Economic Investment Trust Limited

SECOND QUARTER REPORT
JUNE 30, 2014

Economic Investment Trust Limited

THE PERIOD AT A GLANCE
(Unaudited)

	As at June 30 2014 [1]		As at Dec. 31 2013 [1]	
Net equity value per Common Share [2]	**$**	**119.75**	$	124.69
Net assets	**$**	**672,462**	$	700,198
Number of Common Shares outstanding at period end		**5,615,535**		5,615,535

	Six months ended June 30			
	2014 [1]		2013 [1]	
Net investment income per Common Share [2]	**$**	**0.81**	$	0.73
Dividends per Common Share				
Quarterly	**$**	**0.30**	$	0.30
Additional [3]	**$**	**7.05**	$	0.53
Net income per Common Share	**$**	**2.41**	$	19.84
Net investment income	**$**	**4,546**	$	4,096

(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").

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the unaudited condensed financial performance and financial condition of Economic Investment Trust Limited ("Economic" or the "Company") for the second quarter of 2014 should be read in conjunction with: the 2013 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 condensed financial statements and notes for the previous quarter of 2014, and the unaudited quarterly condensed financial statements and notes contained in this report. These unaudited condensed financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The Company adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CICA Handbook ("Previous Canadian GAAP"). The Company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position as at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended December 31, 2013 and the six months ended June 30, 2013 prepared under Previous Canadian GAAP. 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.

First-time Adoption of IFRS

Over the past year, the Company has provided disclosure in its MD&A on how the transition to IFRS was expected to impact its financial statements. The Company's results, including for comparative periods, are now being reported in accordance with IFRS. Note 3 of the quarterly condensed financial statements for the six months ended June 30, 2014 contains a detailed description of the Company's transition to IFRS. The note disclosure includes a reconciliation of financial statements previously reported under Previous Canadian GAAP to those under IFRS for the three months and six months ended June 30, 2013 and for the year ended December 31, 2013 as well as explanations of the individual adjustments that resulted from the transition.

The IFRS-related disclosures and values in this document have been prepared using the standards and interpretations currently issued and expected to be effective at the end of December 31, 2014, the Company's first annual IFRS reporting period. Certain accounting policies expected to be adopted under IFRS may not be adopted and the application of such policies to certain transactions or circumstances may be modified and as a result, the June 30, 2014 and December 31, 2013 financial statements prepared under IFRS are subject to change.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, ranging from as high as a 45% discount to as low as 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 diversified portfolio of common shares of publicly-traded global companies.

The long-term investments consist of common shares of E-L Financial Corporation Limited ("E-L Financial"), Algoma Central Corporation ("Algoma") and The Bank of Nova Scotia. At June 30, 2014, the three largest long-term investments, as a percentage of total investments, are common shares of E-L Financial at 45.4% (December 31, 2013 – 44.6%), Algoma at 6.9% (December 31, 2013 – 6.6%) and The Bank of Nova Scotia at 7.6% (December 31, 2013 – 6.8%). 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 8 to the financial statements in the 2013 Annual Report and in the schedule of investment portfolio in this interim report beginning on page 12.

The balance of the investment portfolio is managed by Burgundy Asset Management Ltd. ("Burgundy"), a global equity manager based in Toronto. At June 30, 2014 and the 2013 year end, 100% of the Burgundy managed portfolio was made up of non-Canadian companies.

At June 30, 2014, approximately 61.0% (December 31, 2013 – 63.8%) of the investment portfolio was held in long-term investments and 39.0% (December 31, 2013 – 36.2%) 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 paid on Common Shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	June 30 2014	Dec. 31 2013
Net assets	**$ 672,462**	$ 700,198
Common Shares outstanding	**5,615,535**	5,615,535
Net equity value per Common Share	**$ 119.75**	$ 124.69

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 June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Net income	**$ 453**	$ 54,388	**$ 13,538**	$ 111,406
Add (deduct):				
Fair value change in investments	**2,175**	(60,096)	**(9,374)**	(123,700)
Tax on fair value change in investments	**(288)**	7,963	**1,242**	16,390
Net refundable dividend taxes recovered	**—**	—	**(860)**	—
Net investment income	**$ 2,340**	$ 2,255	**$ 4,546**	$ 4,096
Common Shares outstanding	**5,615,535**	5,615,535	**5,615,535**	5,615,535
Net investment income per Common Share	**$ 0.42**	$ 0.40	**$ 0.81**	$ 0.73

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Equity Value per Common Share

For the quarter ended June 30, 2014, the Company's net equity value per Common Share decreased to $119.75 at June 30, 2014 from $119.82 at March 31, 2014. With dividends reinvested at month-end net equity values, the Company's net equity value return for the quarter was 0.1%, compared to a return of 10.3% for the same period in 2013. On a pre-tax basis, the shares of E-L Financial had a negative return of 3.0% for the quarter compared to a return of 22.1% for the same period in 2013, the shares of Algoma had a return of 4.9% compared to a negative return of 4.9% in 2013, and the shares of the Bank of Nova Scotia had a return of 12.1% compared to a negative return of 3.9% in 2013. The global investment portfolio had a return, gross of fees, of 0.9% in the second quarter of 2014 versus a comparative return of 5.7% in 2013.

On a year-to-date basis, the Company's net equity value per Common Share decreased to $119.75 at June 30, 2014 from $124.69 at December 31, 2013, primarily as a result of the payment of an additional dividend of $7.05 per Common Share on March 31, 2014.

With dividends reinvested at month-end net equity values, the Company's net equity value return year to date was 1.9%, compared to a return of 23.5% for the same period in 2013. On a pre-tax basis, the shares of E-L Financial had a negative return of 3.0% year to date compared to a return of 46.0% for the same period in 2013, the shares of Algoma had a return of 0.5% compared to a negative return of 3.1% in 2013, and the shares of the Bank of Nova Scotia had a return of 9.0% compared to a negative return of 0.1% in 2013.

The global investment portfolio had a return, gross of fees, of 7.2% in 2014 year to date versus a comparative return of 18.4% in 2013.

As the Company is a taxable Canadian corporation, its returns are 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, stock market index total returns (capital gains plus dividends), compared to the net equity value return of the Company, were as follows:

	Three months ended June 30	Six months ended June 30
	(%)	
Economic net equity value	0.1	1.9
S&P/TSX Composite Index	6.4	12.9
MSCI All Country World Index	1.0	6.5
S&P 500 Index	1.6	7.5

Operating Results

Net income

The Company's net income in the second quarter of 2014 decreased to $453,000 compared to $54,388,000 for the second quarter of 2013. On a year-to-date basis, net income decreased to $13,538,000 from $111,406,000 for the same period in the prior year. On a per Common Share basis, net income for the quarter decreased to $0.08 in 2014 compared to $9.69 in 2013 and on a year-to-date basis decreased to $2.41 in 2014 compared to $19.84 in 2013.

The net realized gain for the Company for the second quarter increased to $2,636,000 from $1,989,000 in 2013 and on a year-to-date basis decreased to $3,754,000 from $4,845,000 in 2013. The largest year-to-date contributors to the net realized gain in 2014 were the sales of IMI plc., Google Inc. Class C and Apple Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's change in unrealized appreciation for the second quarter decreased to negative $4,811,000 from $58,107,000 in 2013 and on a year-to-date basis decreased to $5,620,000 from $118,855,000 in 2013. Long-term investments decreased by $2,653,000 during the quarter and $6,181,000 year to date, primarily as a result of negative returns from the Company's investments in E-L Financial. In the prior year, long-term investments increased by $48,466,000 during the quarter and $89,489,000 year to date primarily as a result of a strong returns for both periods from the Company's investment in E-L Financial. The global managed portfolio decreased by $2,158,000 during the second quarter of 2014, compared to an increase of $9,641,000 for the same period in the prior year and on a year-to-date basis increased by $11,801,000 in 2014 compared to an increase of $29,366,000 in the prior year.

At June 30, 2014, the Company has approximately $56,479,000 (December 31, 2013 - $59,246,000) of realized capital loss carryforwards. A future income tax benefit of $7,483,000 (December 31, 2012 - $7,850,000) 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 the second quarter of 2014 increased to $2,340,000 compared to $2,255,000 for the second quarter of 2013, an increase of 3.8%. On a year-to-date basis, net investment income increased to $4,546,000 from $4,096,000 for the same period in the prior year, an increase of 11.0%. On a per Common Share basis, net investment income for the quarter increased to $0.42 in 2014 compared to $0.40 in 2013 and on a year-to-date basis increased to $0.81 in 2014 compared to $0.73 in 2013.

Foreign dividend income in the second quarter increased by 8.2% to $2,439,000 from $2,255,000 in 2013 and on a year-to-date basis increased by 16.6% to $4,639,000 from $3,980,000 in 2013. The year-over-year increases in both periods occurred primarily as a result of higher-yielding securities held in the current year compared to the same periods in the prior year.

Canadian dividend income in the second quarter increased by 4.2% to $977,000 from $938,000 in 2013 and on a year-to-date basis increased by 4.3% to $1,955,000 from $1,875,000 in 2013. The increases year over year for both periods resulted from an increase in dividends received from The Bank of Nova Scotia.

Interest and securities lending income increased by 4.2% during the quarter to $47,000 from $44,000 in 2013 and on a year-to-date basis increased by 130.7% to $173,000 from $75,000 in 2013. The increase year over year resulted from a large average balance of cash and cash equivalents held during the first quarter to fund the Company's additional dividend payment paid at the first quarter end.

Expenses increased by 20.6% during the quarter to $610,000 from $506,000 in 2013 and on a year-to-date basis increased by 22.6% to $1,265,000 from $1,032,000 in 2013. The majority of the year-over-year increases in both periods relates to increased investment management fees as a result of an increase in the average quarterly and year-to-date market value of the global investment portfolio year over year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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):

	IFRS						Previous Canadian GAAP	
	June 30 2014	March 31 2014	Dec. 31 2013	Sept. 30 2013	June 30 2013	March 31 2013	Dec. 31 2012	Sept. 30 2012
Net investment income	**$ 2,340**	$ 2,206	$ 37,203	$ 1,652	$ 2,255	$ 1,841	$ 1,180	$ 1,322
Increase in net income (net assets from operations)	**$ 453**	$ 13,085	$ 97,733	$ 20,639	$ 54,388	$ 57,018	$ 18,436	$ 5,545
Increase in net income (net assets from operations) per Common Share	**$ 0.08**	$ 2.33	$ 17.41	$ 3.67	$ 9.69	$ 10.15	$ 3.28	$ 0.99
Net equity value per Common Share	**$ 119.75**	$ 119.82	$ 124.69	$ 107.44	$ 103.91	$ 94.37	$ 83.98	$ 80.85
Quarterly NAV return %	**0.1**	1.9	16.2	3.5	10.3	12.0	4.1	1.2

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. During the quarter ended December 31, 2013, the Company's largest investment, E-L Financial, paid a special dividend that amounted to $36,108,000.

Overall returns are determined by the performance of the Company's long-term investments and the performance of the externally-managed 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, 2014, there are 5,615,535 Common Shares issued and outstanding and each share is entitled to one vote.

Liquidity and Capital Resources

During the quarter and year to date, quarterly dividends of $0.15 and $0.30, respectively, were paid on the Common Shares. The payment of the Company's quarterly dividends is funded by net investment income. For the quarter ended June 30, 2014, net investment income was $0.42 per Common Share and on a year-to-date basis, net investment income was $0.81 per Common Share.

On February 12, 2014, the Board of Directors declared an additional cash dividend of $7.05 per Common Share that was paid at the end of the first quarter. This dividend represented a distribution of the balance of net investment income for the year ended December 31, 2013. The net investment income was derived primarily from a dividend received from E-L Financial in the fourth quarter of 2013 in the amount of $36,108,000.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

August 5, 2014

STATEMENTS OF NET ASSETS
(Unaudited)

	June 30 2014	December 31 2013	January 1 2013
		(000's)	
ASSETS			
Cash and cash equivalents	**$ 8,043**	$ 49,693	$ 11,496
Investments (Note 5)	**711,138**	703,187	489,165
Receivable for investments sold	**6,027**	—	—
Dividends and interest receivable	**631**	512	326
Income taxes receivable	**1,726**	610	869
Other assets	**137**	135	31
	727,702	754,137	501,887
LIABILITIES			
Accrued expenses	**484**	465	354
Deferred tax liabilities	**54,756**	53,474	24,768
	58,240	53,939	25,122
Net assets	**$ 672,462**	$ 700,198	$ 476,765
SHAREHOLDERS' EQUITY			
Share capital	**$ 204,691**	$ 204,691	$ 204,691
Share premium	**1,474**	1,474	1,474
Retained earnings	**466,297**	494,033	270,600
Total shareholders' equity	**$ 672,462**	$ 700,198	$ 476,765

(See accompanying notes)

STATEMENTS OF INCOME
(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
		(000's)		
INCOME				
Dividends				
Foreign	**$ 2,439**	$ 2,255	**$ 4,639**	$ 3,980
Canadian	**977**	938	**1,955**	1,875
	3,416	3,193	**6,594**	5,855
Interest and securities lending income	**47**	44	**173**	75
Fair value change in investments (Note 6)	**(2,175)**	60,096	**9,374**	123,700
	1,288	63,333	**16,141**	129,630
EXPENSES				
Investment management and administrative costs	**506**	384	**962**	758
Office and miscellaneous	**22**	34	**137**	119
Directors' remuneration	**40**	41	**70**	74
Transfer, registrar and custody fees	**27**	32	**56**	49
Professional fees	**15**	15	**40**	32
	610	506	**1,265**	1,032
INCOME BEFORE INCOME TAXES	**678**	62,827	**14,876**	128,598
Provision for income taxes	**225**	8,439	**1,338**	17,192
NET INCOME	**$ 453**	$ 54,388	**$ 13,538**	$ 111,406
EARNINGS PER COMMON SHARE - BASIC AND DILUTED	**$ 0.08**	$ 9.69	**$ 2.41**	$ 19.84

(See accompanying notes)

STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

		Share capital		Share premium		Retained earnings		Total
					(000's)			
At January 1, 2014	**$**	**204,691**	**$**	**1,474**	**$**	**494,033**	**$**	**700,198**
Net income for the period		**—**		**—**		**13,538**		**13,538**
Dividends		**—**		**—**		**(41,274)**		**(41,274)**
At June 30, 2014	**$**	**204,691**	**$**	**1,474**	**$**	**466,297**	**$**	**672,462**
At January 1, 2013	$	204,691	$	1,474	$	270,600	$	476,765
Net income for the period		—		—		111,406		111,406
Dividends		—		—		(4,661)		(4,661)
At June 30, 2013	$	204,691	$	1,474	$	377,345	$	538,510

STATEMENTS OF CASH FLOW
(Unaudited)

	Six months ended June 30			
		2014		2013
		(000's)		
Net inflow (outflow) of cash related to the following activites:				
Operating				
Net income	**$**	**13,538**	$	111,406
Adjustments for:				
Fair value change in investments		**(9,374)**		(123,700)
Purchases of investments		**(14,226)**		(42,455)
Proceeds from sale of investments		**15,650**		32,652
Dividends and interest receivable		**(120)**		(145)
Deferred taxes		**1,283**		16,387
		6,751		(5,855)
Net change in other assets and liabilities		**(7,127)**		2,673
		(376)		(3,182)
Financing				
Dividends paid to shareholders		**(41,274)**		(4,661)
Net decrease in cash and cash equivalents		**(41,650)**		(7,843)
Cash and cash equivalents at beginning of the period		**49,693**		11,496
Cash and cash equivalents at end of the period	**$**	**8,043**	$	3,653
Additional information for operating activities:				
Interest received	**$**	**174**	$	39
Dividends received, net of withholding taxes		**5,834**		5,107
Income taxes paid		**584**		565

(See accompanying notes)

SCHEDULE OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2014 (continued)
(Unaudited)

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
	North America			
	Canada			
2,126,380	Algoma Central Corporation [2]	$ 2,974	$ 35,170	
386,206	E-L Financial Corporation Limited [2]	26,116	271,503	
33,101	Ecando Investments Limited Classes A, B and common [2, 3]	4,139	57,842	
176,414	The Fulcrum Investment Company Limited [2, 3]	464	13,556	
216,900	NVG Holdings Limited Classes B, C, D, E and common [1, 2, 3]	2,115	46,278	
4,837	TGV Holdings Limited Class B [1, 2, 3, 4]	318	13,246	
		36,126	437,595	61.5
	United States			
100,686	AmerisourceBergen Corporation	4,066	7,810	
58,331	Apple Inc.	4,033	5,787	
81,780	Babcock & Wilcox Company (The)	2,837	2,834	
59,673	Baxter International Inc.	3,652	4,603	
173,133	BB&T Corporation	5,647	7,288	
45,615	Becton, Dickinson and Company	3,608	5,761	
215,326	Cisco Systems, Inc.	3,989	5,713	
67,648	Emerson Electric Company	3,376	4,793	
83,112	Equifax, Inc.	4,000	6,437	
4,020	Google Inc. Class A	1,353	2,509	
1,475	Google Inc. Class C	495	906	
38,061	Humana, Inc.	2,737	5,190	
105,463	Johnson & Johnson	7,152	11,779	
158,586	Leucadia National Corporation	4,364	4,439	
110,353	Lorillard, Inc.	4,403	7,183	
151,879	Microsoft Corporation	4,654	6,762	
93,398	Northern Trust Corporation	4,419	6,403	
64,543	Occidental Petroleum Corporation	5,650	7,072	
162,526	Oracle Corporation	5,213	7,032	
59,891	PepsiCo, Inc.	4,392	5,712	
95,048	Philip Morris International Inc.	8,770	8,555	
55,590	Procter & Gamble Company (The)	3,811	4,664	
71,761	Qualcomm Incorporated	4,469	6,068	
62,882	Union Pacific Corporation	4,616	6,697	
54,940	United Technologies Corporation	4,334	6,772	
58,550	Walgreen Co.	2,795	4,634	
		108,835	153,403	21.6
	Total North America	144,961	590,998	83.1

- continued -

SCHEDULE OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2014 (continued) (Unaudited)

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
	Latin America			
1,093,716	Quinenco S.A.,	$ 3,314	$ 2,419	0.3
	Europe, excluding United Kingdom			
108,878	Colruyt S.A.	5,583	5,904	
72,267	Deutsche Boerse AG	4,146	5,979	
71,153	Hannover Rueckversicherung AG	4,803	6,840	
89,484	Heineken Holding N.V.	4,152	6,279	
96,966	Henkel AG & Co. KGaA	5,863	10,309	
52,967	Nestle S.A.	3,431	4,381	
76,585	Novartis AG	4,942	7,404	
67,685	Publicis Groupe	3,643	6,127	
13,536	Roche Holding AG	2,330	4,310	
		38,893	57,533	8.1
	United Kingdom			
168,589	British American Tobacco plc	9,246	10,707	
224,349	GlaxoSmithKline plc	5,425	6,407	
158,738	Imperial Tobacco Group plc	5,770	7,624	
699,468	Sage Group plc (The)	3,612	4,906	
147,051	Unilever plc	5,597	7,119	
		29,650	36,763	5.2
	Asia			
55,000	Benesse Holdings, Inc.	2,528	2,548	
71,500	Canon Inc.	2,416	2,484	
16,000	Hirose Electric Co., Ltd.	1,737	2,538	
69,900	Kao Corporation	1,990	2,937	
5,400	Keyence Corporation	1,416	2,515	
15,400	Nintendo Co., Ltd.	1,694	1,968	
27,800	Shimano, Inc.	2,026	3,294	
40,000	Shin-Etsu Chemical Co., Ltd.	2,429	2,596	
40,000	Unicharm Corporation	2,290	2,545	
		18,526	23,425	3.3
	Total investments	$ 235,344	$ 711,138	100.0

[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.

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1. Description of Company and summary of operations

Economic ("Economic" or the "Company") is a closed-end investment corporation. The head office, principal address and registered office of the Company is located at Tenth Floor, 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 condensed financial statements are presented in Canadian dollars. These condensed financial statements were approved by the Company's Board of Directors on August 5, 2014.

2. Basis of presentation and adoption of IFRS

These unaudited condensed financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB") applicable to the preparation of quarterly financial statements, including IAS 34 and IFRS1. The Company adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CICA Handbook ("Previous Canadian GAAP"). The Company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended December 31, 2013 and the six months ended June 30, 2013 prepared under Previous Canadian GAAP.

3. First-time adoption of IFRS

The Company has adopted IFRS effective January 1, 2014. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Previous Canadian GAAP. The Company's financial statements for the year ended December 31, 2014 will be the Company's first annual financial statements prepared in accordance with IFRS. Accordingly, the Company will make an unreserved statement of compliance with IFRS beginning with its 2014 annual financial statements.

The Company has applied IFRS 1 First-time Adoption of International Financial Reporting Standards in preparing these financial statements, with a transition date of January 1, 2013. In accordance with IFRS, the Company has:

- provided comparative financial information restated from Previous Canadian GAAP;
- applied the same accounting policies throughout all periods presented; and
- retrospectively applied all IFRS standards expected to be effective as of December 31, 2014, except for certain optional exemptions and mandatory exceptions applicable for first-time adopters of IFRS that the Company has applied, as discussed below.

The policies applied in these condensed quarterly financial statements are based on IFRS issued and outstanding as of August 5, 2014, the date the Board of Directors approved these financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2014 could result in restatement of these quarterly financial statements, including the transition adjustments recognized on conversion to IFRS.

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

The effect of the Company's transition to IFRS is summarized in this note as follows:

Transition elections

The only voluntary election adopted by the Company upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss (”FVTPL”) upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Previous Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

Statement of cash flows

Under Previous Canadian GAAP, the Company was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative periods, without exception.

Revaluation of investments at FVTPL

Under Previous Canadian GAAP, the Company measured the fair values of its investments in accordance with Section 3855, Financial Instruments — Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Company measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement (“IFRS 13”), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. The Company uses the last traded market price for both financial assets and financial liabilities where the last traded 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. As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Company's investments by $5,944,000 at January 1, 2013, $7,070,000 at December 31, 2013 and $4,804,000 as at June 30, 2013 and to increase deferred income taxes by $788,000 at January 1, 2013, $937,000 at December 31, 2013 and $637,000 as at June 30, 2013. The impact of this adjustment was to increase the Company's net income by $977,000 or 0.4% for the year ended December 31, 2013, to increase the Company's net income by $2,433,000 or 4.7% for the three months ended June 30, 2013, and to decrease the Company's net income by $989,000 or 0.9% for the six months ended June 30, 2013.

Reclassification of net provision for refundable dividend taxes on hand

Under Previous Canadian GAAP, the Company presented its net provision for refundable dividend taxes on hand in its statement of retained earnings. Upon adoption of IFRS, the net provision for refundable dividend taxes on hand is recognized as a component of the provision for income taxes. The impact of this adjustment was to decrease the Company's net income by $860,000 or 0.4% for the year ended December 31, 2013. There was no impact of this adjustment to the Company's net income for the three months or six months ended June 30, 2013.

Comprehensive income

The Company does not have any other comprehensive income or comprehensive income and therefore reports only net income in its statement of income.

Reclassification adjustments

In addition to the measurement adjustments noted above, the Company reclassified certain amounts upon transition in order to conform to its financial statement presentation under IFRS. Under Previous Canadian GAAP, the Company presented cash and short-term investments in these statements of net assets as separate line items. Under IFRS, these two items are combined and presented separately as cash and cash equivalents. Previous Canadian GAAP used the

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

accounting term future income taxes whereas IFRS uses the comparable accounting term deferred taxes. Under Previous Canadian GAAP, in the statement of operations, the provision for income taxes was previously netted against the net change in unrealized appreciation of investments. In contrast, under IFRS, this provision for income taxes is now reclassified to the provision for income taxes in the statement of income. In addition, the IFRS statement of income line item, change in unrealized appreciation, is the reclassification of the Previous Canadian GAAP line item, net change in unrealized appreciation of investments, adjusted for the previously mentioned reclassification of the corresponding provision for income taxes.

Reconciliation of shareholders' equity and net income as previously reported under Previous Canadian GAAP to IFRS.

Shareholders' equity	Dec. 31 2013	June 30 2013	Jan. 1 2013
		(000's)	
Shareholders' equity as reported under Previous Canadian GAAP	$ 694,065	$ 579,343	$ 471,609
Revalution of investments at FVTPL	7,070	4,804	5,944
Less: Adjustment for deferred taxes on revaluation	(937)	(637)	(788)
Shareholders' equity as reported under IFRS	$ 700,198	$ 583,510	$ 476,765

Net income	Year ended Dec. 31 2013	Six months ended June 30 2013	Three months ended June 30 2013
		(000's)	
Net income as reported under Previous Canadian GAAP	$ 229,661	$ 112,395	$ 51,955
Revalution of investments at FVTPL	1,126	(1,140)	2,805
Less: Adjustment for deferred taxes on revaluation	(149)	151	(372)
Less: Reclassification of net increase in refundable dividend taxes on hand	(860)	—	—
Net income as reported under IFRS	$ 229,778	$ 111,406	$ 54,388

4. 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 under IAS 39, Financial Instruments – Recognition and Measurement ("IAS 39"). The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

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.

5. Classification of fair value measurements

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, 2014, the Company had $580,216,000 (December 31, 2013 - $574,708,000) of Level 1 and $130,922,000 (December 31, 2013 - $128,479,000) of Level 2 investments. There were no transfers year to date between Level 1 and Level 2 investments and the Company had no Level 3 investments.

6. Fair value change in investments

The fair value change in investments is comprised as follows:

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
		(000's)		
Net realized gain	**$ 2,636**	$ 1,989	**$ 3,754**	$ 4,845
Change in unrealized appreciation	**(4,811)**	58,107	**5,620**	118,855
	$ (2,175)	$ 60,096	**$ 9,374**	$ 123,700

7. Related party transactions

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

8. Subsequent event

Common Share dividends of $0.15 per Common Share were declared by the Board of Directors at its meeting on August 5, 2014, with a record and payable date of September 15, 2014 and September 30, 2014, respectively.

CORPORATE INFORMATION

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CUSTODIAN

RBC Investor Services Trust

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 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