



ECIGIF TRUST

Audited Financial Statements

December 31, 2013

Experience. Intelligent Investing.

ECIGIF TRUST

Statements of Net Assets As at December 31

	2013 \$	2012 ⁽¹⁾ \$
Assets		
Investments (note 3)	227,101,261	275,248,006
Cash and cash equivalents	529,842	2,869,353
Unrealized gain on options	112,200	84,095
Unrealized gain on swap contracts	-	16,115
Margin deposit on futures contracts	251,136	662,143
Cash collateral on swap contracts	280,380	850,239
Accrued interest and dividends receivable	2,412,646	2,092,519
Receivable for securities sold	1,123,718	-
	<u>231,811,183</u>	<u>281,822,470</u>
Liabilities		
Securities sold short	112,792,967	148,804,481
Cash overdraft (note 3)	3,476,008	2,423,130
Unrealized loss on futures contracts	42,465	11,059
Unrealized loss on options	4,463	118,979
Unrealized loss on swap contracts	476,190	85,620
Payable for securities purchased	1,031,808	-
Accrued interest and dividends payable	329,610	572,774
Other liabilities (note 5)	155,456	167,283
	<u>118,308,967</u>	<u>152,183,326</u>
Net assets	113,502,216	129,639,144
Net Assets representing unitholders' equity	113,502,216	129,639,144
Number of units outstanding (Note 7)	9,560,033	10,750,000
Net assets per unit (Note 10)	11.87	12.06

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

"James L. McGovern"

James L. McGovern, Director

"Robert W. Maxwell"

Robert W. Maxwell, Director

Statements of Operations

For the year ended December 31, 2013 (and the period from May 18, 2012
(commencement of operations) to December 31, 2012)

	2013 \$	2012 ⁽¹⁾ \$
Income		
Interest income	11,806,533	4,665,350
	<u>11,806,533</u>	<u>4,665,350</u>
Expenses (Note 4)		
Administration fees	85,837	23,874
Custodial fees	29,070	31,098
Management fees	1,277,368	808,885
Performance fees	14,915	-
Interest expense	25,960	10,010
Interest expense on short sales	3,048,485	696,722
Audit fees	28,350	26,250
Security borrowing expenses	418,232	74,130
Harmonized sales tax	186,297	115,668
	<u>5,114,514</u>	<u>1,786,637</u>
Net investment (loss)	6,692,019	2,878,713
Realized and unrealized gain(loss) on investments:		
Net realized gain (loss) on investments	2,241,646	212,830
Net realized gain (loss) on foreign exchange	(162,235)	(9,955)
Net change in unrealized appreciation (depreciation) in value of investments	(2,009,083)	173,459
Net change in unrealized gain (loss) on foreign exchange Commissions and other portfolio transaction costs	(49,275)	(15,903)
	-	-
Net realized and unrealized gain (loss) on investments:	21,053	360,431
Increase (decrease) in net assets from operations	6,713,072	3,239,144
Increase (decrease) in Net Assets from Operations (Note 2)	6,713,072	3,239,144
Increase (decrease) in Net Assets per Unit (Note 2)	0.63	0.30

Statements of Changes in Net Assets

For the year ended December 31, 2013 (and the period from May 18, 2012
(commencement of operations) to December 31, 2012)

	2013 \$	2012 \$
Increase (decrease) in net assets from operations	6,713,072	3,239,144
Distributions of investment income to unitholders	(8,650,000)	(3,960,424)
	<u>(8,650,000)</u>	<u>(3,960,424)</u>
Net proceeds from issuance of units	-	129,000,000
Net reinvestment of distributions	-	1,360,424
Redemptions	(14,200,000)	-
	<u>(14,200,000)</u>	<u>130,360,424</u>
Change in net assets during the year	(16,136,928)	129,639,144
Net assets - beginning of year	129,639,144	-
Net assets - end of year	113,502,216	129,639,144

(1) Prior year figures have been changed to conform with current year presentation
The accompanying notes are an integral part of these financial statements.

ECIGIF TRUST

Statements of Cash Flow

For the year ended December 31, 2013 (and the period from May 18, 2012 (commencement of operations) to December 31, 2012)

	2013	2012 ⁽¹⁾
	\$	\$
Operating Activities		
Net investment (loss) for the year	6,692,019	2,878,713
Purchase of investments	(905,381,893)	(678,156,972)
Proceeds on sale of investments	917,791,012	552,205,229
Margin deposit on futures contracts	411,007	(662,143)
Cash collateral on swap contracts	569,859	(850,239)
Decrease (increase) in interest and dividends receivable	(320,127)	(2,092,519)
Increase (decrease) in interest and dividends payable	(243,164)	572,774
Increase (decrease) in other liabilities	(11,827)	167,283
Foreign currency translation	(49,275)	(15,902)
Net cash provided by (used in) operating activities	19,457,611	(125,953,777)
Financing Activities		
Issuance of units (subscriptions)	-	129,000,000
Purchase of units (redemptions)	(14,200,000)	-
Distributions paid	(8,650,000)	(2,600,000)
Cash overdraft	1,052,878	2,423,130
Net cash provided by (used in) financing activities	(21,797,122)	128,823,130
Increase (decrease) in cash and cash equivalents during the year	(2,339,511)	2,869,353
Balance of cash and cash equivalents, beginning of year	2,869,353	-
Balance of cash and cash equivalents, end of year	529,842	2,869,353

(1) Prior year figures have been changed to conform with current year presentation

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

ECIGIF TRUST

Statement of Investment Portfolio - As at December 31, 2013

FIXED INCOME LONG POSITIONS 200.1%

SECURITY NAME		COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE	AVERAGE COST
Aimia Inc	CAD	7.900%	Sep/02/2014	1,360,000	1,407,965	1,455,605
AltaGas Ltd	CAD	7.420%	Apr/29/2014	1,568,000	1,592,879	1,660,579
American Media Inc	USD	11.500%	Dec/15/2017	369,000	426,366	369,304
Aon Finance NS 1 ULC	CAD	4.760%	Mar/08/2018	7,487,000	7,887,125	8,022,325
APT Pipelines Ltd	CAD	4.245%	Jul/24/2019	4,101,000	4,142,944	4,211,399
AT&T Inc	CAD	3.825%	Nov/25/2020	10,952,000	10,956,358	10,952,000
Athabasca Oil Corp	CAD	7.500%	Nov/19/2017	694,000	654,330	694,000
Bell Aliant Regional Communications LP	CAD	6.290%	Feb/17/2015	7,613,000	7,970,957	8,241,954
Bell Canada	CAD	3.350%	Mar/22/2023	6,563,000	6,065,083	6,144,947
Bell Canada	CAD	4.700%	Sep/11/2023	11,137,000	11,359,576	11,205,874
BHP Billiton Finance Ltd	CAD	3.230%	May/15/2023	3,354,000	3,125,236	3,352,021
Calloway Real Estate Investment Trust	CAD	3.985%	May/30/2023	2,507,000	2,330,200	2,512,741
Calloway Real Estate Investment Trust	CAD	3.385%	Dec/01/2017	4,535,000	4,552,456	4,535,136
Canada Safeway Ltd	CAD	3.000%	Mar/31/2014	7,222,000	7,240,677	7,296,072
Canadian Energy Services & Technology Corp	CAD	7.375%	Apr/17/2020	1,396,000	1,447,187	1,399,705
Canadian Government Bond	CAD	5.000%	Jun/01/2037	76	98	101
Canadian Government Bond	CAD	2.000%	Jun/01/2016	66,476	67,820	67,828
Canadian Government Bond	CAD	4.250%	Jun/01/2018	5,139,000	5,664,112	5,702,204
Canadian Western Bank	CAD	3.463%	Dec/17/2024	5,152,000	5,088,979	5,140,285
Cogeco Cable Inc	CAD	4.925%	Feb/14/2022	762,000	792,512	815,980
Cogeco Cable Inc	CAD	4.175%	May/26/2023	2,482,000	2,380,259	2,483,812
Cominar Real Estate Investment Trust	CAD	4.230%	Dec/04/2019	2,051,000	1,993,481	2,043,397
Corus Entertainment Inc	CAD	4.250%	Feb/11/2020	3,980,000	3,826,027	3,786,110
Emigrant Bancorp Inc	USD	6.250%	Jun/15/2014	749,000	806,497	738,949
Enbridge Income Fund	CAD	3.940%	Jan/13/2023	2,051,000	1,986,634	2,050,610
Enbridge Income Fund	CAD	2.278%	Nov/28/2014	3,149,000	3,159,853	3,154,260
First Capital Realty Inc	CAD	5.950%	Jun/01/2015	2,343,000	2,467,660	2,479,456
First Capital Realty Inc	CAD	3.900%	Oct/30/2023	3,486,000	3,236,162	3,475,403
First National Financial Corp	CAD	5.070%	May/07/2015	9,139,000	9,357,790	9,489,929
Ford Credit Canada Ltd	CAD	2.634%	Nov/21/2016	2,837,000	2,851,805	2,837,000
Ford Credit Canada Ltd	CAD	7.500%	Aug/18/2015	8,109,000	8,777,077	9,099,202
Ford Credit Canada Ltd	CAD	3.700%	Aug/02/2018	8,497,000	8,685,853	8,495,298
Gibson Energy Inc	CAD	7.000%	Jul/15/2020	369,000	380,993	363,956
H&R Real Estate Investment Trust	CAD	5.196%	Feb/03/2015	1,065,000	1,100,122	1,123,042
Laurentian Bank Of Canada	CAD	2.450%	Feb/13/2015	2,653,000	2,672,952	2,660,609
Leisureworld Senior Care LP	CAD	4.814%	Nov/24/2015	5,442,000	5,719,685	5,781,644
Loblaws Cos Ltd	CAD	6.050%	Jun/09/2034	327,000	344,961	332,922
Loblaws Cos Ltd	CAD	5.900%	Jan/18/2036	445,000	462,624	494,728
Loblaws Cos Ltd	CAD	6.150%	Jan/29/2035	788,000	842,112	908,990
Manulife Bank of Canada	CAD	1.825%	Mar/14/2016	2,202,000	2,207,161	2,202,000
Molson Coors Capital Finance ULC	CAD	5.000%	Sep/22/2015	2,100,000	2,207,128	2,252,040
Penske Truck Leasing Canada Inc	CAD	3.650%	Feb/01/2018	5,238,000	5,295,117	5,232,081
Postmedia Network Inc	CAD	8.250%	Aug/16/2017	146,510	150,356	150,722
RONA Inc	CAD	5.400%	Oct/20/2016	190,000	196,003	197,048
Royal Bank of Canada	CAD	4.350%	Jun/15/2020	7,431,000	7,693,252	7,835,061
Royal Bank of Scotland Group PLC	CAD	6.666%	Apr/29/2049	666,000	666,141	621,079
Royal Bank of Scotland PLC/The	CAD	10.500%	Mar/16/2022	730,000	861,400	832,200
Royal Bank of Scotland PLC/The	CAD	1.995%	Mar/30/2015	2,507,000	2,461,220	2,444,325
Shaw Communications Inc	CAD	5.650%	Oct/01/2019	4,473,500	4,921,672	4,977,674
SLM Corp	USD	5.625%	Aug/01/2033	640,000	563,548	523,225
SLM Corp	USD	5.500%	Jan/25/2023	728,000	730,653	702,630
Southern Pacific Resource Corp	CAD	8.750%	Jan/25/2018	3,215,000	2,258,538	3,009,407
TELUS Corp	CAD	3.350%	Mar/15/2023	817,000	762,477	768,094
TELUS Corp	CAD	5.150%	Nov/26/2043	3,865,000	3,838,323	3,845,675
Telus Corp	CAD	3.350%	Apr/01/2024	5,514,000	5,047,415	5,320,471
TELUS Corp	CAD	4.400%	Apr/01/2043	11,538,000	10,172,960	10,630,559
Tim Hortons Inc	CAD	4.520%	Dec/01/2023	3,384,000	3,342,369	3,383,188
Toronto-Dominion Bank/The	CAD	4.970%	Oct/30/2104	6,457,000	6,798,238	6,929,922
TransAlta Corp	CAD	5.000%	Nov/25/2020	3,387,000	3,366,283	3,370,607
TransAlta Corp	CAD	6.450%	May/29/2014	4,123,000	4,193,042	4,384,728
Verizon Communications Inc	USD	5.150%	Sep/15/2023	378,000	431,219	389,323
Videotron Ltd	CAD	7.125%	Jan/15/2020	2,754,000	2,960,550	3,030,423
Videotron Ltd	CAD	5.625%	Jun/15/2025	11,660,000	11,187,770	11,467,317
YPG Financing Inc	CAD	9.250%	Nov/30/2018	923,759	963,019	956,919
Total Fixed Income Long Positions					227,101,261	231,036,095

ECIGIF TRUST

Statement of Investment Portfolio - As at December 31, 2013

FIXED INCOME SHORT POSITIONS -99.4%

SECURITY NAME		COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE	PROCEEDS
Canadian Government Bond	CAD	2.750%	Sep/01/2016	(2,860,000)	(2,972,956)	(2,974,870)
Canadian Government Bond	CAD	1.500%	Sep/01/2017	(11,576,000)	(11,520,412)	(11,585,299)
Canadian Government Bond	CAD	1.250%	Mar/01/2018	(7,593,000)	(7,426,398)	(7,470,722)
Canadian Government Bond	CAD	1.250%	Sep/01/2018	(4,932,000)	(4,780,045)	(4,813,726)
Canadian Government Bond	CAD	3.750%	Jun/01/2019	(14,877,500)	(16,155,932)	(16,789,684)
Canadian Government Bond	CAD	3.500%	Jun/01/2020	(13,567,600)	(14,600,958)	(14,721,039)
Canadian Government Bond	CAD	3.250%	Jun/01/2021	(719,000)	(759,560)	(767,844)
Canadian Government Bond	CAD	2.750%	Jun/01/2022	(1,619,000)	(1,630,830)	(1,747,228)
Canadian Government Bond	CAD	1.500%	Jun/01/2023	(42,862,000)	(38,393,065)	(39,419,777)
Canadian Government Bond	CAD	4.000%	Jun/01/2041	(11,817,000)	(13,454,666)	(13,931,532)
United States Treasury Note/Bond	USD	2.500%	Aug/15/2023	(1,076,000)	(1,098,145)	(1,083,731)
Total Fixed Income Short Positions					(112,792,967)	(115,305,452)

LONG OPTION POSITIONS 0.1%

SECURITY NAME		CONTRACTS	EXPIRY DATE	STRIKE PRICE	FAIR VALUE	AVERAGE COST
S&P 500 Index Call		6	14-Jan-14	1,775	112,200	43,195
Total Long Option Contracts					112,200	43,195

SHORT OPTION POSITIONS -0.0%

SECURITY NAME		CONTRACTS	EXPIRY DATE	STRIKE PRICE	FAIR VALUE	PROCEEDS
S&P 500 Index Put		(12)	14-Jan-14	1,670	(4,463)	(40,839)
Total Short Option Contracts					(4,463)	(40,839)

FUTURES CONTRACTS -0.0%

SECURITY NAME		CONTRACTS	EXPIRY DATE		NOTIONAL VALUE	REALIZED GAIN/(LOSS)
S&P 500 Stock Index Futures		(6)	17-Jan-14		(2,891,753)	(42,465)
Total Futures Contracts					(2,891,753)	(42,465)

SWAPS LONG POSITIONS -0.4%

SECURITY NAME		NOTIONAL VALUE	FAIR VALUE	AVERAGE COST	CREDIT RATING	COUNTER PARTY
IRS CAD 2.025% Pay Fixed, Receive Floating 08/02/2018		9,797,000	49,913	-	Aa3	Merrill Lynch Int'l
IRS CAD 2.125% Pay Floating, Receive Fixed 08/02/2018		1,240,000	(810)	-	Aa3	Merrill Lynch Int'l
CDX NA IG S21 V1 BP 1% 12/20/2018		27,100,000	(525,293)	-	Baa2	Merrill Lynch Int'l
Total Swaps Long Positions			(476,190)	-		

		FAIR VALUE	AVERAGE COST
INVESTMENT PORTFOLIO SUMMARY			
Fixed Income Long Positions	200.1%	227,101,261	231,036,095
Fixed Income Short Positions	-99.4%	(112,792,967)	(115,305,452)
Option Long Positions	0.1%	112,200	43,195
Option Short Positions	0.0%	(4,463)	(40,839)
Futures Contracts	0.0%	(42,465)	-
Swaps Positions	-0.4%	(476,190)	-
Total Investments	100.3%	113,897,376	115,732,999
Total Other Net Assets	-0.3%	(395,160)	
Total Net Assets	100.0%	113,502,216	

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

ECIGIF TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

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"). East Coast Fund Management Inc. is the Portfolio Advisor of the Fund.

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 Chartered Professional Accountants Canada (CPA) 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.
- iii. The Fund engages in selling securities short. When a Fund sells a security short, an amount equal to the proceeds received is recorded as a liability and is subsequently adjusted to the current fair value of the securities sold short resulting in an unrealized appreciation or depreciation on securities sold short. Upon closing the position, the difference between the proceeds originally received and the cost of the securities purchased to close the securities sold short position is recognized as a net realized gain (loss) on investments in the Statements of Operations.

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 for actively traded securities and mid market pricing for bonds to determine fair value for the subscription and redemption of units. Refer to Note 10 for a per unit comparison between the net asset value per unit and the net assets per unit.

ECIGIF TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

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.

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 year-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 foreign exchange in the Statements of Operations and any change in unrealized gain or loss on foreign exchange is included in net change in unrealized gain (loss) on foreign exchange in the Statements 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 Statements of Net Assets as a liability. Exchange traded options are valued at current market value on each valuation day. The change in the difference between the premium and the fair value is shown as change in unrealized appreciation (depreciation) in value of investments in the Statements of Operations. Realized gains and losses related to options are included in net realized gain/ (loss) on investments in the Statements of Operations.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

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 Statements of Operations.

i) Credit Default Swap Contracts

A credit default swap contract is an agreement to transfer credit risk from one party, a buyer of protection, to another party, a seller of protection. The Fund as a seller of protection would be required to pay a notional or other agreed upon value to the buyer of protection in the event of a default by a third party. In return, the Fund would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs. If no default occurs, the Fund would keep the stream of payments and would have no payment obligations.

The Fund as a buyer of protection would receive a notional or other agreed upon value from the seller of protection in the event of a default by a third party. In return, the Fund would be required to pay to the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs.

Premiums received or paid for entering into a credit default swap are included in the Statement of Investment Portfolio and Statements of Net Assets as either an asset or liability. Credit default swap contracts are fair valued on each valuation day based upon quotations from independent security pricing sources. The change in the difference between the premium and the fair value is shown as change in unrealized appreciation (depreciation) in value of investments in the Statements of Operations. Upon closing or expiry of a contract, the gain or loss is included in net realized gain (loss) on investments in the Statements of Operations.

j) Interest Rate Swap Contracts

An interest swap contract is a contractual agreement entered into between the Fund and a counterparty under which each party agrees to exchange periodic fixed or variable payments, based upon a stated notional amount, over the stated life of the agreement. The net differential paid or received is recognized over the life of the agreement as a realized gain or loss on investments. Interest rate swap contracts are fair valued on each valuation day using indicative bid/ask prices from third party broker dealers. The change in fair value is shown as change in unrealized appreciation (depreciation) in value of investments in the Statements of Operations. Upon closing or expiry of a contract, the gain or loss is included in net realized gain (loss) on investments in the Statements of Operations.

k) 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 year.

l) Cash and Cash Equivalents

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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

m) 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.

n) Future Accounting Standards

Canadian investment entities will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), for fiscal years beginning on or after January 1, 2014. As a result, the Fund will report its financial results for the interim period ending June 30, 2014, prepared on an IFRS basis. It will also provide comparative data on an IFRS basis, including an opening balance sheet as at January 1, 2013 ("transition date").

The differences between the Fund's accounting policies under Canadian GAAP and IFRS requirements will result in measurement and recognition differences on transition to IFRS.

Significant Accounting Changes Related to the Adoption of IFRS

Based on the Manager's assessment of the accounting differences between Canadian GAAP and IFRS, the following areas of difference were identified. The areas listed below should not be considered a comprehensive list of impacts of adopting IFRS, but rather the most significant of certain key changes.

The framework for fair valuation is set out under IFRS 13 Fair Value Measurement ("IFRS 13"), which includes the requirements for the measurement and disclosure of fair value. If an asset or liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of midmarket pricing or other pricing conventions that are used by market participants as a practical means for fair value measurements within a bid-ask spread. Thus this standard will impact the Net Assets per unit compared to current standards, and may also result in the elimination of the differences between the Net Assets per unit and Net Asset Value per unit at the financial statement reporting date. Currently, the Manager has not identified any changes that will impact net asset value per unit as a result of the transition to IFRS.

The criteria contained within IAS 32 Financial Instruments: Presentation ("IAS 32") will result in the classification of unitholders' equity as a liability within the Statements of Net Assets, unless all conditions required for equity classification are met. The Manager is currently assessing the Fund's unitholder structure to determine classification under IAS 32.

3. Cash Overdraft

Cash overdraft represents cash amounts borrowed under margin agreements with the Fund's prime brokers. The Fund has granted a first priority security interest over investments and other assets held at the prime brokers in support of its obligations under its margin lending agreements.

4. Management and Performance Fees

Management fees of 1% per annum are paid by the Fund to the Manager as compensation for investment management and advisory services. Management fees are calculated and paid as of the last Valuation Date of each month.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

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 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 year the Manager earned \$14,915 in Performance Fees [2012 - NIL].

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.

5. 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 obligations 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, 2013, the Fund had no capital and non-capital losses carry-forward balances.

6. Related Party Transactions

As at December 31, 2013, included in other liabilities are amounts owing to the Manager relating to management fees of \$96,913 (excluding HST) [2012 - \$110,569]. 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 \$12,366 [2012 - \$12,493].

7. 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 Statements of Changes in Net Assets and in the schedule below.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

The number of units issued or redeemed during the period is as follows:

	Number of Units
Balance, December 31, 2012	10,750,000
Issuance of Units	-
Redemption of Units	(1,189,967)
Balance, December 31, 2013	9,560,033

	Number of Units
Opening balance, May 18, 2012, commencement of operations	-
Issuance of Units	10,750,000
Redemption of Units	-
Balance, December 31, 2012	10,750,000

8. 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, 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, 2013 and December 31, 2012, the Fund invested in debt instruments as applicable, with the following credit ratings:

Long Positions Debt Instruments by Credit Rating **	December 31, 2013		December 31, 2012	
	Fair Value *	Percentage of Net Assets (%)	Fair Value *	Percentage of Net Assets (%)
AAA	\$5,732,030	5.0%	\$68,174	0.1%
A	28,573,085	25.2%	35,793,931	27.6%
BBB	100,536,758	88.6%	157,577,122	121.6%
Below BBB (O)	19,527,596	17.2%	50,385,690	38.9%
Unrated (U)	72,731,792	64.1%	31,423,089	24.2%
Total Long Positions	\$227,101,261	200.1%	\$275,248,006	212.4%

* Excludes cash and cash equivalents

** Credit ratings are obtained from Moody's bond rating services

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

The credit rating of derivative contracts are shown separately on the statement of investment portfolio.

The Fund's broker and custodian services are provided by RBC Investor Services Trust, TD Securities and Bank of Montreal, which have credit ratings as rated by Moody's bond rating services of A2, Aaa and Aa2 respectively. The counterparty of the Fund's swaps is Merrill Lynch International which has a credit rating as rated by Moody's bond rating services of Baa2. The counterparty to the Fund's futures contracts 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 and interest rate swaps. 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.

As at December 31, 2013, the Fund's exposure to debt instruments by maturity and interest rate swaps, 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, 2013	December 31, 2012
Debt Instruments by Maturity Date**	(\$)	(\$)
Less than 1 year	18,400,915	-
1 – 3 years	48,057,378	\$93,375,473
3 – 5 years	36,537,271	56,107,177
Greater than 5 years	124,105,697	125,765,355
Sensitivity +/- 100 basis points	+/- \$9,186,462	+/- \$11,792,899

Short positions	December 31, 2013	December 31, 2012
Debt Instruments by Maturity Date**	(\$)	(\$)
1 – 3 years	(\$2,972,956)	(\$113,844)
3 – 5 years	(23,726,854)	(66,470,407)
Greater than 5 years	(86,093,157)	(82,220,230)
Sensitivity +/- 100 basis points	+/- \$6,210,495	+/- \$8,630,351

Interest Rate Swaps	December 31, 2013	December 31, 2012
	(\$)	(\$)
Sensitivity +/- 100 basis points	+/- \$387,160	-

**Excludes cash and cash equivalents

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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

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, 2013, 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 December 31, 2013	The Fund's variance with a 10% change in the Benchmark	Impact on Net Assets \$
DEX Universe All Corporate Bond Index (PC-Bond)	+/- 2.0%	\$2,270,044

Benchmark December 31, 2012	The Fund's variance with a 10% change in the Benchmark	Impact on Net Assets \$
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.

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, 2013		December 31, 2012	
	Fixed Income (Long)	Fixed Income (Short)	Fixed Income (Long)	Fixed Income (Short)
Basic Materials	2.8%	-	7.6%	-
Communications	75.4%	-	50.5%	-
Consumer, Cyclical	3.1%	-	-	-
Consumer, Non-Cyclical	19.5%	-	5.6%	-
Diversified	-	-	1.4%	-
Energy	5.6%	-	18.3%	-
Financial	73.8%	-	103.6%	-
Government	5.1%	(99.4%)	0.1%	(114.8%)
Industrial	-	-	4.4%	-
Utilities	14.8%	-	20.8%	-

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For the year ended December 31, 2013

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.

The Fund has exposure to U.S. Dollars as at December 31, 2013 as follows:

Currency	December 31, 2013 Net Exposure (\$)*	December 31, 2012 Net Exposure (\$)*
Foreign Currencies Long	\$2,979,534	\$1,282,004
Foreign Currencies Short	(3,809,271)	(2,423,130)
Net Exposure	(829,738)	(\$1,141,126)
As a Percentage of Net Assets (%)	(0.7%)	(0.9%)

*All amounts in Canadian Dollars

As at December 31, 2013, 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 \$82,974 [December 31, 2012 - \$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.

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 daily cash redemptions of redeemable units, which are payable within 10 business days after the redemption 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 typically due within three months).

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.

ECIGIF Trust maintains a custody account with its prime brokers and primary custodian. There is no guarantee that the custodian or prime brokers will not become insolvent. In the event of a failure, there is no guarantee ECIGIF Trust 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. Such losses could be significant and could

ECIGIF TRUST

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For the year ended December 31, 2013

materially impair the ability of ECIGIF Trust to achieve its investment objective. The Fund diversifies its holdings amongst three prime brokers to mitigate this risk.

9. 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.

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, 2013:

	Assets (Liabilities) at Fair Value as at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Fixed Income Long	-	\$227,101,261	-	\$227,101,261
Options Long	112,200	-	-	112,200
Futures Contracts	(42,465)	-	-	(42,465)
Swap Contracts	-	(476,190)	-	(476,190)
Fixed Income Short	-	(112,792,967)	-	(112,792,967)
Options Short	(4,463)	-	-	(4,463)
Totals	65,272	\$113,832,104	-	\$113,897,376

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2013

	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	(45,943)	\$126,374,020	-	\$126,328,077

As at December 31, 2013, the Fund did not hold any level 3 financial instruments. There were no transfers between levels during 2013.

10. 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:

As at December 31, 2013		
Net Asset Value per Unit	Bid/Ask Adjustment	Net Assets per Unit
\$11.93	(\$0.06)	\$11.87

As at December 31, 2012		
Net Asset Value per Unit	Bid/Ask Adjustment	Net Assets per Unit
\$12.13	(\$0.07)	\$12.06

11. 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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 28, 2014

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

"James L. McGovern"

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

"Robert W. Maxwell"

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

Independent Auditor's Report

To the Unitholders 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, 2013, the statements of net assets as at December 31, 2013 and December 31, 2012 and the statements of operations, cash flow and changes in net assets for the year ended December 31, 2013 and 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 audits. We conducted our audits 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 in our audits 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, 2013 and December 31, 2012 and the results of its operations and its cash flows for the year ended December 31, 2013 and the period from May 18 (commencement of operations) to December 31, 2012 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

March 28, 2014

