

Economic Investment Trust Limited



**SECOND QUARTER REPORT
JUNE 30, 2015**

Economic Investment Trust Limited

THE PERIOD AT A GLANCE (Unaudited)

	As at June 30 2015 ⁽¹⁾	As at Dec. 31 2014 ⁽¹⁾
Net equity value per Common Share ⁽²⁾	\$ 125.50	\$ 122.43
Net assets	\$ 704,763	\$ 687,494
Number of Common Shares outstanding at period end	5,615,535	5,615,535

	Six months ended June 30	
	2015 ⁽¹⁾	2014 ⁽¹⁾
Net investment income per Common Share ⁽²⁾	\$ 0.85	\$ 0.81
Dividends per Common Share		
Quarterly	\$ 0.30	\$ 0.30
Additional ⁽³⁾	\$ 0.76	\$ 7.05
Net income per Common Share	\$ 4.14	\$ 2.41
Net investment income	\$ 4,752	\$ 4,546

⁽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.

The financial statements have been prepared under International Financial Reporting Standards ("IFRS").

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The Company's external auditors, PricewaterhouseCoopers LLP, have not performed a review of these interim financial statements of Economic Investment Trust Limited.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the unaudited interim condensed financial performance and financial condition of Economic Investment Trust Limited ("Economic" or the "Company") for the second quarter of 2015 should be read in conjunction with: the December 31, 2014 Annual Report, including the MD&A, the Company's audited annual financial statements and the notes and supplementary financial information; the Company's MD&A and unaudited interim condensed financial statements and notes for the previous quarter of 2015; and the unaudited interim condensed financial statements and notes contained in this report. These unaudited interim condensed financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"), which is generally accepted accounting principles ("GAAP"), as set out in the Handbook of the Chartered Professional Accountants of Canada. 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 discussion 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 usually 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.

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 primarily of common shares of E-L Financial Corporation Limited ("E-L Financial"), Algoma Central Corporation ("Algoma") and The Bank of Nova Scotia. At June 30, 2015, the three largest long-term investments, as a percentage of total equity investments, are common shares of E-L Financial at 40.9% (December 31, 2014 – 43.4%), Algoma at 6.9% (December 31, 2014 – 6.7%) and The Bank of Nova Scotia at 6.7% (December 31, 2014 – 6.9%). E-L Financial, Algoma and the Company are related parties. 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 13 to the financial statements in the 2014 Annual Report and in the schedule of investment portfolio in this interim report beginning on page 14.

The balance of the investment portfolio is managed by Burgundy Asset Management Ltd. ("Burgundy"), a global equity manager based in Toronto. At June 30, 2015, 99.0% (December 31, 2014 - 99.1%) of this global investment portfolio was made up of non-Canadian companies.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

At June 30, 2015, approximately 55.6% (December 31, 2014 – 58.1%) of the investment portfolio was held in long-term investments and 44.4% (December 31, 2014 – 41.9%) was managed by Burgundy. 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 GAAP and therefore may not be comparable to similar measures presented by other companies. Current Canadian GAAP is IFRS for these financial statements. 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 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 to be distributed 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):

	June 30 2015	Dec. 31 2014
Net assets	\$ 704,763	\$ 687,494
Common Shares outstanding	5,615,535	5,615,535
Net equity value per Common Share	\$ 125.50	\$ 122.43

Economic Investment Trust Limited

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 June 30		Six months ended June 30	
	2015	2014	2015	2014
Net income (loss)	\$ (1,829)	\$ 453	\$ 23,221	\$ 13,538
Add (deduct):				
Fair value change in investments	4,861	2,175	(21,290)	(9,374)
Tax on fair value change in investments	(644)	(288)	2,821	1,242
Net decrease in refundable dividend taxes on hand	—	—	—	(860)
Net investment income ¹	\$ 2,388	\$ 2,340	\$ 4,752	\$ 4,546
Common Shares outstanding	5,615,535	5,615,535	5,615,535	5,615,535
Net investment income per Common Share ¹	\$ 0.43	\$ 0.42	\$ 0.85	\$ 0.81

¹ On an after-tax basis.

Net Equity Value per Common Share

For the quarter ended June 30, 2015, the Company's net equity value per Common Share decreased to \$125.50 from \$125.98 at March 31, 2015. With dividends reinvested at month-end net equity values, the Company's net equity value return for the quarter was negative 0.3%, compared to a return of 0.1% for the same period in 2014. On a pre-tax basis, the shares of E-L Financial had a negative return of 0.6% for the quarter compared to a negative return of 3.0% for the same period in 2014, the shares of Algoma had a return of 3.4% compared to a return of 4.9% in 2014, and the shares of the Bank of Nova Scotia had a return of 2.5% compared to a return of 12.1% in 2014. The global investment portfolio had a negative return, gross of fees, of 0.7% in the second quarter of 2015 versus a comparative return of 0.9% in 2014.

On a year-to-date basis, the Company's net equity value per Common Share increased to \$125.50 at June 30, 2015 from \$122.43 at December 31, 2014.

With dividends reinvested at month-end net equity values, the Company's net equity value return year-to-date was 3.4%, compared to a return of 1.9% for the same period in 2014. On a pre-tax basis, the shares of E-L Financial had a negative return of 4.7% year-to-date compared to a negative return of 3.0% for the same period in 2014, the shares of Algoma had a return of 5.7% compared to a return of 0.5% in 2014, and the shares of the Bank of Nova Scotia had a negative return of 0.8% compared to a return of 9.0% in 2014.

The global investment portfolio had a year-to-date return, gross of fees, of 12.5% in 2015 versus a comparative return of 7.2% in 2014.

As the Company is a taxable Canadian corporation, the Company's net equity value is net of a provision for income taxes on investment income and realized gains (losses) on investments, and net of a deferred income tax provision on its change in unrealized appreciation of investments.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Equity Value per Common Share (continued)

In Canadian dollar terms, total returns (capital gains plus dividends), for Economic's net equity value and stock market indices were as follows:

	Three months ended June 30	Six months ended June 30
	(%)	
Economic net equity value	(0.3)	3.4
S&P/TSX Composite Index	(1.9)	0.9
MSCI All Country World Index	(0.5)	10.3
S&P 500 Index	(0.2)	8.8

Growth in Net Equity Value ("NAV")

For the 10 years ended December 31, 2014 the Company's compound annual growth rate in NAV, including dividends, was 5.5%.

Set out below is a table that shows annual growth in NAV in each of the past 10 years:

Annual growth in NAV*

	NAV per Common Share	Annual Growth
		(%)
2005	\$ 99.49	22.9
2006	123.03	24.3
2007	113.22	(6.9)
2008	73.50	(34.7)
2009	86.24	18.2
2010	91.65	7.0
2011	74.81	(17.8)
2012	83.98	13.9
2013	123.60	48.8
2014	122.43	4.5

Compound annual growth*

2005 - 2014 - 10 years	5.5
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*This chart was drawn from the individual annual reports and any NAV amounts prior to 2014 have not been restated for any subsequent changes in accounting policies.

Operating Results

Net income

The Company reported a net loss of \$1,829,000 in the second quarter of 2015 compared to net income of \$453,000 for the second quarter of 2014. On a year-to-date basis net income increased to \$23,221,000 from \$13,538,000 for the same period in the prior year. On a per Common Share basis, earnings per share decreased to a net loss of \$0.32 in the second quarter of 2015 compared to net income of \$0.08 in 2014. On a year-to-date basis earnings per share increased to \$4.14 in 2015 compared to \$2.41 in 2014.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Results (continued)

For the three months ended June 30, 2015 the fair value change in investments was a fair value loss of \$4,861,000 compared to a fair value loss of \$2,175,000 during the same period in 2014. The fair value loss for the second quarter of 2015 comprised a \$5,052,000 loss in the Company's global investment portfolio offset partially by a gain of \$191,000 in long-term investments. The 2015 second quarter loss for the global investment portfolio primarily comprised a \$3,327,000 loss in North American equities and a \$2,982,000 loss for investments in Europe (excluding United Kingdom). The fair value gain from the Company's long-term investments in Algoma and The Bank of Nova Scotia was partially offset by a fair value loss for E-L Financial. For the same period in 2014 the Company's global investment portfolio had a fair value gain of \$478,000 and the long-term investments had a fair value loss of \$2,653,000.

On a year-to-date basis the fair value change in investments was a gain of \$21,290,000 compared to a gain of \$9,374,000 for 2014. Fair value gains for the global investment portfolio increased to \$34,934,000 compared to a fair value gain of \$15,555,000 in 2014. The 2015 year-to-date gain for the global investment portfolio included investment gains from North America of \$17,380,000, Europe \$7,120,000, United Kingdom \$5,098,000 and Asia \$5,332,000. The fair value change for long-term investments declined to a loss of \$13,644,000 compared to a loss of \$6,181,000 during the same period in 2014. For each of these periods the loss relates primarily to the Company's investment in E-L Financial.

The Company's net realized gain in the second quarter was \$13,727,000 in 2015 compared to \$2,636,000 in 2014 and on a year-to-date basis increased to \$18,793,000 from \$3,754,000 in 2014. The largest contributors to the net realized gain during the quarter were the sales of Lorillard Inc., AmerisourceBergen Corporation, Shimano Inc. and The Procter & Gamble Company.

During the quarter, the Company was able to apply capital loss carryforwards against its net realized gain. At June 30, 2015, the Company has approximately \$28,503,000 (December 31, 2014 - \$47,026,000) of realized capital loss carryforwards. A future income tax benefit of \$3,777,000 (December 31, 2014 - \$6,231,000) has been recognized as a reduction of deferred 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.

Net investment income

The Company's net investment income in the second quarter of 2015 increased to \$2,388,000 compared to \$2,340,000 for the second quarter of 2014, an increase of 2.1%. On a year-to-date basis, net investment income increased to \$4,752,000 from \$4,546,000 for the same period in the prior year, an increase of 4.5%. On a per Common Share basis, net investment income for the quarter increased to \$0.43 in 2015 compared to \$0.42 in 2014 and on a year-to-date basis increased to \$0.85 in 2015 compared to \$0.81 in 2014.

Foreign dividend income in the second quarter increased by 5.2% to \$2,567,000 from \$2,439,000 in 2014 and on a year-to-date basis increased by 10.7% to \$5,137,000 from \$4,639,000 in 2014. The year-over-year increases in both periods occurred primarily as a result of growth in the average global investment portfolio while the yield-to-market dividend return for the portfolio has remained consistent compared to the same periods in the prior year.

Canadian dividend income in the second quarter increased by 6.3% to \$1,039,000 from \$977,000 in 2014 and on a year-to-date basis increased by 6.3% to \$2,079,000 from \$1,955,000 in 2014. The increases year over year for both periods resulted primarily from an increase in dividends received from The Bank of Nova Scotia.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Results (continued)

Interest and securities lending income increased by 2.1% during the quarter to \$48,000 from \$47,000 in 2014 and on a year-to-date basis decreased by 56.6% to \$75,000 from \$173,000 in 2014. The decrease year over year resulted from a smaller average balance of cash and cash equivalents held during the first quarter compared to the same period in the prior year. Higher average cash and cash equivalents for the first quarter of 2014 was due to a special dividend paid by E-L Financial in the fourth quarter of 2013. The Company's additional dividend payment of \$7.05 per Common Share was paid at the March 31, 2014 quarter end.

Expenses increased by 27.9% during the quarter to \$780,000 from \$610,000 in 2014 and on a year-to-date basis increased by 23.1% to \$1,558,000 from \$1,265,000 in 2014. The majority of the year-over-year increases in both periods relates to increased investment management fees as a result of an increase in the average quarterly and year-to-date market value of the global investment portfolio year over year.

Quarterly Results

The following table summarizes various financial results on a quarterly basis for the most recent quarters (in thousands of dollars, except per share amounts):

	June 30 2015	March 31 2015	Dec. 31 2014	Sept. 30 2014	June 30 2014	March 31 2014	Dec. 31 2013	Sept. 30 2013
Net investment income ¹	\$ 2,388	\$ 2,364	\$ 1,302	\$ 1,772	\$ 2,340	\$ 2,206	\$ 37,203	\$ 1,652
Net income	\$ (1,829)	\$ 25,050	\$ 18,088	\$ (1,371)	\$ 453	\$ 13,085	\$ 97,733	\$ 20,639
Earnings per Common Share	\$ (0.32)	\$ 4.46	\$ 3.22	\$ (0.24)	\$ 0.08	\$ 2.33	\$ 17.41	\$ 3.67
NAV per Common Share	\$ 125.50	\$ 125.98	\$ 122.43	\$ 119.36	\$ 119.75	\$ 119.82	\$ 124.69	\$ 107.44
Quarterly NAV return % ²	(0.3)	3.6	2.7	(0.2)	0.1	1.9	16.2	3.5

¹ On an after-tax basis.

² Economic's NAV return includes reinvestment of dividends paid to Common shareholders.

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. There is no guarantee that the Company will receive dividend income on its investments at current dividend payout levels. During the quarter ended December 31, 2013, the Company's largest investment, E-L Financial, paid a special dividend that amounted to \$36,108,000.

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 also not correlate with benchmark returns.

Share Data

At June 30, 2015, there are 5,615,535 Common Shares issued and outstanding and each share is entitled to one vote.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

During the quarter and year-to-date, quarterly dividends of \$0.15 and \$0.30, respectively were paid on the Common Shares. The payment of the Company's quarterly dividends is funded by net investment income. For the quarter ended June 30, 2015, net investment income was \$0.43 per Common Share and on a year-to-date basis net investment income was \$0.85 per Common Share.

On February 17, 2015, the Board of Directors declared an additional cash dividend of \$0.76 per Common Share that was paid at the end of the first quarter. This dividend represented a distribution of the balance of net investment income for the year ended December 31, 2014.

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. The Company's dividend policy is established by the Board of Directors at its discretion and is subject to change.

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

August 4, 2015

Economic Investment Trust Limited

STATEMENTS OF NET ASSETS (Unaudited)

	June 30 2015	December 31 2014
	(000's)	
ASSETS		
Cash and cash equivalents	\$ 21,584	\$ 8,786
Investments (Note 4)	742,935	734,563
Receivable in respect of investments sold	1,496	—
Dividends and interest receivable	533	558
Income taxes receivable	735	761
Other assets	170	151
	<u>767,453</u>	<u>744,819</u>
LIABILITIES		
Accrued expenses	603	504
Payable in respect of investments purchased	2,449	—
Deferred tax liabilities	59,638	56,821
	<u>62,690</u>	<u>57,325</u>
Net assets	<u>\$ 704,763</u>	<u>\$ 687,494</u>
SHAREHOLDERS' EQUITY		
Share capital	\$ 204,691	\$ 204,691
Share premium	1,474	1,474
Retained earnings	498,598	481,329
Total shareholders' equity	<u>\$ 704,763</u>	<u>\$ 687,494</u>

(See accompanying notes)

Economic Investment Trust Limited

STATEMENTS OF INCOME (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
	(000's)			
INCOME				
Dividends				
Foreign	\$ 2,567	\$ 2,439	\$ 5,137	\$ 4,639
Canadian	1,039	977	2,079	1,955
	<u>3,606</u>	3,416	<u>7,216</u>	6,594
Interest and securities lending income	48	47	75	173
Fair value change in investments (Note 5)	(4,861)	(2,175)	21,290	9,374
	<u>(1,207)</u>	1,288	<u>28,581</u>	16,141
EXPENSES				
Investment management and administrative costs	646	506	1,216	962
Office and miscellaneous	35	22	155	137
Directors' remuneration	60	40	103	70
Transfer, registrar and custody fees	26	27	52	56
Professional fees	13	15	32	40
	<u>780</u>	610	<u>1,558</u>	1,265
INCOME (LOSS) BEFORE INCOME TAXES	(1,987)	678	27,023	14,876
Provision for (recovery of) income taxes	(158)	225	3,802	1,338
	<u>(1,829)</u>	453	<u>23,221</u>	13,538
NET INCOME (LOSS)	<u>\$ (1,829)</u>	<u>\$ 453</u>	<u>\$ 23,221</u>	<u>\$ 13,538</u>
EARNINGS PER COMMON SHARE - BASIC AND DILUTED	<u>\$ (0.32)</u>	<u>\$ 0.08</u>	<u>\$ 4.14</u>	<u>\$ 2.41</u>

(See accompanying notes)

Economic Investment Trust Limited

STATEMENTS OF CHANGES IN EQUITY (Unaudited)

	Share capital	Share premium	Retained earnings	Total
	(000's)			
At January 1, 2015	\$ 204,691	\$ 1,474	\$ 481,329	\$ 687,494
Net income for the period	—	—	23,221	23,221
Dividends	—	—	(5,952)	(5,952)
At June 30, 2015	\$ 204,691	\$ 1,474	\$ 498,598	\$ 704,763
At January 1, 2014	\$ 204,691	\$ 1,474	\$ 494,033	\$ 700,198
Net income for the period	—	—	13,538	13,538
Dividends	—	—	(41,274)	(41,274)
At June 30, 2014	\$ 204,691	\$ 1,474	\$ 466,297	\$ 672,462

STATEMENTS OF CASH FLOW (Unaudited)

	Six months ended June 30	
	2015	2014
	(000's)	
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income	\$ 23,221	\$ 13,538
Adjustments for:		
Fair value change in investments	(21,290)	(9,374)
Purchases of investments	(35,412)	(14,226)
Proceeds from sale of investments	48,331	15,650
Dividends and interest receivable	24	(120)
Deferred taxes	2,817	1,283
Net change in other assets and liabilities	1,059	(7,127)
	18,750	(376)
Financing		
Dividends paid to shareholders	(5,952)	(41,274)
Net increase (decrease) in cash and cash equivalents	12,798	(41,650)
Cash and cash equivalents at beginning of the period	8,786	49,693
Cash and cash equivalents at end of the period	\$ 21,584	\$ 8,043
Additional information for operating activities:		
Interest received	\$ 40	\$ 174
Dividends received, net of withholding taxes	6,520	5,834
Income taxes paid	282	584

(See accompanying notes)

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Description of Company and summary of operations

Economic ("Economic" or the "Company") is a closed-end investment corporation. The head office, principal address and registered office of the Company is located at 165 University Avenue, Toronto, Ontario, M5H 3B8.

Economic trades 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 interim condensed financial statements are presented in Canadian dollars. These interim condensed financial statements were approved by the Company's Board of Directors on August 4, 2015.

2. Basis of presentation

These unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting as issued by the International Accounting Standards Board and follow the same accounting policies and methods as the most recent annual financial statements. These unaudited interim condensed financial statements do not include all of the disclosures required under International Financial Reporting Standards for annual financial statements and should be read in conjunction with the notes to the Company's audited financial statements for the year ended December 31, 2014.

3. Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Company has made in preparing the financial statements:

Classification and measurement of investments

In classifying and measuring financial instruments held by the Company, the Company is required to make significant judgments about whether or not the business of the Company is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments – Recognition and Measurement. The most significant judgment made includes the determination that the Company can apply the fair value option to its investments.

Fair value of investments in private companies

The fair value of investments in private companies that are not quoted in an active market are measured using the adjusted net asset method which estimates the fair value of the underlying assets and liabilities of the private companies and considers if a minority marketability discount would be appropriate.

Deferred taxes

Estimates and assumptions are used primarily in the determination of the Company's deferred tax liabilities, as the income tax rates used in determining the liability is dependent on an assumption as to when a deferred tax liability is expected to be realized.

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS (Unaudited)

4. 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 June 30, 2015, the Company had \$619,905,000 (December 31, 2014 - \$608,701,000) of Level 1 and \$123,030,000 (December 31, 2014 - \$125,862,000) of Level 3 investments. Level 1 investments represented 83% (December 31, 2014 - 83%) and Level 3 investments represented 17% (December 31, 2014 - 17%) of the carrying of investments. During the quarter, there were no transfers between Level 1, 2 or 3 equity investments.

5. Fair value change in investments

The fair value change in investments is comprised as follows:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
	(000's)			
Net realized gain	\$ 13,727	\$ 2,636	\$ 18,793	\$ 3,754
Change in unrealized appreciation	(18,588)	(4,811)	2,497	5,620
	\$ (4,861)	\$ (2,175)	\$ 21,290	\$ 9,374

6. Related party transactions

The Company has investments in related parties with fair values of \$412,800,000 (December 31, 2014 - \$426,444,000). The ultimate controlling party of the Company and of its related parties is The Honourable Henry N.R. Jackman together with a trust created in 1969 by his father, Henry R. Jackman.

7. Subsequent event

Common Share dividends of \$0.15 per Common Share were declared by the Board of Directors at its meeting on August 4, 2015, with a record and payable date of September 15, 2015 and September 30, 2015, respectively.

Economic Investment Trust Limited

SCHEDULE OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2015 (Unaudited)

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
North America				
Canada				
2,126,380	Algoma Central Corporation ²	\$ 2,974	\$ 36,552	
157,200	Cenovus Energy Inc.	3,992	3,139	
386,206	E-L Financial Corporation Limited ²	26,116	253,218	
33,101	Ecando Investments Limited Classes A, B and common ^{2, 3}	4,139	55,126	
176,414	The Fulcrum Investment Company Limited ^{2, 3}	464	13,746	
216,900	NVG Holdings Limited Classes B, C, D, E and common ^{1, 2, 3}	2,115	42,094	
4,837	TGV Holdings Limited Class B ^{1, 2, 3, 4}	318	12,064	
		<u>40,118</u>	<u>415,939</u>	56.0
United States				
160,569	Allison Transmission Holdings Inc.	5,278	5,861	
54,294	AmerisourceBergen Corporation	2,243	7,202	
43,494	Apple Inc.	3,712	6,805	
4,906	AutoZone, Inc.	4,237	4,081	
255,037	Babcock & Wilcox Company (The)	8,906	10,435	
215,771	BB&T Corporation	7,665	10,849	
35,977	Becton, Dickinson and Company	3,077	6,357	
211,354	Cisco Systems, Inc.	4,280	7,240	
90,485	Equifax, Inc.	4,821	10,959	
32,961	Harris Corporation	3,170	3,162	
42,976	Humana, Inc.	4,133	10,254	
40,672	Jacobs Engineering Group Inc.	2,143	2,061	
86,024	Johnson & Johnson	6,331	10,458	
203,166	Leucadia National Corporation	5,629	6,153	
64,216	McDonalds Corporation	6,700	7,615	
151,505	Microsoft Corporation	5,803	8,344	
80,961	Northern Trust Corporation	4,052	7,722	
85,446	Occidental Petroleum Corporation	7,446	8,289	
166,863	Oracle Corporation	5,726	8,388	
65,204	PepsiCo, Inc.	5,014	7,592	
103,483	Philip Morris International Inc.	9,585	10,349	
84,832	Union Pacific Corporation	7,484	10,092	
75,917	United Technologies Corporation	7,099	10,505	
111,340	Walgreen Boots Alliance Inc.	6,552	11,727	
		<u>131,086</u>	<u>192,500</u>	25.9
	Total North America	<u>171,204</u>	<u>608,439</u>	81.9

Economic Investment Trust Limited

SCHEDULE OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2015 (continued) (Unaudited)

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
	Latin America			
1,311,683	Quinenco S.A.....	\$ 3,893	\$ 3,420	0.5
	Europe, excluding United Kingdom			
108,878	Colruyt S.A.....	5,583	6,083	
72,267	Deutsche Boerse AG	4,146	7,486	
71,153	Hannover Rueckversicherung AG	4,803	8,562	
89,484	Heineken Holding N.V.....	4,152	7,836	
95,966	Henkel AG & Co. KGaA	5,863	11,256	
52,967	Nestle S.A.....	3,431	4,770	
76,585	Novartis AG.....	4,941	9,417	
88,040	Publicis Groupe	5,211	8,122	
13,536	Roche Holding AG	2,330	4,732	
		<u>40,460</u>	<u>68,264</u>	9.2
	United Kingdom			
168,589	British American Tobacco plc.....	9,246	11,292	
158,738	Imperial Tobacco Group plc.....	5,770	9,549	
924,735	Sage Group plc (The)	5,147	9,296	
147,051	Unilever plc.....	5,597	7,874	
		<u>25,760</u>	<u>38,011</u>	5.1
	Asia			
39,800	Canon Inc.	1,345	1,618	
10,700	Hirose Electric Co., Ltd.	1,106	1,915	
85,100	Kao Corporation.....	2,934	4,946	
5,300	Keyence Corporation	1,433	3,575	
70,400	Komatsu Ltd.....	1,785	1,766	
9,300	Nintendo Co., Ltd.....	1,023	1,944	
9,200	Shimano, Inc.....	671	1,569	
32,900	Shin-Etsu Chemical Co., Ltd.....	2,004	2,553	
107,800	Unicharm Corporation.....	2,083	3,202	
1,298,000	Want Want China Holdings Ltd.....	1,678	1,713	
		<u>16,062</u>	<u>24,801</u>	3.3
	Total investments	<u>\$ 257,379</u>	<u>\$ 742,935</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 are related parties.

³ Not listed on a stock exchange.

⁴ Investment in associate.

Economic Investment Trust Limited

CORPORATE INFORMATION

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AUDITOR

PricewaterhouseCoopers LLP, Toronto

CUSTODIAN

RBC Investor Services Trust

TRANSFER AGENT AND REGISTRAR

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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

