Economic Investment Trust Limited

2012 Annual Report

Economic Investment Trust Limited

THE YEAR AT A GLANCE
86th Annual Report

	2012 [1]	2011 [1]
Net equity value per Common Share [2]	**$ 83.98**	$ 74.81
Net investment income per Common Share [2]	**$ 1.13**	$ 1.15
Increase (decrease) in net assets from operations per Common Share	**$ 10.29**	$ (16.28)
Dividends per Common Share		
Quarterly	**$ 0.60**	$ 0.60
Additional [3]	**$ 0.55**	$ —
Net assets	**$ 471,609**	$ 420,121
Investment income	**$ 9,748**	$ 9,563
Net investment income	**$ 6,367**	$ 6,446
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.
(3) This additional dividend represents the distribution of the prior year's net investment income, after payment of quarterly dividends.

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held at 11:30 a.m. on Tuesday, April 2, 2013, in the Meeting Room of The Dominion of Canada General Insurance Company, 4th Floor, 165 University Avenue, Toronto. All shareholders are invited to attend.

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
Chairman
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

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, 2012 and 2011. This MD&A should be read in conjunction with the December 31, 2012 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"). The reporting currency for the Company is the Canadian dollar, and all amounts in the following discussion are in Canadian dollars.

This 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 Company has been a closed-end investment corporation since 1927 and has never bought back its Common Shares. The Common Shares have historically traded at a discount to their net asset value, ranging from as high as a 45% discount to as low as a 20% discount. Management believes that shareholders who have invested in the Common Shares of the Company recognize that the Common Shares of the Company trade at a discount to their net asset value.

Closed-end funds have the following benefits: they often allow investors the opportunity to purchase assets at a discounted price; they have management expense ratios which are generally much lower than those for open-ended funds; and the management of a closed-end fund's portfolio is not impacted by shareholder subscription or redemption activities.

Economic has no plans to become an open-ended investment fund or to buy back its Common Shares. Due to the relative illiquidity of the Common Shares, a repurchase program would effectively result in the share price being set by the Company rather than by the market.

The Company owns, directly and 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.

The long-term investments consist 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, 2012, the three largest long-term investments, as a percentage of total investments, are common shares of E-L Financial at 39.9% (2011 – 36.0%), Algoma at 8.5% (2011 – 7.2%) and The Bank of Nova Scotia at 9.0% (2011 – 9.2%). 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 Burgundy Asset Management Ltd. ("Burgundy"), a global equity manager based in Toronto. On August 7, 2012, the Company appointed Burgundy to provide portfolio management services. As part of the transition from Sanford C. Bernstein & Co. LLC ("Bernstein") to Burgundy, the assets managed by Bernstein were sold and replaced with Burgundy equity purchases. At the year end, 100.0% (2011 – 97.6%) of the global investment portfolio was made up of non-Canadian companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the year, the Company purchased in the market 5,200 (2011 – nil) E-L Financial common shares for approximately $2,236,000 (2011 - $nil). The purchase was financed by liquidating a portion of the global investment portfolio. Economic may make purchases of long-term investments from time to time if, in its judgment, the shares represent a good investment in view of their price.

At December 31, 2012, approximately 58.8% (2011 – 54.0%) of the investment portfolio was held in long-term investments and 41.2% (2011 – 46.0%) was managed by Burgundy (2011 – Bernstein). Over time these percentages will vary based on the market value of the two portfolios and as a result of any purchases or sales of long-term investments.

Investment Strategy

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.

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 at which 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 approximate amount 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 2012	December 31 2011
Net assets	**$ 471,609**	$ 420,121
Common Shares outstanding	**5,615,535**	5,615,535
Net equity value per Common Share	**$ 83.98**	$ 74.81

MANAGEMENT'S DISCUSSION AND ANALYSIS

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	
	2012	2011	**2012**	2011
Increase (decrease) in net assets from operations	**$ 18,436**	$ (5,639)	**$ 57,800**	$ (91,418)
Add: Net loss (gain) on investments	**(17,256)**	7,082	**(51,433)**	97,864
Net investment income	**1,180**	$ 1,443	**$ 6,367**	$ 6,446
Common Shares outstanding	**5,615,535**	5,615,535	**5,615,535**	5,615,535
Net investment income per Common Share	**$ 0.21**	$ 0.26	**$ 1.13**	$ 1.15

Net Equity Value per Common Share

The Company's net equity value per Common Share increased to $83.98 at December 31, 2012 from $74.81 at the prior year end. With dividends reinvested at month-end net equity values, the Company's net equity value return was 13.9% in 2012, compared to a return of negative 17.8% in 2011. On a pre-tax basis, the shares of E-L Financial had a return of 26.3% during 2012 compared to a return of negative 31.5% for the same period in 2011, the shares of Algoma had returns of 39.1% and 11.3%, and the shares of the Bank of Nova Scotia had returns of 17.5% and negative 7.4%, respectively. The global investment portfolio had a return, gross of fees, of 5.2% in 2012 versus a return of negative 14.0% in 2011. The Burgundy portfolio, since inception in August 2012, had a return, gross of fees, of 5.3%.

The net equity value return for the year was negatively impacted by 0.3% as a result of increases in current and future income tax rates that were substantively enacted in the June 2012 Ontario budget.

As the Company is a taxable Canadian corporation, its 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, stock market index total returns (capital gains plus dividends), compared to the net equity value returns of the Company, were as follows:

	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011
	(%)	
Economic net equity value	13.9	(17.8)
S&P/TSX Composite Index	7.2	(8.7)
MSCI All Country World Index	13.7	(5.1)
S&P 500 Index	13.5	4.4

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Results - 2012

Net investment income

The net investment income of the Company decreased to $6,367,000 in 2012 from $6,446,000 in 2011, a decrease of 1.2%, primarily as a result of higher investment management fees with respect to the global investment portfolio. On a per Common Share basis, net investment income declined by 1.7% to $1.13 in 2012 compared to $1.15 in 2011.

Foreign dividend income decreased by 0.5% to $6,195,000 from $6,228,000 in 2011. The modest decline occurred as a result of lower-yielding securities held in the current year compared to the same period in the prior year.

Canadian dividend income increased by 6.5% to $3,397,000 from $3,191,000 in 2011. The increase resulted from growth in the average dividend received from long-term investments.

The operating expenses of the Company increased to $1,598,000 in 2012 from $1,557,000 in 2011. Despite the fact that the average market value of the global investment portfolio declined year over year, investment management expenses increased as a result of a higher management expense ratio paid to the new global investment manager. There are no investment management or administrative fees charged on the Company's long-term investments. Directors' remuneration increased due to additional management meetings to which the directors were invited during the year. Transfer, registrar and custody fees declined over the prior year as a result of reduced custody fees. The Company's management expense ratio increased in 2012 to 0.35% of average net assets compared to 0.32% of average net assets in the 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 $524,000 (2011 - $203,000).

Net gain (loss) on investments

The net gain on investments for the Company increased to $51,433,000 in 2012 compared to a net loss of $97,864,000 in the prior year.

Long-term investments increased, on an after-tax basis, by $46,720,000 during the year, primarily as a result of strong returns from investments in E-L Financial, Algoma and the Bank of Nova Scotia. In the prior year, long-term investments declined by $64,075,000 primarily as a result of a negative return from the Company's investment in E-L Financial.

The global managed portfolio increased by $4,713,000 during the year compared to a decline of $33,789,000 in 2011.

The net realized loss on this portfolio for the current year was $31,433,000 (2011 - $5,949,000), comprised of $29,890,000 (2011 - $5,967,000) on the sale of equity investments and $1,543,000 (2011 – gain of $18,000) from losses (gains) on the maturity or close out of forward foreign currency contracts. The net realized loss on the sale of equities during the current year occurred as a result of the sale of the Bernstein managed portfolio, which had a negative unrealized appreciation of investments at the sale date.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The global managed portfolio had a net change in unrealized appreciation of investments, on an after-tax basis, of $36,146,000 during 2012 compared to a decrease of $27,840,000 during 2011. The current year increase occurred primarily as a result of realizing the net loss on the sale of the Bernstein portfolio. The prior year decline was affected by a decrease in the value of the global managed portfolio.

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, 2012, the Company has approximately $73,930,000 (2011 - $42,496,000) of realized capital loss carryforwards. A future income tax benefit of $9,796,000 (2011 - $5,312,000) 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.

Operating Results - Fourth Quarter, 2012

The Company's net equity value per Common Share increased to $83.98 at December 31, 2012 from $80.85 at September 30, 2012. With dividends reinvested at month-end net equity values, the Company's net equity value return was 4.1% in the fourth quarter of 2012 compared to a return of negative 1.3% for the same period in 2011. On a pre-tax basis, the shares of E-L Financial had a return of 2.7% during the fourth quarter of 2012 compared to a return of negative 11.7% for the same period in 2011, the shares of Algoma had returns of 18.1% and 22.3%, and the shares of the Bank of Nova Scotia had returns of 7.7% and negative 2.3%, respectively. The global investment portfolio had a return, gross of fees, of 3.5% in 2012 versus a return of 4.8% for the same period in 2011.

In Canadian dollar terms, in the fourth quarter of 2012, the S&P/TSX Composite Index increased 1.7%, the MSCI All Country World Index increased 3.6% and the S&P 500 Index increased 0.8%.

Three-Year Results

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

	2012	2011	2010
	(In thousands of dollars, except per share amounts)		
Net realized and unrealized gain (loss) on investments	**$ 51,433**	$ (97,864)	$ 28,084
Net realized and unrealized gain (loss) on investments per Common Share	**9.16**	(17.43)	5.00
Total assets	**495,943**	435,502	544,766
Investment income	**9,748**	9,563	8,367
Net investment income	**6,367**	6,446	5,374
Net investment income per Common Share	**1.13**	1.15	0.96
Dividends per Common Share:			
Quarterly	**0.60**	0.60	0.60
Additional	**0.55**	—	—

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic's investment portfolio is affected by stock selection, equity markets and currency movements. In 2012, the performance of Economic was favourably affected by strong returns on its long-term investments. 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 value of the global managed portfolio. In 2010, the performance of Economic was favourably affected by strong returns on its long-term investments and the global managed portfolio.

The fluctuations in net investment income are due primarily to changes in dividend income that is earned by the Company, net of management fees. 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 by a modest amount.

Quarterly Review - 2012 and 2011

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

	2012			
	Quarter ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
	(In thousands of dollars, except per share amounts)			
Investment income	$ 2,341	$ 3,254	$ 2,325	$ 1,828
Net investment income	1,591	2,274	1,322	1,180
Net gain (loss) on investments	42,092	(12,138)	4,223	17,256
Per Common Share:				
Net investment income	$ 0.28	$ 0.41	$ 0.23	$ 0.21
Net gain (loss) on investments	7.50	(2.17)	0.76	3.07
Increase (decrease) in net assets from operations	$ 7.78	$ (1.76)	$ 0.99	$ 3.28

	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)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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.

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

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, 2012. Based on that evaluation, management concluded that the Company's disclosure controls and procedures were effective as at December 31, 2012.

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, 2012. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as at December 31, 2012. No changes were made in the Company's internal control over financial reporting during the year ended December 31, 2012, 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 Investor Services Trust, 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, 2012 of approximately $14,651,000 (2011 – $nil). At December 31, 2012, the Company was exposed to $nil (2011 – $12,000) 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.

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, 2012, the fair value of the Company’s direct and indirect investment in E-L Financial of $197,166,000 (2011 - $155,350,000) represents 39.9% (2011 - 36.0%) of Economic’s equity and short-term investments.

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

Share Data

At December 31, 2012, 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 (2011 - $0.60) per share. Payment of the Company’s quarterly dividends is funded by net investment income. For the year ended December 31, 2012, net investment income was $1.13 (2011 - $1.15) per Common Share.

On May 9, 2012, the Board of Directors declared an additional cash dividend of $0.55 per Common Share that was paid June 29, 2012 to shareholders of record on June 15, 2012. This dividend represented a distribution of the balance of net investment income for the year ended December 31, 2011.

The Company’s dividend policy is to distribute annual net investment income in the form of dividends. The distributions are composed of $0.15 quarterly dividends together with an additional dividend representing the balance of net investment income for the previous fiscal year. This additional dividend of $0.53 (2011 - $0.55) per Common Share will be paid in the first quarter of fiscal 2013 (2011 – second quarter of fiscal 2012). The Company’s dividend policy is established by the Board of Directors at its discretion and is subject to change.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Transition to International Financial Reporting Standards ("IFRS") for Investment Companies

The Company will adopt IFRS 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.

Management does not expect that the transition 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 13, 2013

FINANCIAL HIGHLIGHTS

For each of the years in the five-year period ended December 31, 2012:

DATA PER COMMON SHARE	**2012**	2011	2010	2009	2008
NET EQUITY VALUE, beginning of year	**$ 74.81**	$ 91.65	$ 86.24	$ 73.50	$ 113.22
INCOME (DECREASE) IN NET ASSETS FROM OPERATIONS AVAILABLE TO COMMON SHAREHOLDERS					
Net investment income	**1.13**	1.15	0.96	1.07	1.53
Net gain (loss) on investments	**9.16**	(17.43)	5.00	12.22	(40.71)
	10.29	(16.28)	5.96	13.29	(39.18)
CASH DIVIDENDS TO COMMON SHAREHOLDERS					
Quarterly	**(0.60)**	(0.60)	(0.60)	(0.60)	(0.60)
Additional	**(0.55)**	—	—	—	—
	(1.15)	(0.60)	(0.60)	(0.60)	(0.60)
TAXATION CHANGES					
Net decrease in refundable dividend taxes on hand	**0.03**	0.04	0.05	0.05	0.06
NET EQUITY VALUE, end of year	**$ 83.98**	$ 74.81	$ 91.65	$ 86.24	$ 73.50

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 13, 2013

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, 2012 and 2011, the statement of investments as at December 31, 2012 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, 2012 and 2011 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 13, 2013
Toronto, Canada

Chartered Accountants, Licensed Public Accountants

STATEMENTS OF NET ASSETS

	December 31	
	2012	2011
ASSETS	(000's)	
Investments, at fair value (cost - $220,662; 2011 - $259,525) (Notes 7 and 8)	**$ 483,221**	$ 430,324
Cash	**1,179**	2,383
Short-term investments	**10,317**	1,179
Accrued income on investments	**326**	294
Income taxes receivable	**869**	1,234
Other assets	**31**	88
	495,943	435,502
LIABILITIES		
Accounts payable and accrued liabilities	**354**	152
Payable in respect of investments purchased	**—**	150
Future income taxes (Note 3)	**23,980**	15,079
	24,334	15,381
Net assets	**$ 471,609**	$ 420,121
SHAREHOLDERS' EQUITY		
Capital stock (Note 6)	**$ 204,691**	$ 204,691
Contributed surplus	**1,474**	1,474
Retained earnings	**265,444**	213,956
Total shareholders' equity	**$ 471,609**	$ 420,121

APPROVED BY THE BOARD:

DUNCAN N.R. JACKMAN
Director

R.B. MATTHEWS
Director

(See accompanying notes)

STATEMENTS OF OPERATIONS

	Year ended December 31	
	2012	2011
	(000's)	
INVESTMENT INCOME		
Dividends:		
Foreign	**$ 6,195**	$ 6,228
Canadian (Note 8)	**3,397**	3,191
	9,592	9,419
Interest, including securities lending income (Note 9)	**156**	144
	9,748	9,563
Expenses:		
Investment management and administrative costs (Note 8)	**1,050**	1,003
Directors' remuneration	**176**	123
Office and miscellaneous	**171**	151
Transfer, registrar and custody fees	**127**	220
Professional fees	**74**	60
	1,598	1,557
Investment income before income taxes	**8,150**	8,006
Provision for income taxes (Note 3)	**1,783**	1,560
NET INVESTMENT INCOME	**6,367**	6,446
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized loss on investments (Note 5)	**(30,934)**	(5,455)
Net change in unrealized appreciation of investments (Note 4)	**82,866**	(91,915)
Transaction costs on purchase and sale of investments	**(499)**	(494)
NET GAIN (LOSS) ON INVESTMENTS	**51,433**	(97,864)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	**$ 57,800**	$ (91,418)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER COMMON SHARE	**$ 10.29**	$ (16.28)

(See accompanying notes)

STATEMENTS OF RETAINED EARNINGS

	Year ended December 31	
	2012	2011
	(000's)	
RETAINED EARNINGS, BEGINNING OF YEAR	**$ 213,956**	$ 308,506
Add:		
Increase in net assets from operations	**57,800**	—
Refundable dividend taxes recovered	**1,062**	1,123
	58,862	1,123
Deduct:		
Decrease in net assets from operations	**—**	91,418
Dividends (Note 6)	**6,458**	3,369
Provision for refundable dividend taxes	**916**	886
	7,374	95,673
RETAINED EARNINGS, END OF YEAR	**$ 265,444**	$ 213,956

STATEMENTS OF CHANGES IN NET ASSETS

	Year ended December 31	
	2012	2011
	(000's)	
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	**$ 57,800**	$ (91,418)
DIVIDENDS TO SHAREHOLDERS		
Common Shares	**(6,458)**	(3,369)
TAXATION CHANGES		
Net decrease in refundable dividend taxes on hand	**146**	237
INCREASE (DECREASE) IN NET ASSETS	**51,488**	(94,550)
NET ASSETS, BEGINNING OF YEAR	**420,121**	514,671
NET ASSETS, END OF YEAR	**$ 471,609**	$ 420,121

(See accompanying notes)

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2012

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.

- continued -

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2012 (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.

- continued -

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2012 (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, 2012, all of which is included in the Statement of Retained Earnings, amounted to approximately $nil (2011 - $146,000).

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

	2012	2011
Basic combined federal and provincial rate	26.50%	28.25%
Taxable effect related to dividends from taxable Canadian corporations	(11.04)	(11.26)
Effect of foreign withholding taxes	6.43	2.54
Effect of other adjustments	(0.02)	(0.05)
Effective income tax rate	21.87%	19.48%

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

	2012	2011
	(000's)	
Current	$ 1,775	$ 1,555
Future	8	5
Provision for income taxes	$ 1,783	$ 1,560

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 $73,930,000 of realized capital loss carryforwards at December 31, 2012 (2011 - $42,496,000). The future income tax benefit of the capital loss carryforwards of $9,796,000 (2011 - $5,312,000) 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:

	2012	2011
	(000's)	
Unrealized appreciation of investments	$ 33,687	$ 20,310
Capital loss carryforwards	(9,796)	(5,312)
	23,891	14,998
Accrued dividends receivable	89	81
Future income taxes	$ 23,980	$ 15,079

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NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2012 (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 2012	Dec. 31 2011	Change in 2012	Change in 2011
		(000's)		
Investments at fair value	$ 483,221	$ 430,324	$ 52,897	$(103,430)
Investments at cost	220,662	259,525	(38,863)	2,466
Unrealized appreciation of investments before provision for future income taxes	262,559	170,799	91,760	(105,896)
Provision for future income taxes	23,891	14,998	8,894	(13,981)
Unrealized appreciation of investments	$ 238,668	$ 155,801	$ 82,866	$ (91,915)

5. Net realized loss on investments

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

	2012	2011
	(000's)	
Proceeds on sales of investments	$ 264,290	$ 153,284
Cost of investments, beginning of year	259,525	257,059
Cost of investments purchased during the year	256,361	161,205
	515,886	418,264
Cost of investments, end of year	220,662	259,525
Cost of investments sold during the year	295,224	158,739
Net realized loss on investments	$ (30,934)	$ (5,455)

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NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2012 (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, 2011 and 2012. At December 31, 2012, there were 5,615,535 Common Shares outstanding.

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

	2012	2011
	(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:

	2012	2011
	(000's)	
On 5,615,535 Common Shares:		
Quarterly - $0.60 per share	$ 3,369	$ 3,369
Additional - $0.55 per share	3,089	—
	$ 6,458	$ 3,369

The Company's current dividend policy is to distribute annual net investment income in the form of dividends. The distributions are composed of $0.15 quarterly dividends together with an additional dividend representing the balance of net investment income for the previous fiscal year. This additional dividend will be paid in the first quarter following the fiscal year end. The Company's dividend policy is established by the Board of Directors at its discretion and is subject to change.

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 Investor Services Trust ("RBC IS"), 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, 2012, the Company was exposed to $nil (2011 – $12,000) 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, 2012 of approximately $14,651,000 (2011 – $nil).

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7. Risk management of financial instruments (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 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 $41,919,000 (2011 - $37,653,000) on net assets from operations.

Concentration risk

Concentration risk exists when a significant portion of the equity and short-term 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, 2012, the Company's fair value of its direct and indirect investment in E-L Financial Corporation Limited ("E-L Financial") of $197,166,000 (2011 - $155,350,000) represents 39.9% (2011 - 36.0%) of Economic's equity and short-term 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, 2012, the Company had $386,153,000 (2011 - $347,386,000) of Level 1 and $97,068,000 (2011 - $82,938,000) of Level 2 equity investments. There were no transfers between Level 1 and Level 2 equity investments during the year. The Company had no Level 3 equity 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 $290,202,000 (2011 - $232,465,000) representing 58.8% (2011 - 54.0%) of the equity and short-term investment portfolios. Dividends from these companies for the year ended December 31, 2012 amounted to $3,360,000 (2011 - $3,095,000). During the year, the Company purchased in the market 5,200 (2011 - nil) E-L Financial common shares for approximately $2,236,000 (2011 - $nil).

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8. Related party information (continued)

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, 2012 amounted to $229,000 (2011 - $250,000). 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 IS. 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 IS, RBC IS 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 IS. If the collateral is not sufficient to allow RBC IS to pay such market value to the Company, RBC IS 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 IS fails to discharge its securities lending obligation.

At December 31, 2012, the Company has loaned approximately $14,651,000 (2011 - $nil) in securities and received approximately $15,384,000 (2011 - $nil) in collateral. During the year, the Company recognized approximately $103,000 (2011 - $123,000) 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 share 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:

	2012	2011
	(000's)	
Shareholders' equity	$ 471,609	$ 420,121

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")

The Company will adopt IFRS 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.

Management does not expect that the transition 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.

STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 2012

Number of shares		Cost	Fair value	% of Fair value
		(000's)		
	North America			
	Canada			
2,126,380	Algoma Central Corporation [2]	$ 2,974	$ 29,769	
386,206	E-L Financial Corporation Limited [2]	26,116	163,365	
33,101	Ecando Investments Limited Classes A, B and common [2, 3]	4,139	39,814	
176,414	The Fulcrum Investment Company Limited [2, 3]	464	11,299	
216,900	NVG Holdings Limited Classes B, C, D, E and common [1, 2, 3]	2,115	35,746	
4,837	TGV Holdings Limited Class B [1, 2, 3, 4]	318	10,209	
		36,126	290,202	60.1
	United States			
321,620	Activision Blizzard, Inc.	3,698	3,401	
103,630	AmerisourceBergen Corporation	4,012	4,452	
6,982	Apple Inc.	3,757	3,703	
76,831	Baxter International Inc.	4,485	5,095	
38,401	Becton, Dickinson and Company	2,881	2,988	
133,243	Bank of New York Mellon Corporation (The)	2,971	3,408	
139,699	BB&T Corporation	4,408	4,046	
85,163	CareFusion Corporation	2,100	2,422	
272,383	Cisco Systems, Inc.	4,708	5,325	
45,782	Diamond Offshore Drilling, Inc.	3,069	3,095	
70,727	Emerson Electric Company	3,505	3,728	
86,462	Equifax, Inc.	3,979	4,655	
26,892	Gardner Denver, Inc.	1,647	1,832	
5,328	Google Inc.	3,402	3,760	
48,336	Harris Corporation	2,190	2,355	
60,574	Humana, Inc.	4,162	4,136	
93,512	Johnson & Johnson	6,060	6,522	
175,043	Juniper Networks, Inc.	3,284	3,427	
31,422	Lorillard, Inc.	3,627	3,647	
134,828	Microsoft Corporation	4,079	3,584	
40,940	Norfolk Southern Corporation	2,345	2,518	
86,779	Northern Trust Corporation	3,988	4,331	
39,739	Occidental Petroleum Corporation	3,534	3,029	
116,699	Oracle Corporation	3,635	3,869	
51,985	PepsiCo, Inc.	3,728	3,540	
44,693	Philip Morris International Inc.	4,053	3,720	
49,352	Procter & Gamble Company (The)	3,285	3,334	
54,595	Qualcomm Incorporated	3,339	3,369	
66,894	United Technologies Corporation	5,121	5,458	
20,475	Visa Inc.	2,614	3,086	
371,052	Western Union Company (The)	6,115	5,024	
		113,781	116,859	24.2
	Total North America	149,907	407,061	84.3

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STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 2012 (continued)

Number of shares		Cost	Fair value	% of Fair value
		(000's)		
	Latin America			
586,688	Quinenco S.A.	$ 1,720	$ 1,877	0.4
	Europe, excluding United Kingdom			
70,100	Colruyt S.A.	3,253	3,448	
54,600	Deutsche Boerse AG	2,730	3,299	
49,800	Hannover Rueckversicherung AG	3,007	3,842	
117,600	Heineken Holding N.V.	5,272	6,377	
94,800	Henkel AG & Co. KGaA	5,718	6,423	
31,900	Neopost S.A.	1,726	1,670	
47,998	Nestle S.A.	2,985	3,108	
56,600	Novartis AG	3,300	3,534	
64,600	Publicis Groupe	3,268	3,830	
20,600	Roche Holding AG	3,353	4,119	
		34,612	39,650	8.2
	United Kingdom			
84,400	British American Tobacco plc	4,556	4,259	
169,900	GlaxoSmithKline plc	3,959	3,667	
238,700	IMI plc	3,307	4,221	
520,200	Sage Group plc (The)	2,424	2,477	
89,500	Unilever PLC	3,202	3,424	
		17,448	18,048	3.7
	Asia			
48,800	Benesse Holdings, Inc.	2,320	2,014	
44,700	Canon Inc.	1,532	1,714	
21,200	Hirose Electric Co., Ltd.	2,212	2,499	
82,300	Kao Corporation	2,300	2,125	
8,400	Keyence Corporation	2,153	2,298	
16,300	Nintendo Co., Ltd.	1,744	1,697	
39,700	Shimano, Inc.	2,823	2,516	
33,400	Unicharm Corporation	1,891	1,722	
		16,975	16,585	3.4
	Total investments	$ 220,662	$ 483,221	100.0

[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 - 2012
(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

FINANCIAL RECORD - 1928 - 2012 (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
2012	471,609,113	—	—	471,609,113	6,367,642	83.98

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, 2012 there were 5,615,535 common shares outstanding. The calculation of net equity value is restated to reflect the following:

FINANCIAL RECORD - 1928 - 2012 (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			

CORPORATE INFORMATION

HEAD OFFICE

Tenth Floor, 165 University Avenue, Toronto, Ontario, M5H 3B8
Tel: 416-947-2578
Fax: 416-362-2592

EXTERNAL INVESTMENT MANAGER

Burgundy Asset Management Ltd., Toronto

AUDITORS

PricewaterhouseCoopers LLP, Toronto

CUSTODIAN

RBC Investor Services Trust

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.
100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1
Toll Free: 1-800-564-6253
www.computershare.com

TORONTO STOCK EXCHANGE LISTING

Common Shares, ticker symbol EVT

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

Please refer to the "Contact Us" section of our website if you have questions or concerns regarding accounting or auditing matters.

WEBSITE

www.evt.ca