

Economic Investment Trust Limited



2011 Annual Report

Economic Investment Trust Limited

THE YEAR AT A GLANCE **85th Annual Report**

	2011 ⁽¹⁾	2010 ⁽¹⁾
Net equity value per Common Share ⁽²⁾	\$ 74.81	\$ 91.65
Net investment income per Common Share ⁽²⁾	\$ 1.15	\$ 0.96
Increase (decrease) in net assets from operations per Common Share	\$ (16.28)	\$ 5.96
Dividends per Common Share	\$ 0.60	\$ 0.60
Net assets.....	\$ 420,121	\$ 514,671
Investment income	\$ 9,563	\$ 8,367
Net investment income	\$ 6,446	\$ 5,374
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 3, 2012, 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

JACK S. DARVILLE	Corporate Director
DUNCAN N. R. JACKMAN	Chairman, President and Chief Executive Officer E-L Financial Corporation Limited
R.B. MATTHEWS	President Longview Asset 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

J. CHRISTOPHER BARRON	Corporate Director
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, 2011 and 2010. This MD&A should be read in conjunction with the December 31, 2011 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. Throughout this MD&A, the fair value of investments refers to the bid price for a security on the recognized stock exchange on which it is principally traded.

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 is 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 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 comprises a mix of 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.

The Company owns, directly and indirectly through related parties, 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.

The long-term investments consist primarily of common shares of E-L Financial Corporation Limited ("E-L Financial"), and to a lesser extent, Algoma Central Corporation ("Algoma") and The Bank of Nova Scotia. At December 31, 2011, the three largest long-term investments, as a percentage of total investments, are common shares of E-L Financial at 36.1% (2010 – 42.3%), Algoma at 7.2% (2010 – 5.3%) and The Bank of Nova Scotia at 9.2% (2010 – 8.3%). E-L Financial, Algoma and the Company can be significantly influenced by the same party. In management's view, these investments are consistent with the Company's investment strategy and contribute to achieving the investment objective. Further related party information is provided in Note 8 to the financial statements in this Annual Report and in the statement of investments beginning on page 25.

The balance of the investment portfolio is managed by Sanford C. Bernstein & Co. LLC ("Bernstein"), a global investment manager based in New York. At the year end, approximately 97.6% (2010 – 96.8%) of the Bernstein-managed 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.

At December 31, 2011, approximately 54.0% (2010 – 57.3%) of the investment portfolio was held in long-term investments and 46.0% (2010 – 42.7%) was managed by Bernstein. Over time these percentages will vary based on the fair value of the two portfolios and as a result of any purchases or sales of long-term investments.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

In contrast to 2010, when the Company had purchased 37,300 common shares of E-L Financial for approximately \$16,414,000, there were no purchases or sales of long-term investments during the current year. The purchase in the prior year was financed by liquidating a portion of the Bernstein-managed portfolio. Economic may continue to make purchases or sales of long-term investments from time to time.

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 in 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.

Net equity value per Common Share is used by investors and management as a comparison to the market price of its Common Shares to determine the 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 2011	December 31 2010
Net assets	\$ 420,121	\$ 514,671
Common Shares outstanding	5,615,535	5,615,535
Net equity value per Common Share	\$ 74.81	\$ 91.65

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	
	2011	2010	2011	2010
Increase (decrease) in net assets from operations	\$ (5,639)	\$ 46,776	\$ (91,418)	\$ 33,458
Add: Net loss (gain) on investments	7,082	(45,486)	97,864	(28,084)
Net investment income	\$ 1,443	\$ 1,290	\$ 6,446	\$ 5,374
Common Shares outstanding	5,615,535	5,615,535	5,615,535	5,615,535
Net investment income per Common Share	\$ 0.26	\$ 0.23	\$ 1.15	\$ 0.96

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Equity Value per Common Share

The Company's net equity value per Common Share decreased to \$74.81 at December 31, 2011 from \$91.65 at the prior year end. With dividends reinvested at month-end net equity values, the Company's net equity value return was negative 17.8% in 2011, compared to a positive return of 7.0% in 2010. Most of the overall negative return during the year was a result of a negative one-year return related to E-L Financial, and from a decline in the fair value of the Bernstein-managed portfolio. On a pre-tax basis, the global equity portfolio managed by Bernstein had a negative return of 14.0% in 2011 compared to a positive return of 2.6% in 2010 and the common shares of E-L Financial had a negative return of 31.5% in 2011 versus a positive return of 9.1% in 2010.

As the Company is a taxable Canadian corporation, these Company 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, benchmark returns on a total return (capital gains plus dividends) basis, compared to the net equity value return of the Company, were as follows:

	Year ended Dec. 31, 2011	Year ended Dec. 31, 2010
		(%)
Economic net equity value	(17.8)	7.0
S&P/TSX Composite Index	(8.7)	17.6
MSCI All Country World Index.....	(5.1)	5.9
S&P 500 Index	4.4	9.4

Operating Results - 2011

Net investment income

The net investment income of the Company increased to \$6,446,000 in 2011 from \$5,374,000 in 2010, an increase of 19.9%.

This result is attributable primarily to an increase in foreign dividends in 2011 as compared to 2010 because of higher-yielding foreign securities held in the Bernstein-managed portfolio during the year compared to the prior year.

Interest income, including securities lending income, decreased to \$144,000 in 2011 from \$162,000 in 2010. During the fourth quarter, the Company suspended securities lending activities amid concerns over market volatility.

The operating expenses of the Company increased to \$1,557,000 in 2011 from \$1,529,000 in 2010 as a result of an increase in investment management expenses. Despite the fact that the market value of the Bernstein portfolio declined year over year, the average monthly market value of this portfolio increased 2% compared to the prior year. There are no investment management or administrative fees charged on the Company's long-term investments. The Company's management expense ratio remained unchanged at 0.32% of average net assets for both the current and prior 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, relative to the basic combined federal and provincial income tax rate, has increased by approximately \$203,000 (2010 - \$271,000).

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net gain (loss) on investments

The Company realized a net loss on investments of \$5,455,000 in 2011 compared to a net loss of \$8,163,000 in the prior year. Net losses on the sale of equity investments amounted to \$5,473,000 (2010 – loss of \$13,883,000), offset by realized gains of \$18,000 (2010 – \$5,720,000) from forward foreign currency contracts. In the current year, the largest contributors to the net realized loss on the sale of equities were Esprit Holdings Limited, Unicredit S.p.A., and The Dow Chemical Company.

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. At December 31, 2011, the Company has \$42,496,000 (2010 - \$36,554,000) of realized capital loss carryforwards. A future income tax benefit of \$5,312,000 (2010 - \$4,569,000) has been recognized as a reduction of future income tax liabilities on the unrealized appreciation of investments. Capital loss carryforwards 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, on an after-tax basis, decreased \$91,915,000 during the year compared to an increase of \$36,726,000 during the prior year. Long-term investments decreased \$64,075,000 during the year as a result of an approximately \$61,753,000 or 31.5% decline in the fair value of E-L Financial Corporation Limited. The Bernstein-managed portfolio decreased \$27,840,000. The largest contributors to the decrease in the Bernstein portfolio were Societe Generale, AU Optronics Corp. and ING Groep N.V.

Operating Results - Fourth Quarter, 2011

The Company's net equity value per Common Share decreased to \$74.81 at December 31, 2011 from \$75.96 at September 30, 2011. With dividends reinvested at month-end net equity values, the Company's net equity value return was negative 1.3% in the fourth quarter of 2011.

In Canadian dollar terms, in the fourth quarter of 2011, the S&P/TSX Composite Index increased 3.6%, the MSCI All Country World Index increased 4.7% and the S&P 500 Index increased 9.5%.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three-Year Results

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	(In thousands of dollars, except per share amounts)		
Net realized and unrealized gain (loss) on investments	\$ (97,864)	\$ 28,084	\$ 68,571
Net realized and unrealized gain (loss) on investments per Common Share.....	(17.43)	5.00	12.22
Total assets.....	435,502	544,766	510,716
Investment income	9,563	8,367	9,613
Net investment income	6,446	5,374	6,051
Net investment income per Common Share.....	1.15	0.96	1.07
Dividends per Common Share	0.60	0.60	0.60
Dividends per Preferred Share Series A ⁽¹⁾	—	—	2.50

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

Economic's investment portfolio is affected by stock selection, equity markets and currency movements. In 2011, the performance of Economic was negatively affected by a decrease in the fair value of E-L Financial, and from a decline in the Bernstein portfolio. In 2010 and 2009, the performance of Economic was favourably affected by strong returns on its long-term investments and from global markets.

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 increased as a result of higher-yielding foreign securities held in the Bernstein portfolio compared to the prior year.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Review - 2011 and 2010

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

	2011			
	Quarter ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
	(In thousands of dollars, except per share amounts)			
Investment income	\$ 2,101	\$ 3,206	\$ 2,054	\$ 2,202
Net investment income	1,403	2,141	1,459	1,443
Net gain (loss) on investments ..	5,266	(28,585)	(67,463)	(7,082)
Per Common Share:				
Net investment income	\$ 0.25	\$ 0.38	\$ 0.26	\$ 0.26
Net gain (loss) on investments ..	0.94	(5.09)	(12.02)	(1.26)
Increase (decrease) in net assets from operations.....	\$ 1.19	\$ (4.71)	\$ (11.76)	\$ (1.00)

	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

Investment income is derived primarily from dividend income that is earned by the Company. While North American investments usually pay 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 value 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. Although total foreign dividend income in 2011 has increased over the prior year, during five of its last eight quarters, the Company has experienced a quarter-over-quarter (relative to the corresponding prior-year quarter) decrease in foreign dividend income.

Overall returns are determined by the performance of the Company's long-term investments and the performance of the Bernstein-managed portfolio and may fluctuate significantly as illustrated by the past eight quarters. The returns generated within each portfolio may also not correlate with benchmark returns.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2011. Based on that evaluation, management concluded that the Company's disclosure controls and procedures were effective as at December 31, 2011.

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, 2011. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as at December 31, 2011. No changes were made in the Company's internal control over financial reporting during the year ended December 31, 2011, 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.

In contrast to the prior year end when the Company had exposure to securities lending arrangements of approximately \$25,823,000, the Company had no exposure to securities lending arrangements at the current year end. At December 31, 2011, the Company was exposed to \$12,000 (2010 – \$nil) 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

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 may result in greater volatility. At December 31, 2011, the fair value of the Company's direct and indirect investment in E-L Financial of \$155,350,000 (2010 - \$225,925,000) represents 36.1% (2010 - 42.3%) 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, 2011, there are 5,615,535 Common Shares issued and outstanding and each share is entitled to one vote.

Liquidity and Capital Resources

Quarterly dividends were paid on the Common Shares. The quarterly per share dividend was \$0.15 per share on the Common Shares and the corresponding annual amount was \$0.60 (2010 - \$0.60) per share. Payment of the Company's dividends is funded by net investment income. For the year ended December 31, 2011, net investment income was \$6,446,000 (2010 - \$5,374,000) as compared to dividend payments of \$3,369,000 (2010 - \$3,369,000). On a per Common Share basis, net investment income of \$1.15 (2010 - \$0.96) per share exceeded dividend payments of \$0.60 (2010 - \$0.60) per share.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As previously reported, in January 2011, the Canadian Accounting Standards Board ("AcSB") had approved a deferral, to January 1, 2013, of mandatory adoption of IFRS for investment companies applying Accounting Guideline 18, Investment Companies. However, in December 2011, the AcSB decided to extend the deferral by an additional year, to January 1, 2014. The recent decision is in response to the possibility that the International Accounting Standard Board may not complete its Investment Company project before January 1, 2013, which was the previous date of mandatory adoption of IFRS for these entities.

As a result of the recent announcement, the Company anticipates that it will now apply IFRS to its disclosures commencing January 1, 2014. Its first set of financial statements prepared in accordance with IFRS will be for the quarter ending March 31, 2014, which will provide corresponding comparative financial information for 2013, including an opening statement of financial position as at January 1, 2013.

On transition to IFRS, management does not expect that the conversion 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, 2012

Economic Investment Trust Limited

FINANCIAL HIGHLIGHTS

For each of the years in the five-year period ended December 31, 2011:

DATA PER COMMON SHARE	2011	2010	2009	2008	2007
NET EQUITY VALUE, beginning of year.....	\$ 91.65	\$ 86.24	\$ 73.50	\$ 113.22	\$ 122.23
INCOME (DECREASE) IN NET ASSETS FROM OPERATIONS AVAILABLE TO COMMON SHAREHOLDERS					
Net investment income	1.15	0.96	1.07	1.53	1.41
Net gain (loss) on investments	(17.43)	5.00	12.22	(40.71)	(9.89)
	(16.28)	5.96	13.29	(39.18)	(8.48)
CASH DIVIDENDS TO SHAREHOLDERS					
Common Shares.....	(0.60)	(0.60)	(0.60)	(0.60)	(0.60)
TAXATION CHANGES					
Net decrease in refundable dividend taxes on hand.....	0.04	0.05	0.05	0.06	0.07
NET EQUITY VALUE, end of year....	\$ 74.81	\$ 91.65	\$ 86.24	\$ 73.50	\$ 113.22

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, 2012

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, 2011 and 2010, the statement of investments as at December 31, 2011 and the statements of operations, retained earnings and changes in net assets for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform 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, 2011 and 2010 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, 2012
Toronto, Canada

Chartered Accountants, Licensed Public Accountants

Economic Investment Trust Limited

STATEMENTS OF NET ASSETS

	December 31	
	2011	2010
ASSETS	(000's)	
Investments, at fair value (cost - \$259,525; 2010 - \$257,059) (Notes 7 and 8)	\$ 430,324	\$ 533,754
Cash	2,383	6,734
Short-term investments	1,179	—
Receivable in respect of investments sold	—	105
Accrued income on investments.....	294	253
Income taxes receivable.....	1,234	3,851
Other assets	88	69
	435,502	544,766
 LIABILITIES		
Accounts payable and accrued liabilities.....	152	244
Payable in respect of investments purchased	150	798
Future income taxes (Note 3).....	15,079	29,053
	15,381	30,095
Net assets.....	\$ 420,121	\$ 514,671
 SHAREHOLDERS' EQUITY		
Capital stock (Note 6).....	\$ 204,691	\$ 204,691
Contributed surplus	1,474	1,474
Retained earnings	213,956	308,506
Total shareholders' equity.....	\$ 420,121	\$ 514,671

APPROVED BY THE BOARD:

DUNCAN N.R. JACKMAN	Director
R.B. MATTHEWS	Director

(See accompanying notes)

Economic Investment Trust Limited

STATEMENTS OF OPERATIONS

	Year ended December 31	
	2011	2010
INVESTMENT INCOME	(000's)	
Dividends:		
Foreign.....	\$ 6,228	\$ 5,191
Canadian (Note 8).....	3,191	3,014
	<u>9,419</u>	<u>8,205</u>
Interest, including securities lending income (Note 9)	144	162
	<u>9,563</u>	<u>8,367</u>
Expenses:		
Investment management and administrative costs (Note 8).....	1,003	983
Directors' remuneration.....	123	117
Office and miscellaneous.....	151	162
Transfer, registrar and custody fees.....	220	201
Professional fees	60	66
	<u>1,557</u>	<u>1,529</u>
Investment income before income taxes.....	8,006	6,838
Provision for income taxes (Note 3)	1,560	1,464
NET INVESTMENT INCOME.....	<u>6,446</u>	<u>5,374</u>
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized loss on investments (Note 5)	(5,455)	(8,163)
Net change in unrealized appreciation of investments (Note 4).....	(91,915)	36,726
Transaction costs on purchase and sale of investments.....	(494)	(479)
NET GAIN (LOSS) ON INVESTMENTS.....	<u>(97,864)</u>	<u>28,084</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS.....	<u>\$ (91,418)</u>	<u>\$ 33,458</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER COMMON SHARE.....	<u>\$ (16.28)</u>	<u>\$ 5.96</u>

(See accompanying notes)

Economic Investment Trust Limited

STATEMENTS OF RETAINED EARNINGS

	Year ended December 31	
	2011	2010
	(000's)	
RETAINED EARNINGS, BEGINNING OF YEAR.....	\$ 308,506	\$ 278,116
Add:		
Increase in net assets from operations	—	33,458
Refundable dividend taxes recovered	1,123	1,123
	<u>1,123</u>	<u>34,581</u>
Deduct:		
Decrease in net assets from operations.....	91,418	—
Dividends (Note 6)	3,369	3,369
Provision for refundable dividend taxes	886	822
	<u>95,673</u>	<u>4,191</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 213,956</u>	<u>\$ 308,506</u>

STATEMENTS OF CHANGES IN NET ASSETS

	Year ended December 31	
	2011	2010
	(000's)	
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ (91,418)	\$ 33,458
DIVIDENDS TO SHAREHOLDERS		
Common Shares.....	(3,369)	(3,369)
TAXATION CHANGES		
Net decrease in refundable dividend taxes on hand	237	301
INCREASE (DECREASE) IN NET ASSETS	<u>(94,550)</u>	<u>30,390</u>
NET ASSETS, BEGINNING OF YEAR	<u>514,671</u>	<u>484,281</u>
NET ASSETS, END OF YEAR	<u>\$ 420,121</u>	<u>\$ 514,671</u>

(See accompanying notes)

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2011

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 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 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.

Financial instruments

The Company’s financial instruments consist of investments, including forward foreign currency contracts, cash and short-term investments 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.

Short-term investments

Short-term investments consist of treasury bills, commercial paper, guaranteed investment certificates and bankers’ acceptances held for investment purposes. These investments are carried at cost, which together with accrued interest, approximates fair value.

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.

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2011 (continued)

2. Summary of significant accounting policies (continued)

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.

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.

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2011 (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, 2011, all of which is included in the Statement of Retained Earnings, amounted to approximately \$146,000 (2010 - \$382,000).

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

	2011	2010
Basic combined federal and provincial rate	28.25%	31.00%
Taxable effect related to dividends from taxable Canadian corporations	(11.26)	(13.66)
Effect of foreign withholding taxes	2.54	3.97
Effect of other adjustments	(0.05)	0.10
Effective income tax rate	<u>19.48%</u>	<u>21.41%</u>

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

	2011	2010
	(000's)	
Current	\$ 1,555	\$ 1,513
Future	5	(49)
Provision for income taxes	<u>\$ 1,560</u>	<u>\$ 1,464</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 approximately \$42,496,000 of realized capital loss carryforwards at December 31, 2011 (2010 - \$36,554,000). The future income tax benefit of the capital loss carryforwards of \$5,312,000 (2010 - \$4,569,000) has been recognized as a reduction of future income tax liabilities. Capital loss carryforwards can be carried forward indefinitely and can be applied against capital gains realized in the future.

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

	2011	2010
	(000's)	
Unrealized appreciation of investments	\$ 20,310	\$ 33,547
Capital loss carryforwards	(5,312)	(4,569)
	14,998	28,978
Accrued dividends receivable	81	74
Other	—	1
Future income taxes	<u>\$ 15,079</u>	<u>\$ 29,053</u>

- continued -

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2011 (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 2011	Dec. 31 2010	Change in 2011	Change in 2010
				(000's)
Investments at fair value	\$ 430,324	\$ 533,754	\$(103,430)	\$ 40,570
Investments at cost	<u>259,525</u>	<u>257,059</u>	<u>2,466</u>	<u>(175)</u>
Unrealized appreciation of investments before provision for future income taxes.....	170,799	276,695	(105,896)	40,745
Provision for future income taxes.....	<u>14,998</u>	<u>28,978</u>	<u>(13,981)</u>	<u>4,019</u>
Unrealized appreciation of investments ..	<u>\$ 155,801</u>	<u>\$ 247,717</u>	<u>\$ (91,915)</u>	<u>\$ 36,726</u>

5. Net realized loss on investments

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

	2011	2010
		(000's)
Proceeds on sales of investments	\$ 153,284	\$ 182,665
Cost of investments, beginning of year	257,059	257,234
Cost of investments purchased during the year.....	<u>161,205</u>	<u>190,653</u>
	418,264	447,887
Cost of investments, end of year	<u>259,525</u>	<u>257,059</u>
Cost of investments sold during the year.....	<u>158,739</u>	<u>190,828</u>
Net realized loss on investments	<u>\$ (5,455)</u>	<u>\$ (8,163)</u>

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2011 (continued)

6. Capital stock 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, 2010 and 2011. At December 31, 2011, there were 5,615,535 Common Shares outstanding.

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

	2011	2010
	(000's)	
Common Shares		
Issued and outstanding - 5,615,535 shares.....	\$ 204,691	\$ 204,691

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

	2011	2010
	(000's)	
On 5,615,535 Common Shares, \$0.60 per share	\$ 3,369	\$ 3,369

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, 2011, the Company was exposed to \$12,000 (2010 – \$nil) 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, 2011 of approximately \$nil (2010 – \$25,823,000).

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.

- continued -

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2011 (continued)

7. Risk management of financial instruments (continued)

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 \$37,653,000 (2010 - \$46,703,000) 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, 2011, the Company's fair value of its direct and indirect investment in E-L Financial Corporation Limited ("E-L Financial") of \$155,350,000 (2010 - \$225,925,000) represents 36.1% (2010 - 42.3%) of Economic's equity investments.

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, 2011, the Company had \$347,386,000 (2010 - \$434,825,000) of Level 1 and \$82,938,000 (2010 - \$98,929,000) 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 \$232,465,000 (2010 - \$305,694,000) representing 54.0% (2010 - 57.3%) of the investment portfolio. Dividends from these companies for the year ended December 31, 2011 amounted to \$3,095,000 (2010 - \$2,983,000).

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. These fees are based on the market value of the investments managed by the external investment manager and are calculated and paid at the close of each calendar month. The total fees for the year ended December 31, 2011 amounted to \$250,000 (2010 - \$239,000). These transactions are in the normal course of business.

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2011 (continued)

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 must restore to the Company securities identical to the loaned securities or 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 market value of the securities and the value of such collateral on the Valuation date. The Company has recourse to the Royal Bank of Canada in the event RBC Dexia fails to discharge its securities lending obligation.

At December 31, 2011, the Company has loaned approximately \$nil (2010 - \$25,823,000) in securities and received approximately \$nil (2010 - \$27,757,000) in collateral. During the year, the Company recognized approximately \$123,000 (2010 - \$142,000) in securities lending income. Securities loaned in the program earn income at market securities lending rates. The securities lending agreements can be terminated at any time by the borrower, the agent or the Company.

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:

	2011	2010
	(000's)	
Shareholders' equity	\$ 420,121	\$ 514,671

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. Future accounting changes

International Financial Reporting Standards ("IFRS")

In December 2011, the Canadian Accounting Standards Board (the "AcSB") decided to extend the deferral of mandatory adoption of IFRS for Investment Companies to January 1, 2014 from January 1, 2013. The decision is in response to the possibility that the International Accounting Standard Board may not complete its Investment Company project before January 1, 2013, which is the current date of mandatory adoption of IFRS for these entities.

The Company's anticipated transition date of January 1, 2014 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2013. 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.

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Economic Investment Trust Limited

STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 2011

Number of shares		Cost	Fair value	% of Fair value
		(000's)		
North America				
Canada				
212,638	Algoma Central Corporation ²	\$ 2,974	\$ 21,742	
381,006	E-L Financial Corporation Limited ²	23,880	127,797	
33,101	Ecando Investments Limited			
	Classes A, B and common ^{2,3}	4,139	32,442	
176,414	The Fulcrum Investment Company			
	Limited ^{2,3}	464	9,907	
66,800	Magna International Inc.	3,496	2,263	
153,739	Nexen Inc.	3,735	2,485	
216,900	NVG Holdings Limited			
	Classes B, C, D, E and common ^{1,2,3}	2,115	31,494	
4,837	TGV Holdings Limited Class B ^{1,2,3,4}	318	9,083	
		<u>41,121</u>	<u>237,213</u>	55.1
United States				
237,470	Applied Materials, Inc.	2,650	2,584	
57,650	CenturyLink Inc.	1,995	2,180	
190,400	Citigroup Inc.	7,068	5,097	
230,070	Corning Inc.	3,921	3,035	
65,250	Dell Inc.	889	970	
207,498	Delta Air Lines, Inc.	2,709	1,707	
37,100	Devon Energy Corporation	2,773	2,340	
77,596	Gilead Sciences, Inc.	2,898	3,230	
229,100	Hewlett-Packard Company	7,984	6,004	
63,800	Johnson & Johnson	3,977	4,253	
87,200	JPMorgan Chase & Co.	3,344	2,948	
169,200	Kroger Co. (The)	3,904	4,168	
53,790	Lam Research Corporation	2,057	2,025	
52,150	Lear Corporation	2,358	2,112	
34,690	Lorillard, Inc.	4,040	4,020	
86,170	Lowe's Companies, Inc.	2,202	2,224	
55,450	Marathon Oil Corporation	1,994	1,878	
338,030	Micron Technology, Inc.	2,023	2,159	
64,380	Newell Rubbermaid Inc.	984	1,056	
17,800	Northrop Grumman Corporation	1,040	1,059	
91,690	NV Energy	1,458	1,525	
359,900	Pfizer Inc.	7,688	7,921	
57,703	Seadrill Limited.	1,987	1,961	
73,032	Time Warner Cable, Inc.	3,675	4,721	
52,880	Travelers Companies, Inc. (The)	2,661	3,182	
134,990	Tyson Foods Inc.	2,444	2,832	
92,240	Viacom Inc., Class B	4,021	4,260	
75,670	WellPoint, Inc.	5,293	5,099	
		<u>90,037</u>	<u>86,550</u>	20.1
	Total North America	<u>131,158</u>	<u>323,763</u>	75.2

- continued -

Economic Investment Trust Limited

STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 2011 (continued)

Number of shares		Cost	Fair value	% of Fair value
		(000's)		
	Latin America			
216,000	Banco do Brasil S.A.....	\$ 3,615	\$ 2,789	
110,500	Petroleo Brasileiro S.A. ADR	2,858	2,640	
135,120	Vale S.A. SP Pref ADR	3,786	2,829	
		<u>10,259</u>	<u>8,258</u>	1.9
	Europe, excluding United Kingdom			
32,040	Allianz SE	6,209	3,115	
23,660	BNP Paribas SA.....	1,287	947	
126,127	Bouygues S.A.	5,608	4,039	
145,900	E.ON AG	5,505	3,191	
93,505	Gas Natural SDG, S.A.....	1,787	1,636	
327,820	Gazprom OAO Spons ADR	4,178	3,554	
504,459	ING Groep N.V.....	5,771	3,699	
39,320	Koninklijke DSM NV.....	1,893	1,859	
51,283	Lukoil ADR	3,582	2,759	
56,630	LyondellBasell.....	1,674	1,871	
76,600	Renault SA.....	4,287	2,708	
12,300	Roche Holding AG	1,885	2,122	
73,951	Societe Generale	4,067	1,677	
2,028,380	Telecom Italia S.p.A.	3,122	2,194	
698,600	Telecom Italia S.p.A. (New) di Risp	866	630	
		<u>51,721</u>	<u>36,001</u>	8.4
	United Kingdom			
39,780	Anglo American plc	1,570	1,495	
128,300	AstraZeneca plc.....	5,914	6,017	
1,258,110	BP plc	8,193	9,139	
1,194,873	Legal & General Group plc	2,039	1,941	
44,560	Rio Tinto plc	2,735	2,200	
1,103,050	Vodafone Group Plc.....	2,923	3,118	
133,431	Xstrata plc.....	2,551	2,057	
		<u>25,925</u>	<u>25,967</u>	6.0
	Africa			
55,400	Royal Caribbean Cruises Ltd.....	1,662	1,395	0.3

Economic Investment Trust Limited

STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 2011

Number of shares		Cost	Fair value	% of Fair value
		(000's)		
	Asia			
1,915,850	Advanced Semiconductor Engineering Inc...	\$ 1,747	\$ 1,663	
4,176,920	AU Optronics Corp.....	3,763	1,823	
29,490	AU Optronics Corp. ADR	169	129	
86,300	Bridgestone Corporation.....	1,737	1,985	
868	Japan Tobacco Inc.....	3,273	4,145	
88,900	JFE Holdings Inc.....	2,798	1,636	
92,400	KB Financial Group, Inc.....	3,835	2,942	
135,980	LG Display Co Ltd.....	3,685	2,916	
543,000	Mazda Motor Corporation	1,321	968	
47,300	Nippon Telegraph and Telephone Corporation	2,231	2,452	
324,100	Nissan Motor Co., Ltd.	3,313	2,954	
23,660	ORIX Corporation	1,631	1,988	
3,790	Samsung Electronics Co., Ltd.	2,425	3,517	
283,000	Sharp Corporation	3,078	2,512	
536,430	Turkiye Is Bankasi.....	1,610	954	
		<u>36,616</u>	<u>32,584</u>	7.6
	Australia			
96,287	National Australia Bank Limited	2,184	2,344	0.6
	Total equities	259,525	430,312	100.0
	Forward foreign currency contracts, net			
	Schedule 1	—	12	—
	Total investments	<u>\$ 259,525</u>	<u>\$ 430,324</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.

Schedule 1 - Forward foreign currency contracts, net

Forward contracts to sell foreign currencies for Canadian dollars:

Par value	Currency	Number of contracts	Contract rate	Settlement date	Unrealized gain
(in millions)					(000's)
1.3	CHF	1	1.0996	Feb.15, 2012	<u>\$ 12</u>

The counterparty currently has an approved credit rating equivalent to A-1+.

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 - 2011 (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 - 2011 (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
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
2011	420,120,642	—	—	420,120,642	6,446,173	74.81

This chart is drawn from the individual annual reports and has not been restated for any subsequent changes in accounting policies.

* 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, 2011 there were 5,615,535 common shares outstanding. The calculation of net equity value is restated to reflect the following:

Economic Investment Trust Limited

FINANCIAL RECORD - 1928 - 2011 (continued)

(Unaudited)

			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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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.

REPORTING PROCEDURE FOR ACCOUNTING AND AUDITING MATTERS

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