

Economic Investment Trust Limited



ANNUAL REPORT

2015

Economic Investment Trust Limited

THE YEAR AT A GLANCE **89th Annual Report**

	2015 ⁽¹⁾	2014 ⁽¹⁾
Net equity value per Common Share ⁽²⁾	\$ 132.62	\$ 122.43
Net investment income per Common Share ⁽²⁾	\$ 1.45	\$ 1.36
Net income per Common Share	\$ 11.55	\$ 5.39
Dividends per Common Share		
Quarterly	\$ 0.60	\$ 0.60
Additional ⁽³⁾	\$ 0.76	\$ 7.05
Net assets	\$ 744,706	\$ 687,494
Net investment income	\$ 8,129	\$ 7,620
Number of Common Shares outstanding at year end	5,615,535	5,615,535

⁽¹⁾ In thousands of Canadian dollars, except number of Common Shares outstanding and per share amounts.

⁽²⁾ See Management's Discussion and Analysis for Use of Non-GAAP Measures.

⁽³⁾ This additional dividend represents the distribution of the prior year's net investment income, after payment of quarterly dividends.

The financial statements have been prepared under International Financial Reporting Standards ("IFRS").

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held at the Toronto Board of Trade, First Canadian Place, 77 Adelaide Street West, 4th Floor, Toronto, Ontario, on Tuesday, May 3, 2016 at 11:30 a.m. All shareholders are invited to attend.

Economic Investment Trust Limited

BOARD OF DIRECTORS

JACK S. DARVILLE
Corporate Director

DUNCAN N. R. JACKMAN
Chairman and President
Economic Investment Trust Limited

R.B. MATTHEWS
Chairman
Longview Asset Management Ltd.

J. MICHAEL ROLLAND
Chief Investment Officer
Private Markets (Private Equity and Infrastructure)
OMERS

MARK M. TAYLOR
Corporate Director

KEVIN J. WARN-SCHINDEL
Managing Director
HarbourVest Partners, LLC

HONORARY DIRECTORS

J. CHRISTOPHER BARRON
Corporate Director

WILLIAM J. CORCORAN
Corporate Director

THE HONOURABLE HENRY N. R. JACKMAN
Honorary Chairman
The Empire Life Insurance Company

OFFICERS

DUNCAN N. R. JACKMAN
Chairman and President

RICHARD B. CARTY
Corporate Secretary

SCOTT F. EWERT
Vice-President

FRANK J. GLOSNEK
Treasurer

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

This document has been prepared for the purpose of providing Management's Discussion and Analysis ("MD&A") of the financial position and results of operations for the years ended December 31, 2015 and 2014. This MD&A should be read in conjunction with the December 31, 2015 year-end financial statements of Economic Investment Trust Limited ("Economic" or the "Company") which form part of this Annual Report. The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"), which are the generally accepted accounting principles ("GAAP") as set out in the Handbook of the Chartered Professional Accounts of Canada. 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, any forward-looking statements within this discussion 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 bought back its Common Shares. The Common Shares have historically traded at a discount to their net asset value, generally ranging from a 45% discount to a 20% discount. Management believes that shareholders who have invested in the Common Shares of the Company recognize that the Common Shares of the Company usually trade at a discount to their net asset value.

Closed-end funds have the following benefits: they often 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.

Economic has no plans to become an open-ended investment fund.

The Company owns, directly and indirectly, long-term investments in the common shares of some publicly-traded Canadian companies, and a managed global investment portfolio of common shares of publicly-traded global companies.

The long-term investments consist primarily of common shares of E-L Financial Corporation Limited ("E-L Financial"), Algoma Central Corporation ("Algoma") and The Bank of Nova Scotia. At December 31, 2015, the three largest long-term investments, as a percentage of total equity investments, are common shares of E-L Financial at 41.2% (2014 – 43.4%), Algoma at 5.3% (2014 – 6.7%) and The Bank of Nova Scotia at 5.3% (2014 – 6.9%). E-L Financial, Algoma and the Company are related parties. 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 12 to the financial statements in this Annual Report and in the schedule of investment portfolio beginning on page 28.

E-L Financial operates as an investment and insurance holding company with two operating segments E-L Corporate and The Empire Life Insurance Company ("Empire Life"). E-L Corporate's operations include the oversight of investments in global equities held through direct and indirect holdings of

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

common shares, investment funds, closed-end investment companies and private companies. E-L Financial has a 51.5% interest in a closed-end fund, United Corporations Limited ("United"), which is an investment vehicle for long-term growth through investments in common equities. In addition, E-L Corporate has a 36.3% interest in Algoma Central Corporation ("Algoma") and a 24.0% interest in Economic. E-L Financial owns 99.2% of Empire Life which underwrites life and health insurance policies and provides segregated funds, mutual funds and annuity products. Each of E-L Financial, Empire Life, United and Algoma are related parties and are reporting issuers which trade on the Toronto Stock Exchange and have profiles on SEDAR.

The balance of the investment portfolio is managed by Burgundy Asset Management Ltd. ("Burgundy"), a global equity manager based in Toronto. Burgundy manages the portfolio using a long-term bottom-up investment philosophy, which is to purchase good companies with strong economics and management, whose shares are selling below Burgundy's estimate of intrinsic value. The portfolio, of approximately 40-60 publicly traded companies, invests primarily in mid to large capitalization companies which are publicly traded. For the year ended December 31, 2015, 99.3% (2014 – 99.1%) of the global investment portfolio was made up of non-Canadian companies.

At December 31, 2015, approximately 52.8% (2014 – 58.1%) of the investment portfolio was held in long-term investments and 47.2% (2014 – 41.9%) 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 GAAP and therefore may not be comparable to similar measures presented by other companies. Current Canadian GAAP is IFRS for these financial statements. 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 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 to be distributed 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):

	December 31 2015	December 31 2014
Net assets	\$ 744,706	\$ 687,494
Common Shares outstanding	5,615,535	5,615,535
Net equity value per Common Share	\$ 132.62	\$ 122.43

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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 December 31		Year ended December 31	
	2015	2014	2015	2014
Net income	\$ 29,520	\$ 18,088	\$ 64,849	\$ 30,255
Add (deduct):				
Fair value change in investments	(32,182)	(19,354)	(65,383)	(25,105)
Tax on fair value change in investments..	4,264	2,564	8,663	3,326
Net increase (decrease) in refundable dividend taxes on hand.....	—	4	—	(856)
Net investment income ¹	\$ 1,602	\$ 1,302	\$ 8,129	\$ 7,620
Common Shares outstanding	5,615,535	5,615,535	5,615,535	5,615,535
Net investment income per Common Share	\$ 0.29	\$ 0.23	\$ 1.45	\$ 1.36

¹ On an after-tax basis.

Net Equity Value per Common Share

The Company's net equity value per Common Share increased to \$132.62 at December 31, 2015 from \$122.43 at the prior year end.

With dividends reinvested at month-end net equity values, the Company's net equity value return was 9.5% in 2015, compared to a return of 4.5% during 2014. The 2015 net equity return was primarily attributable to the global investment portfolio which had a pre-tax return, gross of fees, of 27.1% in 2015 versus a comparative return of 18.2% in 2014. On a pre-tax basis, the shares of E-L Financial had a positive return of 1.7% during 2015 compared to a negative return of 5.0% for the same period in 2014, the shares of Algoma had a negative return of 12.9% and a positive return of 0.5% in 2014, and the shares of the Bank of Nova Scotia had a negative return of 11.5% compared to a positive return of 3.7% in 2014.

As the Company is a taxable Canadian corporation, the Company's net equity value is net of a provision for income taxes on investment income and realized gains (losses) on investments, and net of a deferred income tax provision on its change in unrealized appreciation of investments.

In Canadian dollar terms, total returns (capital gains plus dividends), for Economic's net equity value and stock market indices, were as follows:

	Year ended Dec. 31, 2015	(%)	Year ended Dec. 31, 2014
Economic net equity value	9.5		4.5
S&P/TSX Composite Index	(8.3)		10.6
MSCI All Country World Index.....	16.2		13.8
S&P 500 Index	21.0		24.0

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Equity Value per Common Share

Growth in Net Equity Value ("NAV")

For the 10 years ended December 31, 2015 the Company's compound annual growth rate in NAV, including dividends, was 4.3%.

Set out below is a table that shows annual growth in NAV in each of the past 10 years:

Annual growth in NAV*

	NAV per Common Share	Annual Growth %
2006	\$ 123.03	24.3
2007	113.22	(6.9)
2008	73.50	(34.7)
2009	86.24	18.2
2010	91.65	7.0
2011	74.81	(17.8)
2012	83.98	13.9
2013	123.60	48.8
2014	122.43	4.5
2015	132.62	9.5

Compound annual growth*

2006 - 2015 - 10 years	4.3
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*This chart was drawn from the individual annual reports and any NAV amounts prior to 2014 have not been restated for any subsequent changes in accounting policies.

Operating Results - 2015

Net income

The Company's net income increased to \$64,849,000 in 2015 from \$30,255,000 in 2014. On a per Common Share basis, net income for the year increased to \$11.55 in 2015 compared to net income of \$5.39 in 2014.

The fair value change in investments was a gain of \$65,383,000 in 2015 compared to a gain of \$25,105,000 for 2014.

Fair value gains for the global investment portfolio increased to \$77,285,000 in 2015 compared to a fair value gain of \$42,437,000 in 2014. The 2015 gain for the global investment portfolio included investment gains from North America of \$41,356,000, Europe \$17,201,000, United Kingdom \$11,850,000 and Asia \$6,306,000. The global investment portfolio produced strong returns (in Canadian dollars) for 2015. For the year, the main driver of returns and, for many underlying companies' earnings, was the strength of the U.S. dollar. The strongest performing positions in our portfolio represented various industries, with Equifax, Imperial Tobacco Group and Hannover Re all among the leaders. Weak performers in the portfolio tended to be in the energy area. Cenovus, a western Canadian energy producer, suffered from the declining oil price. Union Pacific Railway, which has businesses in coal and frac sand shipping, was the worst performing stock in the portfolio. While both the performance and earnings of U.S. investments were better than the S&P 500 Index, their earnings were below their historic growth rates.

The fair value change for long-term investments was a loss of \$11,902,000 in 2015 compared to a loss of \$17,332,000 during the same period in 2014. The Company's long-term investment loss was comprised primarily of losses in Algoma of \$7,521,000 and The Bank of Nova Scotia of \$9,232,000 offset by a fair value gain of \$4,073,000 in E-L Financial.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Results - 2015 (continued)

The Company's net realized gain, all of which relates to the global investment portfolio, was \$33,554,000 in 2015 compared to \$12,220,000 in 2014. The largest contributors during 2015 were realized gains for Lorillard Inc. of \$5,144,000, Equifax, Inc. of \$4,649,000, AmerisourceBergen Corporation of \$4,198,000, and Shimano, Inc. of \$3,448,000.

For income tax purposes, the Company was able to apply capital losses realized in prior years against its net realized gains during 2015. At December 31, 2015, the Company has approximately \$15,595,000 (2014 - \$47,026,000) of capital loss carryforwards. A deferred income tax benefit of \$2,066,000 (2014 - \$6,231,000) has been recognized as a reduction of deferred tax liabilities on the unrealized appreciation of investments. Capital loss carryforwards can be carried forward indefinitely and can be applied against capital gains realized in the future.

Net investment income

The Company's net investment income in 2015 increased to \$8,129,000 compared to \$7,620,000 in 2014. On a per Common Share basis, net investment income for the year increased to \$1.45 in 2015 compared to \$1.36 in 2014.

Foreign dividend income in 2015 increased by 13.8% to \$8,512,000 from \$7,479,000 in 2014. The year-over-year increase occurred primarily as a result of growth in the average global investment portfolio along with the impact of foreign exchange including the rise of the U.S. dollar.

Canadian dividend income in 2015 increased by 6.5% to \$4,226,000 from \$3,967,000 in 2014. The increase year over year resulted primarily from an increase in dividends received from The Bank of Nova Scotia.

Interest and securities lending income decreased in 2015 by 59.1% to \$108,000 from \$264,000 in 2014. The decrease resulted from a smaller average balance of cash and cash equivalents held during the year compared to the prior year.

The expenses of the Company increased by 19.7% to \$3,045,000 in 2015 from \$2,544,000 in 2014. The majority of the increase relates to increased investment management fees as a result of an increase in the average market value of the global investment portfolio year over year. The Company's management expense ratio increased in 2015 to 0.42% of average net assets compared to 0.37% of average net assets in the prior year as a result of a larger increase in the global investment portfolio relative to the long-term investment portfolio. There are no investment management or administrative fees charged on the Company's long-term investments.

The Company's effective income tax rate increased during the year by 2% due primarily to a higher recovery of net refundable dividend taxes in 2014.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Results - Fourth Quarter, 2015

The Company's net equity value per Common Share increased to \$132.62 at December 31, 2015 from \$127.51 at September 30, 2015. With dividends reinvested at month-end net equity values, the Company's net equity value return was 4.1% in the fourth quarter of 2015 compared to a return of 2.7% for the same period in 2014. On a pre-tax basis, the shares of E-L Financial had a return of 2.1% during the fourth quarter of 2015 compared to a negative return of 1.7% for the same period in 2014, the shares of Algoma had a negative return of 8.3% and a positive return of 1.7%, and the shares of The Bank of Nova Scotia had negative returns of 3.7% and 3.3%, respectively. The global investment portfolio had a pre-tax return, gross of fees, of 10.0% in the fourth quarter of 2015 versus a return of 8.0% for the same period in 2014.

In Canadian dollar terms, in the fourth quarter of 2015, the S&P/TSX Composite Index decreased 1.4%, the MSCI All Country World Index increased 9.0% and the S&P 500 Index increased 10.6%.

Three-Year Results

A summary of various financial data for each of the last three years is as follows (in thousands of dollars, except per share amounts):

	2015	2014	2013
Net fair value change in investments ¹	\$ 56,720	\$ 21,779	\$ 187,687
Net fair value change in investments per Common Share ¹	10.10	3.88	33.42
Total assets	812,219	744,819	754,137
Net investment income ¹	8,129	7,620	42,951
Net investment income per Common Share	1.45	1.36	7.65
Dividends per Common Share:			
Quarterly	0.60	0.60	0.60
Additional	0.76	7.05	0.53

¹ On an after-tax basis.

Economic's investment portfolio is affected by equity markets, stock selection and currency movements. In 2015, the performance of Economic was favourably affected by strong returns from the global investment portfolio, along with the impact of foreign exchange including the rise of the U.S. dollar. These returns were offset, in part, by negative returns from the Company's investments in Algoma and The Bank of Nova Scotia. In 2014, the performance of Economic was favourably affected by strong returns from the global investment portfolio, offset by a negative return from the Company's largest investment, E-L Financial. In 2013, the performance of Economic was favourably affected by strong returns from its long-term investments, in particular, E-L Financial, and from the global investment portfolio.

The fluctuations in net investment income are due primarily to changes in dividend income that is earned by the Company, net of management fees. The dividend income is determined by the dividend policies of the corporations that are held as investments in our total investment portfolio. In 2013, Economic received, directly and indirectly, a special dividend from its largest investment, E-L Financial, amounting to \$36,108,000.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Review - 2015 and 2014

The following tables summarize various financial results on a quarterly basis for the current and prior year:

	2015			
	Quarter ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
	(In thousands of dollars, except per share amounts)			
Net investment income ¹	\$ 2,364	\$ 2,388	\$ 1,775	\$ 1,602
Net fair value change in investments ¹	22,686	(4,217)	10,333	27,918
Per Common Share:				
Net investment income ¹	0.42	0.43	0.31	0.29
Net fair value change in investments ¹	4.04	(0.75)	1.84	4.97
Net income (loss).....	\$ 4.46	\$ (0.32)	\$ 2.15	\$ 5.26
	2014			
	Quarter ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
	(In thousands of dollars, except per share amounts)			
Net investment income ¹	\$ 2,206	\$ 2,340	\$ 1,772	\$ 1,302
Net fair value change in investments ¹	10,019	(1,887)	(3,143)	16,790
Net (increase) decrease in refundable dividend taxes on hand.....	860	—	—	(4)
Per Common Share:				
Net investment income ¹	0.39	0.42	0.32	0.23
Net fair value change in investments ¹	1.79	(0.34)	(0.56)	2.99
Net income (loss).....	\$ 2.33	\$ 0.08	\$ (0.24)	\$ 3.22

¹ On an after-tax basis.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. There is no guarantee that the Company will receive dividend income on its investments at current dividend payout levels.

Overall returns are determined by the performance of the Company's long-term investments and the performance of the global investment 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.

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company under Canadian securities laws is recorded, processed, summarized and reported within the specified time periods, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management on a timely basis to allow appropriate decisions regarding public disclosure. Under the supervision of management, an evaluation was carried out on the effectiveness of the Company's disclosure controls and procedures as of December 31, 2015. Based on that evaluation, management concluded that the Company's disclosure controls and procedures were effective as at December 31, 2015.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. Under the supervision of management, an evaluation of the Company's internal control over financial reporting was carried out as at December 31, 2015. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as at December 31, 2015. No changes were made in the Company's internal control over financial reporting during the year ended December 31, 2015, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Risks

As the Company is a closed-end investment corporation, Economic faces various risks arising from its investments. Under the supervision of the Board of Directors, management has developed policies to identify and monitor these risks. Note 4 to the December 31, 2015 financial statements provide disclosures surrounding risks arising from its financial instruments. These risks include market, liquidity, credit and certain concentration risks.

Market risk

The most significant risk that is face by Economic is market risk which represents exposures to changes in the fair value of its investment portfolio. As the Company's investment portfolio is represented by Canadian and global equities, the value of its investments will vary from day to day depending on a number of market factors including economic conditions, global events, market news, and on the performance of the issuers of the securities in which the Company invests. Changes in foreign currency exchange rates will also affect the value of investments of non-Canadian dollar securities. As of December 31, 2015, 28% (2014 – 24%) of the investment portfolio including cash and cash equivalents was denominated in U.S. dollars, 7% (2014 – 6%) Euro, 6% (2014 – 5%) British pound, and 3% (2014 – 3%) Japanese yen.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Concentration risk

Concentration risk exists when a significant portion of the equity investment portfolio is invested in a small number of companies or geographical areas. Concentration reduces the diversification of the investment portfolio and may result in greater volatility. At December 31, 2015, the Company's carrying value of its direct and indirect investment in E-L Financial of \$323,007,000 (2014 - \$318,934,000) represents 41.2% (2014 - 43.4%) of Economic's total equity investments. E-L Financial is subject to market risks as its investing activities are influenced by market price and interest rate risk. E-L Financial's subsidiary, Empire Life, is impacted by a number of risks including investment, insurance, operational, competition, regulatory and other risks.

Credit risk

Economic participates in securities lending which could expose the Company to the risk of counterparty failure. RBC Investor Services Trust ("RBC IS"), the Company's custodian, acts as lending agent. RBC IS is responsible to return the borrowed securities to the Company when required, and RBC IS indemnifies the Company in the event of borrower default. The Company has recourse to the Royal Bank of Canada in the event of a failure to indemnify by RBC IS.

The Company's exposure to risks is also addressed in the Company's Annual Information Form. Further information on risks related to E-L Financial are disclosed in its Annual Information Form available on www.sedar.com.

Share Data

At December 31, 2015, there are 5,615,535 Common Shares issued and outstanding and each share is entitled to one vote.

Liquidity and Capital Resources

The Company's 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. During the year, the company paid quarterly dividends totalling \$0.60 per common share and an additional dividend of \$0.76. An additional dividend of \$0.85 per Common Share will be paid in the first quarter of fiscal 2016 along with the regular \$0.15 quarterly dividend. The Company's dividend policy is established by the Board of Directors at its discretion and is subject to change.

Related Party Transactions

The Company has investments in related parties (see Schedule of Investment Portfolio) with a fair value at December 31, 2015 of \$414,542,000 (2014 - \$426,444,000) representing 52.8% (2014 - 58.1%) of the total investments. Dividends from these companies for the year ended December 31, 2015 amounted to \$4,092,000 (2014- \$3,935,000).

E-L Financial holds a 25% interest in the Company. Included in investment management and administrative costs are fees for administrative services paid to E-L Financial. These fees are calculated at 0.1% per annum of the fair value of the investments managed by the external investment manager and are paid monthly. The total fees for the year ended December 31, 2015 amounted to \$410,000 (2014 - \$330,000).

The ultimate controlling party of the Company and of these related parties is The Honourable Henry N.R. Jackman together with a trust created in 1969 by his father, Henry R. Jackman.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Critical Accounting Estimates

The preparation of the financial statements require management to make estimates and assumptions that affect the reported amounts of assets, liabilities and earnings. Note 2 to the financial statements describes the significant accounting policies and note 3 contains critical accounting estimates and judgments. In measuring the fair value of investments, management exercises judgment in the selection of fair value inputs and in determining their significance to the fair value estimate.

Changes in Accounting Policies

In July 2014, the final version of IFRS 9 –“Financial Instruments” was published and will replace IAS-39 “Financial Instruments”. The new standard includes requirements on the classification and measurement of financial assets and liabilities. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is evaluating the impact of this standard on its financial statements.

Additional Information

Additional information relating to Economic, including the Company's Annual Information Form, is available at www.sedar.com.

Economic's website, 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

February 11, 2016

Economic Investment Trust Limited

FINANCIAL HIGHLIGHTS

For each of the years in the five-year period ended December 31, 2015:

	IFRS			Previous Canadian GAAP	
	2015	2014	2013	2012	2011
DATA PER COMMON SHARE					
NET EQUITY VALUE, beginning of year ¹	\$ 122.43	\$ 124.69	\$ 84.90	\$ 74.81	\$ 91.65
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS ²					
Net investment income	1.45	1.36	7.65	1.13	1.15
Net fair value change in investments.....	10.10	3.88	33.42	9.16	(17.43)
Net (increase) decrease in refundable dividend taxes on hand.....	—	0.15	(0.15)	—	—
	11.55	5.39	40.92	10.29	(16.28)
CASH DIVIDENDS TO COMMON SHAREHOLDERS					
Quarterly	(0.60)	(0.60)	(0.60)	(0.60)	(0.60)
Additional.....	(0.76)	(7.05)	(0.53)	(0.55)	—
	(1.36)	(7.65)	(1.13)	(1.15)	(0.60)
TAXATION CHANGES					
Net decrease in refundable dividend taxes on hand.....	—	—	—	0.03	0.04
NET EQUITY VALUE, end of year....	\$ 132.62	\$ 122.43	\$ 124.69	\$ 83.98	\$ 74.81

¹ The net equity value at the beginning of fiscal 2013 reflects changes arising from the first-time adoption of IFRS.

² For Previous Canadian GAAP, comparative description is increase (decrease) in net assets from operations.

Economic Investment Trust Limited

MANAGEMENT'S REPORT

The accompanying financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and other sections of the Annual Report.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgement. The significant accounting policies which management believes are appropriate for the Company are described in Note 3 to the financial statements. Financial information disclosed elsewhere in the Annual Report is consistent with the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. The Board of Directors carries out its responsibilities principally through the Audit Committee. The Audit Committee reviews the financial statements, the adequacy of internal controls, the audit process and financial reporting with management and the external auditors prior to recommending the audited financial statements and related disclosure for approval by the Board of Directors.

The shareholders of the Company appointed the external auditor, PricewaterhouseCoopers LLP. The external auditor audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out on the following page.



Duncan N.R. Jackman
Chairman and President



Scott F. Ewert
Vice-President

February 11, 2016

Economic Investment Trust Limited

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

Economic Investment Trust Limited:

We have audited the accompanying financial statements of Economic Investment Trust Limited, which comprise the statements of net assets as at December 31, 2015 and 2014 and the statements of income, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Economic Investment Trust Limited as at December 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

February 11, 2016
Toronto, Canada

Chartered Professional Accountants, Licensed Public Accountants

Economic Investment Trust Limited

STATEMENTS OF NET ASSETS

	Year ended December 31	
	2015	2014
	(000's)	
ASSETS		
Cash and cash equivalents	\$ 23,141	\$ 8,786
Investments (cost - \$269,876; 2014 \$251,504) (Notes 4, 6 and 12)	784,764	734,563
Receivable in respect of investments sold	3,752	—
Dividends and interest receivable	487	558
Income taxes receivable	—	761
Other assets	75	151
	<u>812,219</u>	<u>744,819</u>
LIABILITIES		
Accrued expenses	621	504
Payable in respect of investments purchased	1,410	—
Income taxes payable	12	—
Deferred tax liabilities (Note 8)	65,470	56,821
	<u>67,513</u>	<u>57,325</u>
Net assets	<u>\$ 744,706</u>	<u>\$ 687,494</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	\$ 204,691	\$ 204,691
Share premium	1,474	1,474
Retained earnings	538,541	481,329
Total shareholders' equity	<u>\$ 744,706</u>	<u>\$ 687,494</u>

APPROVED BY THE BOARD:



DUNCAN N.R. JACKMAN

Director



R.B. MATTHEWS

Director

(See accompanying notes)

Economic Investment Trust Limited

STATEMENTS OF INCOME

	Year ended December 31	
	2015	2014
	(000's)	
INCOME		
Dividends		
Foreign	\$ 8,512	\$ 7,479
Canadian (Note 12)	4,226	3,967
	<u>12,738</u>	<u>11,446</u>
Interest and securities lending income	108	264
Fair value change in investments (Note 9)	65,383	25,105
	<u>78,229</u>	<u>36,815</u>
EXPENSES		
Investment management and administrative costs (Note 12)	2,456	1,973
Office and miscellaneous	213	213
Directors' remuneration	193	168
Transfer, registrar and custody fees	125	104
Professional fees	58	86
	<u>3,045</u>	<u>2,544</u>
INCOME BEFORE INCOME TAXES	75,184	34,271
Provision for income taxes (Note 8)	10,335	4,016
NET INCOME	\$ 64,849	\$ 30,255
EARNINGS PER COMMON SHARE		
- BASIC AND DILUTED (Note 13)	\$ 11.55	\$ 5.39

(See accompanying notes)

Economic Investment Trust Limited

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Retained earnings	Total
	(000's)			
At January 1, 2015	\$ 204,691	\$ 1,474	\$ 481,329	\$ 687,494
Net income for the year	—	—	64,849	64,849
Dividends (Note 11)	—	—	(7,637)	(7,637)
At December 31, 2015	\$ 204,691	\$ 1,474	\$ 538,541	\$ 744,706
At January 1, 2014	\$ 204,691	\$ 1,474	\$ 494,033	\$ 700,198
Net income for the year	—	—	30,255	30,255
Dividends (Note 11)	—	—	(42,959)	(42,959)
At December 31, 2014	\$ 204,691	\$ 1,474	\$ 481,329	\$ 687,494

STATEMENTS OF CASH FLOW

	Year ended December 31	
	2015	2014
	(000's)	
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income	\$ 64,849	\$ 30,255
Adjustments for:		
Fair value change in investments	(65,383)	(25,105)
Purchases of investments	(62,918)	(47,692)
Proceeds from sale of investments	78,100	41,422
Dividends and interest receivable	70	(46)
Deferred taxes	8,649	3,347
Net change in other assets and liabilities	(1,375)	(129)
	21,992	2,052
Financing		
Dividends paid to shareholders	(7,637)	(42,959)
Net increase (decrease) in cash and cash equivalents	14,355	(40,907)
Cash and cash equivalents at beginning of the year	8,786	49,693
Cash and cash equivalents at end of the year (Note 7)	\$ 23,141	\$ 8,786
Additional information for operating activities:		
Interest received	\$ 56	\$ 243
Dividends received, net of withholding taxes	11,754	10,387

(See accompanying notes)

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2015

1. Description of business

Economic Investment Trust Limited (“Economic” or the “Company”) is a closed-end investment corporation. The head office, principal address and registered office of the Company is located at 165 University Avenue, Toronto, Ontario, M5H 3B8.

Economic trades 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 financial statements are presented in Canadian dollars which is the functional and presentation currency. These financial statements were approved by the Company’s Board of Directors on February 11, 2016.

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”). The Company has consistently applied the accounting policies throughout all periods presented.

Investment entity

The Company has determined that it meet the definition of investment entity and as a result, it measures its investment in associate at FVTPL. An investment entity is an entity that (i) obtains funds from one or more investors for the purposes of providing them with investment management services; (ii) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and (iii) measures and evaluates the performance of substantially all of its investments on a fair value basis.

Financial instruments

The Company recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. The Company’s investments are measured at fair value through profit or loss (“FVTPL”). All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract’s effective interest rate.

Interest income from short-term investments is recognized at the effective interest rate. Dividends are recognized as income on the ex-dividend date. The cost of investments is determined using the average cost method.

Purchases and sales of financial assets are recognized at their trade date. Receivables in respect to investments sold and payables in respect to investments purchased represent unsettled investment transactions.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For publicly listed investments, the Company uses the last traded market price where this price falls within that day’s bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2015 (continued)

2. Summary of significant accounting policies (continued)

The investments in private companies that are not listed on a stock exchange are measured using the adjusted net asset method. This method estimates the fair values of the underlying assets and liabilities of the private companies and considers adjustments for characteristics such as a minority marketability discount and control block premiums. The changes in fair value of each private company are included in Fair value change in investments in the statements of income.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates that transactions occur. Assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to financial assets and liabilities are included within "Net realized gain" and "Change in unrealized appreciation", as presented as a component of the Fair value change in investments in the statement of income.

Cash

Cash and cash equivalents includes cash in hand and short term, highly liquid instruments with maturities of three months or less from the date of acquisition.

Securities lending income

Securities lending income is recognized as earned.

Comprehensive income

The Company does not have any other comprehensive income and therefore comprehensive income equals net income which it reports in its statement of income.

Earnings per share ("EPS")

Basic and diluted EPS is calculated by dividing the net income attributed to common shareholders of the Company by the weighted average number of Common Shares outstanding for the period. Refer to Note 13 for the calculation.

Income taxes

Income tax comprises both current and deferred tax. Income tax is recognized in the statement of income.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute these amounts are those that are enacted or substantively enacted at the end of each reporting period.

Deferred income tax assets and liabilities are recorded for the expected future income tax consequences of events that have been reflected in the statements or income tax returns.

Deferred income taxes are provided for using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between the tax and financial statement bases for assets and liabilities and for certain carry-forward items.

Deferred income tax assets are recognized only to the extent that, in the opinion of management, it is probable that the deferred income tax assets will be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates, on the date of the enactment or substantive enactment.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2015 (continued)

2. Summary of significant accounting policies (continued)

The Company currently incurs withholding taxes imposed by certain countries on investment income. Such income is recorded on a gross basis and the related withholding taxes are reflected within the "Provision for income taxes" in the statement of income.

Future Accounting Changes

In July 2014 the IASB published the complete version of IFRS 9 - "Financial Instruments" which is effective for annual periods beginning on or after January 1, 2018, with retrospective application. The new standard includes requirements on the classification and measurement of financial assets and liabilities. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

3. Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Company has made in preparing the financial statements:

Classification and measurement of investments

In classifying and measuring financial instruments held by the Company, the Company is required to make significant judgments about whether or not the business of the Company is to invest on a total return basis for the purpose of applying the fair value option for financial assets. The most significant judgment made includes the determination that the Company can apply the fair value option to its investments.

Fair value of investments in private companies

The fair value of investments in private companies is measured using the adjusted net asset method which estimates the fair value of the underlying assets and liabilities of the private companies. Refer to Note 5 for further details.

Deferred taxes

Estimates and assumptions are used primarily in the determination of the Company's deferred tax liabilities, as the income tax rates used in determining the liability is dependent on an assumption as to when a deferred tax liability is expected to be realized.

4. Risks associated with 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, measure 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 has a securities lending agreement with its custodian, RBC Investor Services Trust ("RBC IS"), whereby RBC IS lends securities to borrowers for a fee, which is shared with the Company. RBC IS receives fixed income and equities as collateral from borrowers, of at least 105% of the value of the securities loaned. In the event that the loaned securities are not returned to the Company by the borrower, RBC IS is responsible to restore the securities or pay to the Company the market value of the loaned securities. If the collateral is not adequate to pay the market value to the Company, RBC IS indemnifies the Company for the difference. The Company has recourse to the Royal Bank of Canada should RBC IS fail to discharge its obligations to the Company. At December 31, 2015 the Company had loaned securities with a fair value of approximately \$61,479,000 (2014 - \$15,203,000) and received approximately \$64,553,000 (December 31, 2014 - \$15,963,000) in collateral. There was no significant exposure to credit risk to other receivable balances because of their short-term nature.

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2015 (continued)

4. Risks associated with financial instruments (continued)

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. All liabilities, other than deferred tax liabilities, settle within three months of the year end.

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 interest rate risk, foreign currency risk and other price risk.

The Company is not subject to significant interest rate risk, as its only fixed-interest investments are short term in nature.

Currency risk arises from financial instruments denominated in foreign currencies. IFRS 7 - "Financial Instrument Disclosures" considers the foreign exchange exposures relating to non-monetary financial instruments to be a component of other price risk. The Company's geographical distribution of underlying currency risk exposure of investments is as follows:

	2015	2014
	(000's)	
Canada	\$ 417,293	\$ 429,303
United States	214,014	176,963
Europe	80,286	61,142
United Kingdom	44,763	39,143
Asia	25,288	25,293
Latin America	3,120	2,719
Investments	<u>\$ 784,764</u>	<u>\$ 734,563</u>

The Company is exposed to other price risk through its investment in equity securities. These risks are mitigated by using an investment manager that manages a diversified portfolio of securities.

A 10% fluctuation in global equity market prices, assuming all other factors are constant, would have an after-tax impact of approximately \$68,078,000 (2014 - \$63,723,000) on net income.

Concentration risk

Concentration risk exists when a significant portion of the investment portfolio is invested in a small number of companies or geographical areas. Concentration reduces the diversification of the investment portfolio and may result in greater volatility. At December 31, 2015, the Company's fair value of its direct and indirect investment in E-L Financial of \$323,007,000 (2014 - \$318,934,000) represented 41.2% (2014 - 43.4%) of Economic's total investments.

5. Financial instruments

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).

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2015 (continued)

5. Financial instruments (continued)

If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires judgement by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The Company utilizes the adjusted net asset method to derive the fair value of investments in private companies by reference to the fair value of its assets and liabilities, along with assessing a minority marketability discount and control block premiums, if any. These adjustments are unobservable inputs for fair value measurement. The adjusted net asset method has been determined most appropriate for an investment whose value is mainly derived from the holding of assets rather than from deploying those assets as part of a broader business. The assets and liabilities of the private companies primarily include listed investments and deferred tax liabilities. The Company identified a range of possible valuations which market participants could apply to the private companies. This analysis resulted in a range of plus or minus 10% of the fair value of the underlying net assets with a best estimate adjustment of zero. Taking this into account, the Company applied no minority marketability discount or premium to the net asset value estimate of the private companies. If the minority marketability discount was 10%, compared to a premium of 10%, with all other variables remaining constant, net assets would have decreased or increased by approximately \$9,943,000 (2014 - \$10,918,000).

At December 31, 2015, the Company had \$670,142,000 (2014 - \$608,701,000) of Level 1 and \$114,622,000 (2014 - \$125,862,000) of Level 3 equity investments. There were no transfers between Level 1, 2 or 3 equity investments during the current or prior year.

The fair value change in private company investments of (\$11,240,000) (2014 - (\$2,617,000)) were recognized in the statement of income. There were no purchases, sales, issues or settlements of these investments during either year.

All cash equivalents at the year end and the prior year end are Level 2 investments. The carrying values of cash, receivable in respect of investments sold, dividends and interest receivable, other assets, accrued expenses, payable in respect of investments purchased, and income taxes payable approximate their fair values due to their short-term nature.

6. Investment in associate

The Company has the following investment in associate:

TGV Holdings Limited ("TGV") is a private investment company incorporated in Canada. The principal address of TGV is located at 165 University Avenue, Toronto, ON, M5H 3B8. TGV is an investment vehicle for long-term growth through investments in common equities and is consistent with the Company's investment strategy and contributes to achieving the investment objective. TGV is exposed to other price risk and concentration risk primarily through indirect investments in The Bank of Nova Scotia.

	Ownership interest %	Carrying value	
		2015	2014
		(000's)	
TGV Holdings Limited	47.7%	\$ 10,600	\$ 12,437

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2015 (continued)

7. Cash and cash equivalents

Components of cash and cash equivalents for purposes of the statements of cash flows are as follows:

	<u>2015</u>	<u>2014</u>
	(000's)	
Cash	\$ 8,687	\$ 3,892
Cash equivalents	14,454	4,894
Total	<u>\$ 23,141</u>	<u>\$ 8,786</u>

The following table presents cash and cash equivalents classified by the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>
	(000's)			
December 31, 2015	\$ 8,687	\$ 14,454	\$ —	\$ 23,141
December 31, 2014	3,892	4,894	—	8,786

8. Income taxes

The Company is a public corporation under the Income Tax Act and is subject to tax at normal corporate rates on its net realized gains (Note 10) and on investment income other than taxable dividends received from corporations resident in Canada. Income taxes are assessed on net income before income taxes. The current enacted corporate tax rates as they impact the Company in 2015 stand at 26.5% (2014 – 26.5%). The effective tax rate varies from the combined statutory rate as follows:

	<u>2015</u>	<u>2014</u>
	(000's)	
Income taxes at statutory rate	\$ 19,924	\$ 9,082
Variance as a result of:		
Non-taxable portion of gains	(8,663)	(3,326)
Tax-paid dividends	(1,120)	(1,051)
Net refundable dividend taxes	—	(856)
Other	194	167
Provision for income taxes	<u>\$ 10,335</u>	<u>\$ 4,016</u>

The Company's provision for income taxes includes provisions for current and deferred income taxes as follows:

	<u>2015</u>	<u>2014</u>
	(000's)	
Current	\$ 1,686	\$ 669
Deferred	8,649	3,347
Provision for income taxes	<u>\$ 10,335</u>	<u>\$ 4,016</u>

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2015 (continued)

8. Income taxes (continued)

Deferred tax liabilities arise primarily from the timing of the inclusion of accrued dividends for income tax purposes and from differences between the carrying value and the tax cost of the investments offset, in part, by the deferred tax benefit of capital loss carryforwards. At December 31, 2015, the Company has approximately \$15,595,000 (2014 - \$47,026,000) of realized capital loss carryforwards. A deferred income tax benefit of \$2,066,000 (2014 - \$6,231,000) has been recognized as a reduction of deferred tax liabilities. Capital loss carryforwards can be carried forward indefinitely and can be applied against capital gains realized in the future. Details of the deferred tax liabilities are as follows:

	<u>2015</u>	<u>2014</u>
	(000's)	
Unrealized appreciation of investments	\$ 67,402	\$ 62,904
Capital loss carryforwards	(2,066)	(6,231)
	<u>65,336</u>	<u>56,673</u>
Accrued dividends receivable	134	148
Deferred tax liabilities	<u>\$ 65,470</u>	<u>\$ 56,821</u>

Of the above total, \$65,336,000 (2014 - \$56,673,000) is expected to be paid more than one year after the reporting date.

Deferred tax expense included in net income represents movements related to the following items:

	<u>2015</u>	<u>2014</u>
	(000's)	
Investments	\$ 4,498	\$ 1,708
Capital loss carryforwards utilized	4,165	1,619
Accrued dividends	(14)	20
Deferred income taxes	<u>\$ 8,649</u>	<u>\$ 3,347</u>

During the year ended December 31, 2015, the Company paid tax instalments and assessments totaling \$564,000 (2014 - \$818,000) and received income tax refunds totaling \$771,000 (2014 - \$960,000). These items are classified as cash flows from operating activities in the cash flow statement.

The Company is also subject to a special tax of up to 33 1/3% on taxable dividends received from corporations resident in Canada. This tax is refundable on payment of taxable dividends to shareholders at the rate of \$1.00 of each \$3.00 of such dividends paid. The accumulated amount of refundable dividend tax at December 31, 2015 amounts to approximately \$19,000 (2014 - \$16,000).

9. Fair value change in investments

The fair value change in investments is comprised as follows:

	<u>2015</u>	<u>2014</u>
	(000's)	
Net realized gain	\$ 33,554	\$ 12,220
Change in unrealized appreciation	31,829	12,885
	<u>\$ 65,383</u>	<u>\$ 25,105</u>

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2015 (continued)

10. Net realized gain

The following are the details of the net realized gain during the years indicated:

	2015	2014
	(000's)	
Proceeds on sales of investments	\$ 78,100	\$ 41,422
Cost of investments, beginning of year	251,504	233,014
Cost of investments purchased during year	62,918	47,692
	314,422	280,706
Cost of investments, end of year	269,876	251,504
Cost of investments, sold during year	44,546	29,202
Net realized gain	\$ 33,554	\$ 12,220

11. Share capital

The Company's Articles of Continuance provide for an authorized capital of 200,000 Preferred Shares, issuable in series, and an unlimited number of Common Shares. Of the 200,000 Preferred Shares so authorized, 100,000 are designated as 5% Cumulative Preferred Shares Series A ("Preferred Shares Series A").

The capital stock account of the Company is as follows:

	Authorized	Issued and Outstanding	2015	2014
			(000's)	
Common Shares				
Issued and outstanding	unlimited	5,615,535	\$ 204,691	\$ 204,691

Dividends during the year were paid as follows:

	2015	2014
	(000's)	
On 5,615,535 Common Shares:		
Quarterly - \$0.15 quarterly per share	\$ 3,369	\$ 3,369
Additional - \$0.76 (2014 - \$7.05) per share	4,268	39,590
Total	\$ 7,637	\$ 42,959

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2015 (continued)

11. Share capital (continued)

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, subject to the Board of Directors approval. 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.

Common Share dividends of \$1.00 per Common Share were declared by the Board of Directors at its meeting on February 11, 2016, with a record and payable date of March 15, 2016 and March 31, 2016, respectively.

12. Related party information

The Company has investments in related parties (see Schedule of Investment Portfolio) with a fair value at December 31, 2015 of \$414,542,000 (2014 - \$426,444,000) representing 52.8% (2014 - 58.1%) of the total investments. Dividends from these companies for the year ended December 31, 2015 amounted to \$4,092,000 (2014- \$3,935,000).

E-L Financial holds a 24.0% interest in the Company. Included in investment management and administrative costs are fees for administrative services paid to E-L Financial. These fees are calculated at 0.1% per annum of the fair value of the investments managed by the external investment manager and are paid monthly. The total fees for the year ended December 31, 2015 amounted to \$410,000 (2014 - \$330,000).

The ultimate controlling party of the Company and of these related parties is The Honourable Henry N.R. Jackman together with a trust created in 1969 by his father, Henry R. Jackman.

Compensation of key management personnel

Key management personnel comprise the directors of the Company and their remuneration is as follows:

	2015	2014
	(000's)	
Directors' compensation and other short-term benefits	<u>\$ 193</u>	<u>\$ 168</u>

13. Earnings per share ("EPS")

Basic and diluted EPS

EPS is calculated as follows (in thousands of dollars, except for weighted average number of Common Shares outstanding and per Common Share amounts):

	2015	2014
Net income	<u>\$ 64,849</u>	<u>\$ 30,255</u>
Weighted average number of Common Shares outstanding	<u>5,615,535</u>	<u>5,615,535</u>
Basic and diluted earning per Common Share	<u>\$ 11.55</u>	<u>\$ 5.39</u>

14. Capital

The Company's capital comprises shareholders' equity, which is invested, directly and indirectly, in 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 Company's strategy 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 Company monitors its capital via its assessment of shareholders' equity.

Economic Investment Trust Limited

SCHEDULE OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2015

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
North America				
Canada				
2,126,380	Algoma Central Corporation ²	\$ 2,974	\$ 29,769	
157,200	Cenovus Energy Inc.	3,992	2,751	
386,206	E-L Financial Corporation Limited ²	26,116	270,151	
33,101	Ecando Investments Limited Classes A, B and common ^{2, 3, 5}	4,139	53,519	
176,414	The Fulcrum Investment Company Limited ^{2, 3}	464	12,647	
216,900	NVG Holdings Limited Classes B, C, D, E and common ^{1, 2, 3}	2,115	37,856	
4,837	TGV Holdings Limited Class B ^{1, 2, 3, 4}	318	10,600	
		<u>40,118</u>	<u>417,293</u>	53.2
United States				
157,358	Allison Transmission Holdings Inc.	5,184	5,638	
54,964	AmerisourceBergen Corporation	2,332	7,889	
37,657	Apple Inc.	3,242	5,486	
6,226	AutoZone, Inc.	5,563	6,393	
129,091	Babcock & Wilcox Enterprises, Inc.	3,139	3,729	
218,436	BB&T Corporation	7,795	11,431	
36,421	Becton, Dickinson and Company	3,160	7,767	
184,570	BWX Technologies, Inc.	4,226	8,116	
213,403	Cisco Systems, Inc.	4,442	8,020	
117,975	Coca-Cola Co. (The)	6,086	7,014	
40,679	Equifax, Inc.	2,167	6,270	
64,708	Harris Corporation	6,277	7,782	
29,410	Humana, Inc.	2,881	7,266	
87,086	Johnson & Johnson	6,465	12,381	
205,675	Leucadia National Corporation	5,700	4,950	
65,009	McDonald's Corporation	6,801	10,629	
149,589	Microsoft Corporation	5,764	11,486	
58,853	Northern Trust Corporation	2,946	5,872	
97,728	Occidental Petroleum Corporation	8,534	9,145	
164,639	Oracle Corporation	5,677	8,324	
66,009	PepsiCo, Inc.	5,113	9,128	
104,761	Philip Morris International Inc.	9,720	12,746	
32,121	Sabre Corporation	1,158	1,243	
96,989	Union Pacific Corporation	8,831	10,497	
86,703	United Technologies Corporation	8,409	11,528	
112,715	Walgreen Boots Alliance Inc.	6,710	13,284	
		<u>138,322</u>	<u>214,014</u>	27.3
	Total North America	<u>178,440</u>	<u>631,307</u>	80.5

Economic Investment Trust Limited

SCHEDULE OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2015

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
	Latin America			
1,277,828	Quinenco S.A.....	\$ 3,792	\$ 3,120	0.4
	Europe, excluding United Kingdom			
108,878	Colruyt S.A.....	5,583	7,764	
72,267	Deutsche Boerse AG	4,146	8,840	
57,500	Hannover Rueckversicherung SE.....	3,881	9,130	
89,484	Heineken Holding N.V.....	4,152	9,548	
95,966	Henkel AG & Co. KGaA.....	5,863	12,781	
52,967	Nestle S.A.....	3,431	5,451	
76,585	Novartis AG.....	4,942	9,177	
134,741	Publicis Groupe	9,190	12,430	
13,536	Roche Holding AG	2,330	5,165	
		<u>43,518</u>	<u>80,286</u>	10.2
	United Kingdom			
168,589	British American Tobacco plc.....	9,246	12,974	
158,738	Imperial Tobacco Group plc.....	5,770	11,618	
924,735	Sage Group plc (The)	5,147	11,389	
147,051	Unilever plc.....	5,597	8,782	
		<u>25,760</u>	<u>44,763</u>	5.7
	Asia			
39,800	Canon Inc.	1,345	1,684	
8,900	Hirose Electric Co., Ltd.	920	1,512	
85,100	Kao Corporation.....	2,934	6,127	
5,300	Keyence Corporation	1,433	4,092	
170,900	Komatsu Ltd.....	4,081	3,918	
167,500	Unicharm Corporation.....	3,754	4,775	
3,086,000	Want Want China Holdings Ltd.....	3,899	3,180	
		<u>18,366</u>	<u>25,288</u>	3.2
	Total investments	<u>\$ 269,876</u>	<u>\$ 784,764</u>	<u>100.0</u>

¹ The net assets of NVG Holdings Limited and TGV Holdings Limited are invested primarily in the shares of The Bank of Nova Scotia.

² These companies and Economic are related parties.

³ Not listed on a stock exchange.

⁴ Investment in associate (see Note 6).

⁵ The net assets of Ecando Investments Limited are invested primarily in shares of E-L Financial Corporation Limited.

Economic Investment Trust Limited

Economic Investment Trust Limited was the first closed-end investment trust formed in Canada in the 1920's. The trust was sponsored by the chartered accounting firm of George A. Touche & Company.

The initial capitalization consisted of 32,250 shares issued in 1927 at \$50 for a total of \$1,612,500. In addition, \$1,000,000 of 30 year 5% Collateral Trust Gold Bonds were issued in 1927, making the total amount of initial capital subscribed \$2,612,500.

FINANCIAL RECORD - 1928 - 2015 (Unaudited)

Year Ended March 31	Total Net Assets at Carrying Value*	Funded Debt	Preferred Shares Outstanding**	Net Equity Behind Common Shares	Net Investment Income Available For Common Shares	Net Equity Value per Common Share=
1928	\$ 2,776,143	\$ 1,000,000	\$ —	\$ 1,776,143	\$ 59,836	\$ 0.81
1929	2,990,242	1,000,000	—	1,990,242	108,757	0.77
1930	3,064,552	1,000,000	—	2,064,552	132,219	0.76
1931	2,344,127	1,000,000	—	1,344,127	109,133	0.50
1932	1,412,796	990,000	—	422,796	69,803	0.16
1933	1,161,715	962,500	—	199,215	36,538	0.07
1934	1,808,188	959,500	—	848,688	29,378	0.31
1935	1,838,293	949,500	—	888,793	27,665	0.33
1936	2,353,313	949,500	—	1,403,813	39,181	0.52
1937	3,084,608	949,500	—	2,135,108	83,259	0.79
1938	2,028,005	1,000,000	—	1,028,005	89,611	0.38
1939	2,322,361	1,000,000	—	1,322,361	73,262	0.49
1940	2,779,329	1,000,000	—	1,779,329	64,964	0.66
1941	2,350,199	1,000,000	—	1,350,199	89,373	0.50
1942	2,145,074	1,000,000	—	1,145,074	86,242	0.42
1943	2,604,866	1,000,000	—	1,604,866	79,552	0.59
1944	2,889,930	1,000,000	—	1,889,930	91,189	0.70
1945	3,238,955	1,000,000	—	2,238,955	93,286	0.82
1946	3,896,005	1,000,000	—	2,896,005	83,594	1.07
1947	3,663,744	1,000,000	—	2,663,744	88,005	0.98
1948	3,522,969	1,000,000	—	2,522,969	103,576	0.93
1949	3,555,427	1,000,000	—	2,555,427	146,777	0.94
1950	3,835,291	1,000,000	—	2,835,291	164,712	1.04
1951	5,083,980	1,250,000	—	3,833,980	187,339	1.13
1952	5,242,547	1,250,000	—	3,992,547	224,680	1.18
Year End Dec. 31						
1953	5,197,984	1,250,000	—	3,947,984	189,902	1.16
1954	6,579,007	1,250,000	—	5,329,007	203,946	1.57
1955	8,972,261	2,000,000	—	6,972,261	244,543	1.71
1956	9,927,524	3,000,000	—	6,927,524	268,643	1.70
1957	8,299,244	2,940,000	—	5,359,244	267,456	1.30
1958	10,802,381	2,940,000	—	7,862,381	244,745	1.91
1959	11,125,555	2,920,000	—	8,205,555	250,593	1.99
1960	11,462,158	2,902,500	—	8,559,658	279,614	2.06
1961	15,222,285	2,509,500	—	12,712,785	348,260	2.41
1962	15,959,655	2,000,000	2,100,000	11,859,655	373,627	2.11
1963	17,633,299	2,000,000	2,100,000	13,533,299	395,390	2.41
1964	20,955,088	—	5,250,000	15,705,088	426,318	2.80
1965	21,897,735	—	5,250,000	16,647,735	457,768	2.97
1966	19,613,106	—	5,250,000	14,363,106	487,222	2.56
1967	23,076,097	—	5,128,462	17,947,635	540,082	3.20
1968	27,392,675	—	5,061,263	22,331,412	490,882	3.98
1969	25,942,615	—	5,061,263	20,881,352	518,281	3.72

Economic Investment Trust Limited

FINANCIAL RECORD - 1928 - 2015 (continued) (Unaudited)

Year Ended Dec 31	Total Net Assets at Carrying Value*	Funded Debt	Preferred Shares Outstanding**	Net Equity Behind Common Shares	Net Investment Income Available For Common Shares	Net Equity Value per Common Share=
1970	\$ 24,365,591	\$ —	\$ 5,061,263	\$ 19,304,328	\$ 557,159	\$ 3.44
1971	27,254,532	—	5,056,013	22,198,519	540,382	3.95
1972	34,888,401	—	5,056,013	29,832,388	594,727	5.31
1973	32,612,656	—	5,056,013	27,556,643	621,910	4.91
1974	24,135,473	—	5,024,513	19,110,960	726,197	3.40
1975	26,585,662	—	4,870,950	21,714,712	863,375	3.87
1976	31,637,836	3,000,000	4,738,387	23,899,449	875,571	4.26
1977	36,995,088	3,000,000	4,685,677	29,309,411	901,695	5.22
1978	47,494,243	4,000,000	4,622,677	38,871,556	1,252,333	6.92
1979	57,999,880	4,000,000	4,526,340	49,473,540	1,324,406	8.81
1980	76,697,109	4,000,000	4,375,665	68,321,444	2,194,507	12.17
1981	64,064,872	4,000,000	4,239,165	55,825,707	1,639,037	9.94
1982	68,178,899	4,000,000	4,104,503	60,074,396	2,020,002	10.70
1983	89,218,448	4,000,000	3,973,253	81,245,195	1,999,146	14.47
1984	92,329,348	4,000,000	3,792,915	84,536,433	2,300,654	15.06
1985	110,213,106	4,000,000	3,588,690	102,624,416	2,255,834	18.28
1986	116,528,995	—	3,582,600	112,946,395	3,010,235	20.11
1987	107,137,081	—	3,388,350	103,748,731	3,262,872	18.48
1988	117,278,175	—	3,388,350	113,889,825	4,057,330	20.28
1989	138,902,425	—	3,209,850	135,692,575	11,033,069	24.16
1990	111,688,074	—	3,078,600	108,609,474	4,507,819	19.34
1991	121,167,500	—	2,947,350	118,220,150	3,686,237	21.05
1992	118,601,216	—	2,816,100	115,785,116	4,425,086	20.62
1993	160,510,602	—	2,684,850	157,825,752	4,132,163	28.11
1994	157,005,838	—	2,553,600	154,452,238	3,607,944	27.50
1995	173,784,673	—	2,411,850	171,372,823	3,707,690	30.52
1996	220,022,041	—	2,267,475	217,754,566	4,229,442	38.78
1997	315,642,038	—	2,151,975	313,490,063	4,496,004	55.82
1998	312,297,757	—	1,957,725	310,340,032	5,020,547	55.26
1999	335,118,175	—	1,847,475	333,270,700	4,053,649	59.35
2000	409,292,748	—	1,758,225	407,534,523	4,681,449	72.57
2001	374,087,462	—	1,600,725	372,486,737	5,039,506	66.33
2002	344,740,715	—	1,539,038	343,201,677	4,380,966	61.12
2003	407,910,297	—	1,528,538	406,381,759	4,658,868	72.37
2004	459,289,335	—	1,523,288	457,766,047	8,655,782	81.52
2005	560,240,525	—	1,523,288	558,717,237	5,671,936	99.49
2006	691,296,065	—	404,250	690,891,815	7,241,971	123.03
2007	636,213,949	—	404,250	635,809,699	7,938,813	113.22
2008	413,157,193	—	404,250	412,752,943	8,582,896	73.50
2009	484,281,125	—	—	484,281,125	6,032,950	86.24
2010	514,671,117	—	—	514,671,117	5,374,380	91.65
2011	420,120,642	—	—	420,120,642	6,446,173	74.81
2012	471,609,113	—	—	471,609,113	6,367,642	83.98
2013	694,064,708	—	—	694,064,708	42,951,106	123.60
2014	687,494,354	—	—	687,494,354	7,619,908	122.43
2015	744,706,000	—	—	744,706,000	8,129,097	132.62

This chart is drawn from the individual annual reports and has not been restated for any subsequent changes in accounting policies.

* Total assets at fair value less current liabilities exclusive of funded debt and preferred shares. For the years 1972 to 2000, total net assets include refundable capital gains taxes on hand.

** Preferred Shares at redemption price of \$52.50 per share.

= As of December 31, 2015 there were 5,615,535 common shares outstanding. The calculation of net equity value is restated to reflect the following:

Economic Investment Trust Limited

FINANCIAL RECORD - 1928 - 2015 (continued) **(Unaudited)**

			Historical Stock Dividends					
<u>Date</u>	<u>Stock dividend rate</u>	<u>Issue price</u>	<u>Date</u>	<u>Stock dividend rate</u>	<u>Issue price</u>	<u>Date</u>	<u>Stock dividend rate</u>	<u>Issue price</u>
1951	5 for 2	Split	1988	1 for 63	\$ 64.26	1997	1 for 13.3767	\$ 160.52
1963	5 for 1	Split	1989	1 for 67	70.35	1998	1 for 29.0495	152.51
1982	1 for 8	\$ 50.08	1990	1 for 56	82.32	1999	1 for 35.8532	144.13
1983	1 for 7	49.07	1991	1 for 30	64.80	2000	1 for 30.4794	148.13
1984	1 for 20	60.00	1994	1 for 27.7	91.41	2001	1 for 5.81549	172.72
1985	1 for 22	59.40	1995	1 for 28.78	86.34	2001	2 for 1	Split
1986	1 for 31	69.75	1996	1 for 38.4246	96.83	2001	1 for 24.1111	69.44
1987	1 for 17	71.40	1997	1 for 37.6442	117.45			

Economic Investment Trust Limited

CORPORATE INFORMATION

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EXTERNAL INVESTMENT MANAGER

Burgundy Asset Management Ltd., Toronto

AUDITOR

PricewaterhouseCoopers LLP, Toronto

CUSTODIAN

RBC Investor Services Trust

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.
100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1
Toll Free: 1-800-564-6253
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TORONTO STOCK EXCHANGE LISTING

Common Shares, ticker symbol 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) 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 questions or concerns regarding accounting or auditing matters.

WEBSITE

www.evt.ca

