

Economic Investment Trust Limited



**THIRD QUARTER REPORT
SEPTEMBER 30, 2003**

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Results

Net investment income

The Company's net investment income in the third quarter of 2003 was \$947,000 compared to 2002 net investment income of \$641,000. On a year to date basis, the net investment income increased to \$3,859,000 in 2003 from \$3,726,000 in 2002. On a per common share basis, net investment income for the quarter increased to \$0.17 in 2003 from \$0.11 in 2002 and on a year to date basis to \$0.68 in 2003 from \$0.65 in 2002.

Foreign dividend income in the third quarter increased to \$1,073,000 in 2003 from \$940,000 in 2002 and to \$4,702,000 in 2003 from \$4,227,000 in 2002 on a year to date basis. Canadian dividend income in the third quarter increased to \$416,000 in 2003 from \$405,000 in 2002 but decreased to \$1,357,000 in 2003 from \$1,545,000 in 2002 on a year to date basis. Interest income in the third quarter amounted to \$90,000 in 2003, compared to \$25,000 in 2002 and increased to \$232,000 in 2003 from \$136,000 in 2002 on a year to date basis. The increase in interest income is attributable to the securities lending program initiated in the fall of 2002.

Operating expenses in the quarter amounted to \$332,000 (2002 - \$282,000) and to \$992,000 (2002 - \$940,000) on a year to date basis.

Net gain (loss) on investments

The Company's realized gain (loss) and change in unrealized appreciation of investments for the quarter ended September 30, 2003 was a net gain of \$23,271,000 compared with a net loss of \$40,897,000 in 2002. On a year to date basis, the Company earned a net gain of \$44,824,000 in 2003 compared to a net loss of \$37,337,000 in 2002. The performance of the investment portfolio reflected the fact that most equity markets posted positive returns (in local currency) in the current quarter. The increase in performance in 2003 was led by the increase in the value of the investment in E-L Financial Corporation Limited and securities held in Asia. In 2002 the decrease was primarily a result of investments held in the U.S. communications sector.

The investment portfolio of the Company is comprised of a mix of high and low yielding global investments. Net investment income, net realized gain (loss) 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 \$0.45 per share in both 2002 and 2003.

Assets

Total assets at September 30, 2003 are \$413,451,000, which is an increase of 15.3% from the total assets of \$358,455,000 at December 31, 2002. The cost of investments in foreign equities at September 30, 2003 was \$228,434,000, an increase from \$225,347,000 at December 31, 2002. The market value of foreign equities at September 30, 2003 was \$216,271,000 compared to \$204,934,000 at December 31, 2002. The cost of investments in Canadian equities increased in the first three quarters of 2003 to \$31,896,000 from \$26,444,000 at December 31, 2002. The market value of Canadian equities at September 30, 2003 was \$189,736,000 compared to \$149,514,000 at December 31, 2002.

Economic Investment Trust Limited

Assets (continued)

Overall, the Company's net equity value per share increased to \$69.38 at September 30, 2003 from \$61.12 at December 31, 2002. Based on reinvestment of distributions at month-end net equity values, the Company's value per share increased by 14.3% in the nine months ended September 30, 2003. During the comparable period, the S&P/TSX Composite Total Return Index increased by 13.9% and the MSCI World Index (C\$) decreased by 0.4%.

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 is to earn an above average rate of return through long-term capital appreciation and dividend income. 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.

November 4, 2003

Duncan N.R. Jackman
Chairman of the Board

Economic Investment Trust Limited

CORPORATE INFORMATION

Head Office

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Toronto, Ontario
M5H 3B8
Telephone: 416-947-2578
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External Investment Manager

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

Auditors

PricewaterhouseCoopers LLP, Toronto

Transfer Agent and Registrar

Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario
M5J 2Y1
Telephone: 416-981-9633
Toll Free: 1-800-564-6253

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").

Economic Investment Trust Limited

**CONSOLIDATED BALANCE SHEET
(Unaudited)**

	September 30 2003	December 31 2002
(thousands of dollars)		
Assets		
Investments, at indicated market value (cost - \$260,330; December 31, 2002 - \$251,791)	\$ 407,283	\$ 351,303
Cash	3,058	3,601
Short-term investments	635	—
Receivable in respect to investments sold	636	1,448
Accrued income on investments	472	747
Income taxes receivable	1,203	1,200
Other assets	164	156
	<u>413,451</u>	<u>358,455</u>
Liabilities		
Accounts payable and accrued liabilities	212	166
Payable in respect of investments purchased	494	392
Future income taxes on unrealized net capital gains	21,612	13,156
	<u>22,318</u>	<u>13,714</u>
Net assets, at indicated market value	<u>\$ 391,133</u>	<u>\$ 344,741</u>
Shareholders' Equity		
Capital stock	\$ 206,147	\$ 206,157
Contributed surplus	1,493	1,493
Unrealized appreciation of investments	125,079	85,025
Retained earnings	58,414	52,066
Total shareholders' equity	<u>\$ 391,133</u>	<u>\$ 344,741</u>

APPROVED BY THE BOARD:

DUNCAN N.R. JACKMAN Director

J. CHRISTOPHER BARRON Director

(See accompanying note)

Economic Investment Trust Limited

**CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)**

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2003	2002	2003	2002
	(thousands of dollars)			
INVESTMENT INCOME				
Dividends:				
Foreign	\$ 1,073	\$ 940	\$ 4,702	\$ 4,227
Canadian	416	405	1,357	1,545
	1,489	1,345	6,059	5,772
Interest	90	25	232	136
	1,579	1,370	6,291	5,908
Expenses:				
Operating	332	282	992	940
Income taxes	300	447	1,440	1,242
	632	729	2,432	2,182
NET INVESTMENT INCOME	947	641	3,859	3,726
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS				
Net realized gain (loss) on investments	(1,123)	(13,082)	4,770	(10,510)
Net change in unrealized appreciation of investments	24,394	(27,815)	40,054	(26,827)
NET GAIN (LOSS) ON INVESTMENTS	23,271	(40,897)	44,824	(37,337)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 24,218	\$ (40,256)	\$ 48,683	\$ (33,611)

**CONSOLIDATED STATEMENT OF REALIZED GAIN (LOSS)
(Unaudited)**

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2003	2002	2003	2002
	(thousands of dollars)			
Proceeds on sales of investments	\$ 20,071	\$ 16,100	\$ 79,481	\$ 274,542
Cost of investments, beginning of period	259,752	261,947	251,791	260,018
Cost of investments purchased during the period	22,024	19,507	82,181	276,690
	281,776	281,454	333,972	536,708
Cost of investments, end of period	260,330	251,656	260,330	251,656
Cost of investments sold during the period	21,446	29,798	73,642	285,052
Realized gain (loss) on investments sold before taxes	(1,375)	(13,698)	5,839	(10,510)
Provision for (recovery of) taxes on realized net taxable capital gains (losses)	(252)	(616)	1,069	—
Net realized gain (loss) on investments	\$ (1,123)	\$ (13,082)	\$ 4,770	\$ (10,510)

(See accompanying note)

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, 2002.

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT SEPTEMBER 30, 2003 (Continued)
(Unaudited)

Number of shares		Cost	Market value	% of Market
		(000's)		
South Africa				
204,400	Sappi Limited	3,484	3,725	0.9
	Total equities	260,330	406,007	99.7
	Forward Currency Contracts, net - Schedule 1	—	1,276	0.3
	Total investments	<u>\$ 260,330</u>	<u>\$ 407,283</u>	<u>100.0</u>

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 (loss)
42.3	USD	2	1.3773 - 1.4201	Dec. 18, 2003	\$ 1,276

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

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
(Unaudited)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2003	2002	2003	2002
	(thousands of dollars)			
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 24,218	\$ (40,256)	\$ 48,683	\$ (33,611)
DISTRIBUTIONS TO SHAREHOLDERS				
Common shareholders	(842)	(842)	(2,527)	(2,527)
Preferred shareholders	(19)	(19)	(55)	(57)
	<u>(861)</u>	<u>(861)</u>	<u>(2,582)</u>	<u>(2,584)</u>
CAPITAL SHARE TRANSACTIONS				
Purchase of preferred shares for cancellation	—	—	(10)	—
TAXATION CHANGES				
Net decrease in refundable dividend tax on hand	14	152	301	193
INCREASE (DECREASE) IN NET ASSETS	23,371	(40,965)	46,392	(36,002)
NET ASSETS, BEGINNING OF PERIOD	367,762	379,050	344,741	374,087
NET ASSETS, END OF PERIOD	<u>\$ 391,133</u>	<u>\$ 338,085</u>	<u>\$ 391,133</u>	<u>\$ 338,085</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
(Unaudited)

	Nine months ended Sept. 30	
	2003	2002
	(thousands of dollars)	
RETAINED EARNINGS, BEGINNING OF PERIOD	\$ 52,066	\$ 57,755
Add:		
Net investment income	3,859	3,726
Net realized gain on investments	4,770	—
Refundable taxes recovered	752	861
	<u>61,447</u>	<u>62,342</u>
Deduct:		
Dividends from net investment income	2,582	2,584
Net realized loss on investments	—	10,510
Provision for refundable taxes	451	668
	<u>3,033</u>	<u>13,762</u>
RETAINED EARNINGS, END OF PERIOD	<u>\$ 58,414</u>	<u>\$ 48,580</u>

(See accompanying note)

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT SEPTEMBER 30, 2003
(Unaudited)

Number of shares		Cost	Market value	% of Market
		(000's)		
North America				
Canada				
212,638	Algoma Central Corporation	\$ 2,973	\$ 10,845	
176,071	Bank of Nova Scotia	4,565	11,110	
326,567	E-L Financial Corporation Limited	6,790	97,970	
31,776	Ecando Investments Limited			
	Classes A, B and common	4,139	24,734	
176,414	The Fulcrum Investment Company Limited	464	7,064	
41,044	Magna Int'l Inc. Class A	3,733	4,002	
20,522	MI Developments Inc.	562	636	
214,251	NVG Holdings Limited *			
	Classes B, C, D, E and common	2,115	20,887	
31,300	Petro-Canada	1,604	1,643	
80,900	Royal Bank of Canada	4,632	4,810	
4,765	TGV Holdings Limited Cl. B *	319	6,035	
		31,896	189,736	46.6
United States				
83,600	Altria Group, Inc.	6,961	4,941	
76,800	Bank of America Corporation	7,517	8,088	
58,100	Chubb Corporation	5,531	5,087	
82,600	Comcast Corp. Sp. Cl A	3,246	3,293	
87,400	ConocoPhillips	6,706	6,457	
76,500	Entergy Corporation	5,471	5,590	
18,500	Fannie Mae	1,578	1,752	
22,200	Freddie Mac	1,588	1,568	
247,100	Hewlett-Packard Company	6,907	6,455	
28,000	Lehman Brothers Holdings Inc.	2,583	2,610	
53,000	Metlife, Inc.	1,969	2,006	
177,900	Norfolk Southern Corp.	4,858	4,441	
144,900	Pfizer Inc.	8,132	5,940	
651,000	Qwest Communications Int'l.	7,208	2,987	
61,500	Sempra Energy	2,404	2,437	
114,000	Travelers Property Casualty Corp.	2,488	2,443	
64,000	Valero Energy Corporation	3,389	3,305	
123,000	Washington Mutual Inc.	6,408	6,535	
47,000	Whirlpool Corporation	5,412	4,299	
20,000	XL Capital Ltd. Class A	2,449	2,090	
		92,805	82,324	20.2
	Total North America	124,701	272,060	66.8
Latin America				
76,151	Cemex SA	2,988	2,564	
119,900	Petroleo Brasileiro SA ADR	3,533	3,415	
		6,521	5,979	1.5

* 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 SEPTEMBER 30, 2003 (Continued)
(Unaudited)

Number of shares		Cost	Market value	% of Market
		(000's)		
Europe, excluding United Kingdom				
25,400	AMB Generali Holding AG	3,897	2,025	
226,900	Arcelor	4,627	3,723	
70,000	Assurance Générale de France	5,249	4,428	
57,500	Aventis S.A.	4,052	4,026	
28,800	Continental AG	1,086	1,131	
81,200	DSM NV	5,060	5,201	
181,400	ENI S.P.A.	3,978	3,740	
102,309	Grupo Dragados SA	2,163	2,826	
30,312	HeidelbergCement AG	1,463	1,501	
726,100	Parmalat Finanziaria SPA	3,126	3,075	
51,000	PSA Peugeot Citroen	3,414	2,925	
120,800	Svenska Cellulosa AB	6,237	5,901	
110,770	Volkswagen AG	6,697	6,712	
		51,049	47,214	11.6
United Kingdom				
265,000	Aviva PLC	2,581	2,775	
145,100	Glaxosmithkline PLC.	3,947	4,063	
372,881	Intercontinental Hotels Group PLC	3,156	4,013	
1,273,800	Royal & Sun Alliance Insurance Group	8,472	2,306	
1,273,800	Royal & Sun Alliance Insurance Group - Rights	—	485	
807,900	Safeway PLC	5,890	5,026	
2,118,000	Vodafone Group PLC	5,327	5,698	
120,500	Whitbread PLC	1,620	1,882	
		30,993	26,248	6.4
Asia				
90,000	Canon Inc.	5,007	5,936	
7,500,000	China Petroleum & Chemical Corp.	2,351	2,810	
694,922	Compal Electronics Reg	5,330	6,611	
31,463	Emerging Markets Investor Fund	1,071	958	
88,000	Honda Motor Company Limited	5,696	4,752	
51,200	Kookmin Bank	2,077	2,265	
200,000	Nippon Meat Packers Inc.	2,493	3,000	
637,000	Nissan Motor Co.	6,937	9,272	
34,200	Posco	4,408	5,296	
32,300	Promise Co., Ltd.	1,457	1,912	
470,000	PTT Public Company Limited	1,242	1,318	
238,000	Shinhan Financial Group Co., Ltd.	3,040	4,356	
15,000	Singapore Airlines Ltd.	112	124	
17,220	Takefuji Corporation	1,687	1,487	
90	UFJ Holdings Inc.	479	478	
		43,387	50,575	12.4
Australia				
68,600	Qantas Airways Limited	195	206	0.1

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