

Economic Investment Trust Limited



**SECOND QUARTER REPORT
JUNE 30, 2004**

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Section 4.3(3)(a) of National Instrument 51-102, *Continuous Disclosure Obligations*, provides that if an auditor has not performed a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

signed "Duncan N.R. Jackman"

Duncan N.R. Jackman
Chairman and President

signed "Travis R. Epp"

Travis R. Epp
Treasurer

August 4, 2004

Economic Investment Trust Limited

THE PERIOD AT A GLANCE (Unaudited)

	As at June 30 2004 ⁽¹⁾	As at December 31 2003 ⁽¹⁾
Net assets (Market value)	\$ 447,172	\$ 407,911
Net equity value per common share	\$ 79.36	\$ 72.37
Number of common shares outstanding at year end	5,615,535	5,615,535

	Six months ended June 30	
	2004 ⁽¹⁾	2003 ⁽¹⁾
Investment income	\$ 7,860	\$ 4,712
Net investment income	\$ 5,640	\$ 2,912
Net investment income per common share	\$ 1.00	\$ 0.51
Regular dividends per common share	\$ 0.30	\$ 0.30

⁽¹⁾ In thousands of dollars, except number of common shares outstanding and per share amounts.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Results

Net investment income

The Company's net investment income in the second quarter of 2004 was \$4,251,000 compared to 2003 net investment income of \$1,944,000. On a year to date basis, the net investment income increased to \$5,640,000 in 2004 from \$2,912,000 in 2003. On a per common share basis, net investment income for the quarter increased to \$0.75 in 2004 from \$0.34 in 2003 and on a year to date basis to \$1.00 in 2004 from \$0.51 in 2003.

Foreign dividend income in the second quarter increased to \$2,622,000 in 2004 from \$2,590,000 in 2003 and to \$4,399,000 in 2004 from \$3,629,000 in 2003 on a year to date basis. Canadian dividend income in the second quarter increased to \$2,792,000 in 2004 from \$438,000 in 2003 and to \$3,278,000 in 2004 from \$941,000 in 2003 on a year to date basis. The significant increase in Canadian dividend income earned in 2004 is due to a special dividend paid by E-L Financial Corporation Limited. The cash portion of the special dividend was \$7.20 per share. Interest income in the second quarter amounted to \$103,000 in 2004, compared to \$93,000 in 2003 and increased to \$183,000 in 2004 from \$142,000 in 2003 on a year to date basis.

Operating expenses in the quarter amounted to \$442,000 (2003 - \$304,000) and to \$888,000 (2003 - \$660,000) on a year to date basis. The rise in expenses from the prior periods is mainly due to an increase in management fees, administration fees and custody fees.

Net gain on investments

The Company's realized gain and change in unrealized appreciation of investments for the quarter ended June 30, 2004 was a net gain of \$12,002,000 compared with a net gain of \$42,721,000 in 2003. On a year to date basis, the Company earned a net gain of \$37,624,000 in 2004 compared to a net gain of \$21,553,000 in 2003. The performance of the investment portfolio has been led by the Canadian equities in both the second quarter and the first half of 2004. In particular, E-L Financial Corporation Limited has been a strong performer. On an overall basis, equities in the United States and Europe have generated positive returns in the second quarter and on a year to date basis. The Company's investments in Asia posted negative returns in the second quarter but still generated a positive return on a year to date basis. The performance in 2003 was attributable to the fact that most markets posted double-digit returns (in local currencies) in the second quarter. A strengthening of the Canadian dollar against most currencies adversely effected this increase.

The investment portfolio of the Company is comprised of a mix of high and low yielding global investments. Net investment income, net realized gains (losses) on investments, net change in unrealized appreciation of investments and net asset value per share will vary significantly from period to period depending on the investment mix which moves with the constantly changing economic environment.

Dividends

Regular quarterly dividends were paid on our preferred shares. The year to date dividends paid out of net investment income on the common shares outstanding totalled \$0.30 per share in both 2003 and 2004.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Assets

In the second quarter of 2004, total assets increased to \$487,467,000 at June 30, 2004 from \$471,282,000 at March 31, 2004, an increase of 3.4%. The cost of investments in foreign equities at June 30, 2004 was \$245,717,000 compared to \$237,963,000 at March 31, 2004. The market value of foreign equities increased to \$265,048,000 at June 30, 2004 from \$237,963,000 at March 31, 2004. The cost of Canadian equities at June 30, 2004 was \$23,034,000 compared to \$21,311,000 at March 31, 2004. The market value of the Canadian equities increased to \$213,877,000 at June 30, 2004 from \$200,392,000 at March 31, 2004.

On a year to date basis, total assets increased to \$487,467,000 at June 30, 2004 from \$442,550,000 at December 31, 2003, an increase of 10.1%. The cost of investments in foreign equities at June 30, 2004 was \$245,717,000, an increase from \$229,368,000 at December 31, 2003. The market value of foreign equities at June 30, 2004 was \$265,048,000 compared to \$239,280,000 at December 31, 2003. The cost of investments in Canadian equities decreased in the first two quarters of 2004 to \$23,034,000 from \$30,090,000 at December 31, 2003. The market value of Canadian equities at June 30, 2004 was \$213,877,000 compared to \$190,839,000 at December 31, 2003.

Performance

The net asset value return of the Company is determined by calculating the performance of the investment portfolio and then netting against it both income taxes and expenses of the Company. For the quarter ended June 30, 2004, the Company's net asset value per share increased to \$79.30 from \$77.02 at March 31, 2004, an increase of 3.2% (based on the reinvestment of distributions at month-end net asset values). For the comparable period, the S&P/TSX Composite Index was relatively unchanged, the MSCI World Index (C\$) increased 3.2% and the S&P 500 Index (C\$) increased 4.0%.

On a year to date basis, the net asset value per share of the Company increased to \$79.36 at June 30, 2004 from \$72.37 at December 31, 2003, an increase of 10.1% (based on the reinvestment of distributions at month-end net asset values). For the first six months of 2004 the S&P/TSX Composite Index increased 4.8%, the MSCI World Index (C\$) increased 7.4% and the S&P 500 Index (C\$) increased 7.3%.

Risks

The Company faces a broad range of risks and uncertainties in managing a global equity portfolio. The market risk refers to the risk of loss from the investment and trading activities of the Company due to changes in equity prices, foreign currency rates, interest rates and market volatility.

The majority of the investment portfolio is managed by Sanford C. Bernstein & Co. Inc., LLC ("Bernstein"), a wholly owned subsidiary of Alliance Capital Management L.P. Bernstein is a global investment manager that commenced operations in 1967. Excluding The Emerging Markets Investor Fund, Bernstein manages all of the Company's foreign equity investments and is allowed to hedge the foreign currency exposure of any non-Canadian investment.

The Company also manages a portion of the Canadian investments in the portfolio. The performance of this portfolio is primarily derived from investments in E-L Financial Corporation Limited, The Bank of Nova Scotia and Algoma Central Corporation.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Liquidity and Capital Resources

Liquidity refers to the Company's ability to maintain a cash flow adequate to fund operations and capital investments on a timely and cost efficient basis. It is the objective of the Company to provide its shareholders an above average total rate of return through long-term capital appreciation and dividend income from the Company's portfolio of equity investments. 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's income from operations after payment of taxable dividends is used to fund operating costs as well as provide resources for additional investments.

Economic Investment Trust Limited has always been a vehicle for long term growth through investment in common equities. Management believes that over long periods of time, common equities as an asset class will outperform fixed income instruments or balanced funds.

As the fund's investment philosophy is of a long-term nature, short-term volatility is expected and tolerated. We remain confident that our investment strategy will reward our shareholders over the long term.

August 4, 2004

Duncan N.R. Jackman
Chairman of the Board

Economic Investment Trust Limited

CONSOLIDATED BALANCE SHEET (Unaudited)

	June 30 2004	December 31 2003
	(thousands of dollars)	
Assets		
Investments, at indicated market value (cost - \$268,751; December 31, 2003 - \$259,458)	\$ 479,430	\$ 431,736
Cash	7,217	6,361
Short-term investments	—	503
Receivable in respect of investments sold	159	2,327
Accrued income on investments	494	395
Income taxes receivable	—	1,044
Other assets	167	184
	<u>487,467</u>	<u>442,550</u>
Liabilities		
Accounts payable and accrued liabilities	304	167
Payable in respect of investments purchased	838	3,970
Income taxes payable	2,323	—
Future income taxes on unrealized net capital gains	36,830	30,502
	<u>40,295</u>	<u>34,639</u>
Net assets, at indicated market value	<u>\$ 447,172</u>	<u>\$ 407,911</u>
Shareholders' Equity		
Capital stock	\$ 206,142	\$ 206,147
Contributed surplus	1,493	1,493
Unrealized appreciation of investments	173,849	141,393
Retained earnings	65,688	58,878
Total shareholders' equity	<u>\$ 447,172</u>	<u>\$ 407,911</u>

(See accompanying note)

Economic Investment Trust Limited

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2004	2003	2004	2003
	(thousands of dollars)			
INVESTMENT INCOME				
Dividends:				
Foreign	\$ 2,622	\$ 2,590	\$ 4,399	\$ 3,629
Canadian	2,792	438	3,278	941
	5,414	3,028	7,677	4,570
Interest	103	93	183	142
	5,517	3,121	7,860	4,712
Expenses:				
Operating	442	304	888	660
Income taxes	824	873	1,332	1,140
	1,266	1,177	2,220	1,800
NET INVESTMENT INCOME	4,251	1,944	5,640	2,912
REALIZED AND UNREALIZED GAIN ON INVESTMENTS				
Net realized gain on investments	3,004	2,565	5,168	5,893
Net change in unrealized appreciation of investments	8,998	40,156	32,456	15,660
NET GAIN ON INVESTMENTS	12,002	42,721	37,624	21,553
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 16,253	\$ 44,665	\$ 43,264	\$ 24,465

CONSOLIDATED STATEMENTS OF REALIZED GAIN (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2004	2003	2004	2003
	(thousands of dollars)			
Proceeds on sales of investments	\$ 21,474	\$ 34,476	\$ 59,734	\$ 59,410
Cost of investments, beginning of period	259,274	259,011	259,458	251,791
Cost of investments purchased during the period	27,285	32,077	62,720	60,157
	286,559	291,088	322,178	311,948
Cost of investments, end of period	268,751	259,752	268,751	259,752
Cost of investments sold during the period	17,808	31,336	53,427	52,196
Realized gain on investments sold before taxes	3,666	3,140	6,307	7,214
Taxes on realized net taxable capital gains	662	575	1,139	1,321
Net realized gain on investments	\$ 3,004	\$ 2,565	\$ 5,168	\$ 5,893

(See accompanying note)

Economic Investment Trust Limited

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2004	2003	2004	2003
	(thousands of dollars)			
INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 16,253	\$ 44,665	\$ 43,264	\$ 24,465
DISTRIBUTIONS TO SHAREHOLDERS				
Common shareholders	(843)	(843)	(1,685)	(1,685)
Preferred shareholders	(18)	(18)	(36)	(36)
	(861)	(861)	(1,721)	(1,721)
CAPITAL SHARE TRANSACTIONS				
Purchase of preferred shares for cancellation	—	—	(5)	(10)
TAXATION CHANGES				
Net (increase) decrease in refundable dividend tax on hand	(2,239)	143	(2,277)	287
INCREASE IN NET ASSETS	13,153	43,947	39,261	23,021
NET ASSETS, BEGINNING OF PERIOD	434,019	323,815	407,911	344,741
NET ASSETS, END OF PERIOD	\$ 447,172	\$ 367,762	\$ 447,172	\$ 367,762

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (Unaudited)

	Six months ended June 30	
	2004	2003
	(thousands of dollars)	
RETAINED EARNINGS, BEGINNING OF PERIOD	\$ 58,878	\$ 52,066
Add:		
Net investment income	5,640	2,912
Net realized gain on investments	5,168	5,893
Refundable taxes recovered	574	574
	70,260	61,445
Deduct:		
Dividends from net investment income	1,721	1,721
Provision for refundable taxes	2,851	287
	4,572	2,008
RETAINED EARNINGS, END OF PERIOD	\$ 65,688	\$ 59,437

(See accompanying note)

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT JUNE 30, 2004 (Unaudited)

Number of of shares		Cost	Market value	% of Market
		(thousands of dollars)		
North America				
Canada				
40,300	Alcan Inc.	\$ 2,227	\$ 2,225	
212,638	Algoma Central Corporation	2,973	13,922	
130,542	Bank of Nova Scotia	1,692	4,676	
341,806	E-L Financial Corporation Limited	6,790	123,050	
31,776	Ecando Investments Limited			
	Classes A, B and common ...	4,139	29,405	
176,414	The Fulcrum Investment Company			
	Limited	464	7,880	
25,444	Magna Int'l Inc. Class A	2,314	2,891	
214,251	NVG Holdings Limited *			
	Classes B, C, D, E and common	2,115	23,349	
4,765	TGV Holdings Limited Cl. B * ...	320	6,479	
		<u>23,034</u>	<u>213,877</u>	44.6
United States				
83,600	Altria Group, Inc.	6,961	5,610	
51,600	Bank of America Corporation	5,050	5,854	
58,100	Chubb Corporation	5,531	5,311	
104,600	Citigroup Inc.	6,530	6,521	
121,400	Comcast Corp. Special Class A	4,989	4,495	
87,400	ConocoPhillips	6,706	8,940	
76,500	Entergy Corporation	5,471	5,745	
30,200	Fannie Mae	2,726	2,889	
36,300	Freddie Mac	2,712	3,081	
129,500	General Electric Company	5,456	5,625	
247,100	Hewlett-Packard Company	6,907	6,990	
54,300	JP Morgan Chase & Co.	2,839	2,823	
155,400	Kroger Co.	3,788	3,792	
28,000	Lehman Brothers Holdings Inc.	2,583	2,825	
45,000	Metlife, Inc.	1,672	2,163	
83,700	Norfolk Southern Corp.	2,286	2,976	
144,900	Pfizer Inc.	8,132	6,660	
101,900	Safeway Inc.	3,044	3,462	
61,500	Sempra Energy	2,404	2,839	
49,408	St. Paul Travelers Companies Inc.	2,488	2,686	
19,000	Textron Inc.	1,434	1,512	
31,700	Valero Energy Corporation	1,679	3,135	
30,400	Whirlpool Corporation	3,501	2,796	
20,000	XL Capital Ltd. Class A	2,448	2,023	
		<u>97,337</u>	<u>100,753</u>	<u>21.0</u>
	Total North America	<u>120,371</u>	<u>314,630</u>	65.6

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

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Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT JUNE 30, 2004 (Continued) (Unaudited)

Number of of shares		Cost	Market value	% of Market
		(thousands of dollars)		
Latin America				
76,151	Cemex SA	2,988	2,971	
119,100	Petroleo Brasileiro SA ADR	3,534	4,024	
44,200	Votorantim Celulose ADR	1,911	1,885	
		8,433	8,880	1.9
Europe, excluding United Kingdom				
226,900	Arcelor	4,627	5,108	
70,000	Assurance Generale de France	5,249	5,701	
29,000	Aventis S.A.	2,044	2,935	
102,300	Continental AG	4,346	6,616	
117,600	Credit Suisse Group	5,650	5,602	
19,200	Delhaize Group	1,217	1,317	
45,600	DSM NV	2,842	3,000	
181,400	ENI S.P.A.	3,978	4,829	
47,312	HeidelbergCement AG	2,476	3,149	
45,000	Man AG	2,094	2,207	
84,200	MOL Magyar Olaj - Es Gazipari Rt.	3,502	4,494	
61,700	Repsol YPR, S.A.	1,730	1,812	
120,800	Svenska Cellulosa AB	6,237	6,149	
48,200	Volkswagen AG	2,916	2,728	
		48,908	55,647	11.6
United Kingdom				
265,000	Aviva PLC	2,581	3,666	
160,600	BP PLC	1,813	1,902	
145,100	Glaxosmithkline PLC.	3,947	3,937	
372,881	Intercontinental Hotels Group PLC	3,156	5,281	
117,600	RMC Group PLC	1,793	1,736	
1,273,800	Royal & Sun Alliance Insurance Group	8,472	2,555	
1,592,000	Vodafone Group PLC	4,005	4,674	
120,400	Whitbread PLC	1,619	2,410	
160,000	Xstrata PLC	2,809	2,867	
		30,195	29,028	6.1
Asia				
90,000	Canon Inc.	5,007	6,359	
5,576,000	China Petroleum & Chemical Corporation (Sinopec)	2,028	2,732	
694,922	Compal Electronics Reg	5,343	5,087	
31,463	Emerging Markets Investor Fund	1,078	1,095	
132,000	Flextronics International Ltd.	2,489	2,823	
88,000	Honda Motor Company Limited	5,696	5,687	
42,900	Hyundai Motor Co. Limited	2,379	2,213	
78,200	JFE Holdings Inc.	2,683	2,570	
51,200	Kookmin Bank	2,077	2,133	
637,000	Nissan Motor Co.	6,937	9,494	
34,200	Posco	4,408	5,913	
32,300	Promise Co., Ltd.	1,457	2,889	

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Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT JUNE 30, 2004 (Continued) (Unaudited)

Number of of shares		Cost	Market value	% of Market
		(thousands of dollars)		
	Asia (continued)			
186,000	Shinhan Financial Group Co., Ltd.	2,376	3,626	
627,000	Singapore Telecommunications Ltd., ...	1,143	1,098	
710	Sumitomo Mitsui Financial Group Inc. .	5,349	6,525	
232,052	Taiwan Semiconductor Manufacturing Company Ltd. ADR	2,688	2,585	
830	UFJ Holdings Inc.	5,180	4,916	
		58,318	67,745	14.1
	Israel			
840,000	Bank Hapoalim Ltd.	2,526	2,995	0.6
	Total equities	268,751	478,925	99.9
	Forward Currency Contracts, net - Schedule 1	—	505	0.1
	Total investments	\$ 268,751	\$ 479,430	100.0

Schedule 1 - Forward Currency Contracts, net

Forward contracts to sell foreign currencies for Canadian dollars:

Par value (in millions)	Currency	Number of Contracts	Contract Rates	Settlement Date	Unrealized gain
59.1	USD	1	1.3509	Sept. 15, 2004	\$ 505

All counterparties have an approved credit rating equivalent to A-1+.

Economic Investment Trust Limited

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Summary of significant accounting policies

Basis of presentation

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods as the most recent 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, 2003.

Economic Investment Trust Limited

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INVESTMENT MANAGER

Sanford C. Bernstein & Co., LLC, New York

AUDITORS

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TRANSFER AGENT AND REGISTRAR

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STOCK EXCHANGE LISTINGS

Common

EVT

Series A Preferred

EVT.PR.A

NET ASSET VALUE

The Company's Net Asset Value per share is published every Saturday in the Mutual fund section of the Globe and Mail (under "Fund Asset Values") and in the National Post (under "Closed End Funds").