

# Economic Investment Trust Limited



**THIRD QUARTER REPORT  
SEPTEMBER 30, 2020**



# *Economic Investment Trust Limited*

## THE PERIOD AT A GLANCE (Unaudited)

	As at Sept. 30 2020	As at Dec. 31 2019
Net equity value per Common Share <sup>1</sup>	\$ 145.40	\$ 160.91
Net assets <sup>2</sup>	\$ 812,619	\$ 903,616
Number of Common Shares outstanding at period end	5,589,035	5,615,535

	Nine months ended September 30	
	2020	2019
Net investment income per Common Share <sup>1</sup>	\$ 3.38	\$ 2.24
Dividends per Common Share		
Quarterly	\$ 0.90	\$ 0.90
Additional <sup>3</sup>	\$ 1.52	\$ 1.02
Net income (loss) per Common Share	\$ (13.41)	\$ 11.62
Net investment income <sup>1,2</sup>	\$ 18,940	\$ 12,596

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

<sup>2</sup> In thousands of Canadian dollars.

<sup>3</sup> 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 ("IFRS").

### 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 third 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 quarters of 2020; and the unaudited interim condensed financial statements and notes contained in this report. This MD&A is dated November 5, 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 September 30, 2020, E-L Financial represented 35.8% (December 31, 2019 – 40.5%) of total equity investments, Algoma 3.5% (December 31, 2019 – 4.1%) and The Bank of Nova Scotia 4.9% (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 September 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 September 30, 2020, approximately 45.9% (December 31, 2019 – 51.5%) of the investment portfolio was held in long-term investments and 54.1% (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):

	<b>Sept. 30 2020</b>	Dec. 31 2019
Net assets	<b>\$ 812,619</b>	\$ 903,616
Common Shares outstanding	<b>5,589,035</b>	5,615,535
Net equity value per Common Share	<b>\$ 145.40</b>	\$ 160.91

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 September 30		Nine months ended September 30	
	<b>2020</b>	2019	<b>2020</b>	2019
Net income (loss)	<b>\$ 6,753</b>	\$ 20,467	<b>\$ (75,075)</b>	\$ 65,275
Add (deduct):				
Other net fair value changes in investments	<b>(4,181)</b>	(19,443)	<b>108,445</b>	(60,729)
Tax on other net fair value changes in investments	<b>554</b>	2,577	<b>(14,369)</b>	8,047
Net change in refundable dividend taxes on hand	<b>(494)</b>	—	<b>(61)</b>	3
Net investment income <sup>1</sup>	<b>\$ 2,632</b>	\$ 3,601	<b>\$ 18,940</b>	\$ 12,596
Weighted average Common Shares outstanding	<b>5,591,597</b>	5,615,535	<b>5,599,859</b>	5,615,535
Net investment income per Common Share <sup>1</sup>	<b>\$ 0.47</b>	\$ 0.64	<b>\$ 3.38</b>	\$ 2.24

<sup>1</sup> 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 0.7% to \$145.40 at September 30, 2020 from \$144.45 at June 30, 2020.

With dividends reinvested at month-end net equity values, the Company's net equity value return was positive 0.9% in the third quarter of 2020, compared to 2.4% during 2019.

Long-term investments had a pre-tax return of negative 1.2% in the third quarter of 2020 compared to a return of positive 2.3% in the third quarter of 2019. On a pre-tax basis, the shares of E-L Financial had a return of negative 2.3% during 2020 (2019 – positive 1.0%), the shares of Algoma had a return of 1.4% (2019 – 4.9%), and the shares of the Bank of Nova Scotia had a return of 0.1% (2019 – 8.2%).

The global investment portfolio had a pre-tax return, gross of fees, of 2.8% in the third quarter of 2020 versus a comparative return of 3.1% in the third quarter of 2019.

# *Economic Investment Trust Limited*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's net equity value per Common Share decreased 9.6% to \$145.40 at September 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 8.0% in 2020, compared to a return of positive 8.1% during 2019.

Long-term investments had a pre-tax return of negative 16.6% for the nine months ended September 30, 2020 compared to a return of positive 5.1% during 2019. On a pre-tax basis, the shares of E-L Financial had a return of negative 17.2% during 2020 (2019 – positive 2.0%), the shares of Algoma had a return of negative 19.9% (2019 – positive 17.5%), and the shares of the Bank of Nova Scotia had a return of negative 20.9% (2019 – positive 14.4%).

The global investment portfolio had a pre-tax return, gross of fees, of negative 0.9% for the nine months ended September 30, 2020 compared to positive 12.8% 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 September 30	Nine Months ended September 30
	(%)	
Economic net equity value	0.9	(8.0)
S&P/TSX Composite Index	4.7	(3.1)
MSCI All Country World Index	5.7	4.0
S&P 500 Index	6.6	8.4

### Growth in Net Equity Value ("NAV")

Set out below is a table that shows annual growth in NAV in each of the past 10 calendar 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 \$6,753,000 in the third quarter of 2020 compared to \$20,467,000 in the third quarter of 2019. On a year-to-date basis, the Company reported a net loss of \$75,075,000 during 2020 compared to net income of \$65,275,000 for the same period in the prior year. On a per Common Share basis, earnings per share decreased to a net income of \$1.19 in the third quarter of 2020 compared to \$3.64 for 2019. On a year-to-date basis, earnings per share decreased to a net loss of \$13.41 compared to net income of \$11.62 in 2019.

During the third quarter of 2020, there was a continued recovery of some 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 \$4,181,000 in 2020 compared to \$19,443,000 during 2019. On a year-to-date basis, the other net fair value changes in investments was a net loss of \$108,445,000 compared to a net gain of \$60,729,000 during 2019.

The other net fair value changes for long-term investments was a loss of \$6,696,000 in the third quarter of 2020 compared to a gain of \$7,438,000 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 \$96,444,000 compared to a gain of \$14,371,000 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 \$78,217,000, Algoma of \$8,618,000 and in The Bank of Nova Scotia of \$13,168,000.

The global investment portfolio had other net fair value gains of \$10,877,000 in the third quarter of 2020 compared to \$12,005,000 during 2019. On a year-to-date basis, the global investment portfolio had other net fair value losses of \$12,001,000 compared to a net gain of \$46,358,000 during 2019.

The 2020 year-to-date loss for the global investment included investment losses from North America of \$7,104,000, the United Kingdom of \$4,525,000, Brazil \$3,821,000, Bermuda \$2,421,000, Mexico \$1,261,000 and Cayman Islands of \$1,220,000 offset by investment gains from Japan of \$6,332,000 and Europe of \$2,582,000. The three largest detractors included Sabre Corporation, Informa plc, and Truist Financial Corp. The top three contributors to the investment performance included Microsoft Corporation, Facebook, Inc., and L3Harris Technologies, 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 gain \$3,493,000 in the third quarter of 2020 compared to \$5,667,000 in 2019. On a year-to-date basis, the net realized gain was \$15,850,000 compared to \$21,152,000 during 2019. The largest year-to-date contributors for realized gains were Microsoft Corporation of \$7,502,000, Becton, Dickson and Company of \$5,449,000, 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 third quarter of 2020 decreased to \$2,632,000 compared to \$3,601,000 for the third quarter of 2019. On a year-to-date basis, net investment income increased to \$18,940,000 from \$12,596,000 for the same period in the prior year. On a per Common Share basis, net investment income for the quarter decreased to \$0.47 in 2020 compared to \$0.64 in 2019 and on a year-to-date basis increased to \$3.38 compared to \$2.24 in 2019.

Foreign dividend income in the third quarter of 2020 decreased by 11.8% to \$1,819,000 from \$2,063,000 in 2019 and on a year-to-date basis decreased by 15.3% to \$7,316,000 from \$8,637,000 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. Year to date, certain companies within the global investment portfolio temporarily suspended or reduced dividends contributing to the decline in foreign dividend income for the quarter.



# Economic Investment Trust Limited

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Canadian dividend income in the third quarter of 2020 decreased to \$1,967,000 from \$2,668,000 in 2019 and on a year-to-date basis increased to \$15,533,000 from \$8,010,000 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, the Company received a special dividend from its investment in Algoma totaling \$2,389,000 year to date.

Expenses decreased by 2.4% during the quarter to \$943,000 from \$966,000 in 2019 and on a year-to-date basis increased by 0.9% to \$2,885,000 from \$2,860,000.

### 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):

	Sept. 30 2020	June 30 2020	March 31 2020	Dec. 31 2019	Sept. 30 2019	June 30 2019	March 31 2019	Dec. 31 2018
Net investment income <sup>1</sup>	\$ 2,632	\$ 3,232	\$ 13,076	\$ 2,666	\$ 3,601	\$ 5,705	\$ 3,290	\$ 2,590
Net income (loss)	\$ 6,753	\$ 77,546	\$(159,374)	\$ 48,235	\$ 20,467	\$(15,730)	\$ 60,538	\$(58,456)
Earnings (loss) per Common Share	\$ 1.19	\$ 13.81	\$(28.41)	\$ 8.59	\$ 3.64	\$(2.80)	\$ 10.78	\$(10.41)
NAV per Common Share	\$ 145.40	\$ 144.45	\$ 130.87	\$ 160.91	\$ 152.62	\$ 149.28	\$ 152.38	\$ 142.92
Quarterly NAV return % <sup>2</sup>	0.9	10.6	(17.5)	5.6	2.4	(1.8)	7.5	(6.8)

<sup>1</sup> On an after-tax basis. See use of Non-GAAP Measures.

<sup>2</sup> 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 September 30, 2020, there are 5,589,035 (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 nine-month period ended September 30, 2020, 26,500 shares were purchased under the NCIB at an average price of \$88.68 per share for a total consideration of \$2,350,000.

# *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) continues to impact international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts, and domestic and international equity markets. Although Economic's non-Canadian investment valuations have substantially recovered to prior year-end levels, the Company has experienced a decline in its foreign portion of its net investment income per common share as a result of global investments that have temporarily suspended or reduced dividends. 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](http://www.sedar.com).

Economic's website, [www.evt.ca](http://www.evt.ca), also provides further information on the Company, including historical information on the net equity value per Common Share which is updated weekly.

# *Economic Investment Trust Limited*

## STATEMENTS OF FINANCIAL POSITION (Unaudited)

	September 30 2020	December 31 2019
	(000's)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 9,734	\$ 36,106
Short-term investments	12,517	996
Investments (Note 4)	849,041	943,834
Receivable in respect of investments sold	—	1,495
Dividends and interest receivable	935	1,113
Income taxes receivable	1,038	—
Other assets	943	651
	<u>874,208</u>	<u>984,195</u>
<b>LIABILITIES</b>		
Accrued expenses	729	774
Payable in respect of investments purchased	—	1,782
Income taxes payable	—	537
Deferred tax liabilities	60,860	77,486
	<u>61,589</u>	<u>80,579</u>
Net assets	<u>\$ 812,619</u>	<u>\$ 903,616</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	\$ 203,726	\$ 204,691
Share premium	89	1,474
Retained earnings	608,804	697,451
Total shareholders' equity	<u>\$ 812,619</u>	<u>\$ 903,616</u>

(See accompanying notes)

# *Economic Investment Trust Limited*

## STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
	(000's)			
<b>INCOME</b>				
Dividends				
Foreign	\$ 1,819	\$ 2,063	\$ 7,316	\$ 8,637
Canadian (Note 6)	1,967	2,668	15,533	8,010
	3,786	4,731	22,849	16,647
Interest and securities lending income	38	189	216	480
Other net fair value changes in investments (Note 5)	4,181	19,443	(108,445)	60,729
	8,005	24,363	(85,380)	77,856
<b>EXPENSES</b>				
Investment management and administrative costs	745	806	2,246	2,297
Directors' remuneration	75	74	227	226
Office and miscellaneous	72	24	212	159
Transfer, registrar and custody fees	36	42	143	130
Professional fees	15	20	57	48
	943	966	2,885	2,860
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	7,062	23,397	(88,265)	74,996
Provision for (recovery of) income taxes	309	2,930	(13,190)	9,721
<b>NET INCOME (LOSS)</b>	\$ 6,753	\$ 20,467	\$ (75,075)	\$ 65,275
<b>EARNINGS (LOSS) PER COMMON SHARE - BASIC AND DILUTED</b>	\$ 1.19	\$ 3.64	\$ (13.41)	\$ 11.62

(See accompanying notes)

# Economic Investment Trust Limited

## STATEMENTS OF CHANGES IN EQUITY (Unaudited)

	Share capital	Share premium	Retained earnings	Total
	(000's)			
<b>At January 1, 2020</b>	<b>\$ 204,691</b>	<b>\$ 1,474</b>	<b>\$ 697,451</b>	<b>\$ 903,616</b>
<b>Net loss for the period</b>	<b>—</b>	<b>—</b>	<b>(75,075)</b>	<b>(75,075)</b>
<b>Dividends</b>	<b>—</b>	<b>—</b>	<b>(13,572)</b>	<b>(13,572)</b>
<b>Repurchase and cancellation of common shares</b>	<b>(965)</b>	<b>(1,385)</b>	<b>—</b>	<b>(2,350)</b>
<b>At September 30, 2020</b>	<b>\$ 203,726</b>	<b>\$ 89</b>	<b>\$ 608,804</b>	<b>\$ 812,619</b>
At January 1, 2019	\$ 204,691	\$ 1,474	\$ 596,407	\$ 802,572
Net income for the period	—	—	65,275	65,275
Dividends	—	—	(10,782)	(10,782)
At September 30, 2019	\$ 204,691	\$ 1,474	\$ 650,900	\$ 857,065

## STATEMENTS OF CASH FLOW (Unaudited)

	<b>Nine months ended September 30</b>	
	<b>2020</b>	2019
	(000's)	
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Net income (loss)	<b>\$ (75,075)</b>	\$ 65,275
Adjustments for:		
Fair value change in investments	<b>108,445</b>	(60,729)
Net purchases of short-term investments	<b>(11,521)</b>	(4,589)
Purchases of investments	<b>(102,925)</b>	(51,957)
Proceeds from sale of investments	<b>89,273</b>	57,568
Dividends and interest receivable	<b>178</b>	156
Deferred taxes	<b>(16,626)</b>	5,177
Net change in other assets and liabilities	<b>(2,199)</b>	(1,481)
	<b>(10,450)</b>	9,420
<b>Financing</b>		
Dividends paid to shareholders	<b>(13,572)</b>	(10,782)
Repurchase of common shares	<b>(2,350)</b>	—
<b>Net decrease in cash and cash equivalents</b>	<b>(26,372)</b>	(1,362)
Cash and cash equivalents at beginning of the period	<b>36,106</b>	17,359
<b>Cash and cash equivalents at end of the period</b>	<b>\$ 9,734</b>	\$ 15,997
Additional information for operating activities:		
Interest received	<b>\$ 208</b>	\$ 353
Dividends received, net of withholding taxes	<b>21,785</b>	15,650
Income taxes paid	<b>4,160</b>	5,625

(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 November 5, 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).

# Economic Investment Trust Limited

## NOTES TO FINANCIAL STATEMENTS (Unaudited)

### 4. Financial instruments (continued)

At September 30, 2020, the Company had \$734,605,000 (December 31, 2019 - \$805,310,000) of Level 1 and \$114,436,000 (December 31, 2019 - 138,524,000) of Level 3 equity investments. During the nine months ended September 30, 2020, there were no transfers between Level 1, 2 or 3 equity investments.

### 5. Other net fair value change in investments

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
				(000's)
Net realized gain	\$ 3,493	\$ 5,667	\$ 15,850	\$ 21,152
Change in unrealized appreciation	688	13,776	(124,295)	39,577
	\$ 4,181	\$ 19,443	\$ (108,445)	\$ 60,729

### 6. Related party information

The Company has investments in related parties (see Schedule of Investment Portfolio) with a fair value at September 30, 2020 of \$389,953,000 (December 31, 2019 - \$486,397,000) representing 45.9% (December 31, 2019 - 51.5%) of the total investments. Dividends from these companies for the three months ended September 30, 2020 amounted to \$1,959,000 (2019 - \$2,639,000). Dividends from these companies for the nine months ended September 30, 2020 amounted to \$15,490,000 (2019 - \$7,923,000).

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 September 30, 2020 amounted to \$133,000 (2019 - \$131,000) and \$389,000 (2019 - \$387,000) for the nine months ended September 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 nine-month period ended September 30, 2020, 26,500 shares were purchased under the NCIB at an average price of \$88.68 per share for a total consideration of \$2,350,000. 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.

# *Economic Investment Trust Limited*

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

### **8. Subsequent event**

Common Share dividends of \$0.30 per Common Share were declared by the Board of Directors at its meeting on November 5, 2020, with a record and payable date of December 15, 2020 and December 31, 2020, respectively.



# Economic Investment Trust Limited

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

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
<b>North America</b>				
<b>Canada</b>				
2,126,380	Algora Central Corporation <sup>1</sup> .....	\$ 2,974	\$ 21,413	
386,206	E-L Financial Corporation Limited <sup>1</sup> .....	26,116	254,104	
33,101	Ecando Investments Limited			
	Classes A, B and common <sup>1, 2, 3,</sup> .....	4,139	50,882	
176,414	The Fulcrum Investment Company			
	Limited <sup>1, 2</sup> .....	464	15,711	
216,900	NVG Holdings Limited			
	Classes B, C, D, E and common <sup>1, 2, 4</sup> .....	2,115	37,235	
140,014	Prairiesky Royalty Ltd. ....	3,075	1,164	
4,837	TGV Holdings Limited Class B <sup>1, 2, 4, 5</sup> .....	318	10,608	
		<u>39,201</u>	<u>391,117</u>	46.1
<b>United States</b>				
230,601	Allison Transmission Holdings Inc. ....	9,148	10,809	
8,681	Alphabet Inc. Class A.....	12,333	16,971	
93,717	AmerisourceBergen Corporation .....	7,835	12,116	
5,617	AutoZone, Inc. ....	6,512	8,824	
24,556	Berkshire Hathaway Inc. Class B .....	6,728	6,975	
2,974	Booking Holdings Inc. ....	7,115	6,786	
316,630	Carrier Global Corporation.....	6,324	12,899	
91,328	Dollar Tree, Inc. ....	10,575	11,127	
52,553	Facebook, Inc. Class A.....	10,700	18,359	
91,335	Henry Schein Inc. ....	6,736	7,161	
40,596	Intercontinental Exchange, Inc. ....	5,105	5,418	
77,122	Johnson & Johnson .....	9,064	15,316	
29,917	L3Harris Technologies, Inc. ....	3,800	6,778	
2,901	McDonald's Corporation .....	349	849	
74,993	Microsoft Corporation .....	3,767	21,040	
408,409	News Corporation Class A.....	6,851	7,638	
78,635	Northern Trust Corporation .....	5,467	8,178	
131,613	Oracle Corporation .....	6,250	10,481	
26,603	PepsiCo, Inc. ....	2,341	4,918	
49,695	Procter & Gamble Co.....	8,190	9,214	
85,564	Raytheon Technologies Corporation.....	4,989	6,567	
370,802	Sabre Corporation .....	11,928	3,220	
103,139	SS&C Technologies Holdings, Inc. ....	6,362	8,326	
200,850	Truist Financial Corp.....	8,233	10,194	
129,719	Walgreen Boots Alliance Inc. ....	9,487	6,215	
		<u>176,189</u>	<u>236,379</u>	27.8
	Total North America .....	<u>215,390</u>	<u>627,496</u>	73.9

# Economic Investment Trust Limited

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

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
	<b>Europe, excluding United Kingdom</b>			
157,809	Brenntag AG .....	\$ 10,495	\$ 13,365	
166,246	Bureau Veritas S.A. ....	4,207	5,005	
71,960	Cie Financiere Richemont SA.....	6,949	6,429	
29,735	Hannover Rueckversicherung SE.....	2,202	6,126	
68,740	Heineken Holding N.V.....	3,586	7,140	
32,191	Heineken N.V.....	3,945	3,818	
91,836	Henkel AG & Co. KGaA .....	6,390	11,462	
2,495	Henkel AG & Co. KGaA Preferred .....	332	348	
98,058	Koninklijke Philips Electronics .....	5,288	6,162	
79,798	Nestle S.A.....	7,100	12,635	
111,314	Novartis AG.....	8,111	12,881	
25,857	Roche Holding AG .....	7,006	11,800	
43,422	SAP AG.....	6,388	9,000	
960	Schindler Holding Ltd.....	269	348	
15,698	Schindler Holding Ltd. Participation Certificate .....	4,859	5,717	
		<u>77,127</u>	<u>112,236</u>	13.2
	<b>Japan</b>			
12,100	DISCO Corporation.....	3,237	3,886	
190,900	Kakaku.com Inc. ....	3,658	6,677	
77,200	Kao Corporation.....	3,127	7,696	
16,600	Keyence Corporation .....	1,275	10,277	
161,100	Komatsu Ltd.....	4,498	4,704	
10,500	Shimano, Inc.....	2,042	2,750	
40,100	Shin-Etsu Chemical Co., Ltd.....	4,905	6,936	
47,700	Suzuki Motor Corporation .....	3,030	2,703	
76,100	Unicharm Corporation.....	1,739	4,532	
85,100	ZOZO, Inc. ....	1,764	3,150	
		<u>29,275</u>	<u>53,311</u>	6.3
	<b>United Kingdom</b>			
275,650	British American Tobacco plc.....	14,845	13,168	
221,654	Bunzl plc .....	7,774	9,557	
125,227	Imperial Brands plc .....	3,294	2,945	
643,633	Informa plc .....	6,245	4,168	
104,205	Unilever plc.....	4,749	8,560	
		<u>36,907</u>	<u>38,398</u>	4.5
	<b>Bermuda</b>			
111,900	Jardine Matheson Holdings Limited.....	8,330	5,923	0.7
	<b>China</b>			
341,000	Ping An Insurance (Group) Company of China, Ltd. ....	5,369	4,666	0.5

# *Economic Investment Trust Limited*

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

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
	<b>Cayman Islands</b>			
4,304,000	Want Want China Holdings Ltd. ....	\$ 5,035	\$ 3,985	0.5
	<b>Mexico</b>			
282,100	Coca-Cola Femsa S.A.B. de C.V. ....	2,227	1,532	
27,506	Coca-Cola Femsa S.A.B. - SP ADR .....	2,063	1,494	
		<u>4,290</u>	<u>3,026</u>	0.4
	<b>Total investments</b> .....	<u>\$ 381,723</u>	<u>\$ 849,041</u>	<u>100.0</u>

<sup>1</sup> These companies and Economic are related parties.

<sup>2</sup> Not listed on a stock exchange.

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

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

<sup>5</sup> Investment in associate.

# *Economic Investment Trust Limited*

## **CORPORATE INFORMATION**

### **HEAD OFFICE**

Tenth Floor, 165 University Avenue, Toronto, Ontario, M5H 3B8  
Tel: 416-947-2578  
Fax: 416-362-2592

### **EXTERNAL INVESTMENT MANAGER**

Burgundy Asset Management Ltd., Toronto

### **AUDITOR**

PricewaterhouseCoopers LLP, Toronto

### **CUSTODIAN**

RBC Investor & Treasury Services

### **TRANSFER AGENT AND REGISTRAR**

Computershare Investor Services Inc.  
100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1  
Toll Free: 1-800-564-6253  
[www.computershare.com](http://www.computershare.com)

### **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](http://www.evt.ca)