

Economic Investment Trust Limited



**SECOND QUARTER REPORT
JUNE 30, 2016**

Economic Investment Trust Limited

THE PERIOD AT A GLANCE (Unaudited)

	As at June 30 2016 ⁽¹⁾	As at Dec. 31 2015 ⁽¹⁾
Net equity value per Common Share ⁽²⁾	\$ 130.27	\$ 132.62
Net assets	\$ 731,536	\$ 744,706
Number of Common Shares outstanding at period end	5,615,535	5,615,535

	Six months ended June 30	
	2016 ⁽¹⁾	2015 ⁽¹⁾
Net investment income per Common Share ⁽²⁾	\$ 1.05	\$ 0.85
Dividends per Common Share		
Quarterly	\$ 0.30	\$ 0.30
Additional ⁽³⁾	\$ 0.85	\$ 0.76
Net income (loss) per Common Share	\$ (1.20)	\$ 4.14
Net investment income	\$ 5,907	\$ 4,752

⁽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.

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 2016 should be read in conjunction with: the December 31, 2015 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 2016; and the unaudited interim condensed financial statements and notes contained in this report. 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 and has never bought back its Common Shares. The Common Shares have historically traded at a discount to their net asset value, generally ranging from a 45% discount to a 20% discount. Management believes that shareholders who have invested in the Common Shares of the Company recognize that the Common Shares of the Company usually trade at a discount to their net asset value.

Closed-end 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 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, 2016, E-L Financial represented 40.8% (December 31, 2015 – 41.2%) of total equity investments, Algoma at 4.3% (December 31, 2015 – 5.3%) and The Bank of Nova Scotia at 6.0% (December 31, 2015 – 5.3%). 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 2015 Annual Report and in the schedule of investment portfolio in this interim report beginning on page 14.

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.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

E-L Financial has a 51.7% (December 31, 2015 – 51.5%) interest in a closed-end fund, United Corporations Limited (“United”), which is an investment vehicle for long-term growth through investments in common equities. In addition, E-L Corporate has a 36.3% interest in Algoma and a 24.0% interest in Economic. E-L Financial also owns 99.2% 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 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, 2016, 97.9% (December 31, 2015 – 99.3%) of the fair value of the global investment portfolio was made up of non-Canadian companies.

At June 30, 2016, approximately 52.2% (December 31, 2015 – 52.8%) of the investment portfolio was held in long-term investments and 47.8% (December 31, 2015 – 47.2%) 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 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. Current Canadian generally accepted accounting principles is IFRS for these financial statements. The Company believes that these measures provide information useful to our shareholders in evaluating the Company’s financial results.

Net equity value per Common Share is used by investors and management as a comparison to the market price of its Common Shares to determine the discount or premium at which the Company’s Common Shares are trading relative to the net equity value per Common Share.

Net investment income per Common Share is used by both investors and management to assess the approximate amount of dividends to be distributed on Common Shares.

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

	June 30 2016	Dec. 31 2015
Net assets	\$ 731,536	\$ 744,706
Common Shares outstanding	5,615,535	5,615,535
Net equity value per Common Share	\$ 130.27	\$ 132.62

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Net income (loss)	\$ 19,763	\$ (1,829)	\$ (6,712)	\$ 23,221
Add (deduct):				
Fair value change in investments	(19,244)	4,861	14,440	(21,290)
Tax on fair value change in investments	2,550	(644)	(1,913)	2,821
Net increase in refundable dividend taxes on hand	8	—	92	—
Net investment income ¹	\$ 3,077	\$ 2,388	\$ 5,907	\$ 4,752
Common Shares outstanding	5,615,535	5,615,535	5,615,535	5,615,535
Net investment income per Common Share ¹	\$ 0.55	\$ 0.43	\$ 1.05	\$ 0.85

¹ On an after-tax basis.

Net Equity Value per Common Share

The Company's net equity value per Common Share increased to \$130.27 at June 30, 2016 from \$126.90 at March 31, 2016.

With dividends reinvested at month-end net equity values, the Company's net equity value return was 2.8% in the second quarter of 2016, compared to a negative return of 0.3% during 2015.

The global investment portfolio had a pre-tax return, gross of fees, of 3.3% in the second quarter of 2016 versus a negative return of 0.7% in 2015.

On a pre-tax basis, the shares of E-L Financial had a return of 4.1% during the second quarter of 2016 compared to a negative return of 0.6% for the same period in 2015, the shares of Algoma had a negative return of 8.5% compared to a positive return of 3.4% in 2015, and the shares of the Bank of Nova Scotia had a return of 0.9% compared to 2.5% in 2015.

On a year-to-date basis, the Company's net equity value per Common Share decreased to \$130.27 at June 30, 2016 from \$132.62 at December 31, 2015.

With dividends reinvested at month-end net equity values, the Company's net equity value return was negative 0.9% in 2016, compared to a positive return of 3.4% during 2015. The negative net equity return in 2016 was primarily attributable to a negative return for Algoma and changing currency exchange rates. A strengthening Canadian dollar reduced the Canadian dollar return for the global investment portfolio.

The global investment portfolio had a year-to-date pre-tax return, gross of fees, of negative 0.9% in 2016 versus a comparative return of positive 12.5% in 2015.

On a pre-tax basis, the shares of E-L Financial had a negative return of 1.0% year-to-date compared to a negative return of 4.7% for the same period in 2015, the shares of Algoma had a negative return of 18.6% and a positive return of 5.7% in 2015, and the shares of the Bank of Nova Scotia had a positive return of 15.7% compared to a negative return of 0.8% in 2015.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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	2.8	(0.9)
S&P/TSX Composite Index	5.1	9.8
MSCI All Country World Index	1.1	(5.1)
S&P 500 Index	2.8	(2.4)

Growth in Net Equity Value ("NAV")

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

Annual growth in NAV*

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

Compound annual growth*

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

Operating Results

Net income

The Company reported net income of \$19,763,000 in the second quarter of 2016 compared to a net loss of \$1,829,000 for the second quarter of 2015. On a year-to-date basis, the Company reported a net loss of \$6,712,000 compared to net income of \$23,221,000 for the same period in the prior year. On a per Common Share basis, earnings per share increased to \$3.51 in the second quarter of 2016 compared to a net loss of \$0.32 in 2015. On a year-to-date basis, earnings per share decreased to a net loss of \$1.20 compared to net income of \$4.14 in 2015.

The fair value change in investments for the quarter was a gain of \$19,244,000 in 2016 compared to a loss of \$4,861,000 for 2015. On a year-to-date basis, the fair value change in investments was a loss \$14,440,000 compared to a gain of \$21,290,000 for 2015.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The global investment portfolio had a fair value gain of \$9,914,000 in the second quarter of 2016 compared to a fair value loss of \$5,052,000 in 2015. On a year-to-date basis, the global investment portfolio had a fair value loss of \$7,796,000 compared to a fair value gain of \$34,934,000 in 2015. The 2016 year-to-date loss for the global investment portfolio included investment losses from North America of \$6,037,000, Europe \$3,209,000, United Kingdom \$53,000, Asia \$12,000 offset by a net gain of \$1,515,000 in Brazil. The weakest year-to-date performers in the portfolio were AmerisourceBergen Corporation, Microsoft Corporation and BB&T Corporation, partially offset by positive performance from Cielo S.A.

The fair value change for long-term investments was a gain of \$9,330,000 in the second quarter of 2016 compared to a gain of \$191,000 during the same period in 2015. On a year-to-date basis, the fair value change for long-term investments was a loss of \$6,644,000 compared to a loss of \$13,644,000 during the same period in 2015. The Company's year-to-date long-term investment loss was comprised primarily of losses in Algoma of \$7,980,000 and E-L Financial of \$4,215,000, partially offset by a fair value gain of \$5,360,000 in The Bank of Nova Scotia.

The Company's net realized gain, all of which relates to the global investment portfolio, was \$3,424,000 in the second quarter of 2016 compared to \$13,727,000 in 2015. On a year-to-date basis, the net realized gain was \$21,050,000 compared to \$18,793,000 in 2015.

Prior to 2016, the Company was able to reduce current taxes payable on realized investment gains due to realized capital losses from prior years. These capital loss carryforwards were fully utilized during the first quarter of 2016, and current income taxes will be payable on future realized gains. Year to date, the Company reduced income taxes payable on realized investment gains by \$2,066,000 relating to the utilization of prior year's realized capital losses.

Net investment income

The Company's net investment income in the second quarter of 2016 increased to \$3,077,000 compared to \$2,388,000 for the second quarter of 2015, an increase of 28.9%. On a year-to-date basis, net investment income increased to \$5,907,000 from \$4,752,000 for the same period in the prior year, an increase of 24.3%. On a per Common Share basis, net investment income for the quarter increased to \$0.55 in 2016 compared to \$0.43 in 2015 and on a year-to-date basis increased to \$1.05 compared to \$0.85 in 2015.

Foreign dividend income in the second quarter of 2016 increased by 6.5% to \$2,733,000 from \$2,567,000 in 2015 and on a year-to-date basis increased by 5.0% to \$5,392,000 from \$5,137,000 in 2015. The yield-to-market dividend return for the portfolio has remained consistent compared to the same periods in the prior year. The year-over-year increases in both periods occurred primarily as a result of growth in the market value of the global investment portfolio.

Canadian dividend income in the second quarter of 2016 increased to \$1,641,000 from \$1,039,000 in 2015 and on a year-to-date basis increased to \$3,153,000 from \$2,079,000 in 2015. The increase year over year for both periods resulted primarily from an increase in dividends received from E-L Financial. During the first quarter, E-L Financial announced an increase in its quarterly dividend on its common shares from \$0.125 per common share to \$1.25 per common share. The impact of this increase amounted to an additional \$435,000 during the quarter and \$869,000 year-to-date of dividend income compared to the same periods in the prior year.

Expenses increased by 3.2% during the quarter to \$805,000 from \$780,000 in 2015 and on a year-to-date basis increased by 8.9% to \$1,697,000 from \$1,558,000 in 2015. The majority of the year-over-year increase relates to increased investment management fees as a result of an increase in the average market value of the global investment portfolio.

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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):

	June 30 2016	March 31 2016	Dec. 31 2015	Sept. 30 2015	June 30 2015	March 31 2015	Dec. 31 2014	Sept. 30 2014
Net investment income ¹	\$ 3,077	\$ 2,830	\$ 1,602	\$ 1,775	\$ 2,388	\$ 2,364	\$ 1,302	\$ 1,772
Net income (loss)	\$ 19,763	\$ (26,475)	\$ 29,520	\$ 12,108	\$ (1,829)	\$ 25,050	\$ 18,088	\$ (1,371)
Earnings (loss) per Common Share	\$ 3.51	\$ (4.71)	\$ 5.26	\$ 2.15	\$ (0.32)	\$ 4.46	\$ 3.22	\$ (0.24)
NAV per Common Share	\$ 130.27	\$ 126.90	\$ 132.62	\$ 127.51	\$ 125.50	\$ 125.98	\$ 122.43	\$ 119.36
Quarterly NAV return % ²	2.8	(3.6)	4.1	1.7	(0.3)	3.6	2.7	(0.2)

¹ On an after-tax basis.

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, 2016, there are 5,615,535 Common Shares issued and outstanding and each share is entitled to one vote.

Liquidity and Capital Resources

The Company's dividend policy is to distribute annual net investment income in the form of dividends. The distributions are composed of \$0.15 quarterly dividends together with an additional dividend representing the balance of net investment income for the previous fiscal year. The Company's dividend policy is established by the Board of Directors at its discretion and is subject to change.

During the quarter and year to date, regular quarterly dividends of \$0.15 and \$0.30, respectively, were paid on the Common Shares. On February 11, 2016, the Board of Directors declared an additional cash dividend of \$0.85 per Common Share that was paid at the Company's first quarter end. This dividend represented a distribution of the balance of net investment income for the year ended December 31, 2015.

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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 2, 2016

Economic Investment Trust Limited

STATEMENTS OF NET ASSETS (Unaudited)

	June 30	December 31
	2016	2015
	<u>(000's)</u>	
ASSETS		
Cash and cash equivalents	\$ 11,208	\$ 23,141
Investments (Note 4)	782,056	784,764
Receivable in respect of investments sold	1,610	3,752
Dividends and interest receivable	1,238	487
Other assets	265	75
	<u>796,377</u>	<u>812,219</u>
LIABILITIES		
Accrued expenses	638	621
Payable in respect of investments purchased	505	1,410
Income taxes payable	948	12
Deferred tax liabilities	62,750	65,470
	<u>64,841</u>	<u>67,513</u>
Net assets	<u>\$ 731,536</u>	<u>\$ 744,706</u>
SHAREHOLDERS' EQUITY		
Share capital	\$ 204,691	\$ 204,691
Share premium	1,474	1,474
Retained earnings	525,371	538,541
Total shareholders' equity	<u>\$ 731,536</u>	<u>\$ 744,706</u>

(See accompanying notes)

Economic Investment Trust Limited

STATEMENTS OF INCOME (LOSS) (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
	(000's)			
INCOME				
Dividends				
Foreign	\$ 2,733	\$ 2,567	\$ 5,392	\$ 5,137
Canadian	1,641	1,039	3,153	2,079
	4,374	3,606	8,545	7,216
Interest and securities lending income	29	48	55	75
Fair value change in investments (Note 5)	19,244	(4,861)	(14,440)	21,290
	23,647	(1,207)	(5,840)	28,581
EXPENSES				
Investment management and administrative costs	631	646	1,292	1,216
Office and miscellaneous	25	35	150	155
Directors' remuneration	66	60	115	103
Transfer, registrar and custody fees	50	26	83	52
Professional fees	33	13	57	32
	805	780	1,697	1,558
INCOME (LOSS) BEFORE INCOME TAXES	22,842	(1,987)	(7,537)	27,023
Provision for (recovery of) income taxes	3,079	(158)	(825)	3,802
NET INCOME (LOSS)	\$ 19,763	\$ (1,829)	\$ (6,712)	\$ 23,221
EARNINGS (LOSS) PER COMMON SHARE - BASIC AND DILUTED	\$ 3.51	\$ (0.32)	\$ (1.20)	\$ 4.14

(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, 2016	\$ 204,691	\$ 1,474	\$ 538,541	\$ 744,706
Net loss for the period	—	—	(6,712)	(6,712)
Dividends	—	—	(6,458)	(6,458)
At June 30, 2016	\$ 204,691	\$ 1,474	\$ 525,371	\$ 731,536
At January 1, 2015	\$ 204,691	\$ 1,474	\$ 481,329	\$ 687,494
Net income for the period	—	—	23,221	23,221
Dividends	—	—	(5,952)	(5,952)
At June 30, 2015	\$ 204,691	\$ 1,474	\$ 498,598	\$ 704,763

STATEMENTS OF CASH FLOW (Unaudited)

	Six months ended June 30	
	2016	2015
	(000's)	
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income (loss)	\$ (6,712)	\$ 23,221
Adjustments for:		
Fair value change in investments	14,440	(21,290)
Purchases of investments	(71,343)	(35,412)
Proceeds from sale of investments	59,611	48,331
Dividends and interest receivable	(750)	24
Deferred taxes	(2,721)	2,817
Net change in other assets and liabilities	2,000	1,059
	(5,475)	18,750
Financing		
Dividends paid to shareholders	(6,458)	(5,952)
Net increase (decrease) in cash and cash equivalents	(11,933)	12,798
Cash and cash equivalents at beginning of the period	23,141	8,786
Cash and cash equivalents at end of the period	\$ 11,208	\$ 21,584
Additional information for operating activities:		
Interest received	\$ 11	\$ 40
Dividends received, net of withholding taxes	6,946	6,520
Income taxes paid	313	282

(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 2, 2016.

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, 2015.

3. Critical accounting estimates and judgments

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

Classification and measurement of investments

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

Fair value of investments in private companies

The fair value of investments in private companies is measured using the adjusted net asset method which estimates the fair value of the underlying assets and liabilities of the private companies. Refer to Note 5 in the Company’s audited financial statements for the year ended December 31, 2015 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.

Economic Investment Trust Limited

NOTES TO FINANCIAL STATEMENTS (Unaudited)

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, 2016, the Company had \$664,674,000 (December 31, 2015 - \$670,142,000) of Level 1 and \$117,382,000 (December 31, 2015 - \$114,622,000) of Level 3 investments. Level 1 investments represented 85.0% (December 31, 2015 - 85.4%) and Level 3 investments represented 15.0% (December 31, 2015 - 14.6%) of the carrying value of investments. During the six months ended June 30, 2016, there were no transfers between Level 1, 2 or 3 equity investments.

5. 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	
	2016	2015	2016	2015
	(000's)			
Net realized gain	\$ 3,424	\$ 13,727	\$ 21,050	\$ 18,793
Change in unrealized appreciation	15,820	(18,588)	(35,490)	2,497
	\$ 19,244	\$ (4,861)	\$ (14,440)	\$ 21,290

6. Related party information

The Company has investments in related parties (see Schedule of Investment Portfolio) with a fair value at June 30, 2016 of \$407,898,000 (December 31, 2015 - \$414,542,000) representing 52.2% (December 31, 2015 - 52.8%) of the total investments. Dividends from these companies for the three months ended June 30, 2016 amounted to \$1,601,000 (2015 - \$998,000). Dividends from these companies for the six months ended June 30, 2016 amounted to \$3,093,000 (2015 - \$1,996,000).

E-L Financial holds a 24.0% interest in the Company. Included in investment management and administrative costs are fees for administrative services paid to E-L Financial. These fees are calculated at 0.1% per annum of the fair value of the investments managed by the external investment manager and are paid monthly. The total fees for the three months ended June 30, 2016 amounted to \$106,000 (2015 - \$100,000) and \$217,000 (2015 - \$200,000) for the six months ended June 30, 2016.

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. Subsequent event

Common Share dividends of \$0.15 per Common Share were declared by the Board of Directors at its meeting on August 2, 2016, with a record and payable date of September 15, 2016 and September 30, 2016, respectively.

Economic Investment Trust Limited

SCHEDULE OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2016 (Unaudited)

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
North America				
Canada				
2,126,380	Algoma Central Corporation ²	\$ 2,974	\$ 23,922	
226,100	Cenovus Energy Inc.	5,174	4,040	
386,206	E-L Financial Corporation Limited ²	26,116	266,594	
33,101	Ecando Investments Limited Classes A, B and common ^{2, 3, 5}	4,139	52,008	
176,414	The Fulcrum Investment Company Limited ^{2, 3}	464	12,518	
216,900	NVG Holdings Limited Classes B, C, D, E and common ^{1, 2, 3}	2,115	41,305	
157,300	Prairiesky Royalty Ltd.	3,482	3,857	
4,837	TGV Holdings Limited Class B ^{1, 2, 3, 4}	318	11,551	
		<u>44,782</u>	<u>415,795</u>	53.2
United States				
175,156	Allison Transmission Holdings Inc.	5,758	6,433	
98,688	AmerisourceBergen Corporation	7,507	10,183	
42,308	Apple Inc.	3,855	5,262	
114,019	AutoNation, Inc.	6,764	6,968	
5,745	AutoZone, Inc.	5,202	5,933	
81,449	Babcock & Wilcox Enterprises, Inc.	1,985	1,557	
212,269	BB&T Corporation	7,720	9,833	
30,408	Becton, Dickinson and Company	2,911	6,709	
144,268	BWX Technologies, Inc.	3,508	6,713	
183,915	Cisco Systems, Inc.	4,554	6,864	
130,310	Coca-Cola Co. (The)	6,981	7,684	
43,053	Equifax, Inc.	2,486	7,191	
44,182	Gentex Corporation	830	888	
80,403	Harris Corporation	7,913	8,728	
20,203	Humana, Inc.	2,304	4,728	
79,148	Johnson & Johnson	6,297	12,489	
194,163	Leucadia National Corporation	5,381	4,377	
46,070	McDonald's Corporation	5,042	7,212	
162,269	Microsoft Corporation	6,670	10,802	
92,515	Northern Trust Corporation	5,764	7,975	
102,076	Occidental Petroleum Corporation	8,942	10,034	
127,554	Oracle Corporation	4,646	6,792	
56,620	PepsiCo, Inc.	4,567	7,803	
88,614	Philip Morris International Inc.	8,434	11,726	
214,089	Sabre Corporation	7,949	7,461	
106,005	Union Pacific Corporation	9,738	12,032	
93,087	United Technologies Corporation	9,220	12,419	
152,680	Walgreen Boots Alliance Inc.	10,822	16,539	
		<u>163,750</u>	<u>223,335</u>	28.5
	Total North America	<u>208,532</u>	<u>639,130</u>	81.7

Economic Investment Trust Limited

SCHEDULE OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2016 (Unaudited)

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
	Latin America			
276,265	Quinenco S.A.....	\$ 820	\$ 702	0.1
	Europe, excluding United Kingdom			
23,221	Brenntag AG	1,401	1,460	
111,221	Colruyt S.A.....	5,976	7,914	
43,734	Hannover Rueckversicherung SE.....	2,952	5,932	
74,851	Heineken Holding N.V.....	3,848	7,860	
99,118	Henkel AG & Co. KGaA	6,431	13,815	
55,223	Nestle S.A.....	3,680	5,513	
115,659	Novartis AG.....	8,787	12,315	
152,092	Publicis Groupe	10,639	13,214	
22,546	Roche Holding AG	5,488	7,671	
		<u>49,202</u>	<u>75,694</u>	9.7
	United Kingdom			
181,900	British American Tobacco plc.....	10,234	15,174	
148,499	Imperial Brands plc	5,716	10,369	
10,826	Micro Focus International plc.....	270	301	
379,266	Sage Group plc (The)	2,111	4,217	
153,307	Unilever plc.....	6,030	9,451	
		<u>24,361</u>	<u>39,512</u>	5.1
	Asia			
77,300	Kao Corporation.....	2,665	5,802	
4,800	Keyence Corporation	1,298	4,202	
161,100	Komatsu Ltd.....	3,847	3,609	
157,900	Unicharm Corporation.....	3,538	4,568	
4,142,000	Want Want China Holdings Ltd.....	4,892	3,819	
		<u>16,240</u>	<u>22,000</u>	2.8
	Brazil			
364,560	Cielo S.A.....	3,503	5,018	0.6
	Total investments	<u>\$ 302,658</u>	<u>\$ 782,056</u>	<u>100.0</u>

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

² These companies and Economic are related parties.

³ Not listed on a stock exchange.

⁴ Investment in associate.

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

Economic Investment Trust Limited

CORPORATE INFORMATION

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AUDITOR

PricewaterhouseCoopers LLP, Toronto

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 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

