

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2014

Management Report of Fund Performance

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements for ECIGIF Trust (the "Fund"). If you have not received a copy of the annual financial statements with the management report of fund performance, you may obtain a copy of the annual financial statements, at no cost, by calling 1-877-327-6048 or by sending a request to Arrow Capital Management Inc. (the "Manager"), 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5, or by visiting our website at www.arrow-capital.com or SEDAR at www.sedar.com.

Unitholders may also contact us by using one of these methods to request a copy of the Fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

The Fund

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

Investment Objectives and Strategies

The Fund's investment objectives are to provide unitholders with attractive distributions, while preserving capital through an actively managed, diversified portfolio of investment grade debt securities of Canadian corporate and government issuers that are rated BBB- or higher by Standard & Poor's, or a similar rating from a qualified rating agency. The Portfolio Advisor intends to achieve the Fund's investment objectives by implementing four specific portfolio management strategies for managing the portfolio: the Core Credit Portfolio Strategy, the Relative Value Trading Strategy, the Active Credit Trading Strategy and the Macro Systemic Risk Protection Program. A detailed description of the trading strategies is provided in the Fund's prospectus dated April 26, 2012 (the "Prospectus"), which is available on the Fund's website at www.arrow-capital.com or on SEDAR at www.sedar.com.

Risks

Risks associated with an investment in the units of the Fund are discussed in the Fund's non-offering Prospectus which is available on the Fund's website at www.arrow-capital.com or on SEDAR at www.sedar.com. There were no changes to the Fund over the period that materially affected the risks associated with an investment in the units of the Fund.

Results of Operations

Investment Portfolio

As of December 31, 2014, the Fund's portfolio included a total of 91 [December 31, 2013 - 61] corporate investment grade debt securities held both long and short, the net representing approximately 241.5% [December 31, 2013 - 194.5%] of the net asset value of the Fund.

As part of its investment strategy, the Fund sells government bonds short and invests its proceeds in corporate investment grade debt securities. Incorporating short sales also enhances the portfolio yield and allows the Fund to offset some or all of the interest rate risk on that portion of the portfolio. As at December 31, 2014, the Fund had \$136.5 million [December 31, 2013 - \$112.8] short positions and an unrealized loss of \$6.1 million [December 31, 2013 - \$2.5 million unrealized gain] from short sales.

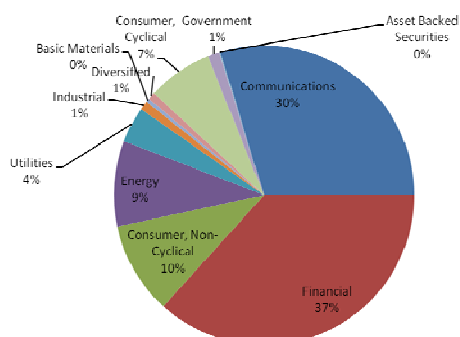
The breakdown of the portfolio by industry showing long positions only is shown in the accompanying pie chart. A detailed listing of the Fund's security holdings is provided in the financial statements.

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2014

Portfolio Sectors



During the year, the Fund's portfolio generated net realized and unrealized gains of \$(4.2) million [December 31, 2013 – \$0.1 million], including net realized and unrealized losses from derivatives of \$(2.6) million [December 31, 2013 – \$(1.6) million].

Revenues, Expenses and Distributions

The Fund earned interest income of \$0.73 per unit during the year [December 31, 2013 - \$0.80] including interest expense on short sales. Total expenses of the Fund for the year were \$0.20 per unit [December 31, 2013 - \$0.19], including security borrowing expenses of \$0.04 per unit [December 31, 2013 - \$0.04]. During the year ended December 31, 2014, the Fund declared distributions to unitholders which totaled \$0.80 per unit [December 31, 2013 - \$0.82].

Cash Overdraft

The Fund utilizes leverage and trades on margin as a component of its investment strategy. As a result, as at December 31, 2014 the Fund had a cash overdraft balance of \$9.0 million [December 31, 2013 - \$3.5 million] representing cash balances advanced under margin lending agreements with the Fund's brokers, which are payable on demand. Interest is charged on outstanding balances at the contractual rate.

Net Asset Value

During the year, the Net Asset Value per unit decreased by \$(0.74) per unit from \$11.93 as at December 31, 2013 to \$11.19 as at December 31, 2014 and included distributions of \$0.80 per unit. The aggregate Net Asset Value of the Fund as at December 31, 2014 was \$95.3 million [December 31, 2013 - \$114.1 million]. There were distributions of \$7.6 million during the year.

Redemptions

The Fund had redemptions during the year of \$11.8 million representing 10.9% of total units outstanding at the redemption date.

Recent Developments

Adoption of International Financial Reporting Standards ("IFRS")

The audited annual financial statements have been prepared in compliance with IFRS. The Fund adopted this basis of accounting in 2014 and has adopted it retroactively, restating comparative periods, as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Handbook.

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2014

Related Party Transactions

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

At December 31, 2014 the Fund issued 1 Class A unit to the Manager at an issue price of \$10. No management fees or performance fees are charged on Class A units.

Management and Performance Fees

Pursuant to a management agreement, the Manager provides management and administrative services to the Fund and for paying the fees of the Portfolio Advisor. The Fund pays management fees equal to 1.0% per annum of the Net Asset Value of the Fund, plus applicable taxes. The management fees from the Fund are used by the Manager to cover its costs for its services in connection with the management of the Fund, the cost of the Portfolio Advisor and for profit.

The Manager is also entitled to receive from the Fund an annual Performance Fee equal to 10% of the increase in the net asset value of the Fund (including any distributions paid on the units of the Fund), subject to an annual hurdle rate of 5.30%.

The Performance Fee will be calculated daily and payable on the last valuation date of each calendar year, except when units of the Fund are redeemed on the applicable redemption date, in which case, the Fund shall pay a Performance Fee in respect of any concurrently redeemed units of the Fund (the "Interim Performance Fee"). The Interim Performance Fees shall be payable on the applicable redemption date. For any partial fiscal year, including with respect to Interim Performance Fees the hurdle rate will be pro-rated. As at December 31, 2014, the Manager had earned \$nil in Performance Fees [December 31, 2013 - \$14,915].

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance. This information is derived from the Fund's audited annual financial statements. *The information in the following tables is presented in accordance with National Instrument ("NI") 81-106 and, as a result, does not act as a continuity of opening and closing Net Assets per unit.* The increase (decrease) in Net Assets from operations is based on average units outstanding during the period, and all other numbers are based on actual units outstanding at the relevant point in time.

Net Assets per Unit	Year ended December 31, 2014	Year ended December 31, 2013	Period ended December 31, 2012 ⁽³⁾
Net Assets per unit, beginning of period⁽¹⁾	\$11.93	\$12.13	\$12.00
Increase (decrease) from operations:⁽¹⁾			
Total revenue	0.76	0.82	0.43
Total expenses	(0.20)	(0.19)	(0.17)
Realized gains (losses)	(0.28)	0.20	0.02
Unrealized gains (losses)	(0.22)	(0.21)	0.02
Total increase in Net Assets from operations⁽¹⁾	\$0.06	\$0.62	\$0.30
Distributions to unitholders:⁽¹⁾			
From net investment income	(\$0.03)	(\$0.63)	(\$0.37)
Return of capital	(0.77)	(0.19)	-
Total distributions to unitholders⁽¹⁾	(\$0.80)	(\$0.82)	(\$0.37)⁽²⁾
Net Assets per unit, end of period⁽¹⁾	\$11.19	\$11.93	\$12.06

- (1) The net assets per unit shown for December 31, 2014 and December 31, 2013 are referenced to net assets attributable to holders of redeemable units determined in accordance with IFRS and are derived from the Fund's audited annual financial statements. The net assets per unit shown for prior years are referenced to Net

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2014

Assets determined in accordance with Canadian generally accepted accounting principles ("GAAP") and are derived from the Fund's audited annual financial statements. The Net Assets presented in the audited annual financial statements may differ from the NAV calculated for fund pricing purposes. NAV is calculated using fair value measures as defined by National Instrument 81-106 ("NI 81-106"), where as Net Assets are calculated in accordance with IFRS/GAAP. An explanation of these differences can be found in the notes to the audited annual financial statements. Net Assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial year. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

- (2) A year end distribution of \$1,360,424/\$0.13 per unit was reinvested and the units were immediately consolidated so that the number of units outstanding equaled the number of units outstanding immediately prior to the distribution.
- (3) Period from May 18, 2012 (commencement of operations) to December 31, 2012.

Ratios and Supplemental Data (Based on Net Asset Value)	December 31, 2014	December 31, 2013	December 31, 2012 ⁽⁴⁾
Net Asset Value (in 000s)	\$95,322	\$114,083	\$129,613
Number of units outstanding (in 000's)	8,519	9,560	10,750
Management expense ratio ("MER") ⁽¹⁾	1.26%	1.27%	1.26%*
Trading expense ratio ⁽²⁾	0.42%	0.35%	0.96%*
Portfolio turnover rate ⁽³⁾	137.74%	106.3%	155.7%
Net Asset Value per unit	\$11.19	\$11.93	\$12.13

* Ratios have been annualized

- (1) MER is based on the requirements of NI 81-106 and includes the total expenses (excluding commissions, margin interest, security borrowing costs, and other portfolio transaction costs) of the Fund for the stated period, and is expressed as an annualized percentage of the average Net Asset Value of the period.
- (2) The trading expense ratio represents total commissions, margin interest, and security borrowing costs expressed as an annualized percentage of the daily average Net Asset Value of the Fund during the period.
- (3) The Fund's portfolio turnover rate indicates how actively the Fund's Portfolio Advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, excluding cash and short-term investments maturing in less than one year, by the average market value of investments during the period.
- (4) Period from May 18, 2012 (commencement of operations) to December 31, 2012.

Past Performance

The following chart and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on Net Asset Value per unit and assumes that distributions made by the Fund on its units in the period shown were reinvested (at Net Asset Value per unit) in additional units of the Fund.

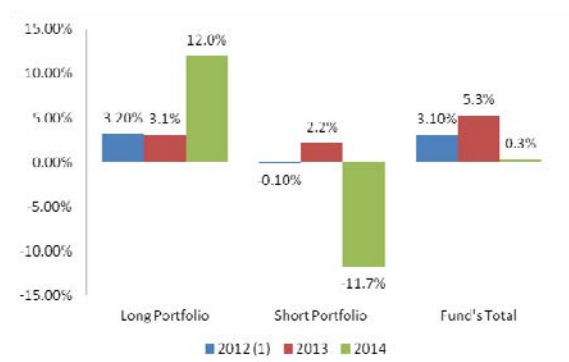
The bar chart shows the Fund's overall total return and the total return for long portfolio positions and short portfolio positions for each period. The chart shows, in percentage terms, how an investment held on the first day of the fiscal period would have changed by the last day of the fiscal period.

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2014

Year-by-Year Returns



(1) Represents partial year.

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

The benchmark index is calculated without the deduction of fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

Annual Compound Returns

The following table shows the annual compound total returns of the Fund, for the years shown ended December 31, 2014.

	1 Year	3 Years	5 Years	Annualized Since Inception ⁽¹⁾
ECIGIF Trust	0.3%	n/a	n/a	3.2%
FTSE TMX Canada All Corporate Bond Index ⁽²⁾	7.6%	n/a	n/a	4.9%

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

(2) Formerly DEX Universe All Corporate Bond Index (PC- Bond)

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2014

Summary of Investment Portfolio

Top 25 Holdings		Portfolio Composition	
Security Name	% of Net Asset Value	Industry Sector	% of Net Asset Value
Long Positions			
Shaw Communications Inc. 4.35% 31Jan24	11.9	Financial	87.3
Videotron Ltd 5.625% 15Jun25	10.2	Communications	73.2
First National Financial 5.07% 7May15	9.7	Utilities	9.6
Aon Finance NS1 ULC 4.76% 8Mar18	9.6	Energy	23.0
Goldman Sachs Group Inc. 5.0% 3May18	8.7	Basic Materials	1.0
Penske Truck Leasing Canada Inc 3.65% 1Feb18	8.6	Consumer, Cyclical	17.4
Bell Canada 4.4% 16Mar18	8.0	Consumer, Non-cyclical	24.7
Telus Corp 4.4% 1Apr43	7.6	Industrial	2.4
Ford Credit Canada 4.875% 8Feb17	7.3	Diversified	2.0
Manufacturers Life Insurance 4.21% 18Nov21	7.1	Asset Backed Securities	0.2
Leisureworld Senior Care LP 3.474% 3Feb21	6.8	Government, Long	3.2
Ventas Canada Financial Ltd 4.125% 30Sep24	6.3	Government, Short	(138.6)
TransCanada Pipelines Ltd	6.1		
JPMorgan Chase & Co 2.92% 19Sep17	6.1	Cash and Cash Equivalents	(6.8)
Ventas Canada Financial Ltd 3.0% 30Sep19	5.8	Other Net Assets	1.4
Thomson Reuters Corp 4.35% 30 Sep20	5.4		
Enbridge Income Fund 2.92% 14Dec17	5.1	Total Net Asset Value	100.0
Short Positions			
Canadian Government Bond 2.5% 1Jun24	(32.3)		
Canadian Government Bond 4.25% 1Jun18	(16.4)		
Canadian Government Bond 1.5% 1Sep17	(15.0)		
Canadian Government Bond 4.0% 1Jun41	(14.7)		
Canadian Government Bond 1.25% 1Mar18	(13.2)		
Canadian Government Bond 1.5% 1Feb17	(10.9)		
Canadian Government Bond 1.75% 1Mar19	(8.9)		
Canadian Government Bon 1.75% 1Sep19	(8.6)		

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

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2014

Portfolio Advisor

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

Portfolio Advisor Report

2014 - A Challenging Environment for Interest Rate Protected Fixed Income Investing

We enter 2015 with 10 year and 30 year GOC yields at 1.84% and 2.34%. 10 and 30 year yields dropped by approximately 1% in 2014 and the million dollar question is: where will yields be 12 months from now? Our view is that 10 year yields are more likely to be at 3% by the end of 2015 than they are to be at 0.50%, and we believe that our strategy will benefit fixed income investors in 2015.

Impact of Low Oil Prices on the Canadian Corporate Bond Market:

The Canadian corporate bond markets were negatively impacted by the drop in the price of oil. The impact initially surfaced in the oil and gas producers towards the end of the summer, but as the price of oil fell off a cliff towards the end of November, and has continued to fall in December, oil has had a much broader impact on the corporate bond market.

The Fund has not been immune to this move in the price of oil. Credit spreads in our portfolio have widened and if oil trades lower we think the credit markets will continue to be challenged for the next couple of months. The longer oil stays around \$50/bbl the greater the impact on the growth prospects of the Canadian economy, which is not good for Canadian equity or credit markets.

The drop in oil prices is most significant to the Oil E&P, Integrated Oil and Distribution sectors of the energy market. The Fund has a lower amount of exposure than the index to the Energy sector and most of that is in Pipeline companies.

Oil prices are less significant to the Pipeline sector because oil still needs to flow on the pipelines and as it relates to Enbridge and TransCanada the large % of their contracts obligate the user of the pipeline to pay whether they flow oil on the pipeline or not (these contracts are called take or pay contracts).

Our view is that oil prices could fall further but only in the short term. With oil at \$53/bbl we think it is more likely that we see a bounce than a significant fall. We believe the supply and demand imbalance has been dealt with already with a reduction in Capex that will reduce the supply of oil by approx. 450,000 bpd and a demand increase required by a growing economy of approximately 300,000 bpd. Our opinion is that the longer term equilibrium price of oil should be about \$70/bbl and we expect that is where it will return to after the current shock is behind us.

We think the bigger risk to the market and our portfolio is the flight to quality and liquidity disruption associated with a panic drop in the price of oil. A large percentage of the US high yield market is made up of oil and energy names. If the price of oil stays below \$55 for most of 2015 that will likely increase default rates which will negatively impact liquidity in the market. In isolation this will be negative for high yield (HY) credit spreads and to a lesser extent Investment Grade (IG) credit spreads.

Where are we in the Credit Cycle?

We think the credit cycle has somewhere between 12 and 24 months to run. IG Credit spreads are not tight by historical standards. In 1998 10 year credit spreads for BBB companies were approximately 80 basis points, today they are 180 basis points. If we see a controlled return to a normalized interest rate environment we will likely see tighter credit spreads. We think a normalized interest rate in today's inflation environment may be lower than it has been in past cycles but we also think 10 year BBB credit spreads can find their way to 100 – 120 basis points before the credit cycle is finished. We have the same opinion of A and BB high rated credit. BB mid and lower rated HY credits are going to be much more company specific over the next 2 to 3 years. We think default rates are going to increase (many just because the price of oil is much lower). In the last couple of years almost all HY credits have traded as a sector to their historical tightness and we don't think that will happen in 2015. Some performing HY credits will do very well and trade back to their tightness but others will trade much wider based on their leverage and deteriorating credit profile.

Parts of the Canadian Bond Market that we like if interest rates stay low in 2015:

In summary, there is a lot to be concerned about going into 2015, but there are also more opportunities available than there were in 2014. We think interest rate changes are going to be the big driver of market direction in 2015 and our

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2014

strategy is well positioned for that event. We think that traditional fixed income returns are going to be lower in 2015 and beyond.

Forward-Looking Statements

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