

Economic Investment Trust Limited



**SECOND QUARTER REPORT
JUNE 30, 2005**

**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 3, 2005

Economic Investment Trust Limited

THE PERIOD AT A GLANCE (Unaudited)

	As at June 30 2005 ⁽¹⁾	As at December 31 2004 ⁽¹⁾
Net assets	\$ 489,163	\$ 459,290
Net equity value per common share	\$ 86.84	\$ 81.52
Number of common shares outstanding at period end	5,615,535	5,615,535

	Six months ended June 30	
	2005 ⁽¹⁾	2004 ⁽¹⁾
Investment income	\$ 6,354	\$ 7,860
Net investment income	\$ 3,820	\$ 5,640
Net investment income per common share	\$ 0.67	\$ 1.00
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

The following Management's Discussion and Analysis (MD&A) of the unaudited consolidated operating results and financial condition of Economic Investment Trust Limited ("Economic" or the "Company") for the second quarter of 2005 should be read in conjunction with the MD&A for the year ended December 31, 2004, the Company's annual audited consolidated financial statements, the notes relating thereto, supplementary financial information included in the Company's Annual Report, the quarterly unaudited financial statements and notes contained in this report, as well as the Company's MD&A and unaudited interim financial statements for the previous quarter of 2005. The unaudited consolidated 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 discussions are in Canadian dollars.

MD&A contains 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, forward-looking statements within this discussion will occur, or if they do, that any benefits may be derived from them.

Market Review

Global stock markets posted mixed results in the quarter ended June 30, 2005. The Canadian dollar decreased against the U.S. dollar in the first and second quarters of 2005. In Canadian dollar terms, in the second quarter of fiscal 2005, the S&P/TSX Composite Index increased 3.6%, the MSCI World Index increased 1.7% and the S&P 500 Index increased 2.7%. On a year to date basis the S&P/TSX Composite Index increased 8.1%, the MSCI World Index increased 1.1% and the S&P 500 Index increased 1.0%.

The net equity value of the Company's common shares is determined by deducting the outstanding preferred shares at their cost of redemption from the net assets of the Company. The net equity value per common share is the net equity value divided by the number of common shares outstanding. For the quarter ended June 30, 2005, the Company's net asset value per share increased to \$86.84 from \$84.95 at March 31, 2005, an increase of 2.4% (based on the reinvestment of dividends at month-end net equity values). On a year to date basis the net equity value per share increased to \$86.84 from \$81.52 at December 31, 2004, an increase of 6.9% (based on the reinvestment of dividends at month end net equity values).

Operating Results

Net investment income

The Company's net investment income in the second quarter of 2005 was \$2,504,000 compared to 2004 net investment income of \$4,251,000. On a year to date basis, the net investment income decreased to \$3,820,000 in 2005 from \$5,640,000 in 2004. The decrease in the current year is due to a special dividend paid by E-L Financial Corporation Limited in May of 2004. The cash portion of the special dividend was \$2,351,000. On a per common share basis, net investment income for the quarter decreased to \$0.44 in 2005 from \$0.75 in 2004 and on a year to date basis to \$0.67 in 2005 from \$1.00 in 2004.

Foreign dividend income in the second quarter increased to \$3,469,000 in 2005 from \$2,622,000 in 2004 and to \$5,253,000 in 2005 from \$4,399,000 in 2004 on a year to date basis. Canadian dividend income in the second quarter decreased to \$487,000 in 2005 from \$2,792,000 in 2004 and to \$948,000 in 2005 from \$3,278,000 in 2004 on a year to date basis. Interest income in the second quarter amounted to \$119,000 in 2005, compared to \$103,000 in 2004 and decreased to \$153,000 in 2005 from \$183,000 in 2004 on a year to date basis.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Operating expenses in the quarter amounted to \$456,000 (2004 - \$442,000) and \$935,000 (2004 - \$888,000) on a year to date basis. The rise in expenses from the prior periods is mainly due to an increase in management and administration fees.

Net gain (loss) on investments

The Company realized a net loss on investments sold of \$549,000 in the second quarter of 2005 (2004 net gain - \$3,004,000). On a year to date basis, the net gain on investments was 1,603,000 (2004 - \$5,168,000). The loss in the current quarter arose from the maturity of U.S. dollar forward exchange contracts as well as the disposition of Svenska Cellulosa AB. The Company realized gains by exiting its positions in InterContinental Hotels Group PLC and Bank of Nova Scotia. A gain was also realized on a reduction of the Company's investment in Petroleo Brasileiro SA ADR.

The Company's unrealized appreciation of investments increased by \$9,322,000 in the quarter compared to an increase of \$8,998,000 in the same period last year. On a year to date basis, unrealized appreciation of investments increased by \$25,860,000 (2004 - \$32,456,000). The majority of the increase in fiscal 2005 is due to Canadian investments. In particular, E-L Financial Corporation Limited and Algoma Central Corporation performed well in each of the first two quarters of 2005. Safeway Inc. also had a strong performance in the second quarter of 2005.

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 2005	March 31 2005	Dec. 31 2004	Sept. 30 2004	June 30 2004	March 31 2004	Dec. 31 2003	Sept. 30 2003
Investment income	\$ 4,075	\$ 2,279	\$ 3,105	\$ 1,880	\$ 5,517	\$ 2,343	\$ 1,446	\$ 1,579
Increase (decrease) in net assets from operations	\$ 11,277	\$ 20,006	\$ 15,854	\$ (1,495)	\$ 16,253	\$ 27,011	\$ 17,539	\$ 24,218
Increase (decrease) in net assets from operations per share ¹	\$ 2.00	\$ 3.56	\$ 2.82	\$ (0.27)	\$ 2.89	\$ 4.81	\$ 3.12	\$ 4.31

¹ Net of dividends on preferred shares

Dividends

Regular quarterly dividends were paid on our preferred shares. The dividends paid out of net investment income on the common shares outstanding in the second quarter totalled \$0.15 per share in both 2005 and 2004. On a year to date basis, the dividends on the common shares totalled \$0.30 in both 2005 and 2004.

Investment Strategy

Economic is a closed-end investment corporation that trades on the Toronto Stock Exchange. 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.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The objective of the Company is to earn an above average rate of return primarily through long-term capital appreciation and dividend income. Commencing with the fiscal 2002 year, the investment strategy of the Company changed to allow for increased investment in non-Canadian capital markets. The equity investments in the portfolio currently reflect investment opportunities all over the world.

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

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. Bernstein has a global equity mandate and is allowed to hedge the foreign currency exposure of any non-Canadian investment.

The Company's management is responsible for 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.

As the Company'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.

Risks

The Company faces a broad range of risks and uncertainties in managing a global equity portfolio. Risks of investing in Economic include, amongst others, equity risk, international market risk, foreign currency risk, concentration risk, emerging markets risk, liquidity risk, regulatory risk and securities lending risk. These risks are described in the Risk section of the Company's Annual Information Form.

Share Data

At June 30th, 2005, the following shares were issued and outstanding; 29,015 Series A Preferred Shares and 5,615,535 Common Shares.

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. 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.

Additional information

Additional information relating to Economic, including the Company's Annual Information Form, may be found on SEDAR at www.sedar.com.

August 3, 2005

Duncan N.R. Jackman
Chairman of the Board

Economic Investment Trust Limited

CONSOLIDATED BALANCE SHEET (Unaudited)

	June 30 2005	December 31 2004
		(000's)
Assets		
Investments, at indicated market value (cost - \$278,708; December 31, 2004 - \$281,797)	\$ 524,775	\$ 496,304
Cash	4,074	4,982
Short-term investments	—	251
Accrued income on investments	555	435
Income taxes receivable	3,143	—
Other assets	186	203
	532,733	502,175
Liabilities		
Accounts payable and accrued liabilities	201	209
Payable in respect of investments purchased	232	—
Income taxes payable	—	5,414
Future income taxes	43,137	37,262
	43,570	42,885
Net assets	\$ 489,163	\$ 459,290
Shareholders' Equity		
Capital stock	\$ 206,142	\$ 206,142
Contributed surplus	1,493	1,493
Unrealized appreciation of investments	203,129	177,269
Retained earnings	78,399	74,386
Total shareholders' equity	\$ 489,163	\$ 459,290

(See accompanying note)

Economic Investment Trust Limited

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
	(000's)			
INVESTMENT INCOME				
Dividends:				
Foreign	\$ 3,469	\$ 2,622	\$ 5,253	\$ 4,399
Canadian	487	2,792	948	3,278
	<u>3,956</u>	<u>5,414</u>	<u>6,201</u>	<u>7,677</u>
Interest, including securities lending income	<u>119</u>	<u>103</u>	<u>153</u>	<u>183</u>
	<u>4,075</u>	<u>5,517</u>	<u>6,354</u>	<u>7,860</u>
Expenses:				
Operating	456	442	935	888
Income taxes	1,115	824	1,599	1,332
	<u>1,571</u>	<u>1,266</u>	<u>2,534</u>	<u>2,220</u>
NET INVESTMENT INCOME	<u>2,504</u>	<u>4,251</u>	<u>3,820</u>	<u>5,640</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS				
Net realized gain (loss) on investments	(549)	3,004	1,603	5,168
Net change in unrealized appreciation of investments	<u>9,322</u>	<u>8,998</u>	<u>25,860</u>	<u>32,456</u>
NET GAIN ON INVESTMENTS	<u>8,773</u>	<u>12,002</u>	<u>27,463</u>	<u>37,624</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 11,277</u>	<u>\$ 16,253</u>	<u>\$ 31,283</u>	<u>\$ 43,264</u>
INCREASE IN NET ASSETS FROM OPERATIONS PER SHARE	<u>\$ 2.00</u>	<u>\$ 2.89</u>	<u>\$ 5.56</u>	<u>\$ 7.70</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (Unaudited)

	Six months ended June 30	
	2005	2004
	(000's)	
BEGINNING OF PERIOD	\$ 74,386	\$ 58,878
Add:		
Net investment income	3,820	5,640
Net realized gain on investments	1,603	5,168
Refundable dividend taxes recovered	574	574
	<u>80,383</u>	<u>70,260</u>
Deduct:		
Dividends from net investment income	1,721	1,721
Provision for refundable dividend taxes	263	2,851
	<u>1,984</u>	<u>4,572</u>
END OF PERIOD	<u>\$ 78,399</u>	<u>\$ 65,688</u>

(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	
	2005	2004	2005	2004
			(000's)	
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 11,277	\$ 16,253	\$ 31,283	\$ 43,264
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)
TAXATION CHANGES				
Net decrease (increase) in refundable dividend tax on hand	161	(2,239)	311	(2,277)
INCREASE IN NET ASSETS	10,577	13,153	29,873	39,261
NET ASSETS, BEGINNING OF PERIOD	478,586	434,019	459,290	407,911
NET ASSETS, END OF PERIOD	\$ 489,163	\$ 447,172	\$ 489,163	\$ 447,172

CONSOLIDATED STATEMENTS OF REALIZED GAIN (LOSS) (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
			(000's)	
Proceeds on sales of investments	\$ 25,964	\$ 21,474	\$ 51,742	\$ 59,734
Cost of investments, beginning of period	275,937	259,274	281,797	259,458
Cost of investments purchased during the period	29,405	27,285	46,697	62,720
	305,342	286,559	328,494	322,178
Cost of investments, end of period	278,708	268,751	278,708	268,751
Cost of investments sold during the period	26,634	17,808	49,786	53,427
Realized gain (loss) on investments sold before taxes	(670)	3,666	1,956	6,307
Taxes on (recovery of) realized net taxable capital gains (losses)	(121)	662	353	1,139
Net realized gain (loss) on investments	\$ (549)	\$ 3,004	\$ 1,603	\$ 5,168

(See accompanying note)

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT JUNE 30, 2005

(Unaudited)

Number of shares		Cost	Market value	% of Market
		(000's)		
North America				
Canada				
50,200	Alcan Inc.	\$ 2,518	\$ 1,846	
212,638	Algoma Central Corporation	2,973	18,074	
5,200	Canadian Natural Resources Ltd.	232	231	
341,806	E-L Financial Corporation Limited	6,790	136,381	
33,101	Ecando Investments Limited Classes A, B and common	4,139	33,172	
176,414	The Fulcrum Investment Company Limited	464	8,879	
216,900	NVG Holdings Limited * Classes B, C, D, E and common	2,115	26,412	
4,837	TGV Holdings Limited Cl. B *	318	7,327	
		19,549	232,322	44.3
United States				
43,100	Altria Group, Inc.	3,589	3,413	
103,200	Bank of America Corporation	5,050	5,765	
58,100	Chubb Corporation	5,531	6,092	
125,100	Citigroup Inc.	7,678	7,083	
153,400	Comcast Corp. Special Class A	6,142	5,627	
138,400	ConocoPhillips	5,310	9,745	
86,100	Fannie Mae	7,049	6,159	
79,100	Freddie Mac	5,954	6,320	
129,500	General Electric Company	5,456	5,496	
65,440	GlobalSantaFe Corporation	3,189	3,270	
74,600	HCA Inc.	4,105	5,178	
70,300	Hartford Financial Services Group, Inc.	5,682	6,439	
291,800	Hewlett-Packard Company	7,739	8,402	
125,600	JPMorgan Chase & Co.	6,342	5,433	
219,600	Kroger Co.	5,028	5,118	
45,000	Metlife, Inc.	1,672	2,477	
93,300	Microsoft Corporation	3,243	2,839	
16,800	Occidental Petroleum Corporation	1,108	1,583	
15,900	PartnerRe Ltd.	1,104	1,255	
190,400	Safeway Inc.	5,116	5,268	
156,900	Smurfit-Stone Container Corporation	3,541	1,954	
101,600	Sprint Corporation	3,043	3,122	
49,408	St. Paul Travelers Companies Inc.	2,488	2,392	
19,000	Textron Inc.	1,434	1,765	
290,600	Time Warner Inc.	6,489	5,948	
30,800	XL Capital Ltd. Class A	3,366	2,809	
		116,448	120,952	23.0
	Total North America	135,997	353,274	67.3

* 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, 2005 (Continued) (Unaudited)

Number of shares		Cost	Market value	% of Market
		(000's)		
Latin America				
86,400	Petroleo Brasileiro SA ADR	2,564	4,872	
110,500	Votorantim Celulose ADR	1,911	1,638	
		4,475	6,510	1.2
Europe, excluding United Kingdom				
178,580	Arcelor	3,564	4,295	
70,000	Assurance Generales de France	5,249	7,027	
73,300	Continental AG	3,114	6,483	
117,600	Credit Suisse Group	5,587	5,683	
19,200	Delhaize Group	1,217	1,412	
79,600	European Aeronautic Defence and Space Company	2,925	3,110	
82,600	Endesa, SA	2,296	2,377	
116,400	ENI S.P.A.	2,553	3,678	
74,640	Depfa Bank PLC	1,514	1,469	
50,950	HeidelbergCement AG	2,680	4,490	
126,100	ING Groep NV	4,485	4,370	
45,000	Man AG	2,094	2,296	
29,900	MOL Magyar Olaj - Es Gazipari Rt.	2,844	3,076	
20,100	Muenchener Rueckversicherungs- Gesellschaft AG	2,939	2,629	
68,000	Renault SA	7,390	7,351	
200,700	Repsol YPR, S.A.	5,512	6,297	
22,830	Sanofi-Aventis	1,366	2,299	
160,000	Xstrata PLC	2,809	3,783	
		60,138	72,125	13.7
United Kingdom				
269,887	Aviva PLC	2,636	3,685	
453,700	BP PLC	5,386	5,787	
122,000	Tate & Lyle PLC	1,504	1,278	
1,592,000	Vodafone Group PLC	4,005	4,753	
103,285	Whitbread PLC	1,619	2,164	
		15,150	17,667	3.4
Asia				
32,300	Aiful Corporation	2,728	2,953	
840,000	Bank Hapoalim Ltd	2,525	3,230	
58,900	Canon Inc.	3,277	3,802	
5,576,000	China Petroleum & Chemical Corporation (Sinopec)	2,028	2,680	
744,683	Compal Electronics Reg	5,345	4,533	
31,463	Emerging Markets Investor Fund	1,100	1,369	
132,000	Flextronics International Ltd.	2,489	2,136	
88,000	Honda Motor Company Limited	5,696	5,320	
42,900	Hyundai Motor Co. Limited	2,379	2,923	
200	Japan Tobacco Inc.	3,090	3,272	
78,200	JFE Holdings Inc.	2,683	2,368	
51,200	Kookmin Bank	2,077	2,855	
16,400	Orix Corporation	2,976	3,016	
31,500	Posco	4,060	6,812	
32,300	Promise Co., Ltd.	1,457	2,538	

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Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT JUNE 30, 2005 (Continued) (Unaudited)

<u>Number of of shares</u>		<u>Cost</u>	<u>Market value</u>	<u>% of Market</u>
		(000's)		
Asia (continued)				
5,110	Samsung Electronics Co. Ltd.	3,166	2,991	
128,360	Shinhan Financial Group Co., Ltd.	1,640	4,092	
1,539,930	Singapore Telecommunications Ltd.,	2,713	3,096	
925	Sumitomo Mitsui Financial Group Inc.	6,918	7,668	
456,803	Taiwan Semiconductor Manufacturing Company Ltd. ADR	4,601	5,103	
		<u>62,948</u>	<u>72,757</u>	<u>13.9</u>
	Total equities	278,708	522,333	99.5
	Forward Currency Contracts, net - Schedule 1	—	2,442	0.5
	Total investments	<u>\$ 278,708</u>	<u>\$ 524,775</u>	<u>100.0</u>

Schedule 1 - Forward Currency Contracts, net

Forward contracts to sell foreign currencies for Canadian dollars:

<u>Par value (in millions)</u>	<u>Currency</u>	<u>Number of Contracts</u>	<u>Contract Rates</u>	<u>Settlement Date</u>	<u>Unrealized gain</u>
77.4	USD	1	1.22245	Sept. 15, 2005	\$ 2,442

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, 2004.

Economic Investment Trust Limited

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INVESTMENT MANAGER

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

AUDITORS

PricewaterhouseCoopers LLP, Toronto

TRANSFER AGENT AND REGISTRAR

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STOCK EXCHANGE LISTINGS

Common

EVT

Series A Preferred

EVT.PR.A

NET EQUITY VALUE

The Company's Net Equity 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").

WEBSITE

www.evt.ca