

Economic Investment Trust Limited



**FIRST QUARTER REPORT
MARCH 31, 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

May 11, 2004

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

Operating Results

Net investment income

The Company's net investment income in the first quarter of 2004 was \$1,389,000 compared to 2003 net investment income of \$968,000. On a per common share basis, net investment income was \$0.24 in 2004 compared to \$0.17 in 2003.

Foreign dividend income increased to \$1,777,000 in 2004 from \$1,039,000 in 2003 . Canadian dividend income decreased to \$486,000 in 2004 from \$503,000 in 2003 . Interest income amounted to \$80,000 in 2004 compared to \$49,000 in 2003.

Operating expenses for the quarter amounted to \$446,000 (2003 - \$356,000).

Net gain (loss) on investments

The Company's realized gain and change in unrealized appreciation of investments for the quarter ended March 31, 2004 was a net gain of \$25,622,000 compared with a net loss of \$21,168,000 in 2003. In the first quarter of 2004 the net gain was primarily a result of favourable performance in financial service investments in Canada, bolstered by an overall favourable performance in global capital markets. In 2003, the decline in performance was due to a continued decline in global financial markets.

The investment portfolio of the Company is comprised of a mix of high and low yielding global investments. Net investment income, net realized gains 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 and common shares. Dividends out of net investment income on the preferred shares were \$0.625 per share and \$0.15 per share on the common shares. These dividend payments are consistent with the prior year.

Assets

Total assets at March 31, 2004 are \$471,282,000 which is an increase of 6.5% from the total assets of \$442,550,000 at December 31, 2003. The cost of investments in foreign equities at March 31, 2004 was \$237,963,000, an increase from \$229,368,000 at December 31, 2003. The market value of foreign equities at March 31, 2004 was \$258,775,000 compared to \$239,280,000 at December 31, 2003. The cost of investments in Canadian equities decreased in the first quarter of 2004 to \$21,311,000 from \$30,090,000 at December 31, 2003. The market value of Canadian equities at March 31, 2004 was \$200,392,000 compared to \$190,839,000 at December 31, 2003.

The net asset value return of the company is determined by calculating the performance of the investment portfolio and then netting against it both the changes in future income taxes and the expenses of the Company. Overall, the Company's net asset value per share increased to \$77.02 at March 31, 2004 from \$72.37 at December 31, 2003 . Based on reinvestment of distributions at month-end net asset values, the Company's value per share increased by 6.6% in the first quarter. During the comparable period, the TSX 300 Total Return Index increased 4.9%, while the MSCI World Index (C\$) increased by 4.4%.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued) **(Unaudited)**

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.

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.

May 11, 2004

Duncan N.R. Jackman
Chairman of the Board

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF NET ASSETS (Unaudited)

	March 31	December 31
	<u>2004</u>	<u>2003</u>
	(in thousands)	
ASSETS		
Investments, at indicated market value (cost - \$259,274; December 31, 2003 - \$259,458)	\$ 460,180	\$ 431,736
Cash	8,774	6,361
Short-term investments	505	503
Receivable in respect of investments sold	632	2,327
Accrued income on investments	1,027	395
Income taxes receivable	—	1,044
Other assets	<u>164</u>	<u>184</u>
	471,282	442,550
LIABILITIES		
Accounts payable and accrued liabilities	229	167
Payable in respect of investments purchased	680	3,970
Income taxes payable	299	—
Future income taxes on unrealized net capital gains	<u>36,055</u>	<u>30,502</u>
	37,263	34,639
Net assets, at indicated market value	<u>\$ 434,019</u>	<u>\$ 407,911</u>
SHAREHOLDERS' EQUITY		
Capital stock	\$ 206,142	\$ 206,147
Contributed surplus	1,493	1,493
Unrealized appreciation of investments	164,851	141,393
Retained earnings	<u>61,533</u>	<u>58,878</u>
Total shareholders' equity	<u>\$ 434,019</u>	<u>\$ 407,911</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 March 31	
	2004	2003
	(in thousands)	
INVESTMENT INCOME		
Dividends:		
Foreign	\$ 1,777	\$ 1,039
Canadian	486	503
	2,263	1,542
Interest	80	49
	2,343	1,591
Expenses:		
Operating	446	356
Income taxes	508	267
	954	623
NET INVESTMENT INCOME	1,389	968
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain on investments	2,164	3,328
Net change in unrealized appreciation of investments	23,458	(24,496)
NET GAIN (LOSS) ON INVESTMENTS	25,622	(21,168)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>\$ 27,011</u>	<u>\$ (20,200)</u>

CONSOLIDATED STATEMENT OF NET REALIZED GAIN (Unaudited)

	Three months ended March 31	
	2004	2003
	(in thousands)	
Proceeds on sales of investments	\$ 38,260	\$ 24,934
Cost of investments, beginning of period	259,458	251,791
Cost of investments purchased during the period	35,435	28,080
	294,893	279,871
Cost of investments, end of period	259,274	259,011
Cost of investments sold during the period	35,619	20,860
Realized gain on investments sold before taxes	2,641	4,074
Provision for income taxes on realized net taxable capital gains	477	746
Net realized gain on investments	<u>\$ 2,164</u>	<u>\$ 3,328</u>

(See accompanying note)

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (Unaudited)

	Three months ended March 31	
	2004	2003
	(in thousands)	
INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 27,011	\$ (20,200)
DISTRIBUTIONS TO SHAREHOLDERS		
Common shareholders	(842)	(842)
Preferred shareholders	(18)	(18)
	<u>(860)</u>	<u>(860)</u>
CAPITAL SHARE TRANSACTION		
Purchase of preferred shares for cancellation	(5)	(10)
	<u>(5)</u>	<u>(10)</u>
TAXATION CHANGES		
Net (increase) decrease in refundable dividend tax on hand	(38)	144
	<u>(38)</u>	<u>144</u>
INCREASE (DECREASE) IN NET ASSETS	26,108	(20,926)
NET ASSETS, BEGINNING OF PERIOD	407,911	344,741
NET ASSETS, END OF PERIOD	<u>\$ 434,019</u>	<u>\$ 323,815</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (Unaudited)

	Three months ended March 31	
	2004	2003
	(in thousands)	
RETAINED EARNINGS, BEGINNING OF PERIOD	\$ 58,878	\$ 52,066
Add:		
Net investment income	1,389	968
Net realized gain on investments	2,164	3,328
Refundable taxes recovered	98	287
	<u>62,529</u>	<u>56,649</u>
Deduct:		
Dividends from net investment income	860	860
Provision for refundable taxes	136	143
	<u>996</u>	<u>1,003</u>
RETAINED EARNINGS, END OF PERIOD	<u>\$ 61,533</u>	<u>\$ 55,646</u>

(See accompanying note)

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT MARCH 31, 2004 (Unaudited)

Number of shares		Cost	Market value	% of Market
			(000's)	
North America				
Canada				
212,638	Algoma Central Corporation	\$ 2,974	\$ 13,184	
81,571	Bank of Nova Scotia	2,115	5,775	
326,567	E-L Financial Corporation Limited ...	6,790	114,298	
31,776	Ecando Investments Limited			
	Classes A, B and Common	4,139	27,520	
176,414	The Fulcrum Investment Company Limited	464	7,826	
25,444	Magna Int'l Inc. Class A	2,314	2,630	
214,251	NVG Holdings Limited *			
	Classes B, C, D, E and common ..	2,115	22,751	
1,600	Petro-Canada	82	92	
4,765	TGV Holdings Limited Cl. B *	318	6,316	
		<u>21,311</u>	<u>200,392</u>	43.5
United States				
83,600	Altria Group, Inc.	6,961	5,982	
76,800	Bank of America Corporation	7,517	8,174	
58,100	The Chubb Corporation	5,531	5,310	
104,600	Citigroup Inc.	6,530	7,107	
121,400	Comcast Corporation Sp Cl A	4,989	4,443	
87,400	ConocoPhillips	6,706	8,019	
76,500	Entergy Corporation	5,471	5,982	
30,200	Fannie Mae	2,726	2,948	
36,300	Freddie Mac	2,712	2,818	
247,100	Hewlett-Packard Company	6,907	7,417	
110,000	Kroger Company	2,756	2,406	
28,000	Lehman Brothers Holdings Inc.	2,583	3,050	
45,000	Metlife, Inc.	1,672	2,110	
171,200	Norfolk Southern Corporation	4,675	4,970	
144,900	Pfizer Inc.	8,132	6,675	
74,900	Safeway Inc.	2,196	2,026	
61,500	Sempra Energy	2,404	2,570	
19,000	Textron Inc.	1,434	1,327	
114,000	Travellers Property Casualty Corp...	2,488	2,569	
31,700	Valero Energy Corporation	1,679	2,498	
47,000	Whirlpool Corporation	5,413	4,254	
20,000	XL Capital Ltd. Class A	2,449	1,999	
		<u>93,931</u>	<u>94,654</u>	20.6
	Total North America	115,242	295,046	64.1
Latin America				
76,151	Cemex S.A. de C.V.	2,988	2,984	
119,900	Petroleo Brasileiro S.A. ADR	3,534	4,624	
10,200	Votorantim Celulose e Papel S.A. ADR	453	467	
		<u>6,975</u>	<u>8,075</u>	1.8

* 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 MARCH 31, 2004 (continued) (Unaudited)

Number of shares		Cost	Market value	% of Market
		(000's)		
Europe, excluding United Kingdom				
49,649	Actividades de Construccion y Servicios SA	2,163	3,191	
226,900	Arcelor	4,627	5,409	
70,000	Assurances Generales de France	5,249	5,709	
43,200	Aventis S.A.	3,045	4,364	
102,300	Continental AG	4,346	5,304	
117,600	Credit Suisse Group	5,650	5,356	
81,200	DSM NV	5,060	4,764	
181,400	ENI S.P.A.	3,978	4,794	
30,312	HeidelbergCement AG	1,463	1,792	
30,000	Man AG	1,378	1,405	
84,200	Mol Magyar Olaj - ES Gazipari	3,502	3,897	
42,700	Repsol YPF, SA	1,180	1,163	
120,800	Svenska Cellulosa AB-B (SCA)	6,236	6,347	
96,400	Volkswagen AG	5,833	5,543	
		53,710	59,038	12.8
United Kingdom				
265,000	Aviva PLC	2,581	3,380	
113,600	BP PLC	1,253	1,251	
145,100	GlaxoSmithKline PLC	3,947	3,743	
372,881	Intercontinental Hotels Group PLC ...	3,156	4,476	
1,273,800	Royal & Sun Alliance Ins. Group PLC	8,472	2,523	
1,592,000	Vodafone Group PLC	4,005	4,951	
120,500	Whitbread PLC	1,618	2,113	
		25,032	22,437	4.9
Asia				
90,000	Canon Inc.	5,007	6,128	
4,186,000	China Petroleum & Chemical Corp...	1,312	2,118	
694,922	Compal Electronics Inc.	5,343	5,681	
31,463	Emerging Markets Investors Fund	1,078	1,171	
132,000	Flextronics International Ltd.	2,489	2,965	
88,000	Honda Motor Co., Limited	5,696	5,336	
42,900	Hyundai Motor Co. Ltd.	2,379	2,577	
61,000	JFE Holdings Inc.	2,067	2,192	
51,200	Kookmin Bank	2,077	2,729	
637,000	Nissan Motor Co., Ltd.	6,937	9,375	
34,200	Posco	4,408	6,351	
32,300	Promise Co., Ltd.	1,457	2,917	
721,700	PTT Public Company Limited	2,236	3,380	
186,000	Shinhan Financial Group Co., Ltd. ...	2,376	4,499	
226,000	Singapore Telecommunications Ltd.	398	413	
710	Sumitomo Mitsui Financial Group	5,348	6,906	
830	UFJ Holdings, Inc.	5,181	6,942	
		55,789	71,680	15.6

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Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT MARCH 31, 2004 (continued) (Unaudited)

<u>Number of shares</u>	<u>Cost</u>	<u>Market value</u>	<u>% of Market</u>	
	(000's)			
	Israel			
840,000	Bank Hapoalim Limited	2,526	2,891	0.6
	Total equities	259,274	459,167	99.8
	Forward Currency Contracts, net - Schedule 1	—	1,013	0.2
	Total investments	<u>\$ 259,274</u>	<u>\$ 460,180</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 (in thousands)</u>
57.9	USD	5	1.3147 - 1.3547	June 17, 2004	\$ 1,013

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

Economic Investment Trust Limited

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. 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.