

# **Economic Investment Trust Limited**



**FIRST QUARTER REPORT  
MARCH 31, 2007**

**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 8, 2007

# *Economic Investment Trust Limited*

## THE PERIOD AT A GLANCE (Unaudited)

	As at March 31 2007 <sup>(1)</sup>	As at Dec. 31 2006 <sup>(1)</sup>
Net equity value per Common Share .....	\$ 124.22	\$ 123.03
Net assets.....	\$ 697,984	\$ 691,296
Number of Common Shares outstanding at period end .....	5,615,535	5,615,535
	Three months ended March 31	
	2007 <sup>(1)</sup>	2006 <sup>(1)</sup>
Net investment income per Common Share .....	\$ 0.28	\$ 0.24
Regular dividends per Common Share .....	\$ 0.15	\$ 0.15
Increase in net assets from operations per Common Share .....	\$ 2.13	\$ 7.81
Investment income .....	\$ 2,900	\$ 2,430
Net investment income .....	\$ 1,596	\$ 1,341

<sup>(1)</sup> 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 operating results and financial condition of Economic Investment Trust Limited ("Economic" or the "Company") for the first quarter of 2007 should be read in conjunction with the MD&A for the year ended December 31, 2006, 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 Corporation's MD&A and unaudited interim financial statements for the quarters of 2006. The unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The financial statements 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 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 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 (EVT, EVT.PR.A). 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.

The majority of the investment portfolio is managed by Sanford C. Bernstein & Co. LLC ("Bernstein"), a wholly owned subsidiary of AllianceBernstein L.P. Bernstein is a global investment manager that commenced operations in 1967. At the end of the quarter, excluding the Emerging Markets Investors Fund (which represents only 0.3% of the portfolio), Bernstein managed all of the foreign equities in the portfolio. Bernstein is allowed to hedge the foreign currency exposure of any non-Canadian investment that it manages.

As at March 31, 2007, the Company managed all of the Canadian equities in the portfolio. These investments comprise 48.1% (March 31, 2006 - 47.4%) of the investment portfolio. The performance of this portion of the portfolio is primarily derived from investments in E-L Financial Corporation Limited ("E-L Financial") and, to a lesser extent, Algoma Central Corporation and The Bank of Nova Scotia. E-L Financial, Algoma Central Corporation and the Company can be significantly influenced by the same party. In management's view, investments in these companies are consistent with the investment strategy and contribute to achieving the investment objective of the Company. Further related party information is provided in Note 7 to the consolidated financial statements in the 2006 Annual Report and in the consolidated statement of 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. 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 investments. Net investment income, net realized gain (loss) on investments, net change in unrealized appreciation of investments and net equity value per common share will vary significantly from period to period depending on the changing economic environment and market conditions.

As the Company's investment philosophy is focused on 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.

# *Economic Investment Trust Limited*

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

### **Market Review**

Global stock markets generally posted positive results in the quarter ended March 31, 2007. In Canadian dollar terms, in the first quarter of fiscal 2007, the S&P/TSX Composite Index increased 2.6%, the MSCI World Index increased 1.4% and the S&P 500 Index decreased 0.4%. The negative performance of the S&P 500 Index was due to the appreciation of the Canadian Dollar relative to the United States Dollar in the first quarter of 2007.

For the quarter ended March 31, 2007, the Company's net equity value per share increased to \$124.22 from \$122.23 at January 1, 2007 (restated for the change in accounting policy as noted below), an increase of 1.8% (based on the reinvestment of dividends at month-end net equity values). As the Company is a taxable Canadian corporation, a provision for future income taxes is recorded on the unrealized appreciation of investments. Future income taxes are recorded as a liability on the balance sheet. The net equity value of the Company's Common Shares is determined by deducting the outstanding Preferred Shares Series A 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.

### **Accounting Policy Change**

Effective January 1, 2007, the Company adopted Section 3855, "Financial Instruments - Recognition and Measurement", as issued by the Canadian Institute of Chartered Accountants. As a result, certain changes were made to the accounting policy regarding the carrying value of investments. Financial assets are measured at fair value and transaction costs are recognized immediately in net income. The fair value of securities traded in an active market is the closing bid price. Previously, the closing market quotation was used in determining the market value of investments. The fair values of investments not listed on stock exchanges have been determined by management based on the underlying market values of the net assets represented by such securities. These fair values, determined on the basis of closing bid prices of such securities, do not necessarily represent the realizable value of the total holdings. The actual realizable value could be more or less than the value indicated by those market quotations. There have not been any changes to the timing and recognition of financial assets. The change in accounting policy is treated prospectively and comparative balances have not been restated.

Effective January 1, 2007, the accounting policy change to closing bid price from closing market quotation resulted in a decrease in the fair value of Investments of \$5,437,000, a decrease in Future income taxes of \$921,000 and a decrease in Unrealized appreciation of investments of \$4,516,000.

### **Operating Results**

#### *Net investment income*

The Company's net investment income in the first quarter of 2007 was \$1,596,000 compared to 2006 net investment income of \$1,341,000. On a per common share basis, net investment income for the quarter was \$0.28 in 2007 compared to \$0.24 in 2006.

Foreign dividend income of \$2,234,000 in the first quarter of 2007 increased from \$2,003,000 in 2006. Canadian dividend income increased in the first quarter to \$619,000 in 2007 from \$367,000 in 2006. Interest, including securities lending income, in the first quarter amounted to \$47,000 in 2007 compared to \$60,000 in 2006.

Operating expenses in the quarter amounted to \$726,000 (2006 - \$538,000). The rise in expenses from the prior period is mainly due to an increase in management and administration fees and the expensing of transaction costs.

# Economic Investment Trust Limited

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Net gain on investments

The Company realized a net gain on investments sold before taxes of \$5,365,000 in the first quarter of 2007 (2006 - \$9,446,000). The majority of the realized gains were from sales of Continental AG and Japan Tobacco Inc. The realized gains more than offset the losses that resulted from the sale of Smurfit-Stone Container Corporation and the maturity of forward currency contacts in the quarter.

The Company's unrealized appreciation of investments before future income taxes increased by \$6,261,000 in the quarter compared to an increase of \$42,481,000 in the same period last year. The increase in unrealized appreciation was largely due to the performance of the Canadian equities held in the investment portfolio. In particular, E-L Financial Corporation Limited performed well in the quarter. Mittal Steel Co. NV and Posco were the strongest performing non-Canadian equities in the quarter. Overall, the non-Canadian equities declined in value in the first quarter of 2007 due mainly to the equity investments in the United States and United Kingdom. The poorest performing equities in the quarter were Freddie Mac, Orix Corporation, Aviva PLC and Time Warner Inc.

### 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):

	March 31 2007	Dec. 31 2006	Sept. 30 2006	June 30 2006	March 31 2006	Dec. 31 2005	Sept. 30 2005	June 30 2005
Investment income	\$ 2,900	\$ 2,215	\$ 2,767	\$ 5,021	\$ 2,430	\$ 1,453	\$ 1,994	\$ 4,075
Increase in net assets from operations	\$ 11,952	\$ 68,344	\$ 7,813	\$ 14,942	\$ 43,890	\$ 46,971	\$ 25,592	\$ 11,277
Increase in net assets from operations per share <sup>1</sup>	\$ 2.13	\$ 12.17	\$ 1.39	\$ 2.66	\$ 7.81	\$ 8.36	\$ 4.56	\$ 2.00

<sup>1</sup> Net of dividends on preferred shares

### 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 \$0.15 per share in both 2007 and 2006.

### Share Data

At March 31, 2007, the following shares were issued and outstanding; 7,700 5% Cumulative Preferred Shares Series A and 5,615,535 Common Shares.

### Liquidity and Capital Resources

The payment of the Company's regular quarterly dividends on its Common Shares and 5% Cumulative Preferred Shares Series A is funded by Net investment income. For the quarter ended March 31, 2007, Net investment income was \$1,596,000 as compared to dividend payments of \$847,000.

# *Economic Investment Trust Limited*

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

### **Additional Information**

Additional information relating to Economic, including the Company's Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Duncan N.R. Jackman  
Chairman and President

May 8, 2007

# *Economic Investment Trust Limited*

## STATEMENT OF NET ASSETS (Unaudited)

	March 31 2007	December 31 2006
	(000's)	
<b>Assets</b>		
Investments, at fair value (cost - \$330,741; December 31, 2006 - \$326,695) (Notes 1 and 2).....	\$ 761,700	\$ 756,592
Cash .....	4,962	8,786
Short-term investments .....	—	300
Receivable in respect of investments sold .....	—	67
Accrued income on investments.....	1,100	562
Other assets .....	169	201
	<b>767,931</b>	766,508
<b>Liabilities</b>		
Accounts payable and accrued liabilities.....	358	321
Payable in respect of investments purchased.....	425	367
Income taxes payable.....	4,337	9,454
Future income taxes (Notes 1 and 2) .....	64,827	65,070
	<b>69,947</b>	75,212
Net assets, at fair value .....	<b>\$ 697,984</b>	\$ 691,296
<b>Shareholders' Equity</b>		
Capital stock .....	\$ 205,076	\$ 205,076
Contributed surplus .....	1,492	1,492
Unrealized appreciation of investments (Notes 1 and 2).....	360,924	359,437
Retained earnings .....	130,492	125,291
Total shareholders' equity.....	<b>\$ 697,984</b>	\$ 691,296

(See accompanying notes)



# Economic Investment Trust Limited

## STATEMENTS OF OPERATIONS (Unaudited)

	<b>Three months ended March 31</b>	
	<b>2007</b>	<b>2006</b>
		(000's)
INVESTMENT INCOME		
Dividends:		
Foreign .....	\$ 2,234	\$ 2,003
Canadian .....	619	367
	<u>2,853</u>	<u>2,370</u>
Interest, including securities lending income .....	47	60
	<u>2,900</u>	<u>2,430</u>
Expenses:		
Management costs .....	467	380
Office and miscellaneous (Note 1) .....	131	63
Transfer, registrar and custodial agents' fees .....	76	54
Directors' and officers' remuneration .....	22	24
Professional fees .....	24	11
Capital tax .....	6	6
	<u>726</u>	<u>538</u>
Investment income before income taxes .....	2,174	1,892
Income taxes .....	578	551
NET INVESTMENT INCOME .....	<u>1,596</u>	<u>1,341</u>
NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS		
Net realized gain on investments .....	4,353	7,740
Net change in unrealized appreciation of investments .....	6,003	34,809
NET GAIN ON INVESTMENTS .....	<u>10,356</u>	<u>42,549</u>
INCREASE IN NET ASSETS FROM OPERATIONS .....	<u>\$ 11,952</u>	<u>\$ 43,890</u>
INCREASE IN NET ASSETS FROM OPERATIONS PER SHARE....	<u>\$ 2.13</u>	<u>\$ 7.81</u>

## STATEMENT OF RETAINED EARNINGS (Unaudited)

	<b>Three months ended March 31</b>	
	<b>2007</b>	<b>2006</b>
		(000's)
BEGINNING OF PERIOD .....	\$ 125,291	\$ 90,511
Add:		
Net investment income .....	1,596	1,341
Net realized gain on investments .....	4,353	7,740
Refundable dividend taxes recovered .....	282	287
	<u>131,522</u>	<u>99,879</u>
Deduct:		
Dividends from net investment income .....	847	860
Provision for refundable dividend taxes .....	183	96
	<u>1,030</u>	<u>956</u>
END OF PERIOD .....	<u>\$ 130,492</u>	<u>\$ 98,923</u>

(See accompanying notes)

# *Economic Investment Trust Limited*

## STATEMENTS OF CHANGES IN NET ASSETS (Unaudited)

	Three months ended March 31	
	2007	2006
		(000's)
INCREASE IN NET ASSETS FROM OPERATIONS .....	<b>\$ 11,952</b>	\$ 43,890
DIVIDENDS TO SHAREHOLDERS		
Common shareholders .....	(842)	(842)
Preferred shareholders.....	(5)	(18)
	<b>(847)</b>	(860)
CAPITAL SHARE TRANSACTIONS		
Purchase of preferred shares for cancellation.....	—	(1,067)
TAXATION CHANGES		
Net decrease in refundable dividend tax on hand.....	<b>99</b>	191
INCREASE IN NET ASSETS .....	<b>11,204</b>	42,154
NET ASSETS, BEGINNING OF PERIOD (Note 2) .....	<b>686,780</b>	560,241
NET ASSETS, END OF PERIOD .....	<b>\$ 697,984</b>	\$ 602,395

## STATEMENTS OF NET REALIZED GAIN ON INVESTMENTS (Unaudited)

	Three months ended March 31	
	2007	2006
		(000's)
Proceeds on sales of investments.....	<b>\$ 22,414</b>	\$ 26,420
Cost of investments, beginning of period .....	<b>326,695</b>	286,843
Cost of investments purchased during the period .....	<b>21,095</b>	22,449
	<b>347,790</b>	309,292
Cost of investments, end of period .....	<b>330,741</b>	292,318
Cost of investments sold during the period .....	<b>17,049</b>	16,974
Realized gain on investments sold before taxes .....	<b>5,365</b>	9,446
Provision for taxes on realized net taxable capital gains .....	<b>1,012</b>	1,706
Net realized gain on investments .....	<b>\$ 4,353</b>	\$ 7,740

(See accompanying notes)

# Economic Investment Trust Limited

## STATEMENT OF INVESTMENTS AS AT MARCH 31, 2007

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	\$ 27,430	
341,806	E-L Financial Corporation Limited <sup>2</sup> .....	6,790	229,010	
33,101	Ecando Investments Limited Classes A, B and common <sup>2, 3</sup> .....	4,139	51,413	
176,414	The Fulcrum Investment Company Limited <sup>2, 3</sup> .....	464	11,894	
216,900	NVG Holdings Limited Classes B, C, D, E and common <sup>1, 2, 3</sup> .....	2,115	36,288	
4,837	TGV Holdings Limited Class B <sup>1, 2, 3</sup> .....	318	<u>10,192</u>	
		<u>16,800</u>	<u>366,227</u>	48.1
	<b>United States</b>			
66,100	Altria Group, Inc. ....	4,231	5,199	
76,600	Bank of America Corporation .....	3,749	4,483	
19,000	Black & Decker Corporation .....	1,741	1,748	
223,000	CBS Corporation .....	6,901	7,651	
97,300	Chevron Corporation .....	6,816	8,292	
122,000	Citigroup Inc. ....	7,323	7,202	
46,710	Clorox Company (The) .....	3,182	3,331	
125,850	Comcast Corporation Special Class A .....	3,359	3,694	
69,700	ConocoPhillips .....	2,674	5,497	
42,900	Countrywide Financial Corporation .....	2,094	1,653	
37,600	Dow Chemical Company .....	2,010	1,970	
129,000	Electronic Data Systems Corporation .....	3,949	3,986	
114,400	Fannie Mae .....	8,621	7,096	
37,100	Federated Department Stores .....	1,996	1,904	
93,600	Freddie Mac .....	6,957	6,328	
203,700	General Electric Company .....	8,481	8,297	
53,200	Hartford Financial Services Group, Inc. ....	4,300	5,415	
35,200	International Business Machines Corporation .....	4,010	3,797	
123,000	JPMorgan Chase & Co. ....	6,256	6,764	
45,743	Kraft Food Inc. ....	1,324	1,670	
219,600	Kroger Co. ....	5,028	6,674	
24,000	MBIA Inc. ....	2,010	1,812	
52,300	Merrill Lynch & Co. ....	4,445	4,913	
45,000	Metlife, Inc. ....	1,672	3,158	
139,300	Microsoft Corporation .....	4,454	4,474	
113,700	Pfizer Inc. ....	3,195	3,290	
89,700	Safeway Inc. ....	2,410	3,699	
214,100	Sprint Nextel Corporation .....	6,048	4,641	
290,600	Time Warner Inc. ....	6,489	6,583	
30,800	XL Capital Ltd. Class A .....	3,368	2,421	
		<u>129,093</u>	<u>137,642</u>	18.1
	Total North America .....	<u>145,893</u>	<u>503,869</u>	66.2
	<b>Latin America</b>			
75,100	Petroleo Brasileiro S.A. ADR .....	2,228	7,736	1.0

- continued -

# Economic Investment Trust Limited

## STATEMENT OF INVESTMENTS AS AT MARCH 31, 2007 (continued)

Number of shares		Cost	Fair value	% of Fair value
		(000's)		
<b>Europe, excluding United Kingdom</b>				
72,700	Air France-KLM.....	2,741	3,823	
25,050	Allianz SE .....	6,016	5,946	
139,210	Arcelor Mittal.....	5,510	8,534	
36,300	BASF AG .....	4,032	4,704	
33,600	BNP Paribas SA .....	3,295	4,049	
3,000	Continental AG.....	127	448	
117,600	Credit Suisse Group .....	5,587	9,806	
165,000	Deutsche Lufthansa AG.....	3,244	5,169	
41,900	E.ON AG .....	5,009	6,534	
116,400	ENI S.P.A. ....	2,553	4,383	
115,620	European Aeronautic Defence and Space Company .....	4,310	4,139	
32,500	Fondiarria - SAI S.P.A. ....	1,546	1,725	
10,900	Fondiarria - SAI SPA-RNC .....	398	452	
94,800	Fortis Group.....	3,817	4,996	
157,700	ING Groep N.V.....	5,589	7,695	
12,400	Michelin CIE CL B.....	1,317	1,580	
29,900	Mol Magyar OLAJ - ES GA .....	2,844	3,920	
48,900	Muenchener Rueckversicherungs-Gesellschaft AG .....	7,660	9,511	
68,000	Renault SA.....	7,390	9,179	
104,300	Repsol YPF, S.A. ....	2,865	4,059	
45,330	Sanofi-Aventis .....	3,608	4,549	
36,800	Total SA .....	2,818	2,975	
160,000	Xstrata PLC .....	2,809	9,467	
		85,085	117,643	15.4
<b>United Kingdom</b>				
50,100	Astrazeneca PLC.....	3,507	3,108	
406,987	Aviva PLC .....	4,571	6,914	
384,400	BP PLC .....	4,563	4,812	
708,370	Friends Provident PLC .....	2,808	3,087	
119,790	HBOS PLC.....	2,253	2,844	
84,700	Royal Bank of Scotland .....	3,109	3,810	
2,139,550	Vodafone Group PLC.....	6,123	6,575	
		26,934	31,150	4.1
<b>Asia</b>				
241,100	AU Optronics Corp. ADR .....	3,642	3,983	
840,000	Bank Hapoalim Ltd. ....	2,526	4,666	
1,804,500	China Netcom Grp Corp HK Ltd .....	3,566	5,432	
5,576,000	China Petroleum & Chemical Corp.....	2,028	5,438	
797,035	Compal Electronics Inc. ....	5,345	3,814	
31,463	Emerging Markets Investor Fund <sup>3</sup> .....	1,543	2,130	
41,760	Hyundai Mobis .....	4,428	4,133	
101,200	JFE Holdings Inc.....	3,484	6,897	
51,200	Kookmin Bank.....	2,077	5,294	
39,100	Leopalace21 Corp. ....	1,463	1,492	
383,000	Mitsui Chemicals Inc.....	3,267	3,868	
323,000	Mitsui Osk Lines Ltd. ....	3,274	4,140	

- continued -

# Economic Investment Trust Limited

## STATEMENT OF INVESTMENTS AS AT MARCH 31, 2007 (continued)

Number of shares		Cost	Fair value	% of Fair value
		(000's)		
<b>Asia (continued)</b>				
25,230	Orix Corporation .....	4,874	7,595	
16,700	Posco .....	2,153	8,081	
5,110	Samsung Electronics Co., Ltd. ....	3,166	3,530	
272,000	Sharp Corporation .....	5,298	6,041	
162,800	Siliconware Precision Industries Company ADR .....	1,360	1,841	
256,000	Sumitomo Heavy Industries .....	2,865	2,947	
547	Sumitomo Mitsui Financial Group.....	4,091	5,739	
335,302	Taiwan Semiconductor Manufacturing Company Ltd. ADR .....	3,279	4,136	
112,000	Toyota Motor Corporation .....	6,872	8,281	
		<u>70,601</u>	<u>99,478</u>	13.1
	<b>Total equities</b> .....	330,741	759,876	99.8
	<b>Forward Currency Contracts, net - Schedule 1</b> .....	—	1,824	0.2
	<b>Total investments</b> .....	<u>\$ 330,741</u>	<u>\$ 761,700</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> Companies which can be significantly influenced by the same party as Economic.

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

### Schedule 1 - Forward Currency Contracts, net

#### Forward contracts to sell foreign currencies for Canadian Dollars:

Par value	Currency	Number of Contracts	Contract Rate	Settlement Date	Unrealized gain
(in millions)					(000's)
101	U.S. Dollar	1	1.1687	June 15, 2007	\$ 1,787
10	Swiss Franc	3	0.9445 - 0.9725	June 15, 2007	37
					<u>\$ 1,824</u>

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

# *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, except as noted below, and should be read in conjunction with the notes to the Company's audited financial statements for the year ended December 31, 2006. Each of the Company's wholly-owned subsidiaries, Econos Foreign Investment Company Limited, Econos Canadian Investment Company Limited and Econos N.V.G. Investment Company Limited were wound up on December 31, 2006. The financial statements do not include all of the disclosures required under GAAP for annual financial statements.

Effective January 1, 2007, the Company adopted Section 3855, "Financial Instruments - Recognition and Measurement", as issued by the Canadian Institute of Chartered Accountants. As a result, certain changes were made to the accounting policy regarding the carrying value of investments. Financial assets are measured at fair value and transaction costs are recognized immediately in net income. The fair value of securities traded in an active market is the closing bid price. Previously, the closing market quotation was used in determining the market value of investments. The fair values of investments not listed on stock exchanges have been determined by management based on the underlying market values of the net assets represented by such securities. These fair values, determined on the basis of closing bid prices of such securities, do not necessarily represent the realizable value of the total holdings. The actual realizable value could be more or less than the value indicated by those market quotations. There have not been any changes to the timing and recognition of financial assets. The change in accounting policy is treated prospectively and comparative balances have not been restated.

Effective January 1, 2007, the accounting policy change to closing bid price from closing market quotation resulted in a decrease in the fair value of Investments of \$5,437,000, a decrease in Future income taxes of \$921,000 and a decrease in Unrealized appreciation of investments of \$4,516,000.

#### 2. Unrealized appreciation of investments

The details of the unrealized appreciation of investments as at December 31, 2006 and the effect of the change in accounting policy as described in Note 1 are as follows:

	As reported	Decrease (000's)	As adjusted
Investments at fair value	\$ 756,592	\$ 5,437	\$ 751,155
Investments at cost	326,695	—	326,695
Unrealized appreciation of investments			
for provision for taxes	429,897	5,437	424,460
Provision for taxes	70,460	921	69,539
Unrealized appreciation of investments	<u>\$ 359,437</u>	<u>\$ 4,516</u>	<u>\$ 354,921</u>

The net assets of the Company as at December 31, 2006 were also adjusted to reflect the change in accounting policy. The net assets as originally reported of \$691,296,000 were reduced by \$4,516,000 to \$686,780,000.

# *Economic Investment Trust Limited*

## NOTES TO FINANCIAL STATEMENTS (continued)

(Unaudited)

### 3. Net equity value of the Company's Common Shares

The net equity value of the Company's Common Shares is determined by deducting the outstanding Preferred Shares Series A 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 (in thousands of dollars, except per share amounts).

	<b>March 31</b>	January 1	Dec. 31
	<b>2007</b>	2007	2006
		(Note 2)	
Net assets .....	<b>\$ 697,984</b>	\$ 686,780	\$ 691,296
Deduct: Cost of redemption of Preferred Shares Series A .....	<b>404</b>	404	404
Net equity value .....	<b>\$ 697,580</b>	\$ 686,376	\$ 690,892
Net equity value per Common Share .....	<b>\$ 124.22</b>	\$ 122.23	\$ 123.03

# *Economic Investment Trust Limited*

HEAD OFFICE

Tenth Floor, 165 University Avenue, Toronto, Ontario  
Tel: 416-947-2578  
Fax: 416-362-2592

EXTERNAL INVESTMENT MANAGER

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

AUDITORS

PricewaterhouseCoopers LLP, Toronto

CUSTODIAN

RBC Dexia Investor Services Trust

TRANSFER AGENT AND REGISTRAR

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

STOCK EXCHANGE LISTINGS

Common

EVT

5% Cumulative Preferred Shares Series A

EVT.PR.A

NET EQUITY VALUE

The Company's Net Equity Value per Common Share is published 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)