements.

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2012

Portfolio Sectors



During the period from inception to December 31, 2012, ECIGIF Trust's portfolio generated net realized and unrealized gains of \$0.2 million, including net realized and unrealized losses from derivatives of \$0.6 million.

Revenues, Expenses and Distributions

The Fund earned interest income of \$0.43 per unit in the period ended December 31, 2012, during which time the Portfolio Advisor was investing the proceeds from the IPO. Total expenses of the Fund for the period ended December 31, 2012 were \$0.17 per unit, including interest expense on short sales and security borrowing expenses of \$0.07 per unit. During the period ended December 31, 2012, the Fund declared distributions to unitholders which totaled \$0.37 per unit.

Net Asset Value

During the period, the Net Asset Value per unit increased slightly, by \$0.13, from \$12.00 at inception to \$12.13 as at December 31, 2012. The aggregate Net Asset Value of the Fund as at December 31, 2012 was \$130.4 million.

Recent Developments

Initial Public Offering and Closings

The Fund commenced operations on May 12, 2012 and issued units for net proceeds of \$129.0 million.

Future Accounting Changes

At the December 12, 2011 meeting, the Canadian Accounting Standards Board (AcSB) decided to extend the mandatory International Financial Reporting Standards (IFRS) changeover date for Canadian investment companies by an additional year. This is the third such deferral for investment companies. Accordingly, the new mandatory IFRS changeover date for these entities is January 1, 2014.

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2012

Related Party Transactions

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

Management and Performance Fees

Pursuant to a management agreement, the Manager provides management and administrative services to the Fund and for paying the fees of the Portfolio Advisor. The Fund pays management fees equal to 1.00% per annum of the Net Asset Value of the Fund, plus applicable taxes. The management fees from the Fund are used by the Manager to cover its costs for its services in connection with the management of the Fund, the cost of the Portfolio Advisor and for profit.

The Manager is also entitled to receive from the Fund an annual Performance Fee 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 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 concurrently 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. As at December 31, 2012, the Manager did not earn any Performance Fee.

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

Net Assets per Unit⁽¹⁾

Period Ended December 31, 2012 ⁽²⁾	
Net Assets per unit, beginning of period⁽³⁾	\$12.00
Increase (decrease) from operations⁽⁴⁾	
Total revenue	0.43
Total expenses	(0.17)
Realized gains	0.02
Unrealized gains	0.01
Total increase (decrease) in Net Assets from operations	\$0.29
Distributions to unitholders⁽³⁾	
From net investment income	(\$0.37)
Total distributions to unitholders	(\$0.37)⁽⁵⁾
Net Assets per unit, end of period⁽³⁾	\$12.06

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2012

(1) This information is derived from the Fund's audited annual financial statements. The Net Assets per unit presented in the financial statements differs from the Net Asset Value per unit calculated for daily Net Asset Value purposes. The difference is primarily a result of investments being valued at bid prices for financial statement purposes and closing prices for daily Net Asset Value purposes.

(2) Period from May 18, 2012 (commencement of operations) to December 31, 2012.

(3) Net Assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time.

(4) The increase (decrease) in Net Assets from operations per unit is based on the weighted average number of units outstanding over the fiscal period.

(5) A year end distribution of \$1,360,424/\$0.13 per unit was reinvested and the units were immediately consolidated so that the number of units outstanding equaled the number of units outstanding immediately prior to the distribution.

Ratios and Supplemental Data (Based on Net Asset Value)

As at December 31, 2012 ⁽¹⁾	
Net Asset Value (in 000s)	\$129,613
Number of units outstanding (in 000s)	10,750
Management expense ratio ("MER") ⁽²⁾	1.26%
Trading expense ratio ⁽³⁾	0.96%
Portfolio turnover rate ⁽⁴⁾	155.7%
Net Asset Value per unit	\$12.13

(1) Period from May 18, 2012 (commencement of operations) to December 31, 2012.

(2) MER is based on the requirements of NI 81-106 and includes the total expenses (excluding commissions and other portfolio transaction costs) of the Fund for the stated period, including interest expense and issuance costs, and is expressed as an annualized percentage of the average Net Asset Value of the period. Please see the Expense Ratio section following this table for further discussion of the calculation.

(3) The trading expense ratio represents total commissions, cost of borrowing expenses and interest expenses on short sale, expressed as an annualized percentage of daily average Net Asset Value of the Fund during the period.

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

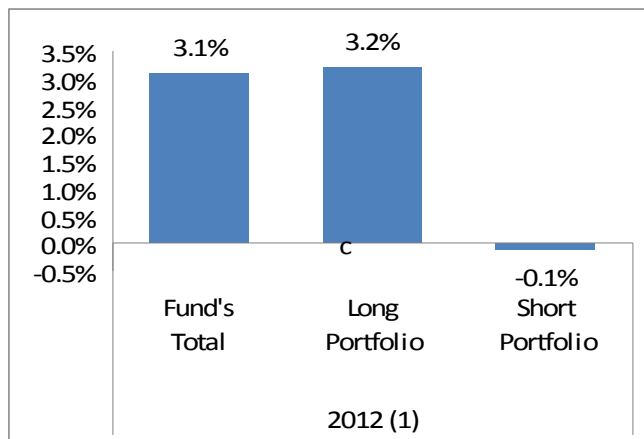
The bar chart shows the Fund's overall total return and the total return for long portfolio positions and short portfolio positions for the period since inception to December 31, 2012. The chart shows, in percentage terms, how an investment held on the first day of the fiscal period would have changed by the last day of the fiscal period.

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2012

Year-by-Year Returns



(1) Period from May 18, 2012 (commencement of operations) to December 31, 2012.

The following table shows the Fund's compound return for the period indicated, compared with the DEX Universe All Corporate Bond Index (PC-Bond).

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

	Period Ended December 31, 2012 ⁽¹⁾
ECIGIF Trust	3.1%
DEX Universe All Corporate Bond Index (PC-Bond)	5.6%

(1) Period from May 18, 2012 (commencement of operations) to December 31, 2012.

In the period ended December 31, 2012, the Fund provided a positive return of 3.1%, even after taking into account the administration costs of the Fund. This underperformance against the DEX Universe All Corporate Bond Index can be attributed to the 10 week ramp up period to getting the fund fully invested following the IPO. A fairer comparison would be from September onwards when the trust was fully invested. In this four month period ECIGIF Trust out performed the DEX Universe All Corporate Bond Index with a return of 2.43% net of fees and administration costs vs. DEX Universe return of 1.68% before fees and administration costs.

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2012

Summary of Investment Portfolio

As at December 31, 2012

Portfolio Composition	
Industry Sector	% of Net Asset Value
Financial	103.6%
Communications	50.5%
Utilities	20.8%
Energy	18.3%
Basic Materials	7.6%
Consumer, Non-cyclical	5.6%
Industrial	4.4%
Diversified	1.4%
Government	-114.8%
Cash and Cash Equivalents	0.9%
Other Net Assets	1.5%
Total Net Asset Value	100.0%

Top 25 Holdings	
Security Name	% of Net Asset Value

Long Positions

Aimia Inc 4.35% Jan/22/2018	13.5%
Ford Credit Canada Ltd 3.32% Dec/19/2017	12.0%
Shaw Communications Inc 5.65% Oct/01/2019	10.9%
Enbridge Income Fund Holdings Inc 2.92% Dec/14/2017	8.6%
Cameco Corp 3.75% Nov/14/2022	7.6%
Cogeco Cable Inc 5.95% Jun/09/2014	7.6%
First National Financial Corp 5.07% May/07/2015	7.3%
Canadian Western Bank 3.463% Dec/17/2024	6.9%
Athabasca Oil Corp 7.5% Nov/19/2017	6.6%
JPMorgan Chase & Co 2.92% Sep/19/2017	6.2%
Ford Credit Canada Ltd 7.5% Aug/18/2025	5.6%
Canada Safeway Ltd 3% Mar/31/2014	5.6%
Brookfield Asset Management Inc 4.54% Mar/31/2023	5.5%
Honda Canada Finance Inc 2.275% Dec/11/2017	5.2%
Ford Credit Canada Ltd 4.875% Mar/17/2014	5.1%
BMO Capital Trust 5.474% Dec/29/2049	5.0%
AltaGas Ltd 7.42% Apr/29/2014	4.9%
Manulife Financial Corp 4.896% Jun/02/2014	4.8%
Sydney Airport Finance Co Pty Ltd 4.602% Jul/27/2018	4.4%
Sun Life Financial Inc 7.9% Mar/31/2019	4.3%
Enbridge Income Fund 3.94% 13Jan23	4.1%

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2012

Short Positions

Canadian Government Bond 1.5% Sep/01/2017	-46.8%
Canadian Government Bond 3.75% Jun/01/2019	-23.0%
Canadian Government Bond 2.75% Jun/01/2022	-22.9%
Canadian Government Bond 4.25% Jun/01/2018	-10.0%

Portfolio Advisor

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

Portfolio Advisor's Report

In 2012, despite slowing global growth, deepening sovereign debt problems and mediocre corporate earnings, equity markets advanced strongly. The MSCI All-Country World Index of equities increased 16% in 2012 (including dividends). 23 out of 24 benchmark indexes in developed markets increased. The S&P 500 Index climbed 13% - the highest increase since 2009. Even European markets rallied with Greece, Germany and Denmark increasing almost 30%. Only Spain's IBEX 35 fell, but just by a modest 5%. And despite its embattled economy, Japan's Nikkei 225 Stock Average rose 23% for its largest rally since 2005. Bonds of almost all types returned around 4%, on average. Safe haven buying and desire for yield fuelled this demand. Ever lower interest rates did nothing to discourage the buying, where even the debt of beleaguered European nations was in demand. Some investors doubled their money on Greek bonds in a truly head-scratching bet on an economic zombie nation incapable of ever paying back its debts.

On the surface, investors could easily delude themselves into thinking that happy days are here again. Does a rising tide continue to lift all boats? Having said that, we think there has been a marked shift in the global investment climate. The world is shifting to a much lower growth glide path with investment outcomes now heavily dependent on government and central bank policy decisions and news, both real and rumoured. Investors must re-shape their investment decisions to deal with financial repression. While decent (7%?) returns can be still earned during periods of great uncertainty, it requires different investment approaches than what many of us have been used to.

As mentioned above, given the scale of the developed world's debt problems, governments have indeed resorted to financial repression, which is a topic we have written about all year in our letters. Governments are implementing a range of policies to channel funds to "official" institutions to liquidate debt. These include explicit or implicit controls on interest rates, which for most durations are now negative after adjusting for inflation. This helps governments decrease debt servicing costs and reduces the real value of its debt. At East Coast we think there will continue to be interference in financial markets which overrides the normal free market clearing mechanism. Prohibitions on short selling, bond purchases and currency interventions are examples of what we think we will continue to see all over the world, if one is paying attention. Investment and borrowing restrictions intended to create more captive domestic markets for government debt via reserve requirements or explicit investment constraints could also be implemented. Successful absolute return investing now requires anticipating these measures and nimbly responding to them if they come by surprise.

For example, the 2012 rally in the Euro currency/European bond market/European stocks was simply a result of the European Central Bank's pledge in June and then official announcement in September that it would purchase unlimited quantities of peripheral country debt when necessary. This ran counter to sentiment in late 2011/early 2012 regarding the state of Europe's financials. We don't see how this jawboning is a bullish sign and do not feel like we are misreading the tea leaves. Major central banks dominate markets, period, end of story. Their collective balance sheets have increased from around US\$6 trillion before 2008 to more than US\$18 trillion now, which represents an unprecedented 30% of global gross domestic product ("GDP"),

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2012

and it is rising. Our clients ask us all the time if this strategy will work over the long haul. Higher nominal growth (before one even begins to bifurcate "the economy" with stock markets) would make existing debt levels more sustainable. Inflation would help reduce debt in theory. But while central banks are providing ample liquidity, the effects on credit creation, income and capex are complex and unstable and are volatile at a local level.

The velocity of money or the rate of circulation has slowed because the too-big-to-fail banks are not using these reserves to increase lending, for reasons that we can argue about into the night. Even Economics 101 students understand that a sharp increase in M1 and M2 with the same amount of goods in the economy puts upwards pressure on prices. If policy makers like the young whipper snappers in Brussels and Capitol Hill succeed in restoring suitable growth with modest inflation, then equities and equity-like fixed income products that participate in rallies may prove to be the best investment. If the policies result in higher (government reported remember) inflation, then real commodities (such as agriculture) and SWAG (silver, wine, art, gold) may be the most effective hedge to protect against the erosion of the value of fiat money. If the policies prove ineffective, then we may be in the early stages of a period of Japan-like stagnation. In such an environment, bonds will be favored, which is a view we share. Our strategy will add value in all of these scenarios, just by varying degrees.

Governments bonds are no longer risk free safe havens. The risk of default or loss of purchasing power is prominent. As we have written and talked with clients about all year, government and long duration bonds now offer "return free risk". The mistake most investors have assumed is that these policy measures have reduced "tail risk", which is the chance of a major increase/decrease in markets. In fact, we think the opposite may be true. Attempts to suppress volatility have never worked over time without addressing the fundamental problems, and typically increase the risk of major market breakdown in the future. The so called Fiscal Cliff and looming debt ceiling debate is proof positive.

The portfolio is currently positioned with an annual yield of approximately 7.8%. We achieve this through our 4 main strategies: core credit holdings, relative value, active trading and systemic risk protection (which pay away a portion of the portfolio yield in exchange for downside risk protection). The core credit portfolio has an average credit rating of BBB concentrated in the 5 to 10 year duration. We believe there are significant opportunities in various names in this space that offer an attractive risk/reward proposition with excellent carry. We continue to prioritize both return of capital and return on capital for our investors. We believe the environment going forward is supportive of investment grade debt in the Canadian market as corporate fundamentals remain strong and credit spreads remain wide to the long term historical average.

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.

