

Economic Investment Trust Limited



2010 Annual Report

Economic Investment Trust Limited

THE YEAR AT A GLANCE **84th Annual Report**

	2010 ⁽¹⁾	2009 ⁽¹⁾
Net equity value per Common Share ⁽²⁾	\$ 91.65	\$ 86.24
Net investment income per Common Share ⁽²⁾	\$ 0.96	\$ 1.07
Increase in net assets from operations per Common Share	\$ 5.96	\$ 13.29
Dividends per Common Share	\$ 0.60	\$ 0.60
Net assets.....	\$ 514,671	\$ 484,281
Investment income	\$ 8,367	\$ 9,613
Net investment income	\$ 5,374	\$ 6,051
Number of Common Shares outstanding at year end	5,615,535	5,615,535

⁽¹⁾ In thousands of Canadian dollars, except number of Common Shares outstanding and per share amounts.

⁽²⁾ See Management's Discussion and Analysis for Use of Non-GAAP Measures.

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held at 11:45 a.m. on Tuesday, April 5, 2011, in the Meeting Room of The Dominion of Canada General Insurance Company, 4th Floor, 165 University Avenue, Toronto. All shareholders are invited to attend.

Economic Investment Trust Limited

BOARD OF DIRECTORS

IRVING R. GERSTEIN	President Glenoak Capital
DUNCAN N. R. JACKMAN	Chairman, President and Chief Executive Officer E-L Financial Corporation Limited
R.B. MATTHEWS	Chairman Manitou Investment Management Ltd.
J. MICHAEL ROLLAND	President and Chief Executive Officer Borealis Infrastructure Management Inc.
MARK M. TAYLOR	Executive Vice-President and Chief Financial Officer E-L Financial Corporation Limited

HONORARY DIRECTORS

WILLIAM J. CORCORAN	Vice-Chairman Jarislowsky Fraser Limited
THE HONOURABLE HENRY N. R. JACKMAN	Honorary Chairman The Empire Life Insurance Company

OFFICERS

DUNCAN N. R. JACKMAN	Chairman and President
RICHARD B. CARTY	Corporate Secretary
FRANK J. GLOSNEK	Treasurer

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

This document has been prepared for the purpose of providing Management's Discussion and Analysis ("MD&A") of the financial position and results of operations for the years ended December 31, 2010 and 2009. This MD&A should be read in conjunction with the December 31, 2010 year-end financial statements of Economic Investment Trust Limited ("Economic" or the "Company") which form part of this Annual Report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and unless otherwise noted, both the financial statements and this MD&A are expressed in Canadian dollars.

The MD&A may contain certain forward-looking statements that are subject to risks and uncertainties that may cause the results or events mentioned in this discussion to differ materially from actual results or events. No assurance can be given that results, performance or achievement expressed in, or implied by, any forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

Overview

Economic is a closed-end investment corporation, the shares of which trade on the Toronto Stock Exchange under the symbol "EVT". Economic has always been an investment vehicle for long-term growth through investments in common equities, as management believes that over long periods of time, common equities, as an asset class, will outperform fixed-income instruments or balanced funds. From time to time, however, assets of the Company may be invested in interest-bearing short-term securities pending the selection of suitable equity investments.

The Company owns, directly or indirectly, long-term investments in the common shares of some publicly traded Canadian companies and a managed diversified portfolio of common shares of publicly traded global companies. As of December 31, 2010 the long-term investments comprised approximately 57.3% (2009 – 52.5%) of the Company's investment portfolio.

The long-term investments consist primarily of common shares of E-L Financial Corporation Limited ("E-L Financial") (42.3% (2009 – 38.8%) of total investments), Algoma Central Corporation ("Algoma") (5.3% (2009 - 4.7%) of total investments) and The Bank of Nova Scotia (8.3% (2009 - 7.8%) of total investments). E-L Financial, Algoma and the Company can be significantly influenced by the same party.

The global investment portfolio is managed by Sanford C. Bernstein & Co. LLC ("Bernstein"), a global investment manager based in New York that commenced operations in 1967. As of December 31, 2010 approximately 96.8% (2009 – 98.8%) of the global portfolio was made up of non-Canadian companies. As part of its mandate, Bernstein may hedge the foreign currency exposure of any non-Canadian investment that it manages.

The objective of the Company is to earn an above-average rate of return, primarily through long-term capital appreciation and dividend income. Short-term volatility is expected and tolerated. Management remains confident that the Company's investment strategy will reward shareholders over the long term.

The investment portfolio of the Company is comprised of a mix of high-yielding and low-yielding Canadian and foreign investments. Net equity value and net investment income may vary significantly from period to period depending on the economic environment and market conditions.

During the first quarter of 2010, the Company purchased in the market 37,300 (2009 - nil) common shares of E-L Financial for approximately \$16,414,000 (2009 - \$nil). The purchase was financed by liquidating a portion of the Bernstein managed portfolio. Economic may continue to make purchases in long-term investments from time to time. Further related party information is provided in Note 8 to the financial statements and in the statement of investments.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Use of Non-GAAP Measures

This MD&A contains references to “net equity value per Common Share” and “net investment income per Common Share”. These terms do not have any standardized meaning according to Canadian GAAP and therefore may not be comparable to similar measures presented by other companies. The Company believes that these measures provide information useful to our shareholders in evaluating the Company's financial results.

Investors and management use net equity value per Common Share to determine the Company's value on a per Common Share basis. Net equity value per Common Share is also used by investors and management as a comparison to the market price of its Common Shares to determine the particular discount or premium that the Company's Common Shares are trading at relative to the net equity value per Common Share.

Net investment income per Common Share is used by both investors and management to assess the sustainability and funding of dividends on Common Shares.

Net equity value per Common Share is calculated as follows (in thousands of dollars, except number of Common Shares and per Common Share amounts):

	December 31 2010	December 31 2009
Net assets	\$ 514,671	\$ 484,281
Common Shares outstanding	5,615,535	5,615,535
Net equity value per Common Share	\$ 91.65	\$ 86.24

Net investment income per Common Share is calculated as follows (in thousands of dollars, except number of Common Shares and per Common Share amounts):

	Three months ended December 31		Year ended December 31	
	2010	2009	2010	2009
Increase in net assets from operations.....	\$ 46,776	\$ 3,489	\$ 33,458	\$ 74,622
Deduct: Net gain on investments.....	(45,486)	(2,548)	(28,084)	(68,571)
Net investment income	1,290	941	5,374	6,051
Deduct: Dividends paid on Preferred Shares Series A ⁽¹⁾	—	4	—	18
Net investment income, net of dividends paid on Preferred Shares Series A.....	\$ 1,290	\$ 937	\$ 5,374	\$ 6,033
Common Shares outstanding	5,615,535	5,615,535	5,615,535	5,615,535
Net investment income per Common Share	\$ 0.23	\$ 0.16	\$ 0.96	\$ 1.07

⁽¹⁾ On November 30, 2009, the Company redeemed all of the outstanding Preferred Shares Series A.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Net Equity Value per Common Share

The Company's net equity value per Common Share increased to \$91.65 at December 31, 2010 from \$86.24 at the prior year end. With dividends reinvested at month-end net equity values, the Company's net equity value return was 7.0% in 2010, compared to a return of 18.2% in 2009. On a pre-tax basis, the global equity portfolio managed by Bernstein increased 2.6% in 2010 compared to an increase of 20.1% in 2009.

As the Company is a taxable Canadian corporation, these returns are net of a provision for income taxes on investment income and realized gains (losses) on investments, and net of a future income tax provision on the unrealized appreciation of investments.

In Canadian dollar terms, in 2010, the S&P/TSX Composite Index increased 17.6%, the MSCI World Index increased 6.8% and the S&P 500 Index increased 9.4%. Comparatively, in 2009, the S&P/TSX Composite Index increased 35.1%, the MSCI World Index increased 11.8% and the S&P 500 Index increased 8.1%.

Operating Results - 2010

Net investment income

The net investment income of the Company decreased to \$5,374,000 in 2010 from \$6,051,000 in 2009, a decrease of 11.2%. This result is attributable primarily to a decline in foreign dividends in 2010 as compared to 2009 because of lower-yielding foreign securities in the Bernstein managed portfolio. The liquidation in the first quarter of \$16,414,000 from the Bernstein managed portfolio, to finance the Company's purchase in the market of 37,300 E-L Financial common shares, also contributed to a smaller foreign investment portfolio on a year-over-year basis.

Interest income, including securities lending income, increased to \$162,000 in 2010 from \$52,000 in 2009. During the year, the Company resumed securities lending activities and recognized \$142,000 of income in 2010 compared to no corresponding income in the prior year.

The operating expenses of the Company increased to \$1,529,000 in 2010 from \$1,445,000 in 2009 primarily because the average market value of the Bernstein portfolio increased year over year. There are no investment management or administrative fees charged on the Company's long-term investments. The Company's management expense ratio declined in 2010 to 0.32% of average net assets compared to 0.33% of average net assets in the prior year because the Bernstein portfolio formed a smaller portion of total investments during the year.

As a result of large realized losses on investments during the current and prior year, the Company is unable to fully utilize its foreign withholding taxes as a credit against Canadian income taxes. The amount of foreign withholding taxes paid to a country that can be claimed as a credit by the Company is generally limited to the amount of Canadian tax paid on the net foreign income earned from that foreign country. The deductible portion of capital losses from a country is included in computing the net foreign income from that country and where the capital losses realized are large, the net foreign income may be reduced to nil. When this occurs, the foreign taxes paid cannot be claimed as a foreign tax credit but can be claimed as a deduction in the computation of Canadian taxable income. As a result, the Company's provision for income taxes has increased by approximately \$271,000 (2009 - \$361,000).

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Net gain (loss) on investments

Net gain on investments for the Company decreased to \$28,084,000 in 2010 from \$68,571,000 in 2009, a decrease of 59.0%. The prior year's gain was especially strong relative to the current year as global markets last year recovered strongly from the losses that were incurred during the financial crisis of 2008.

The Company realized a pre-tax net loss on the sale of equity investments and the maturity of forward foreign currency contracts of \$8,163,000 in 2010 compared to a pre-tax net loss of \$67,618,000 in 2009. Pre-tax losses on the sale of equity investments totaled \$13,883,000 (2009 - \$67,467,000), offset by realized gains of \$5,720,000 (2009 - realized loss of \$151,000) from forward foreign currency contracts. In the current year, the largest contributors to the net realized loss on the sale of equities were Sprint Nextel Corporation, Nokia Oyj and Macy's, Inc.

During the year, the Company was unable to carry back to prior years any of its realized capital losses because there were no prior year unutilized capital gains available in the current year. In the prior year, the Company carried back \$40,559,000 of realized capital losses against prior years' capital gains and recognized a recovery of prior years' income taxes paid of \$7,325,000 compared to no current income tax recovery in 2010. At December 31, 2010, the Company has \$36,554,000 (2009 - \$27,964,000) of realized capital loss carry forwards. A future income tax benefit of \$4,569,000 (2009 - \$3,495,000) has been recognized to reduce future income tax liabilities on the unrealized appreciation of investments. Capital loss carry forwards can be carried forward indefinitely and can be applied against capital gains realized in the future.

The Company's net change in unrealized appreciation of investments increased by \$36,726,000 during the year compared to an increase of \$129,353,000 in the prior year. Long-term investments contributed \$26,486,000 (2009 - \$40,420,000) of the increase and the Bernstein managed portfolio contributed \$10,240,000 (2009 - \$88,933,000) of the increase. For the Bernstein managed portfolio, during the year \$8,163,000 (2009 - \$60,293,000) of the increase resulted from the realization of losses out of the net change in unrealized appreciation of investments.

Operating Results - Fourth Quarter, 2010

The Company's net equity value per Common Share increased to \$91.65 at December 31, 2010 from \$83.46 at September 30, 2010. With dividends reinvested at month-end net equity values, the Company's net equity value return was 10.0% in the fourth quarter of 2010.

In Canadian dollar terms, in the fourth quarter of 2010, the S&P/TSX Composite Index increased 9.5%, the MSCI World Index increased 5.3% and the S&P 500 Index increased 7.0%.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Three Year Results

A summary of various financial data for each of the last three years is as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
	(In thousands of dollars, except per share amounts)		
Net realized and unrealized gain (loss) on investments	\$ 28,084	\$ 68,571	\$(228,604)
Net realized and unrealized gain (loss) on investments per Common Share.....	5.00	12.22	(40.71)
Total assets.....	544,766	510,716	429,128
Investment income	8,367	9,613	14,809
Net investment income	5,374	6,051	8,602
Net investment income per Common Share.....	0.96	1.07	1.53
Dividends per Common Share	0.60	0.60	0.60
Dividends per Preferred Share Series A ⁽¹⁾	—	2.50	2.50

⁽¹⁾ On November 30, 2009, the Company redeemed all of the outstanding Preferred Shares Series A.

The value of Economic's investment portfolio is impacted by stock selection, equity markets and currency movements. In 2010 and 2009, the performance of Economic was favourably impacted by strong returns on its long-term investments and from global markets. In 2008, the performance of Economic was negatively impacted by a decline in global markets as a result of the global financial crisis and fears of recession.

The fluctuations in investment income and net investment income are due primarily to changes in dividend income that is earned by the Company. The dividend income is determined by the dividend policies of the corporations that are held as investments in our total investment portfolio. In the current year, foreign dividend income declined as a result of lower-yielding securities held in the current year relative to the prior year. The liquidation in the first quarter of \$16,414,000 from the Bernstein managed portfolio, to finance the Company's purchase in the market of 37,300 E-L Financial common shares, also contributed to a smaller foreign investment portfolio on a year-over-year basis, as the global portfolio comprised a smaller percentage of the Company's total investments.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Quarterly Review - Fiscal 2010 and 2009

The following tables summarize various financial results on a quarterly basis for the current and prior fiscal years:

	2010			
	Quarter ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
	(In thousands of dollars, except per share amounts)			
Investment income	\$ 1,679	\$ 3,359	\$ 1,523	\$ 1,806
Net investment income	986	2,077	1,021	1,290
Net gain (loss) on investments ..	(2,211)	(23,626)	8,435	45,486
Per Common Share:				
Net investment income	\$ 0.18	\$ 0.37	\$ 0.18	\$ 0.23
Net gain (loss) on investments ..	(0.40)	(4.21)	1.51	8.10
Increase (decrease) in net assets from operations	\$ (0.22)	\$ (3.84)	\$ 1.69	\$ 8.33
	2009			
	Quarter ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
	(In thousands of dollars, except per share amounts)			
Investment income	\$ 1,934	\$ 4,096	\$ 1,768	\$ 1,815
Net investment income	1,239	2,471	1,400	941
Net gain (loss) on investments ..	(35,635)	35,876	65,782	2,548
Per Common Share: ¹				
Net investment income	\$ 0.22	\$ 0.44	\$ 0.25	\$ 0.16
Net gain (loss) on investments ..	(6.35)	6.39	11.71	0.47
Increase (decrease) in net assets from operations	\$ (6.13)	\$ 6.83	\$ 11.96	\$ 0.63

¹ Net investment income per Common Share is net of dividends paid on the Preferred Shares Series A during the period.

Investment income is derived primarily from dividend income that is earned by the Company. While North American investments usually pay regular quarterly dividends, investments outside of North America often pay less frequently. In general, dividends earned on investments outside of North America peak in the second quarter of the year. Given the volatility in global stock markets and the appreciation of the Canadian dollar relative to other currencies, there is no guarantee that the Company will receive dividend income on its investments at recent dividend payout levels. During the past eight quarters, the Company has experienced a year-over-year decline in foreign dividend income compared to the same quarter in the prior year.

The returns of the portfolio may not correlate with benchmark returns and may fluctuate significantly as illustrated by the quarterly returns in the past eight quarters.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company under Canadian securities laws is recorded, processed, summarized and reported within the specified time periods, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management on a timely basis to allow appropriate decisions regarding public disclosure. Under the supervision of management, an evaluation was carried out on the effectiveness of the Company's disclosure controls and procedures as of December 31, 2010. Based on that evaluation, management concluded that the Company's disclosure controls and procedures were effective as at December 31, 2010.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Under the supervision of management, an evaluation of the Company's internal control over financial reporting was carried out as at December 31, 2010. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as at December 31, 2010. No changes were made in the Company's internal control over financial reporting during the year ended December 31, 2010, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Risks

The Company faces various risks arising from its financial instruments. Under the supervision of the Board of Directors, management has developed policies to identify and monitor these risks. These risks and their management are described below:

Credit risk

Credit risk is the risk of financial loss resulting from a counterparty's failure to discharge an obligation. The Company may be, from time to time, exposed to credit risk associated with its securities lending program with its custodian, RBC Dexia Investor Services Trust ("RBC Dexia"), as its lending agent. The Company may also be, from time to time, exposed to counterparty risk associated with forward foreign currency contracts. The Company reviews the credit worthiness of the counterparties on an ongoing basis.

The Company had exposure to securities lending arrangements at December 31, 2010 of approximately \$25,823,000 (2009 – \$nil). At December 31, 2010, the Company was exposed to \$nil (2009 – \$1,239,000) of receivables relating to the positive fair value of forward foreign currency contracts. There was no significant exposure to credit risk to other receivable balances because of their short-term nature.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Sufficient liquidity is maintained by regular monitoring of cash flow requirements. The Company regularly enters into forward foreign currency contracts that have a contractual maturity of three months or less. All liabilities, other than future income taxes, settle within three months of the year end.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices which includes foreign currency risk, interest rate risk and other price risk.

The Company was not subject to significant interest rate risk, as its only fixed-interest investments were short term in nature.

The Company is exposed to market risk through its investment in equity securities. Many of these investments are in companies which do business in different countries and accordingly, the market value of these securities is subject to foreign currency risk as well as many other risk factors inherent in equity investments. These risks are mitigated by using an investment manager that manages a diversified portfolio of securities.

Concentration risk

Concentration risk exists when a significant portion of the investment portfolio is invested in a small number of companies. Concentration reduces the diversification of the investment portfolio and may result in greater volatility. At December 31, 2010, the Company's fair value of its direct and indirect investment in E-L Financial of \$225,925,000 (2009 - \$190,713,000) represents 42.3% (2009 - 38.8%) of Economic's equity investments.

The Company's exposure to risks is also addressed in the Company's Annual Information Form.

Share Data

At December 31, 2010, there are 5,615,535 Common Shares issued and outstanding and each share is entitled to one vote. There are no 5% Cumulative Preferred Shares Series A ("Preferred Shares") issued and outstanding at the year end.

During the prior year, the Company purchased 500 Preferred Shares for cancellation. On November 30, 2009, the Company redeemed for cash all of the outstanding Preferred Shares at a redemption price of \$53.125, comprised of \$50.00 per share, a premium of \$2.50 per share, and accrued dividends in the amount of \$0.625 per share.

Liquidity and Capital Resources

Quarterly dividends were paid on the Common Shares. The quarterly per share dividend was \$0.15 on the Common Shares and the corresponding annual amount was \$0.60. Payment of the Company's dividends is funded by net investment income. For the year ended December 31, 2010, net investment income was \$5,374,000 as compared to dividend payments of \$3,369,000. On a per Common Share basis, net investment income of \$0.96 exceeded dividend payments of \$0.60 per share.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Deferral of International Financial Reporting Standards ("IFRS") for Investment Companies

For fiscal years beginning on or after January 1, 2011, IFRS will replace Canadian generally accepted accounting principles for publicly accountable enterprises.

As previously reported, in September 2010, the Canadian Accounting Standards Board ("AcSB") had initially approved a one-year deferral, to January 1, 2012, of mandatory adoption of IFRS for investment companies applying Accounting Guideline 18, Investment Companies. However, in January 2011, the AcSB decided to extend the deferral by an additional year, to January 1, 2013. The recent decision is in response to the International Accounting Standard Board's announcement in late 2010 that its Investment Company project is delayed and will not likely be issued before January 1, 2012.

Economic is an investment company and as a result, its first set of financial statements prepared in accordance with IFRS will be for the quarter ending March 31, 2013, which will provide corresponding comparative financial information for 2012, including an opening statement of financial position as at January 1, 2012. As a result of these current disclosure rules, the Company has received approval from the Ontario Securities Commission to apply IFRS to its disclosures commencing January 1, 2013.

Management has identified the IFRS accounting standards that are expected to have a significant impact on the Company's financial statements. Preliminary accounting policy choices have been made based on the expected accounting requirements in 2013. During the year, draft model financial statements, excluding note disclosures, have been prepared and presented to the Company's Audit Committee. As a result of the recent deferral announced by the AcSB, the implementation phase will now be executed throughout 2012 instead of the current year. Management does not expect that the conversion to IFRS will affect the calculation of the Company's net assets or net equity value per Common Share. The primary impact of IFRS on the Company's financial statements will be in financial statement presentation and note disclosure. In addition, management believes that the conversion to IFRS will not materially affect the Company's business arrangements, systems, internal controls over financial reporting, or disclosure controls and procedures.

Additional Information

Additional information relating to Economic, including the Company's Annual Information Form, is available at www.sedar.com.

Economic's website, www.evt.ca, also provides further information on the Company, including historical information on the Net equity value per Common Share which is updated weekly.

Duncan N.R. Jackman
Chairman and President

February 9, 2011

Economic Investment Trust Limited

STATEMENT OF FINANCIAL HIGHLIGHTS

For each of the years in the five-year period ended December 31, 2010:

DATA PER COMMON SHARE	2010	2009	2008	2007	2006
NET EQUITY VALUE, beginning of year.....	\$ 86.24	\$ 73.50	\$ 113.22	\$ 122.23 ¹	\$ 99.49
INCOME (DECREASE) IN NET ASSETS FROM OPERATIONS AVAILABLE TO COMMON SHAREHOLDERS					
Net investment income.....	0.96	1.07	1.53	1.41	1.30
Net gain (loss) on investments	5.00	12.22	(40.71)	(9.89)	22.74
	5.96	13.29	(39.18)	(8.48)	24.04
CASH DIVIDENDS TO SHAREHOLDERS					
Common Shares.....	(0.60)	(0.60)	(0.60)	(0.60)	(0.60)
Preferred Shares Series A.....	—	—	—	—	(0.01)
	(0.60)	(0.60)	(0.60)	(0.60)	(0.61)
TAXATION CHANGES					
Net decrease in refundable dividend taxes on hand.....	0.05	0.05	0.06	0.07	0.11
NET EQUITY VALUE, end of year....	\$ 91.65	\$ 86.24	\$ 73.50	\$ 113.22	\$ 123.03 ¹

¹ The net equity value at the beginning of fiscal 2007 reflects the change in accounting policy, adopted January 1, 2007, from the valuation of investments at closing market prices to closing bid prices.

Economic Investment Trust Limited

MANAGEMENT'S REPORT

The accompanying financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and other sections of the Annual Report.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgement. The significant accounting policies which management believes are appropriate for the Company are described in Note 2 to the financial statements. Financial information disclosed elsewhere in the Annual Report is consistent with the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. The Board of Directors carries out its responsibilities principally through the Audit Committee. The Audit Committee reviews the financial statements, the adequacy of internal controls, the audit process and financial reporting with management and the external auditors prior to recommending the audited financial statements and related disclosure for approval by the Board.

The shareholders of the Company appointed the external auditors, PricewaterhouseCoopers LLP. The external auditors audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out on the following page.

Duncan N.R. Jackman
Chairman and President

Frank J. Glosnek
Treasurer

February 9, 2011

Economic Investment Trust Limited

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Economic Investment Trust Limited:

We have audited the accompanying financial statements of Economic Investment Trust Limited, which comprise the statements of net assets as at December 31, 2010 and 2009, the statement of investments as at December 31, 2010 and the statements of operations, retained earnings and changes in net assets for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Economic Investment Trust Limited as at December 31, 2010 and 2009 and the results of its operations and changes in its net assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

February 9, 2011
Toronto, Canada

Chartered Accountants, Licensed Public Accountants

Economic Investment Trust Limited

STATEMENT OF NET ASSETS

	December 31	
	2010	2009
	(000's)	
ASSETS		
Investments, at fair value (cost - \$257,059; 2009 - \$257,234) (Notes 7 and 8)	\$ 533,754	\$ 493,184
Cash	6,734	6,963
Receivable in respect of investments sold	105	1,169
Accrued income on investments.....	253	375
Income taxes receivable.....	3,851	8,817
Other assets	69	208
	544,766	510,716
LIABILITIES		
Accounts payable and accrued liabilities.....	244	234
Payable in respect of investments purchased	798	1,118
Future income taxes (Note 3).....	29,053	25,083
	30,095	26,435
Net assets.....	\$ 514,671	\$ 484,281
SHAREHOLDERS' EQUITY		
Capital stock (Note 6).....	\$ 204,691	\$ 204,691
Contributed surplus (Note 6)	1,474	1,474
Retained earnings (Note 12)	308,506	278,116
Total shareholders' equity.....	\$ 514,671	\$ 484,281

APPROVED BY THE BOARD:

DUNCAN N.R. JACKMAN Director

R.B. MATTHEWS Director

(See accompanying notes)

Economic Investment Trust Limited

STATEMENT OF OPERATIONS

	Year ended December 31	
	2010	2009
	(000's)	
INVESTMENT INCOME		
Dividends:		
Foreign.....	\$ 5,191	\$ 6,518
Canadian (Note 8).....	3,014	3,043
	<u>8,205</u>	<u>9,561</u>
Interest, including securities lending income (Note 9)	162	52
	<u>8,367</u>	<u>9,613</u>
Expenses:		
Investment management and administrative costs (Note 8).....	983	899
Directors' remuneration.....	117	111
Office and miscellaneous.....	162	163
Transfer, registrar and custody fees.....	201	197
Professional fees	66	75
	<u>1,529</u>	<u>1,445</u>
Investment income before income taxes.....	6,838	8,168
Provision for income taxes (Note 3)	1,464	2,117
NET INVESTMENT INCOME.....	<u>5,374</u>	<u>6,051</u>
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized loss on investments (Note 5)	(8,163)	(60,293)
Net change in unrealized appreciation of investments (Note 4).....	36,726	129,353
Transaction costs on purchase and sale of investments ..	(479)	(489)
NET GAIN ON INVESTMENTS.....	<u>28,084</u>	<u>68,571</u>
INCREASE IN NET ASSETS FROM OPERATIONS.....	<u>\$ 33,458</u>	<u>\$ 74,622</u>
INCREASE IN NET ASSETS FROM OPERATIONS PER COMMON SHARE.....	<u>\$ 5.96</u>	<u>\$ 13.29</u>

(See accompanying notes)

Economic Investment Trust Limited

STATEMENT OF RETAINED EARNINGS

	Year ended December 31	
	2010	2009
	(000's)	
RETAINED EARNINGS, BEGINNING OF YEAR (Note 12)....	<u>\$ 278,116</u>	<u>\$ 206,589</u>
Add:		
Increase in net assets from operations	33,458	74,622
Refundable dividend taxes recovered	<u>1,123</u>	<u>1,135</u>
	<u>34,581</u>	<u>75,757</u>
Deduct:		
Dividends (Note 6)	3,369	3,387
Provision for refundable dividend taxes	<u>822</u>	<u>843</u>
	<u>4,191</u>	<u>4,230</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 308,506</u>	<u>\$ 278,116</u>

STATEMENT OF CHANGES IN NET ASSETS

	Year ended December 31	
	2010	2009
	(000's)	
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 33,458</u>	<u>\$ 74,622</u>
DIVIDENDS TO SHAREHOLDERS		
Preferred Shares Series A	—	(18)
Common Shares	<u>(3,369)</u>	<u>(3,369)</u>
	<u>(3,369)</u>	<u>(3,387)</u>
CAPITAL SHARE TRANSACTIONS (Note 6)		
Purchase of Preferred Shares Series A for cancellation.....	—	(25)
Redemption of Preferred Shares Series A	—	(378)
	—	<u>(403)</u>
TAXATION CHANGES		
Net decrease in refundable dividend taxes on hand	<u>301</u>	<u>292</u>
INCREASE IN NET ASSETS	<u>30,390</u>	<u>71,124</u>
NET ASSETS, BEGINNING OF YEAR	<u>484,281</u>	<u>413,157</u>
NET ASSETS, END OF YEAR	<u>\$ 514,671</u>	<u>\$ 484,281</u>

(See accompanying notes)

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2010

1. Description of business

Economic Investment Trust Limited (“Economic” or “the Company”) is a closed-end investment corporation, incorporated under The Companies Act (Canada) by letters patent dated January 28, 1927 and continued under the Canada Business Corporations Act by Certificate of Continuance dated June 20, 1980.

Economic trades on the Toronto Stock Exchange (“EVT”). Economic has always been an investment vehicle for long-term growth through investments in common equities, as management believes that over long periods of time, common equities, as an asset class, will outperform fixed income instruments or balanced funds. From time to time, however, assets of the Company may be invested in interest-bearing short-term securities pending the selection of suitable equity investments.

2. Summary of significant accounting policies

Carrying value of investments

The Company is an investment company as defined by accounting guideline AcG-18 “Investment Companies”. In accordance with AcG-18, the Company has categorized its investments as held for trading and has recorded its investments at a fair value established by the bid price for a security on the recognized stock exchange on which it is principally traded, as defined in CICA Handbook Section 3855, “Financial Instruments – Recognition and Measurement”.

The fair values of investments listed on stock exchanges are based on closing bid prices. The fair values of investments not listed on stock exchanges have been determined by management based on the underlying fair values of the net assets represented by such investments.

These fair values, determined on the basis of closing bid prices of such investments, do not necessarily represent the realizable value of the total holdings. The actual realizable value could be more or less than the value indicated by those bid prices.

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense during the reported period. Actual results could differ from those estimates. Estimates and assumptions are used primarily in the determination of the Company’s future income tax liabilities, as the income tax rates used in determining the liability is dependent on an assumption as to when a future income tax liability is expected to be realized.

Forward foreign currency contracts

The Company periodically utilizes forward foreign currency contracts to reduce currency exposure on foreign equity investments. Contracts are carried at fair value and, on maturity, the realized gain (loss) is included in net realized gain (loss) on investments.

Investment transactions

Investment transactions are accounted for on a trade date basis. Realized gains and losses from investment transactions are calculated on an average cost basis. Transaction costs on the purchase and sale of investments are recognized immediately in net gain (loss) on investments.

Dividend and interest income

Dividend income is recognized on the ex-dividend date and interest income is recognized as earned.

- continued -

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2010 (continued)

2. Summary of significant accounting policies (continued)

Translation of foreign currency

- Monetary assets and liabilities and the fair value of investments denominated in foreign currencies, are converted into Canadian dollars at the rates of exchange established on each valuation date;
- Purchases and sales of investments, dividends and interest income denominated in foreign currencies are converted into Canadian dollars at the rates of exchange prevailing on the respective dates of such transactions;
- Realized foreign currency exchange gains (losses) on investments are included in “net realized gain (loss) on investments” in the Statement of Operations; and
- Unrealized foreign currency exchange gains (losses) on investments are included in “net change in unrealized appreciation of investments” in the Statement of Operations.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which the capital gains (losses) are expected to be realized.

Financial instruments

The Company's financial instruments consist of investments, including forward foreign currency contracts, and cash which are categorized as held for trading, receivables in respect of investments sold, accrued income on investments, income taxes receivable, other assets, accounts payable and accrued liabilities, and payables in respect of investments purchased. Receivables in respect of investments sold, accrued income on investments, income taxes receivable, and other assets are designated as loans and receivables and are recorded at amortized cost. Similarly, accounts payable and accrued liabilities, and payables in respect of investments purchased are designated as financial liabilities and are reported at amortized cost. Amortized cost approximates fair value for these assets and liabilities due to their short-term nature.

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2010 (continued)

3. Income taxes

The Company is a public corporation under the Income Tax Act and is subject to tax at normal corporate rates on its realized net taxable capital gains (losses) (Note 5) and on investment income other than taxable dividends received from corporations resident in Canada. The Company is also subject to a special tax of up to 33 1/3% on taxable dividends received from corporations resident in Canada. This special tax is refundable on payment of taxable dividends to shareholders at the rate of \$1.00 of each \$3.00 of such dividends paid. The amount eligible for refund as at December 31, 2010, all of which is included in the Statement of Retained Earnings, amounted to approximately \$382,000 (2009 - \$667,000).

The Company's provision for income taxes is determined as follows:

	<u>2010</u>	<u>2009</u>
Basic combined federal and provincial rate	31.00%	33.00%
Taxable effect related to dividends from taxable Canadian corporations.....	(13.66)	(12.30)
Effect of foreign withholding taxes	3.97	4.42
Effect of other adjustments	0.10	0.80
Effective income tax rate.....	<u>21.41%</u>	<u>25.92%</u>

The Company's provision for income taxes includes provisions for current and future income taxes as follows:

	<u>2010</u>	<u>2009</u>
	(000's)	
Current	\$ 1,513	\$ 2,088
Future.....	(49)	29
Provision for income taxes.....	<u>\$ 1,464</u>	<u>\$ 2,117</u>

Future income tax liabilities arise primarily from differences between the fair value and the tax cost of the investments as well as the timing of the inclusion of accrued dividends for income tax purposes. The Company has \$36,554,000 of capital loss carry forwards at December 31, 2010 (2009 - \$27,964,000). The future income tax benefit of the capital loss carry forwards has been recognized to reduce future income tax liabilities. Capital loss carry forwards can be carried forward indefinitely and can be applied against capital gains realized in the future.

Details of future income taxes as at December 31 are as follows:

	<u>2010</u>	<u>2009</u>
	(000's)	
Unrealized appreciation of investments	\$ 33,547	\$ 28,454
Capital loss carry forwards.....	(4,569)	(3,495)
	28,978	24,959
Accrued dividends.....	74	117
Other	1	7
Future income taxes	<u>\$ 29,053</u>	<u>\$ 25,083</u>

- continued -

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2010 (continued)

4. Unrealized appreciation of investments

The details of unrealized appreciation of investments and the change for the year then ended are as follows:

	Dec. 31 2010	Dec. 31 2009	Change in 2010	Change in 2009
				(000's)
Investments at fair value	\$ 533,754	\$ 493,184	\$ 40,570	\$ 87,697
Investments at cost	<u>257,059</u>	<u>257,234</u>	<u>(175)</u>	<u>(54,180)</u>
Unrealized appreciation of investments before provision for income taxes	276,695	235,950	40,745	141,877
Provision for income taxes	<u>28,978</u>	<u>24,959</u>	<u>4,019</u>	<u>12,524</u>
Unrealized appreciation of investments ..	<u>\$ 247,717</u>	<u>\$ 210,991</u>	<u>\$ 36,726</u>	<u>\$ 129,353</u>

5. Net realized loss on investments

The following are the details of the net realized loss on investments during the years indicated:

	2010	2009
		(000's)
Proceeds on sales of investments	<u>\$ 182,665</u>	<u>\$ 172,211</u>
Cost of investments, beginning of year	257,234	311,414
Cost of investments purchased during the year	<u>190,653</u>	<u>185,649</u>
	447,887	497,063
Cost of investments, end of year	<u>257,059</u>	<u>257,234</u>
Cost of investments sold during the year	<u>190,828</u>	<u>239,829</u>
Realized loss on investments sold before income taxes	(8,163)	(67,618)
Provision for recovery of income taxes on realized net capital loss	<u>—</u>	<u>(7,325)</u>
Net realized loss on investments	<u>\$ (8,163)</u>	<u>\$ (60,293)</u>

The Company in the current year has carried back \$nil (2009 - \$40,559,000) of realized capital losses against prior years' capital gains and has recognized a recovery of prior years' income taxes paid of \$nil (2009 - \$7,325,000). The Company has \$36,554,000 of realized capital loss carry forwards at December 31, 2010 (2009 - \$27,964,000). A future income tax benefit of \$4,569,000 (2009 - \$3,495,000) has been recognized to reduce future income tax liabilities. Capital loss carry forwards can be carried forward indefinitely and can be applied against capital gains realized in the future.

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2010 (continued)

6. Capital stock, contributed surplus and dividends

The Company's Articles of Continuance provide for an authorized capital of 200,000 Preferred Shares, issuable in series, and an unlimited number of Common Shares. Of the 200,000 Preferred Shares so authorized, 100,000 were designated as 5% Cumulative Preferred Shares Series A ("Preferred Shares Series A").

As a result of purchases for cancellation and the redemption of outstanding Preferred Shares at November 30, 2009, of the 100,000 Preferred Shares originally designated as Preferred Shares Series A, there were no outstanding Preferred Shares as at December 31, 2009 and 2010. At December 31, 2010, there were 5,615,535 Common Shares outstanding.

The capital stock account of the Company as at December 31 is as follows:

	2010	2009
	(000's)	
Common Shares		
Issued and outstanding - 5,615,535 shares.....	\$ 204,691	\$ 204,691

The change in the Preferred Shares Series A capital stock of the Company is as follows:

	2009	
	Number of Shares	Amount (000's)
Balance, beginning of year	7,700	\$ 385
Purchase of shares for cancellation.....	(500)	(25)
Redemption of shares.....	(7,200)	(360)
Balance, end of year	—	\$ —

The Preferred Shares Series A had a cumulative dividend of \$2.50 per share per annum and were redeemed on November 30, 2009 at a price of \$52.50 per share together with accrued dividends of \$0.625 per share. The premium of \$18,000 paid on the redemption was applied against contributed surplus.

The change in contributed surplus of the Company is as follows:

	2010	2009
	(000's)	
Balance, beginning of year	\$ 1,474	\$ 1,492
Premium paid on redemption of Preferred Shares Series A	—	(18)
Balance, end of year	\$ 1,474	\$ 1,474

The following cash dividends were paid during the years ended December 31:

	2010	2009
	(000's)	
On Preferred Shares Series A, \$2.50 per share	\$ —	\$ 18
On 5,615,535 Common Shares, \$0.60 per share	3,369	3,369
	\$ 3,369	\$ 3,387

- continued -

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2010 (continued)

7. Risk management of financial instruments

The Company faces various risks arising from its financial instruments. Under the supervision of the Board of Directors, management has developed policies to identify and monitor these risks. These risks and their management are described below:

Credit risk

Credit risk is the risk of financial loss resulting from a counterparty's failure to discharge an obligation. The Company, from time to time, is exposed to credit risk associated with its securities lending program with its custodian, RBC Dexia Investor Services Trust ("RBC Dexia"), as its lending agent. The Company is also, from time to time, exposed to counterparty risk associated with forward foreign currency contracts. The Company reviews the credit worthiness of the counterparties on an ongoing basis. At December 31, 2010, the Company was exposed to \$nil (2009 – \$1,239,000) of receivables relating to the positive fair value of forward foreign currency contracts. There was no significant exposure to credit risk to other receivable balances because of their short-term nature. The Company had exposure to securities lending arrangements at December 31, 2010 of approximately \$25,823,000 (2009 – \$nil).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Sufficient liquidity is maintained by regular monitoring of cash flow requirements. The Company regularly enters into forward foreign currency contracts that have a contractual maturity of three months or less. All liabilities, other than future income taxes, settle within three months of the year end.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, which includes interest rate risk, foreign currency risk and other price risk.

The Company is not subject to significant interest rate risk, as its only fixed-interest investments are short term in nature.

The Company is exposed to market risk through its investment in equity securities. Many of these investments are in companies which do business in different countries and accordingly, the market value of these securities is subject to foreign currency risk as well as many other risk factors inherent in equity investments. These risks are mitigated by using an investment manager that manages a diversified portfolio of securities.

- A 10% fluctuation in global equity market prices would have an after-tax impact of approximately \$46,703,000 (2009 - \$43,045,000) on net assets from operations.

Concentration risk

Concentration risk exists when a significant portion of the investment portfolio is invested in a small number of companies. Concentration reduces the diversification of the investment portfolio and may result in greater volatility. At December 31, 2010, the Company's fair value of its direct and indirect investment in E-L Financial Corporation Limited ("E-L Financial") of \$225,925,000 (2009 - \$190,713,000) represents 42.3% (2009 - 38.8%) of Economic's equity investments.

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2010 (continued)

7. Risk management of financial instruments (continued)

Classification of fair value measurements

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted unadjusted prices in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

At December 31, 2010, the Company had \$434,825,000 (2009 - \$403,873,000) of Level 1 and \$98,929,000 (2009 - \$89,311,000) of Level 2 investments. There were no transfers between Level 1 and Level 2 investments during the year. The Company had no Level 3 investments during the year.

8. Related party information

The Company has investments in companies which can be significantly influenced by a party that can significantly influence the Company (see Statement of Investments). The Company also has a direct significant influence in TGV Holdings Limited. These significantly influenced companies have a fair value of \$305,694,000 (2009 - \$259,010,000) representing 57.3% (2009 - 52.5%) of the investment portfolio. Dividends from these companies for the year ended December 31, 2010 amounted to \$2,983,000 (2009 - \$2,925,000). During the year, the Company purchased in the market 37,300 (2009 - nil) E-L Financial common shares for approximately \$16,414,000 (2009 - \$nil).

Included in investment management and administrative costs are fees for administrative services paid to E-L Financial, a company that can be significantly influenced by a party that can significantly influence the Company. The total fees for the year ended December 31, 2010 amounted to \$239,000 (2009 - \$212,000). These transactions are in the normal course of business.

9. Securities lending

The Company has entered into a securities lending agreement with its custodian, RBC Dexia. The Company will receive collateral of at least 105% of the value of the securities on loan. Collateral will generally comprise obligations guaranteed by the Government of Canada or a province thereof, or other governments with appropriate credit ratings. In the event that any of the loaned securities are not returned to RBC Dexia, RBC Dexia at its option, may either restore to the Company securities identical to the loaned securities or it will pay to the Company the value of the collateral up to but not exceeding the market value of the loaned securities on the date on which the loaned securities were to have been returned ("Valuation date") to RBC Dexia. If the collateral is not sufficient to allow RBC Dexia to pay such market value to the Company, RBC Dexia shall indemnify the Company for the difference between the fair value of the securities and the value of such collateral on the Valuation date.

At December 31, 2010, the Company has loaned approximately \$25,823,000 (2009 - \$nil) in securities, received approximately \$27,757,000 (2009 - \$nil) in collateral, and recognized \$142,000 (2009 - \$nil) in securities lending income. Securities loaned in the program earn income at market securities lending rates. The securities lending agreements are revolving and can be terminated at any time by the borrower, the agent or the Company.

- continued -

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2010 (continued)

10. Capital

The Company's capital comprises shareholders' equity, which is invested primarily in common equity investments on a global basis. The Company's strategy is to earn net investment income, net realized gains and appreciation on investments. The Company aims to manage its capital in order to provide an adequate return to its shareholders over the long term.

The Company monitors its capital via its assessment of shareholders' equity. The shareholders' equity of the Company as at December 31 is as follows:

	<u>2010</u>	<u>2009</u>
	(000's)	
Shareholders' equity	<u>\$ 514,671</u>	<u>\$ 484,281</u>

11. Statement of cash flows

A statement of cash flows has not been provided, as it would not provide any additional meaningful information that is not already disclosed in the financial statements.

12. Comparative figures

As a result of the financial statement reporting format adopted for the current fiscal year, the prior year comparative figures have been reclassified. In particular, the unrealized appreciation of investments at December 31, 2009, of \$210,991,000, reported as a separate component of shareholders' equity in the fiscal 2009 financial statements, has been grouped with retained earnings under the current financial statement format.

13. Future accounting changes

International Financial Reporting Standards ("IFRS")

In January 2011, the Canadian Accounting Standards Board decided to extend the deferral of mandatory adoption of IFRS for Investment Companies to January 1, 2013 from January 1, 2011. The decision is in response to the International Accounting Standard Board's announcement in late 2010 that its Investment Company project is delayed and will not likely be issued before January 1, 2012. The Company's transition date of January 1, 2013 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2012. At this point in the transition from Canadian GAAP to IFRS, the Company anticipates that there will not be a material impact to its financial statements or in the calculation of its net equity value per Common Share.

Economic Investment Trust Limited

STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 2010

Number of shares		Cost	Fair value	% of Fair value
		(000's)		
North America				
Canada				
28,900	Agrium Inc.....	\$ 2,049	\$ 2,644	
212,638	Algoma Central Corporation ²	2,974	19,882	
381,006	E-L Financial Corporation Limited ²	23,880	186,883	
33,101	Ecando Investments Limited			
	Classes A, B and common ^{2, 3}	4,139	40,973	
176,414	The Fulcrum Investment Company Limited ^{2, 3}	464	10,710	
22,300	Magna International Inc.	1,156	1,158	
152,171	Nexen Inc.....	3,705	3,468	
216,900	NVG Holdings Limited			
	Classes B, C, D, E and common ^{1, 2, 3}	2,115	36,689	
4,837	TGV Holdings Limited Class B ^{1, 2, 3, 4}	318	10,557	
		<u>40,800</u>	<u>312,964</u>	58.6
United States				
137,500	Altria Group, Inc.....	2,908	3,367	
98,200	BB&T Corporation.....	2,937	2,568	
65,300	Bunge Limited.....	3,929	4,252	
20,800	CF Industries Holdings Inc.....	1,880	2,796	
66,200	Comcast Corporation, Class A.....	1,181	1,447	
42,101	Constellation Energy Group.....	1,538	1,283	
182,100	Corning Inc.	3,279	3,499	
418,300	Dell Inc.....	5,698	5,629	
176,500	Delta Air Lines, Inc.....	2,461	2,210	
48,400	Devon Energy Corporation.....	3,530	3,780	
299,499	Esprit Holdings Limited.....	2,140	1,420	
179,600	Ford Motor Company.....	1,686	2,999	
173,300	GAP Inc. (The).....	3,652	3,814	
85,600	Gilead Sciences, Inc.....	3,218	3,085	
49,299	Hess Corporation.....	3,445	3,753	
64,100	Hewlett-Packard Company.....	3,066	2,684	
67,800	Johnson & Johnson.....	4,232	4,171	
107,300	JPMorgan Chase & Co.....	4,115	4,529	
42,900	Kohl's Corporation.....	2,302	2,319	
45,400	Marathon Oil Corporation.....	1,566	1,671	
185,000	News Corporation, Class A.....	2,097	2,679	
71,900	Northrop Grumman Corporation.....	4,649	4,633	
20,600	Parker Hannifin Corp.	1,371	1,769	
385,400	Pfizer Inc.....	8,233	6,712	
204,400	Safeway Inc.	4,972	4,572	
152,400	Sara Lee Corporation.....	2,305	2,653	
12,895	Sprint Nextel Corporation.....	147	54	
66,922	Time Warner Cable Inc.....	2,879	4,396	
50,700	Travelers Companies, Inc. (The).....	2,506	2,809	
171,000	Wells Fargo & Co.....	5,017	5,271	
		<u>92,939</u>	<u>96,824</u>	18.2
	Total North America.....	<u>133,739</u>	<u>409,788</u>	76.8

- continued -

Economic Investment Trust Limited

STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 2010 (continued)

Number of shares		Cost	Fair value	% of Fair value
		(000's)		
	Latin America			
68,100	Banco do Brasil S.A.	\$ 1,204	\$ 1,280	
155,200	Vale S.A. - SP Pref ADR	4,434	4,671	
		<u>5,638</u>	<u>5,951</u>	1.1
	Europe, excluding United Kingdom			
36,450	Allianz SE	7,063	4,317	
14,800	Bayer AG	994	1,084	
134,800	Bouygues S.A.	6,485	5,790	
28,600	Cap Gemini S.A.	1,345	1,329	
66,369	Danske Bank A/S	1,738	1,695	
11,642	Delhaize Group	850	857	
145,900	E.ON AG	5,505	4,435	
38,800	Electricite de France	2,375	1,586	
30,600	Garmin Ltd.	1,129	943	
156,000	Gazprom OAO Spons ADR	3,753	3,912	
97,700	Ingersoll-Rand plc	2,877	4,576	
31,513	Koninklijke DSM NV	1,688	1,788	
37,130	Novartis AG	1,954	2,172	
38,800	Renault SA	2,271	2,244	
62,700	Societe Generale	3,455	3,359	
1,591,800	Telecom Italia S.p.A.	2,604	2,048	
698,600	Telecom Italia S.p.A. (New) di Risip	866	756	
94,800	Tyco Electronics Ltd.	2,022	3,331	
950,900	Unicredit S.p.A.	2,996	1,961	
71,060	Vivendi	2,118	1,911	
		<u>54,088</u>	<u>50,094</u>	9.4
	United Kingdom			
113,100	AstraZeneca plc	5,218	5,126	
395,700	BAE Systems plc	2,444	2,026	
623,600	Barclays plc	2,680	2,532	
311,300	BP plc	2,005	2,248	
69,600	Imperial Tobacco Group PLC	2,267	2,125	
125,259	Marks & Spencer Group plc	791	717	
739,246	Old Mutual plc	1,275	1,412	
49,700	Rio Tinto plc	2,756	3,459	
140,400	Royal Dutch Shell plc	5,175	4,624	
1,215,350	Vodafone Group Plc	3,221	3,126	
101,871	Xstrata plc	1,817	2,379	
		<u>29,649</u>	<u>29,774</u>	5.6

- continued -

Economic Investment Trust Limited

STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 2010 (continued)

<u>Number of shares</u>		<u>Cost</u>	<u>Fair value</u>	<u>% of Fair value</u>
		(000's)		
	Africa			
49,800	Royal Caribbean Cruises Ltd.....	\$ 1,644	\$ 2,327	0.4
	Asia			
2,671,920	AU Optronics Corp.....	2,496	2,761	
53,000	Hana Financial Group Inc.....	1,580	2,033	
970	Japan Tobacco Inc.....	3,514	3,568	
69,400	JFE Holdings, Inc.....	2,276	2,404	
65,700	KB Financial Group, Inc.....	2,864	3,487	
9,640	LG Electronics, Inc.....	952	1,004	
134,300	Mitsubishi Corporation.....	3,267	3,619	
118,000	Mitsui Fudosan Co., Ltd.....	2,042	2,339	
292,900	Nissan Motor Co., Ltd.....	2,965	2,776	
26,490	ORIX Corporation.....	1,826	2,596	
4,720	Samsung Electronics Co., Ltd.....	3,020	3,964	
264,000	Sharp Corporation.....	3,013	2,709	
255,000	Toshiba Corp.....	1,439	1,379	
		<u>31,254</u>	<u>34,639</u>	6.5
	Australia			
48,987	National Australia Bank Limited.....	1,047	1,181	0.2
	Total investments	<u>\$ 257,059</u>	<u>\$ 533,754</u>	<u>100.0</u>

¹ The net assets of NVG Holdings Limited and TGV Holdings Limited are invested primarily in the shares of The Bank of Nova Scotia.

² These companies and Economic can be significantly influenced by the same party.

³ Not listed on a stock exchange.

⁴ Subject to direct significant influence by the Company.

Economic Investment Trust Limited

Economic Investment Trust Limited was the first closed-end investment trust formed in Canada in the 1920's. The trust was sponsored by the chartered accounting firm of George A. Touche & Company.

The initial capitalization consisted of 32,250 shares issued in 1927 at \$50 for a total of \$1,612,500. In addition, \$1,000,000 of 30 year 5% Collateral Trust Gold Bonds were issued in 1927, making the total amount of initial capital subscribed \$2,612,500.

FINANCIAL RECORD - 1928 - 2010 (Unaudited)

Year Ended March 31	Total Net Assets at Fair Value*	Funded Debt	Preferred Shares Outstanding**	Net Equity Behind Common Shares	Net Investment Income Available For Common Shares	Net Equity Value per Common Share=
1928	\$ 2,776,143	\$ 1,000,000	\$ —	\$ 1,776,143	\$ 59,836	\$ 0.81
1929	2,990,242	1,000,000	—	1,990,242	108,757	0.77
1930	3,064,552	1,000,000	—	2,064,552	132,219	0.76
1931	2,344,127	1,000,000	—	1,344,127	109,133	0.50
1932	1,412,796	990,000	—	422,796	69,803	0.16
1933	1,161,715	962,500	—	199,215	36,538	0.07
1934	1,808,188	959,500	—	848,688	29,378	0.31
1935	1,838,293	949,500	—	888,793	27,665	0.33
1936	2,353,313	949,500	—	1,403,813	39,181	0.52
1937	3,084,608	949,500	—	2,135,108	83,259	0.79
1938	2,028,005	1,000,000	—	1,028,005	89,611	0.38
1939	2,322,361	1,000,000	—	1,322,361	73,262	0.49
1940	2,779,329	1,000,000	—	1,779,329	64,964	0.66
1941	2,350,199	1,000,000	—	1,350,199	89,373	0.50
1942	2,145,074	1,000,000	—	1,145,074	86,242	0.42
1943	2,604,866	1,000,000	—	1,604,866	79,552	0.59
1944	2,889,930	1,000,000	—	1,889,930	91,189	0.70
1945	3,238,955	1,000,000	—	2,238,955	93,286	0.82
1946	3,896,005	1,000,000	—	2,896,005	83,594	1.07
1947	3,663,744	1,000,000	—	2,663,744	88,005	0.98
1948	3,522,969	1,000,000	—	2,522,969	103,576	0.93
1949	3,555,427	1,000,000	—	2,555,427	146,777	0.94
1950	3,835,291	1,000,000	—	2,835,291	164,712	1.04
1951	5,083,980	1,250,000	—	3,833,980	187,339	1.13
1952	5,242,547	1,250,000	—	3,992,547	224,680	1.18
Year End Dec. 31						
1953	5,197,984	1,250,000	—	3,947,984	189,902	1.16
1954	6,579,007	1,250,000	—	5,329,007	203,946	1.57
1955	8,972,261	2,000,000	—	6,972,261	244,543	1.71
1956	9,927,524	3,000,000	—	6,927,524	268,643	1.70
1957	8,299,244	2,940,000	—	5,359,244	267,456	1.30
1958	10,802,381	2,940,000	—	7,862,381	244,745	1.91
1959	11,125,555	2,920,000	—	8,205,555	250,593	1.99
1960	11,462,158	2,902,500	—	8,559,658	279,614	2.06
1961	15,222,285	2,509,500	—	12,712,785	348,260	2.41
1962	15,959,655	2,000,000	2,100,000	11,859,655	373,627	2.11
1963	17,633,299	2,000,000	2,100,000	13,533,299	395,390	2.41
1964	20,955,088	—	5,250,000	15,705,088	426,318	2.80
1965	21,897,735	—	5,250,000	16,647,735	457,768	2.97
1966	19,613,106	—	5,250,000	14,363,106	487,222	2.56
1967	23,076,097	—	5,128,462	17,947,635	540,082	3.20
1968	27,392,675	—	5,061,263	22,331,412	490,882	3.98
1969	25,942,615	—	5,061,263	20,881,352	518,281	3.72

Economic Investment Trust Limited

FINANCIAL RECORD - 1928 - 2010 (continued) (Unaudited)

Year Ended Dec 31	Total Net Assets at Fair Value*	Funded Debt	Preferred Shares Outstanding**	Net Equity Behind Common Shares	Net Investment Income Available For Common Shares	Net Equity Value per Common Share=
1970	\$ 24,365,591	\$ —	\$ 5,061,263	\$ 19,304,328	\$ 557,159	\$ 3.44
1971	27,254,532	—	5,056,013	22,198,519	540,382	3.95
1972	34,888,401	—	5,056,013	29,832,388	594,727	5.31
1973	32,612,656	—	5,056,013	27,556,643	621,910	4.91
1974	24,135,473	—	5,024,513	19,110,960	726,197	3.40
1975	26,585,662	—	4,870,950	21,714,712	863,375	3.87
1976	31,637,836	3,000,000	4,738,387	23,899,449	875,571	4.26
1977	36,995,088	3,000,000	4,685,677	29,309,411	901,695	5.22
1978	47,494,243	4,000,000	4,622,677	38,871,556	1,252,333	6.92
1979	57,999,880	4,000,000	4,526,340	49,473,540	1,324,406	8.81
1980	76,697,109	4,000,000	4,375,665	68,321,444	2,194,507	12.17
1981	64,064,872	4,000,000	4,239,165	55,825,707	1,639,037	9.94
1982	68,178,899	4,000,000	4,104,503	60,074,396	2,020,002	10.70
1983	89,218,448	4,000,000	3,973,253	81,245,195	1,999,146	14.47
1984	92,329,348	4,000,000	3,792,915	84,536,433	2,300,654	15.06
1985	110,213,106	4,000,000	3,588,690	102,624,416	2,255,834	18.28
1986	116,528,995	—	3,582,600	112,946,395	3,010,235	20.11
1987	107,137,081	—	3,388,350	103,748,731	3,262,872	18.48
1988	117,278,175	—	3,388,350	113,889,825	4,057,330	20.28
1989	138,902,425	—	3,209,850	135,692,575	11,033,069	24.16
1990	111,688,074	—	3,078,600	108,609,474	4,507,819	19.34
1991	121,167,500	—	2,947,350	118,220,150	3,686,237	21.05
1992	118,601,216	—	2,816,100	115,785,116	4,425,086	20.62
1993	160,510,602	—	2,684,850	157,825,752	4,132,163	28.11
1994	157,005,838	—	2,553,600	154,452,238	3,607,944	27.50
1995	173,784,673	—	2,411,850	171,372,823	3,707,690	30.52
1996	220,022,041	—	2,267,475	217,754,566	4,229,442	38.78
1997	315,642,038	—	2,151,975	313,490,063	4,496,004	55.82
1998	312,297,757	—	1,957,725	310,340,032	5,020,547	55.26
1999	335,118,175	—	1,847,475	333,270,700	4,053,649	59.35
2000	409,292,748	—	1,758,225	407,534,523	4,681,449	72.57
2001	374,087,462	—	1,600,725	372,486,737	5,039,506	66.33
2002	344,740,715	—	1,539,038	343,201,677	4,380,966	61.12
2003	407,910,297	—	1,528,538	406,381,759	4,658,868	72.37
2004	459,289,335	—	1,523,288	457,766,047	8,655,782	81.52
2005	560,240,525	—	1,523,288	558,717,237	5,671,936	99.49
2006	691,296,065	—	404,250	690,891,815	7,241,971	123.03

Economic Investment Trust Limited

FINANCIAL RECORD - 1928 - 2010 (Unaudited)

Year Ended Dec 31	Total Net Assets at Fair Value*	Funded Debt	Preferred Shares Outstanding**	Net Equity Behind Common Shares	Net Investment Income Available For Common Shares	Net Equity Value per Common Share=
2007	\$ 636,213,949	\$ —	\$ 404,250	\$ 635,809,699	\$ 7,938,813	\$ 113.22
2008	413,157,193	—	404,250	412,752,943	8,582,896	73.50
2009	484,281,125	—	—	484,281,125	6,032,950	86.24
2010	514,671,117	—	—	514,671,117	5,374,380	91.65

* Total assets at fair value less current liabilities exclusive of funded debt and preferred shares. For the years 1972 to 2000, total net assets include refundable capital gains taxes on hand.

** Preferred Shares at redemption price of \$52.50 per share.

= As of December 31, 2010 there were 5,615,535 common shares outstanding. The calculation of net equity value is restated to reflect the following:

Historical Stock Dividends								
Date	Stock dividend rate	Issue price	Date	Stock dividend rate	Issue price	Date	Stock dividend rate	Issue price
1951	5 for 2	Split	1988	1 for 63	\$ 64.26	1997	1 for 13.3767	\$ 160.52
1963	5 for 1	Split	1989	1 for 67	70.35	1998	1 for 29.0495	152.51
1982	1 for 8	\$ 50.08	1990	1 for 56	82.32	1999	1 for 35.8532	144.13
1983	1 for 7	49.07	1991	1 for 30	64.80	2000	1 for 30.4794	148.13
1984	1 for 20	60.00	1994	1 for 27.7	91.41	2001	1 for 5.81549	172.72
1985	1 for 22	59.40	1995	1 for 28.78	86.34	2001	2 for 1	Split
1986	1 for 31	69.75	1996	1 for 38.4246	96.83	2001	1 for 24.1111	69.44
1987	1 for 17	71.40	1997	1 for 37.6442	117.45			

Economic Investment Trust Limited

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TORONTO STOCK EXCHANGE LISTINGS
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NET EQUITY VALUE

The Company's net equity value per Common Share is published weekly on the Globe and Mail's website (www.globefund.com) and on the Company's website.

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