

# Economic Investment Trust Limited



**THIRD QUARTER REPORT  
SEPTEMBER 30, 2015**



# *Economic Investment Trust Limited*

## THE PERIOD AT A GLANCE (Unaudited)

	As at Sept. 30 2015 <sup>(1)</sup>	As at Dec. 31 2014 <sup>(1)</sup>
Net equity value per Common Share <sup>(2)</sup>	\$ 127.51	\$ 122.43
Net assets	\$ 716,028	\$ 687,494
Number of Common Shares outstanding at period end	5,615,535	5,615,535

  

	Nine months ended September 30	
	2015 <sup>(1)</sup>	2014 <sup>(1)</sup>
Net investment income per Common Share <sup>(2)</sup>	\$ 1.16	\$ 1.13
Dividends per Common Share		
Quarterly	\$ 0.45	\$ 0.45
Additional <sup>(3)</sup>	\$ 0.76	\$ 7.05
Net income per Common Share	\$ 6.29	\$ 2.17
Net investment income	\$ 6,527	\$ 6,318

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

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

<sup>(3)</sup> 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 third 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 quarters 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 are the 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 September 30, 2015, the three largest long-term investments, as a percentage of total equity investments, are common shares of E-L Financial at 41.5% (December 31, 2014 – 43.4%), Algoma at 6.0% (December 31, 2014 – 6.7%) and The Bank of Nova Scotia at 5.9% (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 September 30, 2015, 99.1% (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 September 30, 2015, approximately 54.5% (December 31, 2014 – 58.1%) of the investment portfolio was held in long-term investments and 45.5% (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):

	<b>Sept. 30 2015</b>	Dec. 31 2014
Net assets	<u>\$ 716,028</u>	<u>\$ 687,494</u>
Common Shares outstanding	<u>5,615,535</u>	<u>5,615,535</u>
Net equity value per Common Share	<u>\$ 127.51</u>	<u>\$ 122.43</u>

# 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 September 30		Nine months ended September 30	
	2015	2014	2015	2014
Net income (loss)	\$ 12,108	\$ (1,371)	\$ 35,329	\$ 12,167
Add (deduct):				
Fair value change in investments	(11,911)	3,623	(33,201)	(5,751)
Tax on fair value change in investments	1,578	(480)	4,399	762
Net refundable dividend taxes recovered	—	—	—	(860)
Net investment income <sup>1</sup>	<u>\$ 1,775</u>	<u>\$ 1,772</u>	<u>\$ 6,527</u>	<u>\$ 6,318</u>
Common Shares outstanding	<u>5,615,535</u>	<u>5,615,535</u>	<u>5,615,535</u>	<u>5,615,535</u>
Net investment income per Common Share <sup>1</sup>	<u>\$ 0.32</u>	<u>\$ 0.32</u>	<u>\$ 1.16</u>	<u>\$ 1.13</u>

<sup>1</sup> On an after-tax basis.

### Net Equity Value per Common Share

For the quarter ended September 30, 2015, the Company's net equity value per Common Share increased to \$127.51 from \$125.50 at June 30, 2015. With dividends reinvested at month-end net equity values, the Company's net equity value return for the quarter was 1.7%, compared to a negative return of 0.2% for the same period in 2014. On a pre-tax basis, the shares of E-L Financial had a return of 4.5% for the quarter compared to a negative return of 1.7% for the same period in 2014, the shares of Algoma had a negative return of 10.4% compared to a negative return of 1.6% in 2014, and the shares of The Bank of Nova Scotia had a negative return of 7.7% compared to a negative return of 1.7% in 2014. The global investment portfolio had a return, before fees, of 2.7% in the third quarter of 2015 versus a comparative return of 2.1% in 2014.

On a year-to-date basis, the Company's net equity value per Common Share increased to \$127.51 at September 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 5.1%, compared to a return of 1.7% for the same period in 2014. On a pre-tax basis, the shares of E-L Financial had a negative return of 0.4% year-to-date compared to a negative return of 4.6% for the same period in 2014, the shares of Algoma had a negative return of 5.2% compared to a negative return of 1.1% in 2014, and the shares of the Bank of Nova Scotia had a negative return of 8.2% compared to a return of 7.1% in 2014.

The global investment portfolio had a year-to-date return, before fees, of 15.6% in 2015 versus a comparative return of 9.5% 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

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 September 30	Nine months ended September 30
	(%)	
Economic net equity value	1.7	5.1
S&P/TSX Composite Index	(7.9)	(7.0)
MSCI All Country World Index	(4.0)	7.2
S&P 500 Index	(0.9)	9.3

### 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's net income in the third quarter of 2015 increased to \$12,108,000 compared to a net loss of \$1,371,000 for the third quarter of 2014. On a year-to-date basis net income increased to \$35,329,000 from \$12,167,000 for the same period in the prior year. On a per Common Share basis, earnings per share increased to \$2.16 in the third quarter of 2015 compared to a net loss per share of \$0.24 in 2014. On a year-to-date basis earnings per share increased to \$6.29 in 2015 compared to \$2.17 in 2014.

# *Economic Investment Trust Limited*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Operating Results (continued)**

For the three months ended September 30, 2015 the fair value change in investments was a gain of \$11,911,000 compared to a loss of \$3,623,000 during the same period in 2014. The fair value gain for the third quarter of 2015 was comprised of a \$8,263,000 gain in the Company's global investment portfolio and a \$3,648,000 gain for the long-term investments. The 2015 third quarter gain for the global investment portfolio comprised primarily of fair value investment gains for North America of \$2,680,000, Europe \$4,021,000, United Kingdom \$2,735,000 offset by a fair value loss for Asia equities of \$2,264,000. The Company's third quarter long-term investment gain comprised of a fair value gain for the investment in E-L Financial which was partially offset by losses in Algoma and The Bank of Nova Scotia. For the same period in 2014 the Company's global investment portfolio had a fair value gain of \$4,518,000 and the long-term investments had a fair value loss of \$8,141,000.

On a year-to-date basis the fair value change in investments was a gain of \$33,201,000 compared to a gain of \$5,751,000 for 2014. Fair value gains for the global investment portfolio increased to \$43,197,000 in 2015 compared to a fair value gain of \$20,073,000 in 2014. The 2015 year-to-date gain for the global investment portfolio included investment gains from North America of \$20,919,000, Europe \$11,143,000, United Kingdom \$7,833,000 and Asia \$3,068,000. The fair value change for long-term investments was a loss of \$9,996,000 compared to a loss of \$14,322,000 during the same period in 2014.

The Company's net realized gain in the second quarter was \$4,308,000 in 2015 compared to \$3,082,000 in 2014 and on a year-to-date basis increased to \$23,101,000 from \$6,836,000 in 2014. The largest contributors to the net realized gain during 2015 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 September 30, 2015, the Company has approximately \$24,196,000 (December 31, 2014 - \$47,026,000) of realized capital loss carryforwards. A future income tax benefit of \$3,206,000 (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 third quarter of 2015 increased to \$1,775,000 compared to \$1,772,000 for the third quarter of 2014. On a year-to-date basis, net investment income increased to \$6,527,000 from \$6,318,000 for the same period in the prior year, an increase of 3.3%. On a per Common Share basis, net investment income for the quarter was \$0.32 in 2015 compared to \$0.32 in 2014 and on a year-to-date basis increased to \$1.16 in 2015 compared to \$1.13 in 2014.

Foreign dividend income in the third quarter was \$1,637,000 compared to \$1,656,000 in 2014 and on a year-to-date basis increased by 7.6% to \$6,774,000 from \$6,295,000 in 2014. The year-to-date increase occurred primarily as a result of growth in the average global investment portfolio along with the impact of foreign exchange including the rise of the US dollar.

Canadian dividend income in the second quarter increased by 8.9% to \$1,065,000 from \$978,000 in 2014 and on a year-to-date basis increased by 7.2% to \$3,144,000 from \$2,933,000 in 2014. The increases year over year for both periods resulted primarily from an increase in dividends received from The Bank of Nova Scotia.

# Economic Investment Trust Limited

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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):

	Sept. 30 2015	June 30 2015	March 31 2015	Dec. 31 2014	Sept. 30 2014	June 30 2014	March 31 2014	Dec. 31 2013
Net investment income <sup>1</sup>	\$ 1,775	\$ 2,388	\$ 2,364	\$ 1,302	\$ 1,772	\$ 2,340	\$ 2,206	\$ 37,203
Net income (loss)	\$ 12,108	\$ (1,829)	\$ 25,050	\$ 18,088	\$ (1,371)	\$ 453	\$ 13,085	\$ 97,733
Earnings per Common Share	\$ 2.16	\$ (0.32)	\$ 4.46	\$ 3.22	\$ (0.24)	\$ 0.08	\$ 2.33	\$ 17.41
NAV per Common Share	\$ 127.51	\$ 125.50	\$ 125.98	\$ 122.43	\$ 119.36	\$ 119.75	\$ 119.82	\$ 124.69
Quarterly NAV return % <sup>2</sup>	1.7	(0.3)	3.6	2.7	(0.2)	0.1	1.9	16.2

<sup>1</sup> On an after-tax basis.

<sup>2</sup> 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 third 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, contributing \$36,108,000 to net investment income.

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

### Liquidity and Capital Resources

During the quarter and year to date, quarterly dividends of \$0.15 and \$0.45, 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 September 30, 2015, net investment income was \$0.32 per Common Share and on a year-to-date basis, net investment income was \$1.16 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.

# *Economic Investment Trust Limited*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Company's dividend policy is to distribute annual net investment income in the form of dividends. Dividends of \$0.15 per Common Share are paid quarterly. Annual investment income in excess of quarterly dividends is distributed in the first quarter following the 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](http://www.sedar.com).

Economic's website, [www.evt.ca](http://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

November 3, 2015

# *Economic Investment Trust Limited*

## STATEMENTS OF NET ASSETS (Unaudited)

	Sept. 30 2015	Dec. 31 2014
	(000's)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,990	\$ 8,786
Investments (Note 4)	764,361	734,563
Receivable in respect of investments sold	416	—
Dividends and interest receivable	916	558
Income taxes receivable	61	761
Other asset	193	151
	<u>778,937</u>	<u>744,819</u>
<b>LIABILITIES</b>		
Accrued expenses	600	504
Payable in respect of investments purchased	1,124	—
Deferred tax liabilities	61,185	56,821
	<u>62,909</u>	<u>57,325</u>
Net assets	<u>\$ 716,028</u>	<u>\$ 687,494</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	\$ 204,691	\$ 204,691
Share premium	1,474	1,474
Retained earnings	509,863	481,329
Total shareholders' equity	<u>\$ 716,028</u>	<u>\$ 687,494</u>

(See accompanying notes)

# *Economic Investment Trust Limited*

## STATEMENTS OF INCOME (Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
	(000's)			
<b>INCOME</b>				
Dividends				
Foreign	\$ 1,637	\$ 1,656	\$ 6,774	\$ 6,295
Canadian	1,065	978	3,144	2,933
	<u>2,702</u>	<u>2,634</u>	<u>9,918</u>	<u>9,228</u>
Interest and securities lending income	22	60	97	233
Fair value change in investments (Note 5)	11,911	(3,623)	33,201	5,751
	<u>14,635</u>	<u>(929)</u>	<u>43,216</u>	<u>15,212</u>
<b>EXPENSES</b>				
Investment management and administrative costs	575	497	1,791	1,459
Office and miscellaneous	36	36	191	173
Directors' remuneration	42	59	145	129
Transfer, registrar and custody fees	44	25	96	81
Professional fees	12	21	44	61
	<u>709</u>	<u>638</u>	<u>2,267</u>	<u>1,903</u>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<u>13,926</u>	<u>(1,567)</u>	<u>40,949</u>	<u>13,309</u>
Provision for (recovery of) income taxes	1,818	(196)	5,620	1,142
<b>NET INCOME (LOSS)</b>	<u>\$ 12,108</u>	<u>\$ (1,371)</u>	<u>\$ 35,329</u>	<u>\$ 12,167</u>
<b>EARNINGS PER COMMON SHARE - BASIC AND DILUTED</b>	<u>\$ 2.16</u>	<u>\$ (0.24)</u>	<u>\$ 6.29</u>	<u>\$ 2.17</u>

(See accompanying notes)

# *Economic Investment Trust Limited*

## STATEMENTS OF CHANGES IN EQUITY (Unaudited)

	Share capital	Share premium	Retained earnings	Total
	(000's)			
<b>At January 1, 2015</b>	<b>\$ 204,691</b>	<b>\$ 1,474</b>	<b>\$ 481,329</b>	<b>\$ 687,494</b>
<b>Net income for the period</b>	—	—	<b>35,329</b>	<b>35,329</b>
<b>Dividends</b>	—	—	<b>(6,795)</b>	<b>(6,795)</b>
<b>At September 30, 2015</b>	<b>\$ 204,691</b>	<b>\$ 1,474</b>	<b>\$ 509,863</b>	<b>\$ 716,028</b>
At January 1, 2014	\$ 204,691	\$ 1,474	\$ 494,033	\$ 700,198
Net income for the period	—	—	12,167	12,167
Dividends	—	—	(42,116)	(42,116)
At September 30, 2014	\$ 204,691	\$ 1,474	\$ 464,084	\$ 670,249

## STATEMENTS OF CASH FLOW (Unaudited)

	Nine months ended September 30	
	2015	2014
	(000's)	
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Net income	<b>\$ 35,329</b>	\$ 12,167
Adjustments for:		
Fair value change in investments	<b>(33,201)</b>	(5,751)
Purchases of investments	<b>(54,757)</b>	(27,905)
Proceeds from sale of investments	<b>58,160</b>	24,168
Dividends and interest receivable	<b>142</b>	(197)
Deferred taxes	<b>4,364</b>	820
Net change in other assets and liabilities	<b>962</b>	1,301
	<b>10,999</b>	4,603
<b>Financing</b>		
Dividends paid to shareholders	<b>(6,795)</b>	(42,116)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,204</b>	(37,513)
Cash and cash equivalents at beginning of the period	<b>8,786</b>	49,693
<b>Cash and cash equivalents at end of the period</b>	<b>\$ 12,990</b>	\$ 12,180
Additional information for operating activities:		
Interest received	<b>\$ 54</b>	\$ 212
Dividends received, net of withholding taxes	<b>9,109</b>	8,198
Income taxes paid	<b>423</b>	701
Income tax refunds	<b>771</b>	960

(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 November 3, 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 September 30, 2015, the Company had \$645,079,000 (December 31, 2014 - \$574,708,000) of Level 1 and \$119,282,000 (December 31, 2014 - \$128,479,000) of Level 3 investments. Level 1 investments represented 84% (December 31, 2014 - 83%) and Level 3 investments represented 16% (December 31, 2014 - 17%) of the carrying value of investments. During the nine months ended September 30, 2015, 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 September 30		Nine months ended September 30	
	2015	2014	2015	2014
	(000's)			
Net realized gain	\$ 4,308	\$ 3,082	\$ 23,101	\$ 6,836
Change in unrealized appreciation	7,603	(6,705)	10,100	(1,085)
	\$ 11,911	\$ (3,623)	\$ 33,201	\$ 5,751

### 6. Related party transactions

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 November 3, 2015, with a record and payable date of December 15, 2015 and December 31, 2015, respectively.

# Economic Investment Trust Limited

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

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
<b>North America</b>				
<b>Canada</b>				
2,126,380	Algoma Central Corporation <sup>2</sup> .....	\$ 2,974	\$ 32,619	
157,200	Cenovus Energy Inc. ....	3,992	3,182	
386,206	E-L Financial Corporation Limited <sup>2</sup> .....	26,116	264,547	
33,101	Ecando Investments Limited Classes A, B and common <sup>2, 3</sup> .....	4,139	55,183	
176,414	The Fulcrum Investment Company Limited <sup>2, 3</sup> .....	464	13,032	
216,900	NVG Holdings Limited Classes B, C, D, E and common <sup>1, 2, 3</sup> .....	2,115	39,683	
4,837	TGV Holdings Limited Class B <sup>1, 2, 3, 4</sup> .....	318	11,384	
		<u>40,118</u>	<u>419,630</u>	54.9
<b>United States</b>				
157,358	Allison Transmission Holdings Inc. ....	5,184	5,625	
54,964	AmerisourceBergen Corporation .....	2,331	6,993	
38,025	Apple Inc. ....	3,274	5,618	
6,226	AutoZone, Inc. ....	5,563	6,036	
129,091	Babcock & Wilcox Company (The) .....	3,139	2,905	
218,436	BB&T Corporation .....	7,795	10,416	
36,421	Becton, Dickinson and Company .....	3,160	6,471	
258,187	BWX Technologies, Inc. ....	5,912	9,116	
207,588	Cisco Systems, Inc. ....	4,239	7,299	
117,975	Coca-Cola Co. (The) .....	6,086	6,339	
74,612	Equifax, Inc. ....	3,975	9,712	
64,708	Harris Corporation .....	6,277	6,340	
40,202	Humana, Inc. ....	3,938	9,638	
87,086	Johnson & Johnson .....	6,465	10,889	
205,675	Leucadia National Corporation .....	5,700	5,581	
65,009	McDonalds Corporation .....	6,801	8,579	
149,589	Microsoft Corporation .....	5,764	8,868	
58,853	Northern Trust Corporation .....	2,946	5,373	
97,728	Occidental Petroleum Corporation .....	8,534	8,659	
164,639	Oracle Corporation .....	5,677	7,965	
66,009	PepsiCo, Inc. ....	5,113	8,337	
104,761	Philip Morris International Inc. ....	9,720	11,131	
31,777	Sabre Corporation .....	1,146	1,157	
96,989	Union Pacific Corporation .....	8,830	11,485	
86,703	United Technologies Corporation .....	8,409	10,334	
112,715	Walgreen Boots Alliance Inc. ....	6,710	12,546	
		<u>142,688</u>	<u>203,412</u>	26.6
	Total North America .....	<u>182,806</u>	<u>623,042</u>	81.5

# Economic Investment Trust Limited

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

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
	<b>Latin America</b>			
1,311,683	Quinenco S.A.....	\$ 3,893	\$ 3,531	0.5
	<b>Europe, excluding United Kingdom</b>			
108,878	Colruyt S.A.....	5,583	7,005	
72,267	Deutsche Boerse AG .....	4,146	8,289	
71,153	Hannover Rueckversicherung AG .....	4,803	9,708	
89,484	Heineken Holding N.V.....	4,152	8,503	
95,966	Henkel AG & Co. KGaA .....	5,863	11,276	
52,967	Nestle S.A.....	3,431	5,317	
76,585	Novartis AG.....	4,941	9,383	
88,040	Publicis Groupe .....	5,211	8,027	
13,536	Roche Holding AG .....	2,330	4,767	
		<u>40,460</u>	<u>72,285</u>	9.5
	<b>United Kingdom</b>			
168,589	British American Tobacco plc.....	9,246	12,433	
158,738	Imperial Tobacco Group plc.....	5,770	10,968	
924,735	Sage Group plc (The) .....	5,147	9,349	
147,051	Unilever plc.....	5,597	7,996	
		<u>25,760</u>	<u>40,746</u>	5.3
	<b>Asia</b>			
39,800	Canon Inc. ....	1,345	1,537	
10,700	Hirose Electric Co., Ltd. ....	1,106	1,552	
85,100	Kao Corporation.....	2,934	5,141	
5,300	Keyence Corporation .....	1,433	3,152	
70,400	Komatsu Ltd.....	1,785	1,379	
9,300	Nintendo Co., Ltd.....	1,023	2,086	
9,200	Shimano, Inc.....	671	1,722	
32,900	Shin-Etsu Chemical Co., Ltd.....	2,004	2,249	
107,800	Unicharm Corporation.....	2,083	2,548	
3,086,000	Want Want China Holdings Ltd.....	3,899	3,391	
		<u>18,283</u>	<u>24,757</u>	3.2
	<b>Total investments</b> .....	<u>\$ 271,202</u>	<u>\$ 764,361</u>	<u>100.0</u>

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

<sup>2</sup> These companies and Economic are related parties.

<sup>3</sup> Not listed on a stock exchange.

<sup>4</sup> Investment in associate.

# *Economic Investment Trust Limited*

## **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

### **AUDITOR**

PricewaterhouseCoopers LLP, Toronto

### **CUSTODIAN**

RBC Investor Services Trust

### **TRANSFER AGENT AND REGISTRAR**

Computershare Investor Services Inc.  
100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1  
Toll Free: 1-800-564-6253  
[www.computershare.com](http://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](http://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](http://www.evt.ca)



