



ECIGIF TRUST

Audited Financial Statement
December 31, 2012

Experience. Intelligent Investing.

ECIGIF TRUST

Statement of Net Assets As at December 31, 2012

	2012 \$
Assets	
Investments	275,248,006
Cash and cash equivalents	2,775,563
Unrealized gain on options	84,095
Unrealized gain on swap contracts	16,115
Margin deposit on futures contracts	662,143
Cash collateral on swap contracts	850,239
Premium on swap contracts	93,790
Accrued interest and dividends receivable	2,092,519
	281,822,470
Liabilities	
Securities sold short	148,804,481
Net cash overdraft	2,423,130
Unrealized loss on futures contracts	11,059
Unrealized loss on options	118,979
Unrealized loss on swap contracts	85,620
Accrued interest and dividends payable	572,774
Other liabilities	167,283
	152,183,326
Net assets	129,639,144
Net Assets representing unitholders' equity	129,639,144
Number of units outstanding (Note 6)	10,750,000
Net assets per unit (Note 9)	12.06

Approved on behalf of the Board of Directors of Arrow Capital Management Inc.,
the Manager of the Fund:



James L. McGovern, Director



Robert W. Maxwell, Director

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

Statement of Operations For the period from May 18 (commencement of operations) to December 31

	2012 \$
Income	
Interest income	4,665,350
	4,665,350
Expenses (Note 3)	
Administration fees	23,874
Custodial fees	31,098
Management fees	808,885
Interest expense	10,010
Interest expense on short sales	696,722
Audit fees	26,250
Security borrowing expenses	74,130
HST	115,668
	1,786,637
Net investment income	2,878,713
Realized and unrealized gain(loss) on investments:	
Net realized gain (loss) on investments	202,875
Net change in unrealized appreciation (depreciation) in value of investments and foreign currencies	157,556
Commissions and other portfolio transaction costs	-
Net realized and unrealized gain (loss) on investments:	360,431
Increase (decrease) in net assets from operations	3,239,144
Increase (decrease) in Net Assets from Operations (Note 2)	3,239,144
Increase (decrease) in Net Assets per Unit (Note 2)	0.30

Statement of Changes in Net Assets For the period from May 18 (commencement of operations) to December 31

	2012 \$
Increase (decrease) in net assets from operations	3,239,144
Distributions of investment income to unitholders	(3,960,424)
	(3,960,424)
Net proceeds from issuance of units	129,000,000
Net reinvestment of distributions	1,360,424
Redemptions	-
	130,360,424
Change in net assets during the period	129,639,144
Net assets - beginning of period	-
Net assets - end of period	129,639,144

ECIGIF TRUST

Statement of Cash Flow For the period from May 18 (commencement of operations) to December 31

	2012
	\$
Operating Activities	
Net investment (loss) for the period	2,878,713
Purchase of investments	(829,877,463)
Proceeds on sale of investments	703,925,719
Margin deposit on futures contracts	(662,143)
Cash collateral on swap contracts	(850,239)
Premium on swap contracts	(93,790)
Decrease (increase) in interest and dividends receivable	(2,092,519)
Increase (decrease) in interest and dividends payable	572,774
Increase (decrease) in other liabilities	167,283
Foreign currency translation	(15,902)
Net cash provided by (used in) operating activities	(126,047,567)
Financing Activities	
Issuance of units (subscriptions)	129,000,000
Purchase of units (redemptions)	-
Distributions paid	(2,600,000)
Cash overdraft	2,423,130
Net cash provided by financing activities	128,823,130
Increase in cash and cash equivalents during the period	2,775,563
Balance of cash and cash equivalents, beginning of period	-
Balance of cash and cash equivalents, end of period	2,775,563

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

ECIGIF TRUST

Statement of Investment Portfolio - As at December 31, 2012

FIXED INCOME LONG POSITIONS 212.4%

SECURITY NAME		COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE	AVERAGE COST
Aimia Inc	CAD	5.60%	May/17/2019	2,691,000	2,821,741	2,847,105
Aimia Inc	CAD	4.35%	Jan/22/2018	17,500,000	17,438,987	17,474,032
Algonquin Power Co	CAD	4.82%	Feb/15/2021	1,800,000	1,802,656	1,798,920
AltaGas Ltd	CAD	7.42%	Apr/29/2014	6,020,000	6,405,735	6,549,561
Athabasca Oil Corp	CAD	7.50%	Nov/19/2017	8,532,000	8,547,998	8,532,000
BAC Canada Finance Co	CAD	5.00%	Feb/18/2014	4,500,000	4,633,770	4,643,325
Bell Aliant Regional Communications LP	CAD	4.88%	Apr/26/2018	2,297,000	2,481,805	2,457,147
Bell Aliant Regional Communications LP	CAD	6.29%	Feb/17/2015	2,410,000	2,603,158	2,614,513
Bell Aliant Regional Communications LP	CAD	4.95%	Feb/26/2014	4,994,000	5,156,008	5,203,348
BMO Capital Trust	CAD	5.47%	Dec/29/2049	6,037,000	6,436,878	6,472,367
Brofield Asset Management Inc	CAD	8.95%	Jun/02/2014	807,000	875,810	901,187
Brofield Asset Management Inc	CAD	3.95%	Apr/09/2019	1,461,000	1,495,434	1,495,480
Brookfield Asset Management Inc	CAD	4.54%	Mar/31/2023	6,889,000	7,095,402	6,885,418
Cameco Corp	CAD	3.75%	Nov/14/2022	9,876,000	9,813,812	9,875,210
Canada Safeway Ltd	CAD	3.00%	Mar/31/2014	7,222,000	7,259,366	7,296,072
Canadian Government Bond	CAD	4.00%	Jun/01/2041	51,000	68,174	68,978
Canadian Western Bank	CAD	3.46%	Dec/17/2024	8,992,000	8,995,961	8,992,000
Capital Power LP	CAD	4.85%	Feb/21/2019	2,962,000	2,961,668	2,972,947
CI Financial Corp	CAD	4.19%	Dec/16/2014	4,762,000	4,937,622	4,942,311
Cogeco Cable Inc	CAD	5.95%	Jun/09/2014	9,358,000	9,809,614	9,913,651
Cominar Real Estate Investment Trust	CAD	4.27%	Jun/15/2017	2,295,000	2,350,309	2,321,943
Cominar Reit	CAD	4.23%	Dec/04/2019	2,699,000	2,704,267	2,699,000
Emigrant Bancorp Inc	USD	6.25%	Jun/15/2014	449,000	425,703	430,894
Enbridge Income Fund Holdings Inc	CAD	2.30%	Nov/28/2014	3,149,000	3,151,350	3,149,000
Enbridge Income Fund Holdings Inc	CAD	3.94%	Jan/13/2023	5,395,000	5,369,472	5,393,975
Enbridge Income Fund Holdings Inc	CAD	2.92%	Dec/14/2017	11,239,000	11,211,327	11,236,977
First Capital Realty Inc	CAD	3.95%	Dec/05/2022	3,149,000	3,126,907	3,130,736
First National Financial Corp	CAD	5.07%	May/07/2015	9,139,000	9,448,358	9,489,929
Ford Credit Canada Ltd	CAD	4.88%	Mar/17/2014	6,398,000	6,599,415	6,608,469
Ford Credit Canada Ltd	CAD	7.50%	Aug/18/2025	6,527,000	7,304,374	7,342,190
Ford Credit Canada Ltd	CAD	3.32%	Dec/19/2017	15,565,000	15,528,315	15,556,123
H&R Real Estate Investment Trust	CAD	4.45%	Mar/02/2020	2,278,000	2,335,937	2,345,452
Home Capital Group Inc	CAD	5.20%	May/04/2016	1,390,000	1,444,851	1,453,523
Honda Canada Finance Inc	CAD	2.28%	Dec/11/2017	6,743,000	6,712,447	6,743,000
Industrial Alliance Capital Trust	CAD	5.71%	Dec/31/2013	1,624,000	1,665,485	1,670,057
JPMorgan Chase & Co	CAD	2.92%	Sep/19/2017	8,030,000	8,076,789	8,030,000
Kimco North Trust III	CAD	5.18%	Aug/16/2013	3,750,000	3,824,723	3,836,550
Laurentian Bank Of Canada	CAD	2.45%	Feb/13/2015	2,653,000	2,672,562	2,657,643
Manitoba Telecom Services Inc	CAD	6.15%	Jun/10/2014	2,343,000	2,478,761	2,514,023
Manulife Financial Corp	CAD	4.90%	Jun/02/2014	6,037,000	6,275,569	6,300,698
Paramount Resources Ltd	CAD	7.63%	Dec/04/2019	4,273,000	4,278,341	4,273,000
Pembina Pipeline Corp	CAD	3.77%	Oct/24/2022	4,486,000	4,521,349	4,485,237
Pricoa Global Funding I	CAD	4.95%	May/29/2014	2,960,000	3,063,725	3,084,846
Quebecor Media Inc	CAD	6.63%	Jan/15/2023	2,692,000	2,753,238	2,692,000
RioCan Real Estate Investment Trust	CAD	5.65%	Mar/31/2015	410,000	438,405	442,759
RioCan Real Estate Investment Trust	CAD	3.72%	Dec/13/2021	3,597,000	3,585,724	3,605,741
Shaw Communications Inc	CAD	6.75%	Nov/09/2039	2,562,000	2,844,850	2,782,921
Shaw Communications Inc	CAD	5.65%	Oct/01/2019	12,616,000	14,183,306	14,037,854
Sun Life Financial Inc	CAD	7.90%	Mar/31/2019	5,249,000	5,589,077	5,661,669
Sydney Airport Finance Co Pty Ltd	CAD	4.60%	Jul/27/2018	5,405,000	5,753,996	5,750,163
Telebec LP	CAD	5.75%	Nov/05/2013	2,841,000	2,927,413	2,943,986
TransAlta Corp	CAD	6.45%	May/29/2014	4,123,000	4,312,082	4,384,728
Westpac Banking Corp	CAD	3.75%	Dec/01/2014	4,271,000	4,410,839	4,420,015
WTH Car Rental ULC	CAD	2.62%	Dec/20/2016	2,248,000	2,235,141	2,248,000

Total Fixed Income Long Positions

275,248,006

275,658,672

FIXED INCOME SHORT POSITIONS -114.8%

SECURITY NAME		COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE	PROCEEDS
Canadian Government Bond	CAD	1.50%	Aug/01/2015	(113,000)	(113,844)	(114,095)
Canadian Government Bond	CAD	2.00%	Jun/01/2016	(1,310,524)	(1,341,571)	(1,345,122)
Canadian Government Bond	CAD	1.50%	Mar/01/2017	(23,000)	(23,138)	(23,115)
Canadian Government Bond	CAD	4.00%	Jun/01/2017	(2,056,000)	(2,287,570)	(2,299,019)
Canadian Government Bond	CAD	1.50%	Sep/01/2017	(60,286,000)	(60,625,946)	(60,804,090)
Canadian Government Bond	CAD	4.25%	Jun/01/2018	(11,265,000)	(12,913,329)	(12,981,769)
Canadian Government Bond	CAD	3.75%	Jun/01/2019	(26,302,000)	(29,828,471)	(29,997,566)
Canadian Government Bond	CAD	3.50%	Jun/01/2020	(3,487,000)	(3,942,067)	(3,963,730)
Canadian Government Bond	CAD	3.25%	Jun/01/2021	(3,217,000)	(3,606,793)	(3,647,757)
Canadian Government Bond	CAD	2.75%	Jun/01/2022	(27,431,000)	(29,693,359)	(29,811,525)
Canadian Government Bond	CAD	5.00%	Jun/01/2037	(1,510,000)	(2,236,211)	(2,230,119)
Canadian Government Bond	CAD	2.75%	Sep/01/2016	(2,086,000)	(2,192,181)	(2,201,564)

Total Fixed Income Short Positions

(148,804,481)

(149,419,471)

ECIGIF TRUST

Statement of Investment Portfolio - As at December 31, 2012

LONG OPTION POSITIONS 0.1%

SECURITY NAME	CONTRACTS	EXPIRY DATE	STRIKE PRICE	FAIR VALUE	AVERAGE COST
Swaption CDX NA IG S19	45,000,000	Feb/20/2013	110	84,095	93,229
Total Long Option Contracts				84,095	93,229

SHORT OPTION POSITIONS -0.1%

SECURITY NAME	CONTRACTS	EXPIRY DATE	STRIKE PRICE	FAIR VALUE	PROCEEDS
Swaption CDX NA IG S19	(45,000,000)	Feb/20/2013	120	(54,120)	(57,713)
Swaption CDX NA IG S19	(45,000,000)	Feb/20/2013	130	(35,217)	(39,955)
Swaption CDX NA IG S19	(22,500,000)	Mar/20/2013	135	(29,642)	(80,143)
Total Short Option Contracts				(118,979)	(177,811)

FUTURES CONTRACTS -0.0%

SECURITY NAME	CONTRACTS	EXPIRY DATE	NOTIONAL VALUE	UNREALIZED GAIN/(LOSS)
S&P 500 Stock Index Futures	(19)	Mar/14/2013	(6,617,433)	(11,059)
Total Futures Contracts				(11,059)

SWAPS LONG POSITIONS -0.1%

SECURITY NAME	NOTIONAL VALUE	FAIR VALUE	AVERAGE COST	CREDIT RATING	COUNTER PARTY
Goldman Sachs Group BP 1% 03/20/2018	4,564,000	16,115	-	Aa3	JP Morgan Chase & Co.
CDX NA IG S19 V1 1% BP 12/20/2017	33,700,000	(85,620)	-	Aa3	JP Morgan Chase & Co.
Total Swaps Long Positions		(69,505)	-		

		FAIR VALUE	AVERAGE COST
INVESTMENT PORTFOLIO SUMMARY			
Fixed Income Long Positions	212.3%	275,248,006	275,658,672
Fixed Income Short Positions	-114.8%	(148,804,481)	(149,419,471)
Option Long Positions	0.1%	84,095	93,229
Option Short Positions	-0.1%	(118,979)	(177,811)
Futures Contracts	0.0%	(11,059)	-
Swaps Positions	-0.1%	(69,505)	-
Total Investments	97.4%	126,328,077	126,154,618
Total Other Net Assets	2.6%	3,311,067	
Total Net Assets	100.0%	129,639,144	

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

ECIGIF TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the period ended December 31, 2012

1. Formation of the Fund

ECIGIF Trust (the "Fund") was formed as an investment trust created pursuant to a trust indenture dated April 26, 2012 and commenced operations on May 18, 2012 (commencement of operations). The Manager of the Fund is Arrow Capital Management Inc. (the "Manager").

The financial statements are denominated in Canadian Dollars.

2. Summary of Significant Accounting Policies

a) Valuation of Investments

Investments are categorized as held for trading in accordance with Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting Section 3855, "Financial Instruments – Recognition and Measurement". The fair value of investments as at the financial reporting date is determined as follows:

- i. Investments held that are traded in an active market through recognized public stock exchanges, over-the-counter markets on which the investments are traded, or through recognized investment dealers, are valued at their quoted bid value for long securities and at their quoted ask value for short securities. Investments held may include shares, bonds, debentures, options, swaps and warrants. The difference between these valuation amounts and average cost is recorded as unrealized appreciation or depreciation in value of investments. For bonds, money market instruments and debentures, the fair value is derived from bid or ask prices provided by independent security pricing services or recognized investment dealers.
- ii. Investments held for which a market quotation is not readily available or to which in the opinion of the Manager, the above principles cannot be applied shall be the fair value thereof determined in such manner as the Manager from time to time determines. The availability of valuation techniques and observable inputs can vary from security to security and is affected by a variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the security existed.

The net asset value per unit for the subscription and redemption of units may be different from the net assets per unit calculation presented on the Statement of Net Assets. Generally, any difference is due to valuing actively traded securities at bid price for long positions and ask price for short positions for financial statement purposes but utilizing closing price to determine fair value for the subscription and redemption of units. Refer to Note 9 for a per unit comparison between the net asset value per unit and the net assets per unit.

b) Investment Transactions

Investment transactions are accounted for on the trade date for financial reporting purposes. Realized gains and losses on investments and unrealized appreciation or depreciation in value of investments are calculated on an average cost basis. Realized gains and losses on securities sold short and unrealized appreciation or depreciation on securities sold short are calculated with reference to the average proceeds of the related securities.

ECIGIF TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the period ended December 31, 2012

c) Other Assets and Liabilities

Other assets are designated as loans and receivables and recorded at cost or amortized cost. Similarly, other liabilities are designated as financial liabilities and reported at cost or amortized cost. Cost or amortized cost approximates fair value for these assets and liabilities due to their short-term nature.

d) Commissions and other portfolio transaction costs

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Such costs are expensed and are included in "Commissions and other portfolio transaction costs" in the Statements of Operations.

e) Income Recognition

Interest income and interest expense are accrued on a daily basis for long position securities and for securities sold short.

f) Foreign Exchange

Foreign currency amounts are expressed in Canadian dollars on the following basis:

- i) Fair value of investments and other assets and liabilities at the exchange rate prevailing at the period-end; and
- ii) Purchase and sale of investments and income and expenses at the rate of exchange prevailing on the transaction date

Foreign exchange gains (losses) on completed transactions are included in the net realized gain (loss) on investments in the Statement of Operations.

g) Options

Options may be used by the Fund, but only to the extent considered appropriate by the Manager. Premiums paid for purchasing options, if any, are included in the Statement of Investment Portfolio and Statements of Net Assets as an asset. Premiums received from writing options, if any, are included in the Statement of Investment Portfolio and Statement of Net Assets as a liability. Exchange traded options are valued at current market value on each valuation day. Realized gains and losses related to options are included in "Net realized gain/(loss) on investments" in the Statements of Operations.

h) Futures Contracts

The Fund may enter into futures contracts for purposes of minimizing exposure or to establish an exposure to a particular commodity or financial instrument. The value of a futures contract is determined based on the gain or loss that would be realized if, on the valuation date, the position were to be closed out and is recorded as unrealized gain or loss on futures contracts. Upon closing of a contract, the gain or loss is included in net realized gain (loss) on investments in the Statement of Operations.

i) Credit Default Swap contracts

The fair value of credit default swaps with exposures to underlying marketable issuers are determined using indicative bid/ask values obtained from third-party broker-dealers. The fair values of credit default swaps are

ECIGIF TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the period ended December 31, 2012

affected by the perceived credit risk of the underlying issuers, movements in credit spreads and the length of time to maturity.

Entering into credit default swaps involves, to varying degrees, elements of credit and market risk. Such risks involve the possibility that there will be no liquid market for the agreements, that the counterparty to the agreements may default on its obligations or disagree as to the meaning of contractual terms in the agreements and that there may be unfavorable changes in interest rates and credit spreads.

Upon the occurrence of a defined credit event, the difference between the value of the reference obligation and the swap's notional amount is recorded as realized gain (for protection written) or loss (for protection sold) in the Statement of Operations. When the Fund sells a credit default swap, it receives premium payments in exchange for assuming the credit risk of the specified reference entity. The counterparty pays a premium to the Fund and the Fund agrees to make a payment to compensate the counterparty for losses upon the occurrence of a specified credit event. As at December 31, 2012, the Fund had received USD \$93,382 premium payment from the counterparty.

j) Increase (Decrease) in Net Assets from operations per unit

The increase (decrease) in net assets from operations per unit is calculated as the increase (decrease) in net assets attributable to the class divided by the weighted average number of units outstanding in that class during the period.

k) Cash and cash equivalents

Cash and cash equivalents include cash on deposit and short term investments with maturities of 90 days or less.

l) Use of Estimates

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles requires the Fund's manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. Management and Performance Fees

Management fees are paid by the Fund to the Manager as compensation for investment management and advisory services as follows:

	
ECIGIF Trust	1.00%

Management fees are calculated and paid as of the last Valuation Date of each month.

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

ECIGIF TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the period ended December 31, 2012

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. As at December 31, 2012, the Manager did not earn any Performance Fee.

The Fund is responsible for all operating expenses incurred by or on behalf of the Fund. If the Manager provides any of these services, it shall be entitled to fees for such services not exceeding fees charged by arm's length third parties for the provision of similar services.

4. Income Taxes

The Fund is classified as a financial institution under the Income Tax Act (Canada) ("Tax Act"). Financial institutions are required to recognize any gains and losses accrued on securities and certain types of debt obligation on a mark-to-market basis at the end of every taxation year. Any income resulting from such treatment will be included in amounts required to be distributed to unitholders. All or substantially all of the net income for tax purposes and sufficient net capital gains realized in any period are distributed to unitholders such that no income tax is payable by the Fund.

As at December 31, 2012, the Fund had no capital and non-capital losses carry-forward balances.

5. Related Party Transactions

As at December 31, 2012, amounts owing to the Manager relating to management fees and administration fees included in other liabilities were \$137,437.

6. Units Issued and Outstanding

Units issued and outstanding represent the capital of the Fund. The Fund is an investment fund and its units are sold and redeemed at the current net asset value per unit at the option of the unitholders. If applicable, the unitholders are entitled to distributions when declared. Distributions are reinvested in additional units of the Fund or paid in cash. The characterization of the distributions is based on Management's estimate of the actual income for the year. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units, other than a minimum initial subscription requirement. Changes in the Fund's capital during the period are identified in the Statement of Changes in Net Assets and in the schedule below.

The following number of units were issued or redeemed during the years indicated:

	BALANCE, BEGINNING OF PERIOD	UNITS ISSUED FOR CASH INCLUDING REINVESTED DISTRIBUTIONS	UNITS REDEEMED	BALANCE, END OF PERIOD
	<i>May 1, 2012</i>	2012	2012	<i>December 31, 2012</i>
Units	-	10,750,000	-	10,750,000

ECIGIF TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the period ended December 31, 2012

7. Management of Financial Instrument Risks

Risk Management

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.

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.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument or a security issuer will fail to discharge an obligation or commitment that it has entered into with the Fund.

As at December 31, 2012, the Fund invested in debt instruments (credit rating of derivatives are shown in SOI) as applicable, with the following credit ratings:

LONG POSITIONS	DECEMBER 31, 2012	
DEBT INSTRUMENTS BY CREDIT RATING **	FAIR VALUE *	PERCENTAGE OF NET ASSETS (%)
AAA	68,174	0.1%
A	35,793,931	27.6%
BBB	157,577,122	121.6%
Below BBB (O)	50,385,690	38.9%
Unrated (U)	31,423,089	24.2%
TOTAL LONG POSITIONS	\$275,248,006	212.4%

LONG POSITIONS	DECEMBER 31, 2012	
CREDIT DEFAULT SWAPS BY CREDIT RATING **	FAIR VALUE	PERCENTAGE OF NET ASSETS (%)
Aa3	(\$69,505)	(0.1%)
TOTAL LONG POSITIONS	(\$69,505)	(0.1%)

* Excludes Cash And Cash Equivalents

** Credit Ratings Are Obtained From Moody's Bond Rating Services

The Fund's broker and custodian services are provided by RBC Investor Services Trust, TD Securities and Bank of Montreal, which have credit ratings of A2, Aaa and Aa2 respectively, as rated by Moody's bond rating services. The counterparty of the Fund's swaps and futures contract is JP Morgan Chase & Co., which has a credit rating of Aa3, as rated by Moody's bond rating services.

Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Cash and cash equivalents and other money market instruments are short term in nature and are not generally subject to significant amounts of interest rate risk.

ECIGIF TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the period ended December 31, 2012

As at December 31, 2012, the Fund's exposure to debt instruments by maturity and the impact on net assets [for those instruments which have not matured, are not in default and are currently paying interest] had the yield curve shifted in parallel by 100 basis points, with all other variables held constant ("sensitivity"), is as follows:

LONG POSITIONS	DECEMBER 31, 2012
DEBT INSTRUMENTS BY MATURITY DATE**	(\$)
1 – 3 YEARS	93,375,473
3 – 5 YEARS	56,107,177
GREATER THAN 5 YEARS	125,765,355
SENSITIVITY +/- 100 BASIS POINTS	+/- \$11,792,899

SHORT POSITIONS	DECEMBER 31, 2012
DEBT INSTRUMENTS BY MATURITY DATE**	(\$)
1 – 3 YEARS	(113,844)
3 – 5 YEARS	(66,470,407)
GREATER THAN 5 YEARS	(82,220,230)
SENSITIVITY +/- 100 BASIS POINTS	+/- \$8,630,351

**Excludes cash and cash equivalents

In practice, actual results may differ from the above sensitivity analysis and the difference could be material. Due to short term nature of the cash and cash overdraft the interest impact is not material as actual fair value does not get impacted by long term interest rate fluctuations.

Other Price Risk

Other price risk 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), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

The impact on net assets of the Fund due to a 10 percent change in its selected benchmark, using historical correlation between the Fund's return as compared to the return of the Fund's benchmark, as at December 31, 2012, with all other variables held constant, is included in the following table. Regression analysis has been utilized to estimate the historical correlation. The analysis uses data points based on the monthly net returns since the inception of Fund.

BENCHMARK	THE FUND'S VARIANCE WITH A 10% CHANGE IN THE BENCHMARK	IMPACT ON NET ASSETS \$
DECEMBER 31, 2012		
DEX UNIVERSE ALL CORPORATE BOND INDEX (PC-BOND)	+/- 1.0%	\$1,296,126

The historical correlation may not be representative of the future correlation, and accordingly the impact on net assets could be materially different. The maximum exposure to other price risk is the market value of the investments for any long positions and is potentially unlimited for short positions.

ECIGIF TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the period ended December 31, 2012

Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

Market Segment	December 31, 2012	
	Fixed Income (Long)	Fixed Income (Short)
Basic Materials	7.6%	-
Communications	50.5%	-
Consumer, Cyclical	-	-
Consumer, Non-Cyclical	5.6%	-
Diversified	1.4%	-
Energy	18.3%	-
Financial	103.6%	-
Government	0.1%	(114.8%)
Industrial	4.4%	-
Utilities	20.8%	-

Currency Risk

Currency risk is the risk that the value of investments and cash, denominated in currencies other than the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. Equities in foreign markets and foreign bonds are exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund's functional currency in determining fair value. The Fund's exposure to currency risk, if any, is presented below.

Currencies to which the Fund has exposure as at December 31, 2012 are as follows:

CURRENCY	DECEMBER 31, 2012
	NET EXPOSURE (\$)*
FOREIGN CURRENCIES LONG	\$1,282,004
FOREIGN CURRENCIES SHORT	(2,423,130)
NET EXPOSURE	(\$1,141,126)
AS A PERCENTAGE OF NET ASSETS (%)	(0.9%)

*All amounts in Canadian Dollars

As at December 31, 2012, if the Canadian dollar had strengthened or weakened by 10 percent in relation to all currencies, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$114,113.

In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Short Selling Risk

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.

ECIGIF TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the period ended December 31, 2012

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 monthly cash redemptions of redeemable units, which are payable three business days post trade date. The Fund reserves the right to settle redemptions up to thirty days after the redemption trade date. The Fund aims to retain sufficient cash and cash equivalents positions to maintain adequate liquidity including coverage of obligations related to all current liabilities payable (liabilities are due with three months).

Certain of the Fund's derivative agreements contain provisions that require the Fund to maintain a predetermined level of net assets, and/or provide limits regarding the decline of the Fund's NAV over one-month, 3-month and 12-month periods. If the Fund were to violate such provisions, the counterparties to the derivative instruments could request immediate payment or demand immediate collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a net asset position on December 31, 2012, is (\$69,505).

Custody and Prime Brokerage Risk

There are risks involved in dealing with the custodians or prime brokers who settle trades. Under certain 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 or time problems associated with enforcing the Fund's rights to its assets in the case of an insolvency of any such party.

The Fund maintains a custody account with its prime broker and primary custodian. Although the Fund believes that it is an appropriate custodian, there is no guarantee that the custodian will not become insolvent. In the event of a failure, there is no guarantee the Fund would not incur losses due to its assets being unavailable for a period of time, recoup ultimately less than full recovery of its assets, or both. Because substantially all of the Fund's assets are custodied with a single prime broker, such losses could be significant and could materially impair the ability of the Fund to achieve its investment objective.

8. Fair Value of Financial Instruments

Handbook Section 3862, Financial Instruments - Disclosures, requires publicly accountable enterprises to enhance the disclosures about fair value measurements and the liquidity risk of financial instruments, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and lowest priority to unobservable inputs (level 3). The three levels of fair value are:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices that are observable for the assets or liabilities either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

Valuation of trading assets, liabilities, derivatives and securities sold short but not yet purchased are at fair value. Where there is no quoted market value, fair value is determined using a variety of valuation techniques and assumptions. Fair value amounts disclosed represent point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Fair value represents our estimate of the amounts for which we could exchange the financial instruments with willing third parties who were interested in acquiring the instruments. In some cases, however, the financial instruments are not typically exchangeable or exchanged and therefore it is difficult to determine their fair value.

ECIGIF TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the period ended December 31, 2012

For traded securities, quoted market value is considered to be fair value. Quoted market value is based on bid prices, where available. For securities where market quotes are not available, the use of estimation techniques to determine fair value is implemented. These estimation techniques include discounted cash flows, internal models that utilize observable market data or comparisons with other securities that are substantially the same.

The valuation represents management's best estimates based on a range of methodologies and assumptions; since they involve uncertainties, the fair values may not be realized in an actual sale or immediate settlement of the instruments.

The following table illustrates the classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2012:

Assets (Liabilities) at Fair Value as at December 31, 2012				
	Level 1	Level 2	Level 3	Total
Fixed Income Long	-	\$275,248,006	-	\$275,248,006
Options Long	-	84,095	-	84,095
Futures Contracts	-	(11,059)	-	(11,059)
Swaps Contracts	-	(69,505)	-	(69,505)
Fixed Income Short	-	(148,804,481)	-	(148,804,481)
Options Short	-	(118,979)	-	(118,979)
Totals	-	\$126,328,077	-	\$126,328,077

As at December 31, 2012, the Fund did not hold any level 3 financial instruments.

9. Reconciliation of Net Assets per Unit to Net Asset Value per Unit

Reconciliation of the Fund's Net Asset Value and Net Assets is included in the table below:

Net Asset Value per Unit (NAVPU) and Net Assets per Unit (NAPU)		
As at December 31, 2012		
NAVPU	NAPU	
\$12.13		\$12.06

10. Redemption

Units may be redeemed at any time for a redemption price per Unit equal to 100% of the NAV per Unit on any business day on which Units are surrendered for redemption by the Fund (each a "Redemption Date"). Units surrendered for redemption by a unitholder on or before 4:00 p.m. (Toronto time) on any Redemption Date will be redeemed as at such Redemption Date and the redeeming unitholder will receive payment in respect of any Units surrendered for redemption on or before the 10th business day immediately following a Redemption Date, subject to the Manager's right to suspend redemptions in certain circumstances.

11. Future Accounting Change

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

ECIGIF TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the period ended December 31, 2012

new mandatory IFRS changeover date for these entities is January 1, 2014. The AcSB issued the amendment to the Introduction to Part I of the CICA Handbook in March 2012.

The Fund has been monitoring developments in the IFRS conversion program and has been assessing the likely impacts on implementation decisions, internal controls, information systems and training. In May 2011, the International Accounting Standards Board issued IFRS 13 Fair Value Measurement, which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. It only applies when other IFRSs require or permit fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. It allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. This may result in elimination of the differences between the Net Assets per unit and Net Asset Value per unit at the financial statements reporting dates.

Based on the Fund's current assessment of the differences between Canadian GAAP and IFRS, other than the impact due to IFRS 13 noted above, it is not expected that there would be any other impact on the Fund's Net Asset Value per unit or Net Assets per unit. Management has presently determined that the impact of IFRS to the financial statements would be limited to additional note disclosures and potential modifications to presentation including unitholders' equity. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

The Manager has commenced the development of a changeover plan to meet the implementation date. The key elements of the plan include identifying differences between the Fund's current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on the Net Assets or Net Asset Value of the Fund. The manager does not expect that there will be significant impact to the Fund's Net Asset Value as a result of the changeover to IFRS. The Manager expects the changes to be limited to presentation and disclosure relating to fund consolidation, classification of puttables, and additional note disclosures. However, the Manager's current assessment may change if new standards are issued or if interpretations of existing standards are revised.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 7, 2013

The accompanying financial statements have been prepared by Arrow Capital Management Inc., the Manager of ECIGIF Trust (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 accounting principles generally accepted in Canada 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 2 to the financial statements.

PricewaterhouseCoopers LLP are the external auditors 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
Managing Director & CEO
ARROW CAPITAL MANAGEMENT INC.



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

Independent Auditor's Report

To the Unitholders of ECIGIF Trust (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statement of investment portfolio as at December 31, 2012, the statement of net assets as at December 31, 2012, and the statements of operations, cash flow and changes in net assets for the period from May 18 (commencement of operations) to December 31, 2012, and the related notes which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2012 and the results of its operations and its cash flows for the period from May 18 (commencement of operations) to December 31, 2012 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario

March 7, 2013

