



**UNAUDITED SEMI-ANNUAL FINANCIAL STATEMENTS**

**JUNE 2015**

ECIGIF TRUST



# ECIGIF TRUST

## Statements of Financial Position (Unaudited)

	Note	As at June 30, 2015	As at December 31, 2014
<b>Assets</b>			
Current assets			
Financial assets designated at fair value through profit and loss		\$ 248,526,600	\$ 237,012,418
Financial assets held for trading			
Unrealized gain on futures contracts - long		-	30,952
Unrealized gain on futures contracts - short		59,518	8,733
Unrealized gain on options		272,036	98,567
Unrealized gain on swap contracts		2,473,508	-
Warrants at fair value		2	-
Cash		909,818	809,097
Margin deposit on futures contracts		3,446,465	700,760
Cash collateral on swap contracts		799,995	1,101,386
Accrued interest and dividends receivable		2,119,575	2,551,841
Receivable for securities sold		1,240,250	-
		<b>259,847,767</b>	<b>242,313,754</b>
<b>Liabilities</b>			
Current liabilities			
Financial liabilities held for trading			
Investments sold short		156,615,742	136,469,250
Unrealized loss on futures contracts - long		585	-
Unrealized loss on futures contracts - short		2,800	154,191
Unrealized loss on options		35,448	58,564
Unrealized loss on swap contracts		630,961	626,051
Margin loan		9,259,872	9,045,309
Accrued interest and dividends payable		412,107	481,962
Other liabilities	7	147,942	156,789
		<b>167,105,457</b>	<b>146,992,116</b>
<b>Net assets attributable to holders of redeemable units</b>			
		<b>\$ 92,742,310</b>	<b>\$ 95,321,638</b>
Net assets attributable to holders of redeemable units			
Units		\$ 92,742,300	\$ 95,321,628
Class A Units		\$ 10	\$ 10
Number of units outstanding			
Units	6	8,519,202	8,519,202
Class A Units		1	1
Net assets attributable to holders of redeemable units per unit			
Units		\$ 10.89	\$ 11.19
Class A Units		\$ 10.00	\$ 10.00

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

# ECIGIF TRUST

## Statements of Comprehensive Income (Unaudited) For the periods ended June 30

	Note	2015 \$	2014 \$
<b>Income</b>			
Net gains (losses) on investments and derivatives			
Interest for distribution purposes	5	4,693,985	4,992,465
Interest Income on derivatives	5	190,168	-
Interest expense on short sales	5	(1,855,599)	(1,190,133)
Net realized gain (loss) on investments and derivatives	5	(4,405,372)	(1,128,154)
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	5	3,987,782	1,893,125
Net gains (losses) on investments and derivatives		2,610,964	4,567,303
Other Income Items:			
Interest on cash		2,408	10,457
Foreign exchange gain (loss)		(1,011,631)	19,648
Net change in unrealized foreign exchange gain (loss)		67,665	138,440
Total income (net)		1,669,406	4,735,848
<b>Expenses</b>			
Securityholder reporting fees		47,422	31,267
Custodial fees		9,576	13,086
Management fees	7	460,982	565,343
Performance fees	7	-	378,794
Legal fees		2,174	-
Audit fees		15,333	14,311
Investment review committee fees		2,483	3,241
Interest expense		16,800	46,937
Commissions and other portfolio transaction costs	7	808	-
Security borrowing expenses		273,220	192,181
Harmonized sales tax		69,936	130,787
Total expenses		898,734	1,375,947
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>770,672</b>	<b>3,359,901</b>
Increase (decrease) in Net Assets attributable to holders of redeemable units per Class			
Units		770,672	3,359,901
Class A Units		-	-
Increase (decrease) in Net Assets attributable to holders of redeemable units per Unit			
Units	9	0.09	0.35
Class A Units		-	-

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

# ECIGIF TRUST

## Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (Unaudited) For the periods ended June 30

		2015	2014
		\$	\$
Net assets attributable to holders of redeemable units at beginning of period			
	Units	95,321,628	114,083,383
	Class A Units	10	-
		95,321,638	114,083,383
Increase (decrease) in net assets attributable to holders of redeemable units			
	Units	770,672	3,359,901
	Class A Units	-	-
		770,672	3,359,901
Distributions to holders of redeemable units			
From net investment income	Units	-	-
	Class A Units	-	-
		-	-
From net realized gains on investments and derivatives	Units	-	-
	Class A Units	-	-
		-	-
Return of Capital	Units	(3,350,000)	(3,950,000)
	Class A Units	-	-
		(3,350,000)	(3,950,000)
<b>Total distributions to holders of redeemable units</b>		<b>(3,350,000)</b>	<b>(3,950,000)</b>
Redeemable unit transactions			
Proceeds from redeemable units issued	Units	-	-
	Class A Units	-	10
		-	10
Reinvestments of distributions to holders of redeemable units	Units	-	-
	Class A Units	-	-
		-	-
Redemption of redeemable units	Units	-	-
	Class A Units	-	-
		-	-
<b>Net increase (decrease) from redeemable unit transactions</b>		<b>-</b>	<b>10</b>
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>(2,579,328)</b>	<b>(590,089)</b>
	Units	92,742,300	113,493,284
	Class A Units	10	10
<b>Net assets attributable to holders of redeemable units at end of period</b>		<b>92,742,310</b>	<b>113,493,294</b>

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

# ECIGIF TRUST

## Statements of Cash Flow (Unaudited) For the periods ended June 30

Note	2015 \$	2014 \$
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	770,672	3,359,901
Adjustment for:		
Net change in unrealized foreign exchange loss (gain)	(67,665)	(138,440)
Net realized loss (gain) on investments and derivatives	4,405,372	1,128,154
Net change in unrealized depreciation (appreciation) in value of investments and derivatives	(3,987,782)	(1,893,125)
Purchase of investments	(525,586,032)	(746,904,276)
Proceeds on sale of investments	529,724,678	746,569,544
(Increase) decrease in margin deposit on futures contracts	(2,745,705)	(1,030,244)
(Increase) decrease in cash collateral on swap contracts	301,391	(149,636)
Decrease (increase) in accrued interest and dividends receivable	432,266	290,092
Increase (decrease) in accrued interest and dividends payable	(69,855)	(68,208)
Increase (decrease) in other liabilities	(8,847)	427,960
Net cash from (used in) operating activities	3,168,493	1,591,722
<b>Cash flows from (used in) financing activities</b>		
Proceeds from redeemable units issued	-	10
Distributions paid to holders of redeemable units, net of reinvested distributions	(3,350,000)	(3,950,000)
Increase (decrease) in margin loan	214,563	6,048,171
Net cash from (used in) financing activities	(3,135,437)	2,098,181
Net Increase (decrease) in cash	33,056	3,689,903
Cash at beginning of the period	809,097	529,842
Net change in unrealized foreign exchange (loss) gain	67,665	138,440
Cash at end of the period	909,818	4,358,185
Interest received*	5,404,580	5,284,225
Interest paid*	(1,942,245)	(1,305,278)

\*Included as part of cash flows from operating activities

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

# ECIGIF TRUST

Schedule of Investment Portfolio (Unaudited) - As at June 30, 2015

Fixed Income Positions - Long Security Name	Currency	268.0% Coupon Rate %	Maturity Date	Par Value	Average Cost \$	Fair Value \$
Ag Growth International Inc.	CAD	5.25	12-31-19	110,000	116,188	114,686
Algonquin Power Co.	CAD	5.50	07-25-18	636,000	694,798	696,655
Algonquin Power Co.	CAD	4.65	02-15-22	1,144,000	1,203,602	1,228,953
American Media, Inc.	USD	11.50	12-15-17	369,000	369,304	474,675
Anheuser-Busch InBev Worldwide Inc.	CAD	3.65	01-15-16	9,183,000	9,342,094	9,300,451
Aon Finance N.S. 1, ULC	CAD	4.76	03-08-18	8,632,000	9,282,532	9,304,864
Apple Inc.	USD	3.45	02-09-45	798,000	835,529	845,849
Apple Inc.	USD	4.38	05-13-45	697,000	833,972	858,906
APT Pipelines Limited	CAD	4.25	07-24-19	4,101,000	4,211,399	4,369,276
Heathrow Funding Limited	CAD	4.00	07-03-21	1,890,000	2,012,321	2,044,810
Bank of America Corporation	CAD	3.23	06-22-22	5,440,000	5,440,000	5,489,178
Bell Canada	CAD	4.88	04-26-18	1,679,000	1,819,851	1,828,129
Bell Canada	CAD	4.40	03-16-18	3,516,000	3,774,393	3,780,263
Bell Canada	CAD	4.70	09-11-23	1,198,000	1,292,683	1,331,948
Bombardier Inc.	USD	6.00	10-15-22	224,000	268,119	249,380
Bombardier Inc.	USD	7.50	03-15-25	112,000	139,849	127,484
Citigroup Inc.	CAD	3.39	11-18-21	2,277,000	2,363,640	2,361,181
Cominar Real Estate Investment Trust	CAD	4.16	06-01-22	1,149,000	1,149,000	1,151,792
Cominar Real Estate Investment Trust	CAD	4.27	06-15-17	3,315,000	3,451,482	3,447,269
Cominar Real Estate Investment Trust	CAD	3.05	10-09-15	1,617,000	1,625,344	1,621,334
Cominar Real Estate Investment Trust	CAD	2.08	09-22-16	1,255,000	1,255,000	1,254,034
CT Real Estate Investment Trust	CAD	3.53	06-09-25	918,000	918,000	915,604
CT Real Estate Investment Trust	CAD	2.85	06-09-22	466,000	466,000	467,435
Daimler Canada Finance Inc.	CAD	1.58	07-16-15	11,633,000	11,643,423	11,634,629
Enbridge Inc.	CAD	3.94	06-30-23	380,000	391,761	395,477
ENMAX Corporation	CAD	3.81	12-05-24	780,000	788,151	802,706
The Export-Import Bank of Korea	CAD	2.71	12-05-19	699,000	699,000	727,079
GFL Environmental Inc	CAD	7.50	06-18-18	174,000	179,655	175,523
The Goldman Sachs Group, Inc.	CAD	5.00	05-03-18	4,990,700	5,415,445	5,441,959
The Goldman Sachs Group, Inc.	CAD	4.10	11-03-15	1,532,000	1,554,291	1,546,002
The Goldman Sachs Group, Inc.	USD	1.91	11-29-23	3,304,000	3,730,844	4,196,995
Government of Canada	CAD	2.75	09-01-16	149,000	152,725	152,814
Government of Canada	CAD	2.00	06-01-16	229	234	232
Government of Canada	CAD	3.50	12-01-45	3,392,000	4,360,041	4,275,616
Government of Canada	CAD	1.50	09-01-17	6,104,000	6,220,974	6,239,936
Government of Canada	CAD	2.50	06-01-24	3,671,000	3,944,330	3,945,628
Government of Canada	CAD	1.50	02-01-17	2,131,000	2,162,326	2,165,203
Government of Canada	CAD	1.75	09-01-19	4,499,000	4,672,212	4,700,060
H&R Real Estate Investment Trust	CAD	5.90	02-03-17	1,608,000	1,735,729	1,712,520
Home Trust Company	CAD	2.35	05-24-17	1,679,000	1,674,635	1,686,472
KRC North Holdings III, Inc.	CAD	3.86	08-04-20	4,560,000	4,907,064	4,835,059
Lloyds Bank plc	USD	3.50	05-14-25	464,000	560,167	569,454
Lloyds Bank plc	CAD	5.28	04-19-16	4,409,000	4,577,071	4,552,910
Loblaw Companies Limited	CAD	4.86	09-12-23	1,235,000	1,364,428	1,386,349
Loblaw Companies Limited	CAD	6.05	06-09-34	327,000	332,922	390,660
Loblaw Companies Limited	CAD	6.15	01-29-35	728,000	837,230	882,118
Loblaw Companies Limited	CAD	5.22	06-18-20	2,818,000	3,196,685	3,219,001
Manitoba Telecom Services Inc.	CAD	4.59	10-01-18	4,377,000	4,718,257	4,747,382
Manitoba Telecom Services Inc.	CAD	6.65	05-11-16	4,891,000	5,110,312	5,097,205
The Manufacturers Life Insurance Company	CAD	4.21	11-18-21	4,690,000	4,950,422	4,858,793
Medavie Inc.	CAD	6.00	05-21-24	380,000	380,000	399,076
Metropolitan Life Global Funding I	CAD	3.11	04-16-21	410,000	419,299	431,615
Mood Media Corporation	USD	9.25	10-15-20	220,000	228,573	235,322
Morgan Stanley	USD	1.28	06-16-20	270,000	332,478	336,715
Morgan Stanley	CAD	3.13	08-05-21	4,044,000	4,116,632	4,157,475
National Bank of Canada	CAD	1.13	06-22-16	10,000,000	10,000,000	10,001,900
Navient Corporation	USD	5.63	08-01-33	574,000	504,156	583,547
NRL Energy Investments Ltd.	CAD	8.25	04-13-18	340,000	284,750	246,500
Postmedia Network Inc.	CAD	8.25	08-16-17	133,897	137,057	139,086
RioCan Real Estate Investment Trust	CAD	3.85	06-28-19	1,535,000	1,647,239	1,636,479
RioCan Real Estate Investment Trust	CAD	2.87	03-05-18	2,850,000	2,882,074	2,923,587
Rogers Communications Inc.	CAD	5.80	05-26-16	10,762,000	11,206,686	11,173,647
RONA inc.	CAD	5.40	10-20-16	190,000	197,048	197,125
Royal Bank of Canada	CAD	3.36	01-11-16	4,062,500	4,129,775	4,113,038
The Royal Bank of Scotland Group Public Limited Company	CAD	6.67	12-31-49	526,000	490,521	600,955
The Royal Bank of Scotland plc	CAD	10.50	03-16-22	250,000	285,000	281,275
Shaw Communications Inc.	CAD	4.35	01-31-24	10,645,000	10,788,997	11,310,313
Southern Pacific Resource Corp.	CAD	0.00	01-25-18	1,301,000	1,217,803	49,828
Telus Corporation	CAD	3.75	01-17-25	2,964,000	2,957,331	3,044,591
Telus Corporation	CAD	4.40	01-29-46	3,243,000	3,242,092	3,028,994
Thomson Reuters Corporation	CAD	3.37	05-23-19	4,577,000	4,817,328	4,832,809
Thomson Reuters Corporation	CAD	3.31	11-12-21	712,000	712,000	738,287
Thomson Reuters Corporation	CAD	4.35	09-30-20	4,419,000	4,765,902	4,857,983
TransCanada PipeLines Ltd	CAD	9.45	03-20-18	4,785,000	5,869,855	5,755,589





# ECIGIF TRUST

Schedule of Investment Portfolio (Unaudited) - As at June 30, 2015

Option Positions - Long		0.3%					
Security Name	Currency	Strike Price	Expiry Date	Contracts	Average Cost	Fair Value	
					\$	\$	
EURO FX CURR FUTURE SEP 15	USD	1.10	09-05-15	9	28,447	24,137	
PUT SWAPTION CDX NA HY S23 1.03	USD	60.00	08-20-15	30,000,000	27,706	10,777	
PUT SWAPTION CDX NA HY S24 160	USD	160.00	08-20-15	30,000,000	3,692	953	
Royal Bank of Canada	USD	40.00	01-16-16	420	32,852	13,098	
S & P 500 EMINI IND FUT SEP 15	USD	1870.00	07-18-15	50	29,112	9,823	
S & P 500 EMINI IND FUT SEP 15	USD	1870.00	09-19-15	150	213,066	180,094	
SPTSX60 S&P/TSX 60 Index	CAD	720.00	09-19-15	269	28,971	9,146	

Option Positions - Long		0.3%					
Security Name	Currency	Strike Price	Expiry Date	Contracts	Average Cost	Fair Value	
					\$	\$	
SPTSX60 S&P/TSX 60 Index	CAD	780.00	09-19-15	269	53,181	24,008	
					<u>417,027</u>	<u>272,036</u>	

Option Positions - Short		(0.0%)					
Security Name	Currency	Strike Price	Expiry Date	Contracts	Proceeds	Fair Value	
					\$	\$	
PUT SWAPTION CDX NA HY S23 1.03	USD	90.00	08-20-15	(30,000,000)	(27,706)	(35,448)	
					<u>(27,706)</u>	<u>(35,448)</u>	

Swap Positions		2.0%					
Security Name	Currency	Notional Value	Cost	Fair Value			
			\$	\$			
CDS SP GM MOTORS	USD	4,656,000	1,035,019	1,019,237			
CDS SP METLIFE INC	USD	10,000,000	169,459	176,072			
CDS SP NAVIEN CORP	USD	10,000,000	1,136,520	1,121,285			
CDS SP PRUDENTIAL	USD	10,000,000	131,614	156,914			
CDS SP ENBRIDGE INC	USD	15,000,000	(409,553)	(558,221)			
CDS SP NY TIMES COMP	USD	3,034,000	(49,103)	(72,740)			
			<u>2,013,956</u>	<u>1,842,547</u>			

Warrant Positions - Long		0.0%					
Security Name	Currency	Strike Price	Maturity Date	Quantity	Average Cost	Fair Value	
					\$	\$	
Xplornet Communications Inc.	CAD	0	05-15-17	174	2	2	
					<u>2</u>	<u>2</u>	

Investment Portfolio Summary			Average Cost	Fair Value
		%	\$	\$
Fixed Income Positions - Long		268.0	247,633,900	248,526,600
Fixed Income Positions - Short		(168.9)	(156,891,754)	(156,615,742)
Futures Contracts - Long		(0.0)	-	(585)
Futures Contracts - Short		0.1	-	56,718
Option Positions - Long		0.3	417,027	272,036
Options Positions - Short		(0.0)	(27,706)	(35,448)
Swap Positions		2.0	2,013,956	1,842,547
Warrant Positions - Long		0.0	2	2
Total Investments		101.4	<u>93,145,425</u>	<u>94,046,128</u>
Total Other Net Assets		(1.4)		(1,303,818)
Total Net Assets		<u>100.0</u>		<u>92,742,310</u>

# ECIGIF TRUST

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2015

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### 1. GENERAL INFORMATION

ECIGIF Trust (the "Fund") is an open-ended investment trust established under the laws of Ontario and is governed by the Declaration of Trust dated April 26, 2012, (the "Declaration of Trust"). The Declaration of Trust was last amended on June 30, 2014. The Fund commenced operations on May 18, 2012.

The investment objective of the Fund is to maximize total returns to unitholders while reducing risk by holding a diversified portfolio comprised primarily of investment grade debt securities (both long and short positions) of Canadian corporate and government issuers.

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 "Portfolio Advisor").

The address of the Fund's registered office is 36 Toronto Street, Suite 750, Toronto, Ontario.

These financial statements are as at June 30, 2015 and December 31, 2014 and for the periods ending June 30, 2015 and 2014.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of Presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

These financial statements were authorized for issue by the Manager on August 28, 2015.

#### b) Financial Instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit and loss ("FVTPL"). Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's long investment positions are designated at "FVTPL". The Fund's short investment positions and derivatives are classified as held for trading ("HFT") and are measured at FVTPL. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. Due to their short term nature, the carrying values of other assets and liabilities and net assets attributable to holders of redeemable units approximate their fair values. The Fund's accounting policies for measuring the fair value of its investments and derivatives are the same to those used in measuring its net asset value ("NAV") for transactions with unitholders. There were no differences between the net asset value attributable to holders of redeemable units used for reporting purposes under IFRS and that used for transactions with unitholders at June 30, 2015 or December 31, 2014.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined 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. Average cost does not include amortization of premiums or discounts on fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the fund accounted for on an accrual basis.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

#### c) Financial Instruments - Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for securities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of

# ECIGIF TRUST

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2015

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fair value based on the specific facts and circumstances. The fair value of bonds is determined using mid-market pricing derived from bid and ask prices provided by independent security pricing services or recognized investment dealers. Gains and losses arising from changes in the fair value of financial assets or liabilities are presented in the statement of comprehensive income. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same and other commonly used methods by market participants which make the maximum use of observable inputs.

### **d) Impairment of Financial Assets**

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of future cash flows discounted using the assets original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

### **e) Foreign Currency Translation**

The Fund's functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash, margin deposit on futures contracts, cash collateral on swap contracts, and margin loan, are presented as 'Foreign exchange gain (loss)' and those relating to other financial assets and liabilities are presented within 'Net realized gain (loss) on investments and derivatives' and 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income.

### **f) Cash**

Cash is comprised of deposits with financial institutions.

### **g) Margin Deposit on Futures Contracts**

Cash collateral provided by the Fund to brokers for counterparties to futures transactions is identified in the statement of financial position as 'Margin deposit on futures contracts'.

### **h) Cash Collateral on Swap Contracts**

Cash collateral provided by the Fund to brokers for counterparties to swap transactions is identified in the statement of financial position as 'Cash collateral on swap contracts'.

### **i) Collateral**

For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral and such party has identified the securities which are pledged as collateral, the Fund classifies that asset in the statement of financial position as 'pledged collateral'.

### **j) Margin Loan**

Margin loan represents cash amounts borrowed under a margin agreement with the Fund's prime broker and is payable upon demand. The Fund has granted a first priority security interest over investments and other assets held at the prime broker in support of its obligations under its margin lending agreement.

### **k) Options**

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. When the Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Fund writes an option,

# ECIGIF TRUST

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

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an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. Options held by the Fund are exchange-traded. Subsequent to initial recognition, changes in fair value, the difference between the premiums paid or received, and fair value, are presented in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a gain or loss and is presented in the statement of comprehensive income within 'Net realized gain (loss) on investments and derivatives'.

### **l) Futures Contracts**

The Fund may purchase or sell futures contracts. Futures contracts are exchange traded contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price established in an organized market. Subsequent to initial recognition, changes in fair value are presented in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. When futures contracts are closed out, the gain or loss is presented in the statement of comprehensive income within 'Net realized gain (loss) on investments and derivatives'.

### **m) 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 financial position 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 included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' and upon closing or expiry of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the statement of comprehensive income.

### **n) 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 included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' and upon closing or expiry of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the statement of comprehensive income.

### **o) Commissions and Other Portfolio Transaction Costs**

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers. Such costs are expensed when incurred.

### **p) Income and Expense Allocation**

The net assets of each class are computed by calculating the value of that class' proportionate share of the Fund's assets less that class' proportionate share of the Fund's common liabilities less class specific liabilities, if any. Expenses directly attributable to a class are charged to that class. Other income, expenses and gains/losses are allocated based on a reasonable allocation methodology which will include allocations based upon the assets of the Fund or the number of unitholders in the Fund or other methodology the Manager determines is fair.

### **q) Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit**

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing 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. Refer to Note 9 for the calculation.

# ECIGIF TRUST

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2015

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### r) **Classification of Redeemable Units**

On June 30, 2014, the Fund issued Class A Units in addition to the Units. As both Units and Class A Units are equally subordinate and do not have identical features due to different management fee rates (Note 7), all units have been subsequently classified as financial liabilities. The reclassification of redeemable units from equity to financial liabilities did not result in any measurement differences.

### 3. **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

#### **Use of Estimates**

*Fair Value measurement of derivatives and securities not quoted in an active market*

The Fund holds financial instruments that are not quoted in active markets, including derivatives. Fair value of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 5 for further information about the fair value measurement of the Fund's financial instruments.

#### **Use of Judgments**

*Classification and Measurement of Investments and Application of the Fair Value Option*

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, *Financial Instruments - Recognition and Measurement* (IAS 39). The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

### 4. **FINANCIAL INSTRUMENTS – RISK MANAGEMENT**

The Fund's activities expose it to a variety of risks associated with financial instruments: credit risk, liquidity risk and market risk (including price risk, currency risk, and interest rate risk).

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments present a risk of loss of capital. The maximum loss of capital on long equity, options, interest rate swaps, and debt securities is limited to the fair value of those positions. The maximum loss on equities, options, and debt sold short can be unlimited. The maximum loss on futures contracts is the notional contract value of those positions. The maximum loss of capital on credit default swaps purchased is the cumulative premiums paid. The maximum loss of capital on credit default swaps sold is the notional value of those positions less the cumulative fee payments received, if any.

The management of these risks is carried out by the Manager and Portfolio Advisor in accordance with the Declaration of Trust.

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn can also increase the potential returns the Fund can achieve. The Portfolio Advisor manages these exposures on a daily basis in accordance with investment restrictions that have been established by the Fund to manage the overall potential exposure. Specifically the Fund will not make borrowings, including pursuant to a loan facility or by purchasing securities on margin, if, immediately following the borrowings, the aggregate amount borrowed would exceed 35% of the net asset value of the Fund.

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## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2015

### Credit Risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The majority of the credit risk to which the Fund is exposed arises from its investments in debt securities.

The Fund's policy to manage this risk is to not invest more than 10% of its net assets in the securities of any single issuer (as determined at the time of purchase), other than securities issued or guaranteed by the Government of Canada, the Government of the United States of America or a province, state or territory thereof; to not invest more than 12.5% of its net assets in non-investment grade securities and to not invest more than 10% of its net assets in illiquid assets.

The analysis below summarizes the credit quality of the Fund's debt portfolio at June 30, 2015 and December 31, 2014.

Credit Rating*	Percentage of total long debt securities	
	June 30, 2015	As at December 31, 2014
AAA	8.9%	2.4%
AA	6.8%	0.5%
A	28.7%	13.9%
BBB	14.0%	73.2%
Below BBB	34.9%	8.0%
Not Rated	6.7%	2.0%
Total	100.0%	100.0%

\* Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Service.

The Fund has provided the broker with a general lien over assets held in return for services including borrowed securities and derivatives trading. The terms and conditions associated with collateral have no significant unusual requirements from the usual practice of recourse when a default occurs. Therefore, the Fund is also exposed to credit risk of the broker.

The Fund is exposed to counterparty credit risk on cash, cash collateral, margin deposits, swaps, futures contracts, receivable for securities sold, and other receivable balances. The Fund's brokerage agreements require cash collateral in return for services including borrowed securities and derivatives trading. The counterparties to the Fund's swaps are Bank of America, JP Morgan Chase & Co. and Credit Suisse which have credit rating as rated by Moody's bond rating services of Baa2, A3 and A2 respectively (December 31, 2014: Baa2, A3 and A2 respectively). The counterparty to the Fund's futures contracts is JP Morgan Chase & Co. which has a credit rating of A3 (December 31, 2014: A3) as rated by Moody's bond rating services. The Fund's broker and custodian services are provided by CIBC Mellon, TD Securities, Bank of Montreal and The Bank of Nova Scotia, which have credit ratings as rated by Moody's bond rating services of Aa3, Aa1, Aa3 and Aa2 respectively (December 31, 2014: Aa3, Aa1 and Aa3, respectively).

The Fund's maximum exposure to counterparty risk is the carrying value of its swaps, futures contracts, cash, margin deposits, and other receivable balances.

The Fund is also exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (December 31, 2014: Aa1).

There are also risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund. Therefore, the Fund should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The credit risk related to the associated receivables is considered limited, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare 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 problems or time delays associated with enforcing the Fund's rights to its assets in the case of an insolvency of any such party.

# ECIGIF TRUST

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2015

### 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 which are redeemable on demand at the holder's option and payable within 10 business days after the redemption date and as such, retains sufficient cash to fund anticipated redemptions.

The Fund aims to retain sufficient cash to maintain adequate liquidity including coverage of obligations related to short sales and all current liabilities (liabilities are typically due within three months).

From time to time, the Fund may use margin borrowings in one or more of its brokerage accounts. During the period ended June 30, 2015, the minimum margin borrowings used was \$1,351,316 and the maximum net margin borrowings used was \$11,602,216 (December 31, 2014: min: \$2,553,522, max: \$11,660,353).

### Market Risk

The Fund's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

#### (a) Currency Risk

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than the Canadian dollar, primarily US dollars (USD). Consequently, the Fund is exposed to currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The table below indicates the Fund's exposure to USD as at June 30, 2015 and December 31, 2014, in Canadian dollar terms, and the notional amounts of foreign currency contracts. The table below illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Non-monetary is comprised of long and short equities and options. Monetary includes cash, margin loan, margin deposit, derivatives, fixed income securities, and other current receivables and payables.

June 30, 2015	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary
United States Dollar - Long	\$14,692,064	\$13,098	\$14,705,162	\$1,469,206	\$1,310	\$1,470,516
United States Dollar - Short	(14,625,029)	-	(14,625,029)	(1,462,503)	-	(1,462,503)
European Currency - Short	(81,172)	-	(81,172)	(8,117)	-	(8,117)
Total	(\$14,137)	\$13,098	(\$1,039)	(\$1,414)	\$1,310	(\$104)
<b>% of net assets attributable to holders of redeemable units</b>	(0.0%)	0.0%	(0.0%)	(0.0%)	0.0%	(0.0%)

December 31, 2014	Exposure			Impact on net assets attributable to holders of redeemable units		
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary
United States Dollar - Long	\$7,889,491	\$29,299	\$7,918,790	\$788,949	\$2,930	\$791,879
United States Dollar - Short	(11,746,936)	-	(11,746,936)	(1,174,694)	-	(1,174,694)
European Currency - Long	30,952	-	30,952	3,095	-	3,095
European Currency - Short	(130,199)	-	(130,199)	(13,020)	-	(13,020)
Total	(\$3,956,692)	\$29,299	(\$3,927,393)	(\$395,670)	\$2,930	(\$392,740)
<b>% of net assets attributable to holders of redeemable units</b>	(4.2%)	0.0%	(4.2%)	(0.4%)	0.0%	(0.4%)

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For the period ended June 30, 2015

### (b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund holds securities with fixed interest rates that expose the Fund to fair value interest rate risk. The Portfolio Advisor manages this risk by short selling primarily government bonds to reduce the interest rate risk inherent in the Fund's corporate investment grade debt positions.

The table below summarizes the Fund's exposure to interest rate risk as at June 30, 2015 and December 31, 2014. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable units if the prevailing levels of market interest rates changed by 1.0%, assuming a parallel shift in the yield curve with all other variables held constant.

Term to Maturity	Long Exposure		Short Exposure	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Less than 1 year	\$66,398,254	\$9,221,179	-	-
1-3 years	53,029,318	45,457,851	(\$44,464,694)	(\$25,337,190)
3-5 years	38,027,059	88,229,052	(48,564,802)	(48,976,790)
Greater than 5 years	91,071,969	94,104,336	(63,586,246)	(62,155,270)
Total	\$248,526,600	\$237,012,418	(\$156,615,742)	(\$136,469,250)
Sensitivity:				
Total \$ sensitivity	+/- \$8,912,546	+/- \$11,888,349	+/- \$8,789,296	+/- \$9,408,661
Total % sensitivity	9.6%	12.5%	9.5%	9.9%

### (c) Price Risk

The Fund is exposed to price risk, which 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). The Fund's investments are subject to the risk of changes in the prices of bonds, options and futures contracts.

The Fund's policy is to manage price risk through diversification and selection of investments within specified limits established by the investment restrictions within the Declaration of Trust. The Fund will not have total exposure exceeding 400% determined on a daily mark-to-market basis; will not have net long exposure exceeding 300% determined on a daily mark-to-market basis and also will not have net short exposure exceeding 150% determined on a daily mark-to-market basis. The Fund's investment restrictions also limits investments in any single issuer to 10% of the Fund's net assets (as determined at the time of purchase), limits investments in non-investment grade debt securities to no more than 12.5% of the Fund's net assets and limits investments in illiquid assets to no more than 10% of its net assets. The Fund generally invests in bonds that have observable market prices that are quoted by multiple dealers.

As at June 30, 2015, if the Fund's relevant benchmark index, FTSE TMX Canada Universe Bond Index had increased or decreased by 10%, with all other variables constant, the net assets attributable to holders of redeemable units of the Fund would have increased or decreased by approximately \$556,454 (December 31, 2014: \$1,773,802) representing 0.6% of net assets attributable to holders of redeemable units (December 31, 2014: 2%).

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 on the financial statements.

### 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.



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## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2015

The following is a summary of the Fund's concentration risk as a percentage of net assets attributable to holders of redeemable units:

Market Segment	June 30, 2015		December 31, 2014	
	Fixed Income (Long)	Fixed Income (Short)	Fixed Income (Long)	Fixed Income (Short)
Asset Backed Securities	-	-	0.2%	-
Basic Materials	-	-	1.0%	-
Communications	72.4%	(4.3%)	73.2%	-
Consumer, Cyclical	27.5%	-	17.4%	-
Consumer, Non-Cyclical	16.8%	-	24.7%	-
Diversified	2.1%	-	2.0%	-
Energy	11.7%	-	23.0%	-
Financial	102.2%	(5.8%)	91.9%	(4.6%)
Government	24.3%	(158.8%)	3.2%	(138.6%)
Industrial	2.9%	-	2.4%	-
Technology	1.8%	-	-	-
Utilities	6.0%	-	9.6%	-

### Capital Risk Management

Redeemable units issued and outstanding are considered to be the capital of the Fund. The Fund does not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit of the Fund for all or any of the units of such unitholder by giving written notice to the Manager. The written notice is irrevocable and must be received no later than 4:00 p.m., EST, on the valuation day upon which the units are to be redeemed (a "Redemption Date"). 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.

### 5. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2015 and December 31, 2014:

As at June 30, 2015	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Fixed income long	-	\$248,526,600	-	\$248,526,600
Derivatives	\$331,554	2,473,510	-	2,805,064
<b>Total</b>	\$331,554	\$251,000,110	-	\$251,331,664
<b>Liabilities</b>				
Fixed income short	-	(\$156,615,742)	-	(\$156,615,742)
Derivatives	(\$38,833)	(630,961)	-	(669,794)
<b>Total</b>	(\$38,833)	(\$157,246,703)	-	(\$157,285,536)

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## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2015

As at December 31, 2014	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Fixed income long	-	\$237,012,418	-	\$237,012,418
Derivatives	\$138,252	-	-	138,252
<b>Total</b>	\$138,252	\$237,012,418	-	\$237,150,670
<b>Liabilities</b>				
Fixed income short	-	(\$136,469,250)	-	(\$136,469,250)
Derivatives	(\$212,755)	(626,051)	-	(838,806)
<b>Total</b>	(\$212,755)	(\$137,095,301)	-	(\$137,308,056)

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

As at June 30, 2015 and December 31, 2014, the Fund did not hold any level 3 financial instruments. There were no transfers between levels during the periods ending June 30, 2015 and 2014.

### a) Bonds

The Fund's bond portfolio is comprised primarily of investment grade Canadian bonds and also includes government bonds. Bond pricing is obtained from bid and ask prices provided by independent security pricing services or recognized investment dealers. Bond prices may be derived by using models which include inputs such as interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Fund's bonds have been classified as Level 2.

### b) Derivative assets and liabilities

Derivative assets and liabilities consist of futures contracts, options, interest rate swaps and credit default swaps. Futures contracts and options are exchange traded and are classified as Level 1 as they are actively traded and a reliable price is observable. Interest rate swaps are valued using indicative bid/ask prices from third party broker dealers while credit default swaps are valued based upon quotations from independent security pricing sources. The inputs that are significant to valuation are generally observable and therefore both interest rate swaps and credit default swaps have been classified as Level 2.

### Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the periods ended June 30, 2015 and 2014.

### June 30, 2015

	Net realized gains/(losses) (\$)	Net unrealized gains/(losses) (\$)	Interest Income (\$)	Interest expense (\$)	Total (\$)
Financial assets at FVTPL:					
Designated as FVTPL	2,683,880	(557,048)	4,693,985	-	6,820,817
HFT	526,758	537,063	190,168	-	1,253,989
	3,210,638	(19,985)	4,884,153	-	8,074,806
Financial liabilities at FVTPL:					
HFT	(7,616,010)	4,007,767	-	(1,855,599)	(5,463,842)
<b>Total:</b>	<b>(4,405,372)</b>	<b>3,987,782</b>	<b>4,884,153</b>	<b>(1,855,599)</b>	<b>2,610,964</b>

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For the period ended June 30, 2015

### June 30, 2014

	Net realized gains /(losses) (\$)	Net unrealized gains /(losses) (\$)	Interest Income (\$)	Interest expense (\$)	Total (\$)
Financial assets at FVTPL:					
Designated as FVTPL	1,245,597	5,330,724	4,992,465	-	11,568,786
HFT	(305,967)	9,570	-	-	(296,397)
	939,630	5,340,294	4,992,465	-	11,272,389
Financial liabilities at FVTPL:					
HFT	(2,067,784)	(3,447,169)	-	(1,190,133)	(6,705,086)
Total:	(1,128,154)	1,893,125	4,992,465	(1,190,133)	4,567,303

### 6. REDEEMABLE UNITS

During the periods ended June 30, 2015 and 2014, the number of units issued, redeemed and outstanding was as follows:

June 30, 2015	Redeemable units outstanding at beginning of period	Redeemable units issued	Redeemable units issued on reinvestments	Redeemable units redeemed	Redeemable units issued and outstanding at end of period
Units	8,519,202	-	-	-	8,519,202
Class A Units	1	-	-	-	1

June 30, 2014	Redeemable units outstanding at beginning of period	Redeemable units issued	Redeemable units issued on reinvestments	Redeemable units redeemed	Redeemable units issued and outstanding at end of period
Units	9,560,033	-	-	-	9,560,033
Class A Units	1	-	-	-	1

### 7. RELATED PARTY TRANSACTIONS

The Manager is responsible for making decisions relating to the investment of the Fund's assets and providing key management personnel.

#### a) Management and Performance Fee

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. No management fees are charged on Class A Units.

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 period ended June 30, 2015, the Manager earned \$nil in Performance Fees (2014: \$378,794).

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

As at June 30, 2015, included in other liabilities are amounts owing to the Manager relating to management fees of \$76,675 (excluding HST) (December 31, 2014: \$86,774). 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 \$13,801 (December 31, 2014: \$13,727).

#### b) Brokerage Commissions

Total commissions paid to dealers for the period ended June 30, 2015 in connection with portfolio transactions were \$808 (2014: nil).

# ECIGIF TRUST

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

For the period ended June 30, 2015

### 8. TAXATION

The Fund qualifies as a unit trust under the Income Tax Act (Canada) (the "Tax Act"), and therefore is not taxed on taxable income to the extent that the income is distributed to the unitholders of the Fund. All of the net income for tax purposes and sufficient net capital gains realized were distributed or declared to unitholders such that no income tax is payable by the Fund. As a result, the Fund has determined that it is in substance not taxable and therefore, did not record income taxes. The Fund is classified as a financial institution under the 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 has been included in amounts required to be distributed to unitholders. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses would not be reflected in the statement of financial position as a deferred income tax asset. The Fund currently does not have any capital or non-capital losses.

### 9. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the periods ended June 30, 2015 and 2014 is calculated as follows:

June 30, 2015	Increase (decrease) in net assets attributable to holders of redeemable units (\$)	Weighted average units outstanding during the period	Increase (decrease) in net assets attributable to holders of redeemable units per unit (\$)
Units	770,672	8,519,202	0.09
Class A Units	-	1	-

June 30, 2014	Increase (decrease) in net assets attributable to holders of redeemable units (\$)	Weighted average units outstanding during the period	Increase (decrease) in net assets attributable to holders of redeemable units per unit (\$)
Units	3,359,901	9,560,033	0.35
Class A Units	-	1	-

### 10. FUTURE ACCOUNTING CHANGES - IFRS 9, FINANCIAL INSTRUMENTS

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

August 28, 2015

The accompanying unaudited 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 International Financial Reporting Standards 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.

"James L. McGovern"

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

"Robert W. Maxwell"

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

NOTICE TO UNITHOLDERS

**The auditor of the Fund has not reviewed these interim financial statements.**

The Manager of the Fund appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice.



