

# **Economic Investment Trust Limited**



**FIRST QUARTER REPORT  
MARCH 31, 2008**

**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 "Frank J. Glosnek"

Frank J. Glosnek  
Treasurer

May 2, 2008

# *Economic Investment Trust Limited*

## THE PERIOD AT A GLANCE (Unaudited)

	As at March 31 2008 <sup>(1)</sup>	As at Dec. 31 2007 <sup>(1)</sup>
Net equity value per Common Share <sup>(2)</sup> .....	\$ 105.51	\$ 113.22
Net assets.....	\$ 592,889	\$ 636,214
Number of Common Shares outstanding at period end .....	5,615,535	5,615,535
	Three months ended March 31	
	2008 <sup>(1)</sup>	2007 <sup>(1)</sup>
Net investment income per Common Share <sup>(2)</sup> .....	\$ 0.39	\$ 0.29
Dividends per Common Share .....	\$ 0.15	\$ 0.15
Increase (decrease) in net assets from operations per Common Share .....	\$ (7.58)	\$ 2.13
Investment income .....	\$ 3,512	\$ 2,900
Net investment income .....	\$ 2,178	\$ 1,640

<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.

# *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 2008 should be read in conjunction with the MD&A for the year ended December 31, 2007, the Company's annual audited financial statements, the notes relating thereto, the 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 quarters of 2007. 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 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 (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. 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 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 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, 2008, the Company managed virtually all of the Canadian equities in the portfolio. These investments comprise 48.8% (March 31, 2007 - 48.1%) 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, these long-term 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 2007 Annual Report and in the 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

# *Economic Investment Trust Limited*

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

vary significantly from period to period depending on the selection of the global equities which move with the constantly 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.

### **Use of Non-GAAP Measures**

MD&A contains reference to "net equity value per Common Share" and "net investment income per Common Share". These terms do not have any standardized meaning according to 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 calculated as follows (in thousands of Canadian Dollars, except number of Common Shares and per Common Share amounts):

	March 31 2008	December 31 2007
Net assets .....	\$ 592,889	\$ 636,214
Deduct:		
Cost of redemption of Preferred Shares Series A .....	404	404
Net equity value .....	<u>\$ 592,485</u>	<u>\$ 635,810</u>
Common Shares outstanding .....	<u>5,615,535</u>	<u>5,615,535</u>
Net equity value per Common Share .....	<u>\$ 105.51</u>	<u>\$ 113.22</u>

Net investment income per Common Share is calculated as follows:

	Three months ended March 31	
	2008	2007
Increase (decrease) in net assets from operations per Common Share .....	\$ (7.58)	\$ 2.13
Less: Net gain (loss) on investments per Common Share .....	(7.97)	1.84
Net investment income per Common Share .....	<u>\$ 0.39</u>	<u>\$ 0.29</u>

### **Market Review**

Global stock markets generally posted negative results in the quarter ended March 31, 2008. In Canadian dollar terms, in the first quarter of fiscal 2008, the S&P/TSX Composite Index decreased 2.8%, the MSCI World Index decreased 5.4% and the S&P 500 Index decreased 5.8%. Modest gains during the quarter resulting from the appreciation of unhedged foreign currencies relative to the Canadian dollar have been more than offset by declines from a general global slowdown and from credit related issues experienced in the financial services sector.

# *Economic Investment Trust Limited*

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

For the quarter ended March 31, 2008, the Company's net equity value per Common Share decreased to \$105.51 from \$113.22 at December 31, 2007, a decline of 6.7% (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.

### **Accounting Changes**

Effective January 1, 2008, the Company adopted Section 1535, "Capital Disclosures", as issued by the Canadian Institute of Chartered Accountants. This section requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The Company also adopted Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation". These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing disclosure requirements, and carrying forward unchanged presentation requirements. These new Sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. These standards impact the Company's disclosures provided but do not affect the Company's results.

### **Operating Results**

#### *Net investment income*

The Company's net investment income in the first quarter of 2008 was \$2,178,000 compared to 2007 net investment income of \$1,640,000. On a per Common Share basis, net investment income for the quarter was \$0.39 in 2008 compared to \$0.29 in 2007, an increase of 34.5%.

Foreign dividend income of \$2,781,000 in the first quarter of 2008 increased from \$2,234,000 in 2007. Canadian dividend income increased in the first quarter to \$682,000 in 2008 from \$619,000 in 2007. Interest, including securities lending income, in the first quarter amounted to \$49,000 in 2008 compared to \$47,000 in 2007.

Operating expenses in the quarter amounted to \$579,000 (2007 - \$682,000). The decrease in expenses from the prior period is mainly due to an decline in investment management and administration fees related to lower average net assets managed compared to the prior year.

#### *Net gain on investments*

The Company realized a net gain on investments sold before taxes of \$6,432,000 in the first quarter of 2008 (2007 - \$5,365,000). The majority of the net realized gain arose as the Company reduced its holdings in Petroleo Brasileiro S.A. ADR and Xstrata PLC, and from the maturity of forward currency contracts in the quarter. The most significant loss in the quarter resulted from the sale of MBIA Inc.

The Company's unrealized appreciation of investments before future income taxes decreased by \$59,295,000 in the quarter compared to an increase of \$6,261,000 in the same period last year. In the Canadian portion of the portfolio, E-L Financial had the largest impact on the decline. The non-Canadian equities declined in value in the first quarter of 2008 due to a decrease in the fair value of forward currency contracts and due to declines in equity investments in the United States and Asia. The global equities having the greatest negative impact on the Company's portfolio in the quarter were Marathon Oil Corporation, Nissan Motor Co., Ltd. and China Petroleum & Chemical Corp.

# *Economic Investment Trust Limited*

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### 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 2008	Dec. 31 2007	Sept. 30 2007	June 30 2007	March 31 2007	Dec. 31 2006	Sept. 30 2006	June 30 2006
Investment income	\$ 3,512	\$ 2,579	\$ 2,979	\$ 4,916	\$ 2,900	\$ 2,215	\$ 2,767	\$ 5,021
Increase (decrease) in net assets from operations	\$(42,558)	\$(39,415)	\$(30,716)	\$ 10,599	\$ 11,952	\$ 68,344	\$ 7,813	\$ 14,942
Increase (decrease) in net assets from operations per share <sup>1</sup>	\$ (7.58)	\$ (7.02)	\$ (5.47)	\$ 1.88	\$ 2.13	\$ 12.17	\$ 1.39	\$ 2.66

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

### Share Data

At March 31, 2008, there are 5,615,535 Common Shares issued and outstanding and each share is entitled to one vote. There are 7,700 5% Cumulative Preferred Shares Series A issued and outstanding.

### Liquidity and Capital Resources

Quarterly dividends were paid on the Common Shares and Preferred Shares Series A. The quarterly per share dividend was \$0.15 on the Common Shares and \$0.625 on the Preferred Shares Series A. The payment of the Company's quarterly dividends is funded by net investment income. For the quarter ended March 31, 2008, net investment income was \$2,178,000 as compared to dividend payments of \$847,000.

### 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.

Duncan N.R. Jackman  
Chairman and President

May 2, 2008

# *Economic Investment Trust Limited*

## STATEMENT OF NET ASSETS (Unaudited)

	March 31 2008	December 31 2007
	(000's)	
<b>Assets</b>		
Investments, at fair value (cost - \$363,685; December 31, 2007 - \$364,062) .....	<b>\$ 614,778</b>	\$ 674,449
Cash .....	10,305	5,519
Receivable in respect of investments sold .....	320	575
Accrued income on investments .....	1,978	618
Income taxes receivable .....	1,226	—
Other assets .....	109	123
	<b>628,716</b>	681,284
<b>Liabilities</b>		
Accounts payable and accrued liabilities .....	214	337
Payable in respect of investments purchased .....	205	505
Income taxes payable .....	—	11
Future income taxes .....	35,408	44,217
	<b>35,827</b>	45,070
Net assets, at fair value .....	<b>\$ 592,889</b>	\$ 636,214
<b>Shareholders' Equity</b>		
Capital stock .....	\$ 205,076	\$ 205,076
Contributed surplus .....	1,492	1,492
Unrealized appreciation of investments .....	216,344	266,384
Retained earnings .....	169,977	163,262
Total shareholders' equity .....	<b>\$ 592,889</b>	\$ 636,214

(See accompanying notes)



# Economic Investment Trust Limited

## STATEMENT OF OPERATIONS (Unaudited)

	<b>Three months ended March 31</b>	
	<b>2008</b>	<b>2007</b>
	(000's)	
INVESTMENT INCOME		
Dividends:		
Foreign .....	\$ 2,781	\$ 2,234
Canadian .....	682	619
	<u>3,463</u>	<u>2,853</u>
Interest, including securities lending income .....	49	47
	<u>3,512</u>	<u>2,900</u>
Expenses:		
Investment management and administrative costs .....	374	467
Directors' and officers' remuneration .....	22	22
Office and miscellaneous .....	100	93
Transfer, registrar and custodial agents' fees .....	61	76
Professional fees .....	22	24
	<u>579</u>	<u>682</u>
Investment income before income taxes .....	2,933	2,218
Income taxes .....	755	578
NET INVESTMENT INCOME .....	<u>2,178</u>	<u>1,640</u>
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain on investments .....	5,365	4,353
Net change in unrealized appreciation of investments .....	(50,040)	6,003
Transaction costs on purchase and sale of investments .....	(61)	(44)
NET GAIN (LOSS) ON INVESTMENTS .....	<u>(44,736)</u>	<u>10,312</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS ..	<u>\$ (42,558)</u>	<u>\$ 11,952</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER COMMON SHARE .....	<u>\$ (7.58)</u>	<u>\$ 2.13</u>

## STATEMENT OF RETAINED EARNINGS (Unaudited)

	<b>Three months ended March 31</b>	
	<b>2008</b>	<b>2007</b>
	(000's)	
BEGINNING OF PERIOD .....	\$ 163,262	\$ 125,291
Add:		
Net investment income .....	2,178	1,640
Net realized gain on investments .....	5,365	4,353
Refundable dividend taxes recovered .....	282	282
	<u>171,087</u>	<u>131,566</u>
Deduct:		
Dividends .....	847	847
Provision for refundable dividend taxes .....	202	183
Transaction costs on purchase and sale of investments .....	61	44
	<u>1,110</u>	<u>1,074</u>
END OF PERIOD .....	<u>\$ 169,977</u>	<u>\$ 130,492</u>

(See accompanying notes)

# Economic Investment Trust Limited

## STATEMENT OF CHANGES IN NET ASSETS (Unaudited)

	Three months ended March 31	
	2008	2007
		(000's)
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS ..	\$ (42,558)	\$ 11,952
DIVIDENDS TO SHAREHOLDERS		
Cash dividends on Preferred Shares Series A .....	(5)	(5)
Cash dividends on Common Shares .....	(842)	(842)
	<u>(847)</u>	<u>(847)</u>
TAXATION CHANGES		
Net decrease in refundable dividend taxes on hand .....	<u>80</u>	<u>99</u>
INCREASE (DECREASE) IN NET ASSETS .....	(43,325)	11,204
NET ASSETS, BEGINNING OF PERIOD .....	<u>636,214</u>	<u>686,780</u>
NET ASSETS, END OF PERIOD .....	<u>\$ 592,889</u>	<u>\$ 697,984</u>

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

	Three months ended March 31	
	2008	2007
		(000's)
Proceeds on sales of investments.....	\$ 29,094	\$ 22,414
Cost of investments, beginning of period .....	364,062	326,695
Cost of investments purchased during the period .....	<u>22,285</u>	<u>21,095</u>
	386,347	347,790
Cost of investments, end of period .....	<u>363,685</u>	<u>330,741</u>
Cost of investments sold during the period .....	<u>22,662</u>	<u>17,049</u>
Realized gain on investments sold before income taxes.....	6,432	5,365
Provision for income taxes on realized net taxable capital gains.....	<u>1,067</u>	<u>1,012</u>
Net realized gain on investments .....	<u>\$ 5,365</u>	<u>\$ 4,353</u>

(See accompanying notes)

# Economic Investment Trust Limited

## STATEMENT OF INVESTMENTS AS AT MARCH 31, 2008 (Unaudited)

<u>Number of shares</u>		<u>Cost</u>	<u>Fair value</u>	<u>% of Fair value</u>
		(000's)		
<b>North America</b>				
<b>Canada</b>				
212,638	Algoma Central Corporation <sup>2</sup> .....	\$ 2,974	\$ 26,580	
341,806	E-L Financial Corporation Limited <sup>2</sup> .....	6,790	179,448	
33,101	Ecando Investments Limited			
	Classes A, B and common <sup>2, 3</sup> .....	4,139	42,875	
176,414	The Fulcrum Investment Company			
	Limited <sup>2, 3</sup> .....	464	10,944	
216,900	NVG Holdings Limited			
	Classes B, C, D, E and common <sup>1, 2, 3</sup> .....	2,115	31,123	
67,200	Petro-Canada .....	3,120	3,002	
4,837	TGV Holdings Limited Class B <sup>1, 2, 3, 4</sup> .....	318	8,753	
		<u>19,920</u>	<u>302,725</u>	49.2
<b>United States</b>				
141,200	Altria Group, Inc. ....	2,885	3,215	
101,300	American International Group, Inc. ....	4,874	4,504	
76,600	Bank of America Corporation .....	3,749	2,984	
19,000	Black & Decker Corporation .....	1,741	1,289	
223,000	CBS Corporation .....	6,901	5,063	
97,300	Chevron Corporation .....	6,816	8,523	
97,500	Citigroup Inc. ....	5,852	2,138	
17,710	Clorox Company (The) .....	1,207	1,031	
133,500	ConocoPhillips .....	7,704	10,450	
179,000	Dow Chemical Company .....	8,502	6,771	
64,700	Fannie Mae .....	4,876	1,749	
93,600	Freddie Mac .....	6,957	2,438	
49,000	General Electric Company .....	2,040	1,857	
53,200	Hartford Financial Services Group, Inc. ....	4,300	4,138	
195,700	JPMorgan Chase & Co. ....	9,538	8,640	
91,500	Kroger Co. ....	2,095	2,383	
146,600	Macy's Inc. ....	6,626	3,466	
170,000	Marathon Oil Corporation .....	10,442	7,965	
62,700	McKesson Corp. ....	3,954	3,372	
67,200	Merrill Lynch & Co. ....	5,378	2,804	
45,000	Metlife, Inc. ....	1,672	2,784	
26,900	Northrop Grumman Corp. ....	2,223	2,150	
396,800	Pfizer Inc. ....	10,311	8,516	
141,200	Philip Morris International Inc. ....	6,572	7,324	
17,200	Safeway Inc. ....	462	518	
214,100	Sprint Nextel Corporation .....	6,048	1,466	
220,300	Time Warner Inc. ....	4,919	3,177	
30,800	XL Capital Ltd. Class A .....	3,367	931	
		<u>142,011</u>	<u>111,646</u>	18.2
	Total North America .....	161,931	414,371	67.4

- continued -

# Economic Investment Trust Limited

## STATEMENT OF INVESTMENTS AS AT MARCH 31, 2008 (continued) (Unaudited)

Number of shares		Cost	Fair value	% of Fair value
		(000's)		
<b>Latin America</b>				
131,200	Companhia Vale Do Rio Doce .....	\$ 3,631	\$ 3,915	0.6
<b>Europe, excluding United Kingdom</b>				
72,700	Air France-KLM.....	2,741	2,104	
37,450	Allianz SE .....	9,143	7,645	
68,710	Arcelor Mittal.....	2,720	5,782	
36,300	BASF AG .....	4,032	5,047	
33,600	BNP Paribas SA.....	3,295	3,486	
117,600	Credit Suisse Group .....	5,540	6,122	
38,300	Deutsche Bank AG .....	5,625	4,473	
165,000	Deutsche Lufthansa AG.....	3,244	4,602	
28,000	E.ON AG .....	3,347	5,358	
116,400	ENI S.P.A. ....	2,553	4,092	
32,500	Fondiaria - SAI S.P.A.....	1,546	1,383	
10,900	Fondiaria - SAI SPA-RNC.....	398	301	
250,500	Fortis Group.....	7,743	6,490	
157,700	ING Groep N.V.....	5,589	6,074	
23,550	Lukoil .....	1,988	2,031	
12,400	Michelin Cie CL B .....	1,317	1,332	
31,000	Muenchener Rueckversicherungs-Gesellschaft AG .....	4,856	6,237	
57,200	Renault SA.....	6,217	6,513	
45,330	Sanofi-Aventis.....	3,608	3,498	
122,650	Statoilhydro ASA.....	3,603	3,783	
225,500	Stora Enso OYJ.....	3,902	2,678	
65,250	Xstrata PLC .....	1,145	4,695	
		<u>84,152</u>	<u>93,726</u>	15.3
<b>United Kingdom</b>				
40,000	Astrazeneca PLC.....	2,800	1,537	
413,946	Aviva PLC .....	4,667	5,212	
70,300	GlaxoSmithKline PLC .....	1,656	1,528	
362,010	HBOS PLC.....	6,052	4,137	
623,039	Royal Bank of Scotland .....	6,657	4,285	
179,100	Royal Dutch Shell PLC .....	6,837	6,357	
1,715,950	Vodafone Group PLC.....	4,910	5,281	
		<u>33,579</u>	<u>28,337</u>	4.6
<b>Asia</b>				
593,100	Asustek Computer Inc. Warrant .....	1,619	1,786	
122,400	AU Optronics Corp. ADR .....	1,813	2,161	
840,000	Bank Hapoalim Ltd. ....	2,526	3,324	
1,342,000	China Netcom Grp Corp HK Ltd .....	2,652	3,953	
2,984,000	China Petroleum & Chemical Corp.....	1,085	2,621	
721,720	Compal Electronics Inc. ....	4,816	3,338	
31,463	Emerging Markets Investors Fund <sup>3</sup> .....	1,906	2,092	
105,800	Hynix Semiconductor Inc. ....	4,081	3,042	
41,760	Hyundai Mobis .....	4,428	3,333	
101,200	JFE Holdings Inc.....	3,484	4,572	
51,200	Kookmin Bank.....	2,077	2,944	

- continued -

# Economic Investment Trust Limited

## STATEMENT OF INVESTMENTS AS AT MARCH 31, 2008 (continued) (Unaudited)

<u>Number of shares</u>		<u>Cost</u>	<u>Fair value</u>	<u>% of Fair value</u>
		(000's)		
<b>Asia (continued)</b>				
287,500	Mitsubishi Chemical Holdings Corporation ...	\$ 2,671	\$ 1,941	
383,000	Mitsui Chemicals Inc. ....	3,267	2,593	
323,000	Mitsui Osk Lines Ltd. ....	3,274	3,985	
896,200	Nissan Motor Co., Ltd. ....	10,036	7,544	
37,720	Orix Corporation ....	7,471	5,244	
6,600	Posco ....	851	3,240	
5,110	Samsung Electronics Co., Ltd. ....	3,166	3,299	
1,900	Samsung Electronics Co., Ltd. Pfd. ....	842	872	
213,000	Sharp Corporation ....	4,096	3,700	
828	Sumitomo Mitsui Financial Group ....	6,088	5,572	
78,800	Tokyo Electric Power Co. Inc. ....	1,865	2,153	
1,628,306	United Microelectronics Corp. ....	6,278	5,657	
		<u>80,392</u>	<u>78,966</u>	<u>12.8</u>
	<b>Total equities</b> .....	363,685	619,315	100.7
	<b>Forward currency contracts, Schedule 1</b> .....	—	(4,537)	(0.7)
	<b>Total investments</b> .....	<u>\$ 363,685</u>	<u>\$ 614,778</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.

### Schedule 1 - Forward currency contracts

#### Net forward contracts to sell foreign currencies for Canadian Dollars:

<u>Par value</u>	<u>Currency</u>	<u>Number of contracts</u>	<u>Contract rates</u>	<u>Settlement date</u>	<u>Unrealized loss</u>
(in millions)					(000's)
73.5	USD	4	0.9752 - 1.0184	June 16, 2008	\$ (2,572)
15.5	GBP	5	1.94 - 2.03	June 16, 2008	(1,233)
1,142.6	JPY	1	0.01	June 16, 2008	(732)
					<u>\$ (4,537)</u>

The counterparty currently has 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, 2007. The financial statements do not include all of the disclosures required under GAAP for annual financial statements.

Effective January 1, 2008, the Company adopted Section 1535, "Capital Disclosures", as issued by the Canadian Institute of Chartered Accountants. This section requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. This disclosure is provided in Note 2 to these interim financial statements. The Company also adopted Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation". These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing disclosure requirements, and carrying forward unchanged presentation requirements. These new Sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. These standards impact the Company's disclosures provided but do not affect the Company's results or financial statements. These disclosures are provided in Note 3 to these interim financial statements.

#### 2. Capital

The Company's capital is comprised of shareholders' equity which is invested primarily in common equities on a global basis. The Company's strategy is to earn net investment income, net realized gains and appreciation on investments. The Company aims to manage its capital in order to provide an adequate return to its shareholders over the long term.

The Company monitors its capital via its assessment of shareholders' equity. The current period and prior year-end amounts were as follows:

	March 31 2008	December 31 2007
	(000's)	
Shareholders' equity .....	\$ 592,889	\$ 636,214

#### 3. Risk management of financial instruments

The Company faces various risks arising from its financial instruments. Under the supervision of the Board of Directors, management has developed policies to identify and monitor these risks. These risks and their management are described below:

##### *Credit risk*

Credit risk is the risk of financial loss resulting from a counterparty's failure to discharge an obligation. The Company is exposed to credit risk associated with its securities lending program with its custodian, RBC Dexia Investor Services Trust, as its lending agent. The Company is also exposed to counterparty risk associated with forward currency contracts. The Company reviews the credit worthiness of the counterparties on an ongoing basis.

# *Economic Investment Trust Limited*

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

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Sufficient liquidity is maintained by regular monitoring of cash flow requirements.

### *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices which includes foreign currency risk, interest rate risk and other price risk.

The Company is subject to insignificant interest rate risk as its only fixed-interest investments are short term in nature. The Company's exposure to foreign currency risk may be mitigated by the use of forward currency contracts by the investment manager. The other price risk of the portfolio is the volatility and risk of capital loss which is associated with investments in equities, which is partly mitigated through diversification.

The impact on net assets from operations of a reasonably possible change in each of foreign currency and other price risk, as at March 31, 2008, is described below:

- Foreign currency – The primary foreign currency exposure is the US dollar. A 10% fluctuation in the unhedged USD would have an impact of approximately \$11,151,000 on net assets from operations. There are forward currency contracts in place that reduce the impact to approximately \$4,799,000.
- Other price risk – A 10% fluctuation in market prices would have an impact of approximately \$52,498,000 on net assets from operations.

# *Economic Investment Trust Limited*

## **CORPORATE INFORMATION**

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EXTERNAL INVESTMENT MANAGER Sanford C. Bernstein & Co., LLC, New York

BANKER Bank of Nova Scotia

AUDITOR PricewaterhouseCoopers LLP, Toronto

CUSTODIAN RBC Dexia Investor Services Trust

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

### **TORONTO 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 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)