

Economic Investment Trust Limited



**SECOND QUARTER REPORT
JUNE 30, 2020**

Economic Investment Trust Limited

THE PERIOD AT A GLANCE (Unaudited)

	As at June 30 2020	As at Dec. 31 2019
Net equity value per Common Share ¹	\$ 144.45	\$ 160.91
Net assets ²	\$ 807,983	\$ 903,616
Number of Common Shares outstanding at period end	5,593,535	5,615,535

	Six months ended June 30	
	2020	2019
Net investment income per Common Share ¹	\$ 2.91	\$ 1.60
Dividends per Common Share		
Quarterly	\$ 0.60	\$ 0.60
Additional ³	\$ 1.52	\$ 1.02
Net income (loss) per Common Share	\$ (14.60)	\$ 7.98
Net investment income ^{1,2}	\$ 16,308	\$ 8,995

¹ See Management's Discussion and Analysis for Use of Non-GAAP Measures.

² In thousands of Canadian dollars.

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

The accompanying financial statements have been prepared under International Financial Reporting Standards.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The Company's external auditors, PricewaterhouseCoopers LLP, have not performed a review of these interim financial statements of Economic Investment Trust Limited.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the unaudited interim condensed financial performance and financial condition of Economic Investment Trust Limited ("Economic" or the "Company") for the second quarter of 2020 should be read in conjunction with: the December 31, 2019 Annual Report, including the MD&A, the Company's audited annual financial statements and the notes and supplementary financial information; the Company's MD&A and unaudited interim condensed financial statements and notes for the previous quarter of 2020; and the unaudited interim condensed financial statements and notes contained in this report. This MD&A is dated August 4, 2020. These unaudited interim condensed financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"), as set out in the Handbook of the Chartered Professional Accountants 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. The Common Shares have persistently traded at a discount to their net asset value, ranging from approximately a 37% discount to an 18% discount over the past 10 years. 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. On March 4, 2020, the Company announced its intention to commence a normal course issuer bid. Further information is included on page 7 of this interim report.

Closed-end investment corporations 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 actively-managed, open-ended funds; and the management of a closed-end investment corporation'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 the publicly-traded common shares of E-L Financial Corporation Limited ("E-L Financial"), Algoma Central Corporation ("Algoma"), a shipping company, and The Bank of Nova Scotia. At June 30, 2020, E-L Financial represented 37.0% (December 31, 2019 – 40.5%) of total equity investments, Algoma 3.6% (December 31, 2019 – 4.1%) and The Bank of Nova Scotia 5.0% (December 31, 2019 – 5.8%). 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 the 2019 Annual Report and in the schedule of investment portfolio in this interim report beginning on page 14.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 common shares, investment funds, closed-end investment companies and private companies.

E-L Financial has a 52.6% interest in a closed-end investment corporation, United Corporations Limited ("United"), which is an investment vehicle for long-term growth through investments in common equities. In addition, E-L Financial has a 37.4% interest in Algoma and a 24.1% interest in Economic. E-L Financial also owns 99.4% of Empire Life which underwrites life and health insurance policies and provides segregated funds, mutual funds and annuity products in Canada. 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 Economic's 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. At June 30, 2020, 99.7% (December 31, 2019 – 99.5%) of the fair value of the global investment portfolio was made up of non-Canadian companies.

At June 30, 2020, approximately 47.1% (December 31, 2019 – 51.5%) of the investment portfolio was held in long-term investments and 52.9% (December 31, 2019 – 48.5%) 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 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 meanings in GAAP and therefore may not be comparable to similar measures presented by other companies. The Company believes that these measures provide information useful to our shareholders in evaluating the Company's financial results.

Net equity value per Common Share is used by investors and management as a comparison to the market price of its Common Shares to determine the 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.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Use of Non-GAAP Measures (continued)

Net equity value per Common Share is calculated as follows (in thousands of dollars, except number of Common Shares and per Common Share amounts):

	<u>June 30 2020</u>	<u>Dec. 31 2019</u>
Net assets	<u>\$ 807,983</u>	<u>\$ 903,616</u>
Common Shares outstanding	<u>5,593,535</u>	<u>5,615,535</u>
Net equity value per Common Share	<u>\$ 144.45</u>	<u>\$ 160.91</u>

Net investment income per Common Share is calculated as follows (in thousands of dollars, except number of Common Shares and per Common Share amounts):

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net income (loss)	<u>\$ 77,546</u>	<u>\$ (15,730)</u>	<u>\$ (81,828)</u>	<u>\$ 44,808</u>
Add (deduct):				
Other net fair value changes in investments	<u>(81,810)</u>	<u>24,709</u>	<u>112,626</u>	<u>(41,286)</u>
Tax on other net fair value changes in investments	<u>10,840</u>	<u>(3,274)</u>	<u>(14,923)</u>	<u>5,470</u>
Net change in refundable dividend taxes on hand	<u>(3,344)</u>	<u>—</u>	<u>433</u>	<u>3</u>
Net investment income ¹	<u>\$ 3,232</u>	<u>\$ 5,705</u>	<u>\$ 16,308</u>	<u>\$ 8,995</u>
Weighted average Common Shares outstanding	<u>5,595,632</u>	<u>5,615,535</u>	<u>5,604,035</u>	<u>5,615,535</u>
Net investment income per Common Share ¹	<u>\$ 0.58</u>	<u>\$ 1.01</u>	<u>\$ 2.91</u>	<u>\$ 1.60</u>

¹ On an after-tax basis.

Net Equity Value per Common Share

The international emergence and spread of the novel coronavirus (or COVID-19) have negatively impacted global stock markets, affecting the valuation of the Company's investment portfolio and consequently the net equity value of Economic.

The Company's net equity value per Common Share increased 10.4% to \$144.45 at June 30, 2020 from \$130.87 at March 31, 2020.

With dividends reinvested at month-end net equity values, the Company's net equity value return was positive 10.6% in the second quarter of 2020, compared to a return of negative 1.8% during 2019.

Long-term investments had a pre-tax return of 10.9% in the second quarter of 2020 compared to a return of negative 4.4% in the second quarter of 2019. On a pre-tax basis, the shares of E-L Financial had a return of 13.1% during 2020 (2019 – negative 7.4%), the shares of Algoma had a return of 12.2% (2019 – 13.1%), and the shares of the Bank of Nova Scotia had a return of negative 0.7% (2019 – positive 0.1%).

The global investment portfolio had a pre-tax return, gross of fees, of 11.2% in the second quarter of 2020 versus a comparative return of 0.7% in the second quarter of 2019.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's net equity value per Common Share decreased 10.2% to \$144.45 at June 30, 2020 from \$160.91 at December 31, 2019.

On a year-to-date basis, with dividends reinvested at month-end net equity values, the Company's net equity value return was negative 8.8% in 2020, compared to a return of positive 5.6% during 2019.

Long-term investments had a pre-tax return of negative 15.7% for the six months ended June 30, 2020 compared to a return of positive 2.8% during 2019. On a pre-tax basis, the shares of E-L Financial had a return of negative 15.3% during 2020 (2019 – positive 1.0%), the shares of Algoma had a return of negative 21.0% (2019 – positive 12.4%), and the shares of the Bank of Nova Scotia had a return of negative 21.0% (2019 – positive 5.9%).

The global investment portfolio had a pre-tax return, gross of fees, of negative 3.6% for the six months ended June 30, 2020 compared to positive 9.4% during 2019.

As the Company is a taxable Canadian corporation, the Company's net equity value is net of a current income tax provision on net investment income and realized gains on investments, and net of a deferred income tax provision on its 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:

	Three months ended June 30	Six months ended June 30
	(%)	
Economic net equity value	10.6	(8.8)
S&P/TSX Composite Index	17.0	(7.5)
MSCI All Country World Index	14.4	(1.6)
S&P 500 Index	15.8	1.7

Growth in Net Equity Value ("NAV")

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

Annual growth in NAV*

	NAV per Common Share	Annual Growth %
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
2016	138.26	5.4
2017	151.98	11.8
2018	142.92	(4.7)
2019	160.91	14.2

Compound annual growth*

2010 - 2019 - 10 years	8.1
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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.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Results

Net income

The Company reported net income of \$77,546,000 in the second quarter of 2020 compared to a net loss of \$15,730,000 in the second quarter of 2019. On a year-to-date basis, the Company reported a net loss of \$81,828,000 during 2020 compared to net income of \$44,808,000 for the same period in the prior year. On a per Common Share basis, earnings per share increased to a net income of \$13.81 in the second quarter of 2020 compared to a net loss of \$2.80 for 2019. On a year-to-date basis, earnings per share decreased to a net loss of \$14.60 compared to net income of \$7.98 in 2019.

During the second quarter of 2020, there was some recovery of the stock market losses which impacted Economic in the first quarter of 2020. The other net fair value changes in investments for the quarter was a gain of \$81,810,000 in 2020 compared to a net loss of \$24,709,000 during 2019. On a year-to-date basis, the other net fair value changes in investments was a net loss of \$112,626,000 compared to a net gain of \$41,286,000 during 2019.

The other net fair value changes for long-term investments was a gain of \$37,186,000 in the second quarter of 2020 compared to a loss of \$24,362,000 during the same period in 2019. On a year-to-date basis, the other net fair value changes for long-term investments was a loss of \$89,748,000 compared to a gain of \$6,933,000 during the same period during 2019. The Company's year-to-date long-term investment loss was comprised primarily of losses in E-L Financial of \$70,418,000, Algoma of \$8,647,000 and in The Bank of Nova Scotia of \$12,542,000.

The global investment portfolio had other net fair value gains of \$44,624,000 in the second quarter of 2020 compared to other net fair value losses of \$347,000 during 2019. On a year-to-date basis, the global investment portfolio had other net fair value losses of \$22,878,000 compared to a net gain of \$34,353,000 during 2019.

The 2020 year-to-date loss for the global investment included investment losses from North America of \$13,640,000, the United Kingdom of \$4,460,000, Brazil \$3,821,000, and Bermuda \$1,979,000 offset by investment gains from Japan of \$4,037,000. The three largest detractors included Sabre Corporation, Truist Financial Corp., and Informa plc. The top three contributors to the investment performance included Microsoft Corporation, L3Harris Technologies, Inc., and Facebook, Inc. Foreign currency positively impacted the other net fair value losses due to a year-to-date depreciation of the Canadian dollar relative to most major currencies.

The Company's net realized gain, all of which relates to the global investment portfolio, was a loss of \$9,453,000 in the second quarter of 2020 compared to a gain of \$8,377,000 in 2019. On a year-to-date basis, the net realized gain was \$12,357,000 compared to \$15,485,000 during 2019. The largest year-to-date contributors for realized gains were Becton, Dickson and Company of \$5,449,000, Microsoft Corporation of \$5,302,000, and Apple Inc. of \$4,266,000 offset by a realized loss in Cielo S.A. of \$10,302,000.

Net investment income

The Company's net investment income in the second quarter of 2020 decreased to \$3,232,000 compared to \$5,705,000 for the second quarter of 2019. On a year-to-date basis, net investment income increased to \$16,308,000 from \$8,995,000 for the same period in the prior year. On a per Common Share basis, net investment income for the quarter decreased to \$0.58 in 2020 compared to \$1.01 in 2019 and on a year-to-date basis increased to \$2.91 compared to \$1.60 in 2019.

Foreign dividend income in the second quarter of 2020 decreased by 32.1% to \$2,617,000 from \$3,855,000 in 2019 and on a year-to-date-basis decreased by 16.4% to \$5,497,000 from \$6,574,000 in 2019. In general, foreign dividend income is impacted by changes in the composition of the investment portfolio, variability in foreign exchange rates and dividend yields. During the quarter, certain companies within the global investment portfolio temporarily suspended or reduced dividends contributing to the decline in foreign dividend income for the quarter.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Canadian dividend income in the second quarter of 2020 decreased to \$1,946,000 from \$3,468,000 in 2019 and on a year-to-date basis increased to \$13,566,000 from \$5,342,000 in 2019. During the first quarter of 2020, the Company received a special dividend of \$9,655,000 from its investment in E-L Financial. In addition, in the prior year's quarter, the Company received a special dividend from its investment in Algoma totaling \$1,595,000.

Expenses decreased by 1.3% during the quarter to \$895,000 from \$907,000 in 2019 and on a year-to-date basis increased by 2.5% to \$1,942,000 from \$1,894,000.

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):

	June 30 2020	March 31 2020	Dec. 31 2019	Sept. 30 2019	June 30 2019	March 31 2019	Dec. 31 2018	Sept. 30 2018
Net investment income ¹	\$ 3,232	\$ 13,076	\$ 2,666	\$ 3,601	\$ 5,705	\$ 3,290	\$ 2,590	\$ 2,938
Net income (loss)	\$ 77,546	\$(159,374)	\$ 48,235	\$ 20,467	\$(15,730)	\$ 60,538	\$(58,456)	\$ 10,181
Earnings (loss) per Common Share	\$ 13.81	\$ (28.41)	\$ 8.59	\$ 3.64	\$ (2.80)	\$ 10.78	\$ (10.41)	\$ 1.82
NAV per Common Share	\$ 144.45	\$ 130.87	\$ 160.91	\$ 152.62	\$ 149.28	\$ 152.38	\$ 142.92	\$ 153.63
Quarterly NAV return % ²	10.6	(17.5)	5.6	2.4	(1.8)	7.5	(6.8)	1.2

¹ On an after-tax basis. See use of Non-GAAP Measures.

² Economic's NAV return includes reinvestment of dividends paid to Common shareholders.

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.

Share Data

At June 30, 2020, there are 5,593,535 (December 31, 2019 - 5,615,535) Common Shares issued and outstanding and each share is entitled to one vote.

Normal Course Issuer Bid

On March 9, 2020, the Company obtained approval from the TSX to commence a normal course issuer bid ("NCIB") to purchase up to 280,776 common shares between March 9, 2020 and March 8, 2021. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB were limited to 1,000 common shares. The price that the Company will pay for common shares in open market transactions will be the market price at the time of purchase.

For the six-month period ended June 30, 2020, 22,000 shares were purchased under the NCIB at an average price of \$86.82 per share for a total consideration of \$1,910,000.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 quarterly dividends together with an additional dividend representing the balance of net investment income for the previous fiscal year.

An additional dividend of \$1.52 per Common Share was paid in the first quarter of fiscal 2020 along with the \$0.30 quarterly dividend.

The Company's dividend policy is established by the Board of Directors at its discretion and is subject to change.

Novel Coronavirus (or COVID-19)

The continued worldwide spread of novel coronavirus (or COVID-19) and its impact on international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts, and the associated impact on domestic and international equity markets, has had a negative impact on equity portfolios during the first half of 2020. We continue to monitor developments in equity markets generally, and in connection with the Company's investment portfolio in particular. While it is too early to predict the impact of COVID-19 related factors, during a time of increased uncertainty and volatility, we expect that the performance of all portfolios, including the Company, will be affected in the near term.

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.

Economic Investment Trust Limited

STATEMENTS OF FINANCIAL POSITION (Unaudited)

	June 30 2020	December 31 2019
	(000's)	
ASSETS		
Cash and cash equivalents	\$ 12,742	\$ 36,106
Short-term investments	13,941	996
Investments (Note 4)	842,821	943,834
Receivable in respect of investments sold	—	1,495
Dividends and interest receivable	826	1,113
Other assets	987	651
	<u>871,317</u>	<u>984,195</u>
LIABILITIES		
Accrued expenses	734	774
Payable in respect of investments purchased	123	1,782
Income taxes payable	1,601	537
Deferred tax liabilities	60,876	77,486
	<u>63,334</u>	<u>80,579</u>
Net assets	<u>\$ 807,983</u>	<u>\$ 903,616</u>
SHAREHOLDERS' EQUITY		
Share capital	\$ 203,889	\$ 204,691
Share premium	366	1,474
Retained earnings	603,728	697,451
Total shareholders' equity	<u>\$ 807,983</u>	<u>\$ 903,616</u>

(See accompanying notes)

Economic Investment Trust Limited

STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
	(000's)			
INCOME				
Dividends				
Foreign	\$ 2,617	\$ 3,855	\$ 5,497	\$ 6,574
Canadian (Note 6)	1,946	3,468	13,566	5,342
	4,563	7,323	19,063	11,916
Interest and securities lending income	27	96	178	291
Other net fair value changes in investments (Note 5)	81,810	(24,709)	(112,626)	41,286
	86,400	(17,290)	(93,385)	53,493
EXPENSES				
Investment management and administrative costs	707	741	1,501	1,491
Directors' remuneration	76	74	152	152
Office and miscellaneous	30	26	140	135
Transfer, registrar and custody fees	55	50	107	88
Professional fees	27	16	42	28
	895	907	1,942	1,894
INCOME (LOSS) BEFORE INCOME TAXES	85,505	(18,197)	(95,327)	51,599
Provision for (recovery of) income taxes	7,959	(2,467)	(13,499)	6,791
NET INCOME (LOSS)	\$ 77,546	\$ (15,730)	\$ (81,828)	\$ 44,808
EARNINGS (LOSS) PER COMMON SHARE - BASIC AND DILUTED	\$ 13.81	\$ (2.80)	\$ (14.60)	\$ 7.98

(See accompanying notes)

Economic Investment Trust Limited

STATEMENTS OF CHANGES IN EQUITY (Unaudited)

	Share capital	Share premium	Retained earnings	Total
	(000's)			
At January 1, 2020	\$ 204,691	\$ 1,474	\$ 697,541	\$ 903,616
Net loss for the period	—	—	(81,828)	(81,828)
Dividends	—	—	(11,895)	(11,895)
Repurchase and cancellation of common shares	(802)	(1,108)	—	(1,910)
At June 30, 2020	\$ 203,889	\$ 366	\$ 603,728	\$ 807,983
At January 1, 2019	\$ 204,691	\$ 1,474	\$ 596,407	\$ 802,572
Net income for the period	—	—	44,808	44,808
Dividends	—	—	(9,097)	(9,097)
At June 30, 2019	\$ 204,691	\$ 1,474	\$ 632,118	\$ 838,283

STATEMENTS OF CASH FLOW (Unaudited)

	Six months ended June 30	
	2020	2019
	(000's)	
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income (loss)	\$ (81,828)	\$ 44,808
Adjustments for:		
Other net fair value changes in investments	112,626	(41,286)
Net sales (purchases) of short-term investments	(12,945)	7,664
Purchases of investments	(94,327)	(46,202)
Proceeds from sale of investments	82,714	45,833
Dividends and interest receivable	287	(377)
Deferred taxes	(16,610)	3,539
Net change in other assets and liabilities	524	(1,969)
	(9,560)	12,010
Financing		
Dividends paid to shareholders	(11,895)	(9,097)
Repurchase of common shares	(1,910)	—
Net increase (decrease) in cash and cash equivalents	(23,364)	2,913
Cash and cash equivalents at beginning of the period	36,106	17,359
Cash and cash equivalents at end of the period	\$ 12,742	\$ 20,272
Additional information for operating activities:		
Interest received	\$ 194	\$ 276
Dividends received, net of withholding taxes	18,227	10,467
Income taxes paid	1,349	4,495

(See accompanying notes)

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Description of Company and summary of operations

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 interim condensed financial statements are presented in Canadian dollars which is the functional and presentation currency. These interim condensed financial statements were approved by the Company’s Board of Directors on August 4, 2020.

2. Basis of presentation

These unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting as issued by the International Accounting Standards Board and follow the same accounting policies and methods as the most recent annual financial statements. These unaudited interim condensed financial statements do not include all of the disclosures required under International Financial Reporting Standards for annual financial statements and should be read in conjunction with the notes to the Company’s audited financial statements for the year ended December 31, 2019.

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:

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 in the Company’s audited financial statements for the year ended December 31, 2019 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 are dependent on an assumption as to when a deferred tax liability is expected to be realized.

4. 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).

At June 30, 2020, the Company had \$728,252,000 (December 31, 2019 – \$805,310,000) of Level 1 and \$114,569,000 (December 31, 2019 - \$138,524,000) of Level 3 equity investments. During the six months ended June 30, 2020, there were no transfers between Level 1, 2 or 3 equity investments.

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS (Unaudited)

5. Other net fair value changes in investments

The other net fair value changes in investments is comprised as follows:

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
	(000's)			
Net realized gain	\$ (9,453)	\$ 8,377	\$ 12,357	\$ 15,485
Change in unrealized appreciation	91,263	(33,086)	(124,983)	25,801
	\$ 81,810	\$ (24,709)	\$ (112,626)	\$ 41,286

6. Related party information

The Company has investments in related parties (see Schedule of Investment Portfolio) with a fair value at June 30, 2020 of \$396,649,000 (December 31, 2019 - \$486,397,000) representing 47.1% (December 31, 2019 - 51.5%) of the total investments. Dividends from these companies for the three months ended June 30, 2020 amounted to \$1,938,000 (2019 - \$3,439,000). Dividends from these companies for the six months ended June 30, 2020 amounted to \$13,531,000 (2019 - \$5,284,000).

E-L Financial holds a 24.1% 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 three months ended June 30, 2020 amounted to \$127,000 (2019 - \$130,000) and \$256,000 (2019 - \$256,000) for the six months ended June 30, 2020.

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.

7. Normal course issuer bid

On March 9, 2020, the Company obtained approval from the TSX to commence a normal course issuer bid ("NCIB") to purchase up to 280,776 common shares between March 9, 2020 and March 8, 2021. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB were limited to 1,000 common shares. The price that the Company will pay for common shares in open market transactions will be the market price at the time of purchase.

For the six-month period ended June 30, 2020, 22,000 shares were purchased under the NCIB at an average price of \$86.82 per share for a total consideration of \$1,910,000. The total amount paid to purchase the shares is allocated to share capital and share premium in the statements of changes in equity. The amount allocated to share capital is based on the average cost per common share and amounts paid above the average cost are allocated to share premium.

8. Novel Coronavirus (or COVID-19)

The continued worldwide spread of novel coronavirus (or COVID-19) and its impact on international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts, and the associated impact on domestic and international equity markets, has had a negative impact on equity portfolios during the first half of 2020. We continue to monitor developments in equity markets generally, and in connection with the Company's investment portfolio in particular. While it is too early to predict the impact of COVID-19 related factors, during a time of increased uncertainty and volatility, we expect that the performance of all portfolios, including the Company, will be affected in the near term.

9. Subsequent event

Common Share dividends of \$0.30 per Common Share were declared by the Board of Directors at its meeting on August 4, 2020, with a record and payable date of September 15, 2020 and September 30, 2020, respectively.

Economic Investment Trust Limited

SCHEDULE OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2020 (Unaudited)

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
North America				
Canada				
2,126,380	Algoma Central Corporation ¹	\$ 2,974	\$ 21,391	
386,206	E-L Financial Corporation Limited ¹	26,116	260,689	
33,101	Ecando Investments Limited			
	Classes A, B and common ^{1, 2, 3,}	4,139	51,214	
176,414	The Fulcrum Investment Company Limited ^{1, 2}	464	14,923	
216,900	NVG Holdings Limited			
	Classes B, C, D, E and common ^{1, 2, 4}	2,115	37,724	
140,014	Prairiesky Royalty Ltd.	3,075	1,201	
4,837	TGV Holdings Limited Class B ^{1, 2, 4, 5}	318	10,708	
		<u>39,201</u>	<u>397,850</u>	47.2
United States				
230,601	Allison Transmission Holdings Inc.	9,148	11,559	
8,681	Alphabet Inc. Class A.....	12,333	16,776	
93,717	AmerisourceBergen Corporation	7,835	12,870	
5,155	AutoZone, Inc.	5,785	7,925	
24,556	Berkshire Hathaway Inc. Class B	6,728	5,974	
2,974	Booking Holdings Inc.	7,115	6,454	
316,630	Carrier Global Corporation.....	6,324	9,588	
57,014	Dollar Tree, Inc.	6,349	7,201	
52,553	Facebook, Inc. Class A.....	10,700	16,263	
91,335	Henry Schein Inc.	6,736	7,268	
35,358	Intercontinental Exchange, Inc.	4,454	4,414	
77,122	Johnson & Johnson	9,064	14,780	
29,917	L3Harris Technologies, Inc.	3,800	6,918	
4,902	McDonald's Corporation	590	1,232	
84,176	Microsoft Corporation	4,228	23,346	
408,409	News Corporation Class A.....	6,851	6,601	
78,635	Northern Trust Corporation	5,467	8,502	
131,613	Oracle Corporation	6,250	9,913	
42,782	Otis Worldwide Corporation	2,364	3,315	
26,603	PepsiCo, Inc.	2,341	4,795	
49,695	Procter & Gamble Co.....	8,190	8,098	
85,564	Raytheon Technologies Corporation.....	4,989	7,185	
370,802	Sabre Corporation	11,928	4,073	
103,139	SS&C Technologies Holdings, Inc.	6,362	7,939	
200,850	Truist Financial Corp.....	8,233	10,278	
129,719	Walgreen Boots Alliance Inc.	9,487	7,494	
		<u>173,651</u>	<u>230,761</u>	27.2
Total North America		<u>212,852</u>	<u>628,611</u>	74.4

Economic Investment Trust Limited

SCHEDULE OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2020 (Unaudited)

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
	Europe, excluding United Kingdom			
157,809	Brenntag AG	\$ 10,495	\$ 11,335	
166,246	Bureau Veritas S.A.	4,207	4,778	
71,960	Cie Financiere Richemont SA.....	6,949	6,252	
29,735	Hannover Rueckversicherung SE.....	2,201	6,995	
68,740	Heineken Holding N.V.....	3,586	7,664	
8,444	Heineken N.V.....	1,077	1,061	
91,836	Henkel AG & Co. KGaA.....	6,391	10,429	
2,495	Henkel AG & Co. KGaA Preferred	332	316	
96,109	Koninklijke Philips Electronics	5,162	6,107	
79,798	Nestle S.A.....	7,100	12,016	
111,314	Novartis AG.....	8,111	13,189	
25,857	Roche Holding AG	7,006	12,205	
43,422	SAP AG.....	6,388	8,286	
960	Schindler Holding Ltd.....	269	308	
7,278	Schindler Holding Ltd. Participation Certificate	4,859	5,033	
		<u>74,133</u>	<u>105,974</u>	12.6
	Japan			
12,100	DISCO Corporation.....	3,237	3,990	
190,900	Kakaku.com Inc.	3,658	6,585	
77,200	Kao Corporation.....	3,127	8,334	
16,600	Keyence Corporation	1,275	9,448	
161,100	Komatsu Ltd.....	4,498	4,487	
10,500	Shimano, Inc.....	2,042	2,754	
40,100	Shin-Etsu Chemical Co., Ltd.....	4,905	6,384	
47,700	Suzuki Motor Corporation	3,030	2,205	
76,100	Unicharm Corporation.....	1,739	4,252	
85,100	ZOZO, Inc.....	1,764	2,577	
		<u>29,275</u>	<u>51,016</u>	6.1
	United Kingdom			
275,650	British American Tobacco plc.....	14,845	14,404	
221,654	Bunzl plc	7,774	8,081	
125,227	Imperial Brands plc.....	3,294	3,243	
643,633	Informa plc.....	6,245	5,096	
104,205	Unilever plc.....	4,749	7,639	
		<u>36,907</u>	<u>38,463</u>	4.6
	Bermuda			
111,900	Jardine Matheson Holdings Limited.....	8,330	6,365	0.8
	China			
341,000	Ping An Insurance (Group) Company of China, Ltd.	5,369	4,646	0.6

Economic Investment Trust Limited

SCHEDULE OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2020 (Unaudited)

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
	Cayman Islands			
4,304,000	Want Want China Holdings Ltd.	\$ 5,035	\$ 4,426	0.5
	Mexico			
282,100	Coca-Cola Femsa S.A.B. de C.V.	2,227	1,676	
27,506	Coca-Cola Femsa S.A.B. - SP ADR	2,063	1,644	
		4,290	3,320	0.4
	Total investments	\$ 376,191	\$ 842,821	100.0

¹ These companies and Economic are related parties.

² Not listed on a stock exchange.

³ The net assets of Ecando Investments Limited are invested primarily in shares of E-L Financial Corporation Limited.

⁴ The net assets of NVG Holdings Limited and TGV Holdings Limited are invested primarily in the shares of The Bank of Nova Scotia.

⁵ Investment in associate.

Economic Investment Trust Limited

CORPORATE INFORMATION

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AUDITOR

PricewaterhouseCoopers LLP, Toronto

CUSTODIAN

RBC Investor & Treasury Services

TRANSFER AGENT AND REGISTRAR

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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 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

