

# **Economic Investment Trust Limited**



**THIRD QUARTER REPORT  
SEPTEMBER 30, 2012**



# *Economic Investment Trust Limited*

## THE PERIOD AT A GLANCE (Unaudited)

	<b>As at Sept. 30 2012 <sup>(1)</sup></b>	As at Dec. 31 2011 <sup>(1)</sup>
Net equity value per Common Share <sup>(2)</sup> .....	<b>\$ 80.85</b>	\$ 74.81
Net assets.....	<b>\$ 454,017</b>	\$ 420,121
Number of Common Shares outstanding at period end .....	<b>5,615,535</b>	5,615,535
	Nine months ended September 30	
	<b>2012 <sup>(1)</sup></b>	2011 <sup>(1)</sup>
Net investment income per Common Share <sup>(2)</sup> .....	<b>\$ 0.92</b>	\$ 0.89
Dividends per Common Share		
Quarterly.....	<b>\$ 0.45</b>	\$ 0.45
Additional <sup>(3)</sup> .....	<b>\$ 0.55</b>	\$ —
Increase (decrease) in net assets from operations per Common Share .....	<b>\$ 7.01</b>	\$ (15.28)
Investment income .....	<b>\$ 7,920</b>	\$ 7,361
Net investment income .....	<b>\$ 5,187</b>	\$ 5,003

<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.

### 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 financial performance and financial condition of Economic Investment Trust Limited ("Economic" or the "Company") for the third quarter of 2012 should be read in conjunction with: the 2011 Annual Report, including the MD&A, the Company's audited annual financial statements and the notes and supplementary financial information; the unaudited interim financial statements and notes contained in this report; and the Company's MD&A and unaudited interim financial statements for the first and second quarters of 2012. These unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). They do not include all of the disclosures required under GAAP for annual financial statements. 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, forward-looking statements within this disclosure 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 redeemed or bought back 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. Shareholders who have invested in the Common Shares of the Company recognize that the Common Shares of the Company trade at a discount to their net asset value.

Economic has always been a closed-end investment corporation and has no plans to become an open-ended investment fund or to buy back its Common Shares. Due to the relative illiquidity of the Common Shares, a repurchase program would effectively result in the share price being set by the Company rather than the market.

Closed-end funds have the following benefits: they 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.

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 of common shares of E-L Financial Corporation Limited ("E-L Financial"), and to a lesser extent, Algoma Central Corporation ("Algoma") and The Bank of Nova Scotia. At September 30, 2012, the three long-term investments, as a percentage of total investments, including short-term investments, are common shares of E-L Financial at 40.7% (December 31, 2011 – 36.1%), Algoma at 7.6% (December 31, 2011 – 7.2%) and The Bank of Nova Scotia at 8.8% (December 31, 2011 – 9.2%). E-L Financial, Algoma and the Company can be significantly influenced by the same party. 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 8 to the financial statements in the 2011 Annual Report and in the statement of investments in this interim report beginning on page 12.

# *Economic Investment Trust Limited*

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

The balance of the investment portfolio is managed by Burgundy Asset Management Ltd. ("Burgundy"), a global equity manager based in Toronto. As previously reported, on August 7, 2012, the Company appointed Burgundy to provide portfolio management services for approximately \$188,000,000 or 41% of the total assets of the Company. As part of the transition from Sanford C. Bernstein & Co. LLC ("Bernstein") to Burgundy, the assets managed by Bernstein were sold and replaced with Burgundy equity purchases. At the quarter end, 100.0% (December 31, 2011 – 97.6%) of the global investment portfolio was made up of non-Canadian companies.

During the second quarter, the Company purchased in the market 5,200 E-L Financial common shares for approximately \$2,236,000. The purchase was financed by liquidating a portion of the global managed portfolio. Economic may make purchases in long-term investments from time to time if, in its judgment, the shares represent a good investment in view of their price.

At September 30, 2012, approximately 58.6% (December 31, 2011 – 54.0%) of the investment portfolio, including short-term investments, was held in long-term investments and 41.4% (December 31, 2011 – 46.0%) 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 Canadian GAAP and therefore may not be comparable to similar measures presented by other companies. 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 particular 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 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</b>	Dec. 31
	<b>2012</b>	2011
Net assets .....	<u><u>\$ 454,017</u></u>	<u><u>\$ 420,121</u></u>
Common Shares outstanding .....	<u><u>5,615,535</u></u>	<u><u>5,615,535</u></u>
Net equity value per Common Share .....	<u><u>\$ 80.85</u></u>	<u><u>\$ 74.81</u></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	
	2012	2011	2012	2011
Increase (decrease) in net assets from operations .....	\$ 5,545	\$ (66,004)	\$ 39,364	\$ (85,779)
Add: Net loss (gain) on investments.....	(4,223)	67,463	(34,177)	90,782
Net investment income .....	\$ 1,322	\$ 1,459	\$ 5,187	\$ 5,003
Common Shares outstanding .....	5,615,535	5,615,535	5,615,535	5,615,535
Net investment income per Common Share .....	\$ 0.23	\$ 0.26	\$ 0.92	\$ 0.89

### Net Equity Value per Common Share

For the quarter ended September 30, 2012, the Company's net equity value per Common Share increased to \$80.85 from \$80.01 at June 30, 2012. With dividends reinvested at month-end net equity values, the Company's net equity value return for the quarter was positive 1.2%, compared to a return of negative 13.4% for the same period in 2011. On a pre-tax basis, E-L Financial, the Company's largest long-term investment, had a return of 0.5% during the third quarter of 2012 compared to a return of negative 13.6% for the same period in 2011. For the same respective periods, the global investment portfolio had a return, gross of fees, of 0.9% in 2012 versus a return of negative 17.2% in 2011.

On a year-to-date basis, the Company's net equity value per Common Share increased to \$80.85 from \$74.81 at December 31, 2011. The Company's net equity value return for the nine-month period was 9.4%, compared to a return of negative 16.7% for the same period in 2011. On a pre-tax basis, E-L Financial had a return of 22.9% year to date compared to a return of negative 22.5% for the same period in 2011, and for the same respective periods, the global investment portfolio had a return, gross of fees, of 1.7% in 2012 versus a return of negative 17.9% in 2011.

The year-to-date net equity value return was negatively impacted by 0.3% as a result of increases in current and future income tax rates that were substantively enacted in the June 2012 Ontario budget.

As the Company is a taxable Canadian corporation, its returns are net of a provision for income taxes on investment income and realized gains (losses) on investments, and net of a future income tax provision on the unrealized appreciation of investments.

In Canadian dollar terms, stock market index total returns (capital gains plus dividends), compared to the net equity value returns of the Company, were as follows:

	Three months ended Sept. 30, 2012	Nine months ended Sept. 30, 2012
	(%)	
Economic net equity value.....	1.2	9.4
S&P/TSX Composite Index .....	7.0	5.4
MSCI All Country World Index .....	3.2	9.2
S&P 500 Index.....	2.7	12.6

# *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 2012 was \$1,322,000 compared to 2011 net investment income of \$1,459,000. On a year-to-date basis, net investment income increased to \$5,187,000 in 2012 from \$5,003,000 for the same period in the prior year. On a per Common Share basis, net investment income for the quarter decreased by 9.4% to \$0.23 in 2012 compared to \$0.26 in 2011 and on a year-to-date basis increased by 3.7% to \$0.92 in 2012 from \$0.89 in 2011.

Foreign dividend income in the third quarter increased to \$1,413,000 in 2012 from \$1,224,000 in 2011 and on a year-to-date basis increased to \$5,275,000 from \$4,845,000 in 2011. The year-over-year increase for the nine months ended September 30 occurred primarily as a result of higher-yielding securities held in the current year compared to the same period in the prior year.

Canadian dividend income in the third quarter increased to \$870,000 in 2012 from \$803,000 in 2011 and on a year-to-date basis increased to \$2,528,000 from \$2,382,000 in 2011. The increase in both periods year over year resulted from an increase in the average dividend received from long-term investments.

Expenses in the quarter amounted to \$382,000 (2011 – \$340,000) and \$1,175,000 (2011 - \$1,199,000) on a year-to-date basis.

The provision for income taxes in the current quarter and year to date includes \$337,000 (2011 – \$33,000) and \$440,000 (2011 - \$128,000) respectively of additional income tax related to foreign withholding taxes that could not be credited against Canadian income taxes payable. The large increase during the quarter and year to date occurred as a result of large realized net losses on investments arising from the sale of a substantial portion of investments that were managed by Bernstein. Withholding taxes that were recoverable prior to the sale of the Bernstein managed portfolio became unrecoverable once losses were realized on the sale of these investments.

#### *Net gain (loss) on investments*

The Company's net change in unrealized appreciation of investments on an after-tax basis increased \$32,531,000 or 17.2% during the quarter compared to a decrease of \$61,746,000 or 28.3% during the same period last year. On a year-to-date basis, the net change in unrealized appreciation of investments increased by \$65,600,000 or 42.1% compared to a decline of \$91,148,000 or 36.8% for the same period in the prior year. Long-term investments increased \$3,722,000 during the quarter and \$34,481,000 year to date respectively, primarily a result of an increase in the market value of E-L Financial during both the quarter and year to date. The global managed portfolio increased \$28,809,000 during the quarter and increased \$31,119,000 year to date. Increases occurred in both periods primarily as a result of realizing a net loss on the sale of investments of \$27,979,000 relating to the sale of the Bernstein managed portfolio in the third quarter.

In the third quarter of 2012, the Company realized a net loss on the sale of equity investments and the maturity of forward foreign currency contracts of \$27,979,000 compared to a net loss of \$5,567,000 in the same quarter of the prior year. During the quarter, realized losses on the sale of equity investments were \$28,371,000 offset by realized gains of \$392,000 on the maturity of forward foreign currency contracts.

On a year-to-date basis, the Company realized a net loss of \$30,938,000 versus a net gain of \$742,000 for the same period in the prior year. In the current year, realized losses on the sale of equity investments were \$29,395,000 and losses on the maturity of forward foreign currency contracts were \$1,543,000. The net realized loss on the sale of equities during the quarter and year to date occurred mainly as a result of the sale of the Bernstein managed portfolio.

# *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 2012	June 30 2012	March 31 2012	Dec. 31 2011	Sept. 30 2011	June 30 2011	March 31 2011	Dec. 31 2010
Investment income	\$ 2,325	\$ 3,254	\$ 2,341	\$ 2,202	\$ 2,054	\$ 3,206	\$ 2,101	\$ 1,806
Increase (decrease) in net assets from operations	\$ 5,545	\$ (9,864)	\$ 43,683	\$ (5,639)	\$(66,004)	\$(26,444)	\$ 6,669	\$ 46,776
Increase (decrease) in net assets from operations per Common Share	\$ 0.99	\$ (1.76)	\$ 7.78	\$ (1.00)	\$ (11.76)	\$ (4.71)	\$ 1.19	\$ 8.33
Net equity value per Common Share	\$ 80.85	\$ 80.01	\$ 82.45	\$ 74.81	\$ 75.96	\$ 87.85	\$ 92.70	\$ 91.65
Quarterly NAV return %	1.2	(2.1)	10.4	(1.3)	(13.4)	(5.1)	1.3	10.0

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. Given the volatility in global stock markets and the value of the Canadian dollar relative to other currencies, there is no guarantee that the Company will receive dividend income on its investments at recent dividend payout levels.

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, 2012, 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, 2012, net investment income was \$0.23 per Common Share and on a year-to-date basis, net investment income was \$0.92 per Common Share.

On May 9, 2012, the Board of Directors declared an additional cash dividend of \$0.55 per Common Share that was paid June 29, 2012 to shareholders of record on June 15, 2012. This dividend represented a distribution of the balance of net investment income for the year ended December 31, 2011.

The Company's current 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. This additional dividend will be paid in the first quarter following the fiscal year end. The Company's dividend policy is established by the Board of Directors at its discretion and is subject to change.

# *Economic Investment Trust Limited*

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

### **Transition to International Financial Reporting Standards ("IFRS") for Investment Companies**

The Company will apply IFRS to its disclosures commencing January 1, 2014. Its first set of financial statements prepared in accordance with IFRS will be for the quarter ending March 31, 2014, which will provide corresponding comparative financial information for 2013, including an opening statement of financial position as at January 1, 2013.

Management does not expect that the transition to IFRS will affect the calculation of the Company's net assets or net equity value per Common Share. The primary impact of IFRS on the Company's financial statements will be in financial statement presentation and note disclosure. In addition, management believes that the conversion to IFRS will not materially affect the Company's business arrangements, systems, internal controls over financial reporting, or disclosure controls and procedures.

Additional information relating to the transition to IFRS is available in the Company's 2011 Annual Report.

### **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 7, 2012

# *Economic Investment Trust Limited*

## STATEMENT OF NET ASSETS (Unaudited)

	<b>September 30</b>	<b>December 31</b>
	<b>2012</b>	<b>2011</b>
	(000's)	
<b>Assets</b>		
Investments, at fair value (cost - \$217,096; December 2011 - \$259,525) (Note 2) .....	<b>\$ 459,754</b>	\$ 430,324
Cash .....	<b>1,037</b>	2,383
Short-term investments .....	<b>11,789</b>	1,179
Receivable in respect of investments sold .....	<b>4,134</b>	—
Accrued income on investments .....	<b>433</b>	294
Income taxes receivable .....	<b>766</b>	1,234
Other assets .....	<b>47</b>	88
	<b>477,960</b>	435,502
<b>Liabilities</b>		
Accounts payable and accrued liabilities .....	<b>242</b>	152
Payable in respect of investments purchased .....	<b>2,329</b>	150
Future income taxes .....	<b>21,372</b>	15,079
	<b>23,943</b>	15,381
Net assets .....	<b>\$ 454,017</b>	\$ 420,121
<b>Shareholders' Equity</b>		
Capital stock .....	<b>\$ 204,691</b>	\$ 204,691
Contributed surplus .....	<b>1,474</b>	1,474
Retained earnings .....	<b>247,852</b>	213,956
Total shareholders' equity .....	<b>\$ 454,017</b>	\$ 420,121

(See accompanying notes)

# Economic Investment Trust Limited

## STATEMENTS OF OPERATIONS (Unaudited)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2012	2011	2012	2011
	(000's)			
<b>INVESTMENT INCOME</b>				
Dividends:				
Foreign .....	\$ 1,413	\$ 1,224	\$ 5,275	\$ 4,845
Canadian .....	870	803	2,528	2,382
	<u>2,283</u>	<u>2,027</u>	<u>7,803</u>	<u>7,227</u>
Interest, including securities lending income .....	42	27	117	134
	<u>2,325</u>	<u>2,054</u>	<u>7,920</u>	<u>7,361</u>
Expenses:				
Investment management and administrative costs .....	238	232	711	773
Directors' remuneration .....	46	30	146	92
Office and miscellaneous .....	39	21	148	128
Transfer, registrar and custody fees .....	44	50	118	174
Professional fees .....	15	7	52	32
	<u>382</u>	<u>340</u>	<u>1,175</u>	<u>1,199</u>
Investment income before income taxes .....	1,943	1,714	6,745	6,162
Provision for income taxes .....	621	255	1,558	1,159
<b>NET INVESTMENT INCOME .....</b>	<u><b>1,322</b></u>	<u>1,459</u>	<u><b>5,187</b></u>	<u>5,003</u>
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>				
Net realized gain (loss) on investments .....	(27,979)	(5,567)	(30,938)	742
Net change in unrealized appreciation of investments .....	32,531	(61,746)	65,600	(91,148)
Transaction costs on purchase and sale of investments .....	(329)	(150)	(485)	(376)
<b>NET GAIN (LOSS) ON INVESTMENTS...</b>	<u><b>4,223</b></u>	<u>(67,463)</u>	<u><b>34,177</b></u>	<u>(90,782)</u>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS.....</b>	<u><b>\$ 5,545</b></u>	<u>\$ (66,004)</u>	<u><b>\$ 39,364</b></u>	<u>\$ (85,779)</u>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER COMMON SHARE .....</b>	<u><u><b>\$ 0.99</b></u></u>	<u><u>\$ (11.76)</u></u>	<u><u><b>\$ 7.01</b></u></u>	<u><u>\$ (15.28)</u></u>

(See accompanying notes)

# *Economic Investment Trust Limited*

## STATEMENT OF RETAINED EARNINGS (Unaudited)

	Nine months ended Sept. 30	
	2012	2011
	(000's)	
BEGINNING OF PERIOD.....	<b>\$ 213,956</b>	\$ 308,506
Add:		
Increase in net assets from operations .....	<b>39,364</b>	—
Refundable dividend taxes recovered .....	<b>833</b>	842
	<b>40,197</b>	842
Deduct:		
Decrease in net assets from operations.....	—	85,779
Dividends.....	<b>5,615</b>	2,527
Provision for refundable dividend taxes .....	<b>686</b>	659
	<b>6,301</b>	88,965
END OF PERIOD .....	<b>\$ 247,852</b>	\$ 220,383

## STATEMENT OF CHANGES IN NET ASSETS (Unaudited)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2012	2011	2012	2011
	(000's)			
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS .....	<b>\$ 5,545</b>	\$ (66,004)	<b>\$ 39,364</b>	\$ (85,779)
DIVIDENDS TO SHAREHOLDERS				
Common Shares .....	<b>(842)</b>	(842)	<b>(5,615)</b>	(2,527)
TAXATION CHANGES				
Net decrease in refundable dividend taxes on hand.....	<b>1</b>	58	<b>147</b>	183
INCREASE (DECREASE) IN NET ASSETS .....	<b>4,704</b>	(66,788)	<b>33,896</b>	(88,123)
NET ASSETS, BEGINNING OF PERIOD.....	<b>449,313</b>	493,336	<b>420,121</b>	514,671
NET ASSETS, END OF PERIOD .....	<b>\$ 454,017</b>	\$ 426,548	<b>\$ 454,017</b>	\$ 426,548

(See accompanying notes)

# *Economic Investment Trust Limited*

## STATEMENT OF NET REALIZED GAIN (LOSS) ON INVESTMENTS (Unaudited)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2012	2011	2012	2011
			(000's)	
Proceeds on sales of investments.....	<b>\$ 195,649</b>	\$ 35,858	<b>\$ 248,486</b>	\$ 118,668
Cost of investments, beginning of period.....	<b>254,216</b>	266,796	<b>259,525</b>	257,059
Cost of investments purchased during the period.....	<b>186,508</b>	38,619	<b>236,995</b>	124,857
	<b>440,724</b>	305,415	<b>496,520</b>	381,916
Cost of investments, end of period.....	<b>217,096</b>	263,990	<b>217,096</b>	263,990
Cost of investments sold during the period.....	<b>223,628</b>	41,425	<b>279,424</b>	117,926
Net realized gain (loss) on investments..	<b>\$ (27,979)</b>	\$ (5,567)	<b>\$ (30,938)</b>	\$ 742

(See accompanying notes)

# Economic Investment Trust Limited

## STATEMENT OF INVESTMENTS AS AT SEPTEMBER 30, 2012 (Unaudited)

Number of shares		Cost	Fair value	% of Fair value
		(000's)		
<b>North America</b>				
<b>Canada</b>				
212,638	Algoma Central Corporation <sup>2</sup> .....	\$ 2,974	\$ 25,325	
386,206	E-L Financial Corporation Limited <sup>2</sup> .....	26,116	159,140	
33,101	Ecando Investments Limited			
	Classes A, B and common <sup>2, 3</sup> .....	4,139	37,651	
176,414	The Fulcrum Investment Company Limited <sup>2, 3</sup> .....	464	10,500	
216,900	NVG Holdings Limited			
	Classes B, C, D, E and common <sup>1, 2, 3</sup> .....	2,115	33,815	
4,837	TGV Holdings Limited Class B <sup>1, 2, 3, 4</sup> .....	318	9,663	
		<u>36,126</u>	<u>276,094</u>	60.1
<b>United States</b>				
264,000	Activision Blizzard, Inc. ....	3,074	2,927	
87,000	AmerisourceBergen Corporation .....	3,363	3,312	
76,500	Baxter International Inc. ....	4,466	4,534	
51,047	Becton, Dickinson and Company .....	3,830	3,946	
133,243	Bank of New York Mellon Corporation (The)	2,971	2,965	
122,000	BB&T Corporation .....	3,831	3,980	
77,590	CareFusion Corporation .....	1,889	1,166	
272,383	Cisco Systems, Inc. ....	4,708	5,115	
45,782	Diamond Offshore Drilling, Inc. ....	3,069	2,963	
62,700	Emerson Electric Company .....	3,125	2,977	
97,814	Equifax, Inc. ....	4,502	4,482	
37,900	Gardner Denver, Inc. ....	2,345	2,252	
5,707	Google Inc. ....	3,644	4,235	
86,700	Harris Corporation .....	3,929	4,368	
123,094	Hospira, Inc. ....	4,215	3,973	
32,800	Humana, Inc. ....	2,197	2,263	
93,512	Johnson & Johnson .....	6,060	6,337	
199,089	Juniper Networks, Inc. ....	3,768	3,351	
154,000	Microsoft Corporation .....	4,659	4,507	
109,000	Northern Trust Corporation .....	5,009	4,976	
31,400	Occidental Petroleum Corporation .....	2,833	2,657	
165,962	Oracle Corporation .....	5,169	5,136	
56,964	PepsiCo, Inc. ....	4,086	3,964	
44,693	Philip Morris International Inc. ....	4,053	3,954	
42,000	Procter & Gamble Company (The) .....	2,788	2,865	
75,000	Qualcomm Incorporated .....	4,587	4,607	
66,894	United Technologies Corporation .....	5,121	5,148	
25,474	Visa Inc. ....	3,252	3,365	
306,500	Western Union Company (The) .....	5,392	5,493	
		<u>111,935</u>	<u>112,818</u>	24.5
	Total North America .....	<u>148,061</u>	<u>388,912</u>	84.6

- continued -

# Economic Investment Trust Limited

## STATEMENT OF INVESTMENTS AS AT SEPTEMBER 30, 2012 (continued) (Unaudited)

Number of shares		Cost	Fair value	% of Fair value
		(000's)		
	<b>Europe, excluding United Kingdom</b>			
70,100	Colruyt S.A.....	\$ 3,253	\$ 2,999	
54,600	Deutsche Boerse AG .....	2,730	2,978	
49,800	Hannover Rueckversicherung AG .....	3,007	3,134	
117,600	Heineken Holding N.V.....	5,272	5,616	
94,800	Henkel AG & Co. KGaA .....	5,718	6,084	
31,900	Neopost S.A.....	1,726	1,733	
47,998	Nestle S.A.....	2,985	2,979	
56,600	Novartis AG.....	3,300	3,409	
64,600	Publicis Groupe .....	3,268	3,548	
20,600	Roche Holding AG .....	3,353	3,788	
		<u>34,612</u>	<u>36,268</u>	7.9
	<b>United Kingdom</b>			
84,400	British American Tobacco plc.....	4,556	4,256	
169,900	GlaxoSmithKline plc.....	3,959	3,849	
238,700	IMI plc .....	3,307	3,409	
520,200	Sage Group plc (The) .....	2,424	2,587	
89,500	Unilever PLC.....	3,202	3,198	
		<u>17,448</u>	<u>17,299</u>	3.8
	<b>Asia</b>			
48,800	Benesse Holdings, Inc. ....	2,320	2,319	
44,700	Canon Inc. ....	1,532	1,404	
21,200	Hirose Electric Co., Ltd. ....	2,212	2,333	
82,300	Kao Corporation.....	2,300	2,382	
8,400	Keyence Corporation .....	2,153	2,112	
16,300	Nintendo Co., Ltd.....	1,744	2,045	
39,700	Shimano, Inc. ....	2,823	2,796	
33,400	Unicharm Corporation.....	1,891	1,884	
		<u>16,975</u>	<u>17,275</u>	3.7
	<b>Total investments</b> .....	<u>\$ 217,096</u>	<u>\$ 459,754</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 can be significantly influenced by the same party.

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

<sup>4</sup> Subject to direct significant influence by the Company.

# *Economic Investment Trust Limited*

## **NOTES TO FINANCIAL STATEMENTS (Unaudited)**

### **Summary of significant accounting policies**

#### **1. Basis of presentation**

The accompanying unaudited interim 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, 2011. The financial statements do not include all of the disclosures required under GAAP for annual financial statements.

#### **2. 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, 2012, the Company had \$368,125,000 (December 31, 2011 – \$347,386,000) of Level 1 and \$91,629,000 (December 31, 2011 – \$82,938,000) of Level 2 investments. There were no transfers year to date between Level 1 and Level 2 investments and the Company had no Level 3 investments.

# *Economic Investment Trust Limited*

## **CORPORATE INFORMATION**

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AUDITORS PricewaterhouseCoopers LLP, Toronto

CUSTODIAN RBC Investor Services Trust

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TORONTO STOCK EXCHANGE LISTING  
Common 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 complaints or concerns regarding accounting or auditing matters.

WEBSITE [www.evt.ca](http://www.evt.ca)





