

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2016

Management Report of Fund Performance

This semi-annual management report of fund performance contains financial highlights but does not contain the complete unaudited semi-annual financial statements for ECIGIF Trust (the "Fund"). If you have not received a copy of the unaudited semi-annual financial statements with the management report of fund performance, you may obtain a copy of the unaudited semi-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 year that materially affected the risks associated with an investment in the units of the Fund.

Results of Operations

Investment Portfolio

As of June 30, 2016, the Fund's portfolio included a total of 71 [December 31, 2015 - 87] corporate investment grade debt securities held both long and short, the net representing approximately 309.9% [December 31, 2015 - 345.1%] 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 June 30, 2016, the Fund had \$123.6 million [December 31, 2015 - \$142.7] fixed income short positions and a related unrealized gain of \$0.8 million [December 31, 2015 - \$0.3 million unrealized loss] from short sales.

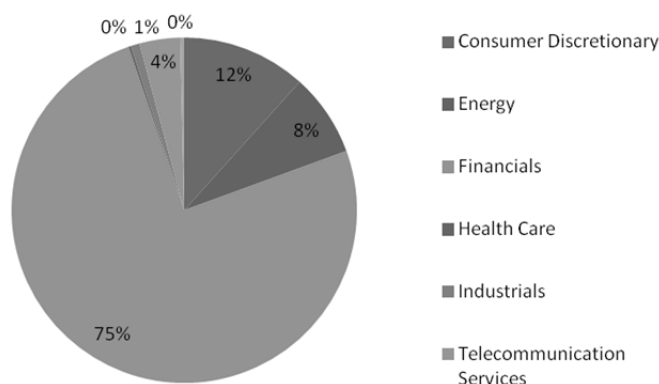
The breakdown of the portfolio by industry showing long positions only is shown in the accompanying pie chart. A detailed listing of the Fund's security holdings is provided in the financial statements.

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2016

Portfolio Sectors



During the period, the Fund's portfolio generated net realized and unrealized gains of \$1.8 million [December 31, 2015 – (\$4.9) million], including net realized and unrealized losses from derivatives of (\$0.8) million [December 31, 2015 – (\$3.5) million].

Revenues, Expenses and Distributions

The Fund earned interest income of \$0.61 per unit during the period [December 31, 2015 - \$0.62] including interest expense on short sales. Total expenses of the Fund for the period were \$0.19 per unit [December 31, 2015 - \$0.22], including security borrowing expenses of \$0.05 per unit [December 31, 2015 - \$0.07]. During the period ended June 30, 2016, the Fund declared distributions to unitholders which totaled \$0.39 per unit [December 31, 2015 - \$0.78].

Cash Overdraft

The Fund utilizes leverage and trades on margin as a component of its investment strategy. As a result, as at June 30, 2016 the Fund had a cash overdraft balance of \$2.7 million [December 31, 2015 - \$7.6 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 and amounted to \$24,435 for the period ended June 30, 2016 [December 31, 2015 - \$35,340].

Net Asset Value

During the period, the Net Asset Value per unit increased by \$0.14 per unit from \$9.95 as at December 31, 2015 to \$10.09 as at June 30, 2016 and included distributions of \$0.39 per unit. The aggregate Net Asset Value of the Fund as at June 30, 2016 was \$51.2 million [December 31, 2015 - \$50.5 million]. There were distributions of \$2. million during the period.

Redemptions

There were no redemption during the period [December 31, 2015 \$35.3 million] representing 0.0% [December 31, 2015 40.5%] of total units outstanding at the redemption date.

Recent Developments

There are no recent developments for the Fund.

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.

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2016

The Manager holds 1 Class A unit of the Fund. 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 June 30, 2016, the Manager had earned \$346,241 in Performance Fees [December 31, 2015 - \$nil].

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	Period ended June 30, 2016 \$	Year ended December 31, 2015 \$	Year ended December 31, 2014 \$	Year ended December 31, 2013 \$	Period ended December 31, 2012 ⁽³⁾ \$
Net Assets per unit, beginning of year / period ⁽¹⁾	9.95	11.19	11.93	12.13	12.00
Increase (decrease) from operations⁽¹⁾					
Total revenue	0.33	0.68	0.76	0.82	0.43
Total expenses	(0.19)	(0.22)	(0.20)	(0.19)	(0.17)
Realized gains (losses)	(0.25)	(0.71)	(0.28)	0.20	0.02
Unrealized gains (losses)	0.65	(0.13)	(0.22)	(0.21)	0.02
Total increase in Net Assets from operations⁽¹⁾	0.54	(0.38)	0.06	0.62	0.30
Distributions to unitholders:⁽¹⁾					
From net investment income	-	-	(0.03)	(0.63)	(0.37)
Return of capital	(0.39)	(0.78)	(0.77)	(0.19)	-
Total distributions to unitholders⁽¹⁾	(0.39)	(0.78)	(0.80)	(0.82)	(0.37)⁽²⁾
Net Assets per unit, end of year / period⁽³⁾	10.09	9.95	11.19	11.93	12.06

- (1) The net assets per unit shown for June 30, 2016, December 31, 2015, 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 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

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2016

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)	June 30, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012 ⁽⁴⁾
Net Asset Value (in 000's)	\$51,174	\$50,458	\$95,322	\$114,083	\$129,612
Number of units outstanding (in 000's)	5,071	5,071	8,519	9,560	10,750
Management expense ratio ("MER") ⁽¹⁾	2.86%*	1.34%	1.26%	1.27%	1.26%*
Trading expense ratio ⁽²⁾	1.04%*	0.74%	0.42%	0.35%	0.96%*
Portfolio turnover rate ⁽³⁾	86.52%	175.94%	137.74%	106.3%	155.7%
Net Asset Value per unit	\$10.09	\$9.95	\$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.

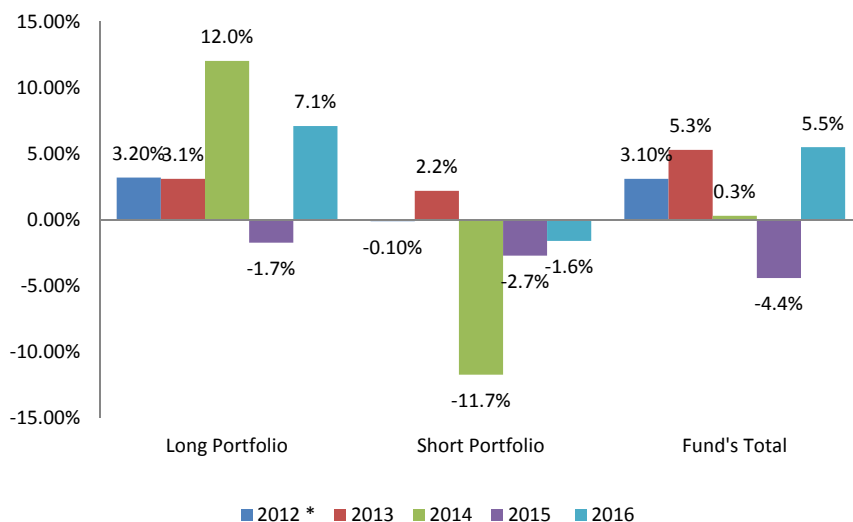
The bar chart shows the Fund's overall total return and the total return for long portfolio positions and short portfolio positions for each period. The chart shows, in percentage terms, how an investment held on the first day of the fiscal period would have changed by the last day of the fiscal period.

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2016

Year-by-Year Returns



* Represents partial year.

The following table shows the Fund's return for the period indicated, compared with the FTSE TMX Canada Universe Bond Index.

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 period shown ended June 30, 2016.

	1 Year %	3 Years %	5 Years %	Annualized Since Inception ⁽¹⁾ %
ECIGIF Trust	0.02	1.46	n/a	2.27
FTSE TMX Canada Universe Bond Index	5.22	5.6	5.18	4.48

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

ECIGIF TRUST

MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2016

Summary of Investment Portfolio

Top 25 Holdings		Portfolio Composition	
Security Name	% of Net Asset Value	Industry Sector	% of Net Asset Value
Long Positions			
The Bank of Nova Scotia 2.6% 27Feb17	19.7	Consumer Discretionary	39.6
National Bank of Canada 1.4% 14Jun18	19.3	Energy	26.4
Royal Bank of Canada 2.58% 13Apr17	15.8	Financials	256.0
Royal Bank of Canada 2.77% 11Dec18	15.1	Health care	0.8
The Goldman Sachs Group, Inc. 5.0% 03May18	14.3	Industrials	2.8
Royal Bank of Canada 2.89% 11Oct18	14.2	Telecommunication Services	12.9
TransCanada Pipelines Limited 9.45% 20Mar18	12.3	Utilities	1.3
Aon Finance N.S. 1, ULC 4.76% 08Mar18	11.8	Total Long Positions	339.8
The Toronto-Dominion Bank 1.69% 02Apr20	9.9		
The Toronto-Dominion Bank 2.56% 24Jun20	9.7		
Molson Coors International LP 2.25% 18Sep18	9.4		
The Manufacturers Life Insurance Company 4.21% 18Nov21	9.0		
Bank of Montreal 2.1% 06Oct20	8.0		
Manulife Bank of Canada 1.51% 01Jun18	8.0	Short	(242.9)
WTH Car Rental, ULC 1.91% 20Jul 20	7.7		
	<u>184.2</u>	Cash and Cash Equivalents (net)	2.6
		Other Net Assets	<u>0.5</u>
Short Positions			
Canadian Government Bond 1.25% 118	(45.1)	Total Net Asset Value	<u>100.0</u>
Canadian Government Bond 4.25% 1Jun18	(40.8)		
Canadian Government Bond 3.5% 1Jun20	(26.2)		
Canadian Government Bond 1.5% 1Mar20	(25.3)		
Canadian Government Bond 1.75% 3Mar19	(12.5)		
Canadian Government Bond 3.75% 1Jun19	(12.1)		
Canadian Government Bond 0.75% 1Sep20	(10.9)		
Canadian Government Bond 1.75% 1Sep19	(10.1)		
The Toronto Dominion Bank 3.23% 24Jul24	(10.1)		
Canadian Government Bond 1.0% 1Nov26	(9.6)		
Total Short Positions	<u>(202.7)</u>		

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 period ended June 30, 2016

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

Investment Grade (IG) spreads in Canada started the year at very wide levels and ended the first six months of 2016 slightly tighter, although until mid-February spreads were mostly wider than where they began. Because of this early underperformance of credit spreads, ending the period slightly tighter put them at their YTD tightest. Part of this tightening is attributed to the European Central Bank (ECB) beginning its Corporate Sector Purchase Program (CSPP) where they are buying investment grade non-financial corporate debt of European issuers. This new price-insensitive buyer in the corporate market is soaking up some of the demand from traditional buyers pushing IG spreads across the developed world tighter. It is important to note though, IG spreads are still very wide by a historic standard. 10 year BBB spreads in Canada are 238 bps vs. their long term average of 175 (source: Bloomberg). US High Yield (HY) spreads are much closer to their long term averages which is one of the reasons why we strongly favor IG over HY investments.

Interest rates in both Canada and the United States fell to all-time lows in June which puts bond investors in a precarious situation. Buying a 10 year BBB corporate bond in Canada on June 30th 2016 would yield you 3.4%. Of this, 1% is from the underlying yield on a 10Y Government of Canada bond and 2.4% is from the credit spread. Government bond yields are at their all-time lows and IG credit spreads (reference in the previous paragraph), are historically wide and we believe the investors who are worried about rates either rising or staying at these low levels will want exposure to the pure credit part only of high quality corporate bonds. This is the most one-sided this ratio has been as far back as our data goes.

Oil has spent most of the year going higher which has helped both the Canadian dollar and spreads in names exposed to the energy sector. One of our top performing names was in Enbridge which has long-term take or pay contracts. We felt this name was particularly beat up given its strong fundamentals and it has proven to be a good investment. Over the period we have reduced our exposure as spreads have become tighter.

We said in our previous commentary that wide spreads provided a lot more opportunity to make money in 2016 than in 2015 and that we are very excited about our strategy's potential returns in 2016 - we are happy to see how 2016 has gone so far. With the Brexit vote behind us there are less potential surprises on the horizon and we are looking to take advantage of opportunities as they come up over the next 6 months. We have and will continue to err on the side of more liquid, tradeable names for the portfolio in both the investment grade and high yield markets where we like the return we get for the risks we have to take.

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.