

Economic Investment Trust Limited



**SECOND QUARTER REPORT
JUNE 30, 2017**

Economic Investment Trust Limited

THE PERIOD AT A GLANCE (Unaudited)

	As at June 30 2017	As at Dec. 31 2016
Net equity value per Common Share ¹	\$ 149.74	\$ 138.26
Net assets ²	\$ 840,891	\$ 776,400
Number of Common Shares outstanding at period end	5,615,535	5,615,535

	Six months ended June 30	
	2017	2016
Net investment income per Common Share ¹	\$ 1.12	\$ 1.05
Dividends per Common Share		
Quarterly	\$ 0.60	\$ 0.30
Additional ³	\$ 1.34	\$ 0.85
Net income (loss) per Common Share	\$ 13.42	\$ (1.20)
Net investment income ²	\$ 6,298	\$ 5,907

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

² In thousands of Canadian dollars.

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

The 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 2017 should be read in conjunction with: the December 31, 2016 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 2017; 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 traded at a discount to their net asset value, ranging from a 40% discount to a 15% 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.

Closed-end investment corporations have the following benefits: they often allow investors the opportunity to purchase assets at a discounted price; they have management expense ratios which are generally much lower than those for actively-managed, open-ended funds; and the management of a closed-end investment corporation's portfolio is not impacted by shareholder subscription or redemption activities.

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

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

The long-term investments consist primarily of the publicly-traded common shares of E-L Financial Corporation Limited ("E-L Financial"), Algoma Central Corporation ("Algoma"), a shipping company, and The Bank of Nova Scotia. At June 30, 2017, E-L Financial represented 43.6% (December 31, 2016 – 41.0%) of total equity investments, Algoma 4.3% (December 31, 2016 – 4.4%) and The Bank of Nova Scotia 6.5% (December 31, 2016 – 6.7%). 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 2016 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.

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E-L Financial has a 51.8% 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 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 good companies with strong economics and management, whose shares are selling below Burgundy's estimate of intrinsic value. The portfolio, of approximately 40 - 60 publicly-traded companies, invests primarily in mid to large capitalization companies which are publicly traded. At June 30, 2017, 97.7% (December 31, 2016 – 97.5%) of the fair value of the global investment portfolio was made up of non-Canadian companies.

At June 30, 2017, approximately 55.4% (December 31, 2016 – 53.2%) of the investment portfolio was held in long-term investments and 44.6% (2015 – 46.8%) 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.

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 2017	December 31 2016
Net assets	\$ 840,891	\$ 776,400
Common Shares outstanding	5,615,535	5,615,535
Net equity value per Common Share	\$ 149.74	\$ 138.26

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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	
	2017	2016	2017	2016
Net income (loss)	\$ 18,357	\$ 19,763	\$ 75,385	\$ (6,712)
Add (deduct):				
Fair value change in investments	(17,393)	(19,244)	(79,619)	14,440
Tax on fair value change in investments	2,305	2,550	10,550	(1,913)
Net (decrease) increase in refundable dividend taxes on hand	(1)	8	(18)	92
Net investment income ¹	\$ 3,268	\$ 3,077	\$ 6,298	\$ 5,907
Common Shares outstanding	5,615,535	5,615,535	5,615,535	5,615,535
Net investment income per Common Share ¹	\$ 0.58	\$ 0.55	\$ 1.12	\$ 1.05

¹ On an after-tax basis.

Net Equity Value per Common Share

The Company's net equity value per Common Share increased to \$149.74 at June 30, 2017 from \$146.77 at March 31, 2017.

With dividends reinvested at month-end net equity values, the Company's net equity value return was 2.2% in the second quarter of 2017, compared to a return of 2.8% during 2016.

Long-term investments had a pre-tax return of 3.1% in the second quarter of 2017 compared to a return of 2.7% in the second quarter of 2016. On a pre-tax basis, the shares of E-L Financial had a return of 3.3% during 2017 (2016 – 4.1%), the shares of Algoma had a return of 3.4% (2016 – (8.5%)), and the shares of the Bank of Nova Scotia had a return of 1.2% (2016 – 0.9%).

The global investment portfolio had a pre-tax return, gross of fees, of 1.6% in the second quarter of 2017 versus a comparative return of 3.3% in the second quarter of 2016. A strengthening Canadian dollar reduced the return on the global investment portfolio for the second quarter of 2017.

On a year-to-date basis, the Company's net equity value per Common Share increased to \$149.74 at June 30, 2017 from \$138.26 at December 31, 2016.

With dividends reinvested at month-end net equity values, the Company's net equity value return was 9.7% in 2017, compared to a negative return of 0.9% during 2016.

Long-term investments had a pre-tax return of 13.7% in 2017 compared to a negative return of 0.9% during 2016. On a pre-tax basis, the shares of E-L Financial had a return of 15.9% during 2017 (2016 – (1.0%)), the shares of Algoma had a return of 7.0% (2016 – (18.6%)), and the shares of the Bank of Nova Scotia had a return of 6.4% (2016 – 15.7%).

The global investment portfolio had a pre-tax return, gross of fees, of 6.8% during 2017 versus a comparative negative return of 0.9% during 2016.

As the Company is a taxable Canadian corporation, the Company's net equity value is net of a current provision for income taxes on investment income and realized gains on investments, and net of a deferred income tax provision on its 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	2.2	9.7
S&P/TSX Composite Index	(1.6)	0.7
MSCI All Country World Index	1.8	7.7
S&P 500 Index	0.5	5.7

Growth in Net Equity Value ("NAV")

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

Annual growth in NAV*

	NAV per Common Share	Annual Growth %
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
2016	138.26	5.4

Compound annual growth*

2007 - 2016 - 10 years	2.6
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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 \$18,357,000 in the second quarter of 2017 compared to net income of \$19,763,000 in the second quarter of 2016. On a year-to-date basis, the Company reported net income of \$75,385,000 compared to a net loss of \$6,712,000 for the same period in the prior year. On a per Common Share basis, earnings per share decreased to \$3.26 in the second quarter of 2017 compared to \$3.51 for 2016. On a year-to-date basis, earnings per share increased to \$13.42 compared to a net loss of \$1.20 in 2016.

The fair value change in investments for the quarter was a gain of \$17,393,000 in 2017 compared to \$19,244,000 during 2016. On a year-to-date basis, the fair value change in investments was \$79,619,000 compared to a loss of \$14,440,000 during 2016.

The fair value change for long-term investments was a gain of \$13,271,000 in the second quarter of 2017 compared to a gain of \$9,930,000 during the same period in 2016. On a year-to-date basis, the fair value change for long-term investments was a gain of \$56,926,000 compared to a loss of \$6,644,000 during the same period during 2016. The Company's year-to-date long-term investment gain was comprised primarily of gains in E-L Financial of \$52,146,000, The Bank of Nova Scotia of \$2,373,000 and Algoma of \$2,059,000.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The global investment portfolio had a fair value gain of \$4,122,000 in the second quarter of 2017 compared to a fair value gain of \$9,914,000 during 2016. On a year-to-date basis, the global investment portfolio had a fair value gain of \$22,693,000 compared to a fair value loss of \$7,796,000 during 2016.

The 2017 year-to-date gain for the global investment portfolio included investment gains from Europe of \$7,964,000, North America \$6,975,000, United Kingdom \$4,737,000 and Asia \$2,964,000. The main contributors to the year-to-date gains included Philip Morris International Inc., Unilever plc and British American Tobacco plc partially offset by negative performance from AutoZone, Inc. and Cenovus Energy Inc.

The Company's net realized gain, all of which relates to the global investment portfolio, was \$1,920,000 in the second quarter of 2017 compared to \$3,424,000 in 2016. On a year-to-date basis, the net realized gain was \$8,155,000 compared to \$21,050,000 during 2016. The largest year-to-date contributors for realized gains were BWX Technologies, Inc., Rockwell Collins, Inc. and Apple Inc.

Net investment income

The Company's net investment income in the second quarter of 2017 increased to \$3,268,000 compared to \$3,077,000 for the second quarter of 2016, an increase of 5.5%. On a year-to-date basis, net investment income increased to \$6,298,000 from \$5,907,000 for the same period in the prior year, an increase of 6.6%. On a per Common Share basis, net investment income for the quarter increased to \$0.58 in 2017 compared to \$0.55 in 2016 and on a year-to-date basis increased to \$1.12 compared to \$1.05 in 2016.

Foreign dividend income in the second quarter of 2017 increased by 8.7% to \$2,971,000 from \$2,733,000 in 2016 and on a year-to-date basis increased by 5.5% to \$5,691,000 from \$5,392,000 in 2016. 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 2017 increased to \$1,703,000 from \$1,641,000 in 2016 and on a year-to-date basis increased to \$3,384,000 from \$3,153,000 in 2016. The increase year over year for both periods resulted primarily from an increase in dividends received from The Bank of Nova Scotia and Algoma.

Expenses increased by 11.3% during the quarter to \$896,000 from \$805,000 in 2016 and on a year-to-date basis increased by 8.2% to \$1,836,000 from \$1,697,000. 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.

Economic Investment Trust Limited

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 2017	March 31 2017	Dec. 31 2016	Sept. 30 2016	June 30 2016	March 31 2016	Dec. 31 2015	Sept. 30 2015
Net investment income ¹	\$ 3,268	\$ 3,030	\$ 2,522	\$ 2,476	\$ 3,077	\$ 2,830	\$ 1,602	\$ 1,775
Net income (loss)	\$ 18,357	\$ 57,028	\$ 22,409	\$ 24,140	\$ 19,763	\$ (26,475)	\$ 29,520	\$ 12,108
Earnings (loss) per Common Share	\$ 3.26	\$ 10.16	\$ 3.99	\$ 4.30	\$ 3.51	\$ (4.71)	\$ 5.26	\$ 2.15
NAV per Common Share	\$ 149.74	\$ 146.77	\$ 138.26	\$ 134.42	\$ 130.27	\$ 126.90	\$ 132.62	\$ 127.51
Quarterly NAV return % ²	2.2	7.3	3.0	3.3	2.8	(3.6)	4.1	1.7

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, 2017, 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 quarterly dividends together with an additional dividend representing the balance of net investment income for the previous fiscal year.

On February 8, 2017, the Board of Directors approved an increase in the quarterly dividends from \$0.15 to \$0.30 per Common Share, effective for the first quarter of 2017.

An additional dividend of \$1.34 per Common Share was paid in the first quarter of fiscal 2017 along with the \$0.30 quarterly dividend. This additional dividend represents the distribution of the prior year's net investment income, after payment of quarterly dividends.

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

Economic Investment Trust Limited

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 1, 2017

Economic Investment Trust Limited

STATEMENTS OF NET ASSETS (Unaudited)

	June 30 2017	December 31 2016
	(000's)	
ASSETS		
Cash and cash equivalents	\$ 17,730	\$ 12,941
Short-term investments	6,486	9,580
Investments (Note 4)	894,028	823,312
Dividends and interest receivable	1,204	810
Other assets	454	281
	<u>919,902</u>	<u>846,924</u>
LIABILITIES		
Accrued expenses	706	674
Payable in respect of investments purchased	120	—
Income taxes payable	332	1,551
Deferred tax liabilities	77,853	68,299
	<u>79,011</u>	<u>70,524</u>
Net assets	<u>\$ 840,891</u>	<u>\$ 776,400</u>
SHAREHOLDERS' EQUITY		
Share capital	\$ 204,691	\$ 204,691
Share premium	1,474	1,474
Retained earnings	634,726	570,235
Total shareholders' equity	<u>\$ 840,891</u>	<u>\$ 776,400</u>

(See accompanying notes)

Economic Investment Trust Limited

STATEMENTS OF INCOME (LOSS) (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
	(000's)			
INCOME				
Dividends				
Foreign	\$ 2,971	\$ 2,733	\$ 5,691	\$ 5,392
Canadian	1,703	1,641	3,384	3,153
	4,674	4,374	9,075	8,545
Interest and securities lending income	54	29	109	55
Fair value change in investments (Note 5)	17,393	19,244	79,619	(14,440)
	22,121	23,647	88,803	(5,840)
EXPENSES				
Investment management and administrative costs	723	631	1,411	1,292
Office and miscellaneous	42	25	187	150
Directors' remuneration	75	66	140	115
Transfer, registrar and custody fees	40	50	67	83
Professional fees	16	33	31	57
	896	805	1,836	1,697
INCOME (LOSS) BEFORE INCOME TAXES	21,225	22,842	86,967	(7,537)
Provision for (recovery of) income taxes	2,868	3,079	11,582	(825)
NET INCOME (LOSS)	\$ 18,357	\$ 19,763	\$ 75,385	\$ (6,712)
EARNINGS (LOSS) PER COMMON SHARE - BASIC AND DILUTED	\$ 3.26	\$ 3.51	\$ 13.42	\$ (1.20)

(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, 2017	\$ 204,691	\$ 1,474	\$ 570,235	\$ 776,400
Net income for the period	—	—	75,385	75,385
Dividends	—	—	(10,894)	(10,894)
At June 30, 2017	\$ 204,691	\$ 1,474	\$ 634,726	\$ 840,891
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

STATEMENTS OF CASH FLOW (Unaudited)

	Six months ended June 30	
	2017	2016
	(000's)	
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net income (loss)	\$ 75,385	\$ (6,712)
Adjustments for:		
Fair value change in investments	(79,619)	14,440
Net sales of short-term investments	3,094	—
Purchases of investments	(17,103)	(71,343)
Proceeds from sale of investments	26,006	59,611
Dividends and interest receivable	(394)	(750)
Deferred taxes	9,554	(2,721)
Net change in other assets and liabilities	(1,240)	2,000
	15,683	(5,475)
Financing		
Dividends paid to shareholders	(10,894)	(6,458)
Net increase (decrease) in cash and cash equivalents	4,789	(11,933)
Cash and cash equivalents at beginning of the period	12,941	23,141
Cash and cash equivalents at end of the period	\$ 17,730	\$ 11,208
Additional information for operating activities:		
Interest received	\$ 56	\$ 11
Dividends received, net of withholding taxes	7,889	6,946
Income taxes paid	2,643	313

(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 1, 2017.

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, 2016.

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, 2016 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, 2017, the Company had \$752,778,000 (December 31, 2016 - \$693,451,000) of Level 1 and \$141,250,000 (December 31, 2016 - \$129,861,000) of Level 3 equity investments. Level 1 investments represented 84.2% (December 31, 2016 – 84.2%) and Level 3 investments represented 15.8% (December 31, 2016 – 15.8%) of the carrying value of investments. During the six months ended June 30, 2017, 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	
	2017	2016	2017	2016
	(000's)			
Net realized gain	\$ 1,920	\$ 3,424	\$ 8,155	\$ 21,050
Change in unrealized appreciation	15,473	15,820	71,464	(35,490)
	\$ 17,393	\$ 19,244	\$ 79,619	\$ (14,440)

6. Related party information

The Company has investments in related parties (see Schedule of Investment Portfolio) with a fair value at June 30, 2017 of \$495,152,000 (December 31, 2016 - \$438,226,000) representing 55.4% (December 31, 2016 – 53.2%) of the total investments. Dividends from these companies for the three months ended June 30, 2017 amounted to \$1,663,000 (2016 - \$1,601,000). Dividends from these companies for the six months ended June 30, 2017 amounted to \$3,304,000 (2016 - \$3,093,000).

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, 2017 amounted to \$122,000 (2016 - \$106,000) and \$240,000 (2016 - \$217,000) for the six months ended June 30, 2017.

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 \$0.30 per Common Share were declared by the Board of Directors at its meeting on August 1, 2017, with a record and payable date of September 15, 2017 and September 29, 2017, respectively.

Economic Investment Trust Limited

SCHEDULE OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2017 (Unaudited)

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
North America				
Canada				
2,126,380	Algoma Central Corporation ²	\$ 2,974	\$ 27,558	
499,348	Cenovus Energy Inc.	7,706	4,774	
386,206	E-L Financial Corporation Limited ²	26,116	326,344	
33,101	Ecando Investments Limited Classes A, B and common ^{2, 3, 5}	4,139	62,330	
176,414	The Fulcrum Investment Company Limited ^{2, 3}	464	14,448	
216,900	NVG Holdings Limited Classes B, C, D, E and common ^{1, 2, 3}	2,115	50,408	
153,700	Prairiesky Royalty Ltd.	3,403	4,539	
4,837	TGV Holdings Limited Class B ^{1, 2, 3, 4}	318	14,064	
		<u>47,235</u>	<u>504,465</u>	56.4
United States				
171,167	Allison Transmission Holdings Inc.	5,626	8,332	
96,440	AmerisourceBergen Corporation	7,336	11,830	
23,574	Apple Inc.	2,148	4,406	
111,422	AutoNation, Inc.	6,610	6,096	
14,428	AutoZone, Inc.	12,973	10,681	
207,435	BB&T Corporation	7,544	12,224	
29,715	Becton, Dickinson and Company	2,845	7,524	
42,244	BWX Technologies, Inc.	1,027	2,672	
179,727	Cisco Systems, Inc.	4,450	7,300	
42,072	Equifax, Inc.	2,429	7,503	
43,176	Gentex Corporation	811	1,063	
47,192	Harris Corporation	4,645	6,680	
77,345	Johnson & Johnson	6,154	13,278	
16,527	Kimberly-Clark Corporation	2,526	2,769	
49,877	McDonald's Corporation	5,657	9,913	
158,573	Microsoft Corporation	6,518	14,184	
90,407	Northern Trust Corporation	5,633	11,405	
124,649	Oracle Corporation	4,540	8,111	
55,330	PepsiCo, Inc.	4,463	8,292	
86,595	Philip Morris International Inc.	8,242	13,198	
16,927	Rockwell Collins, Inc.	1,861	2,308	
326,886	Sabre Corporation	11,680	9,235	
103,590	Union Pacific Corporation	9,516	14,641	
90,966	United Technologies Corporation	9,010	14,415	
149,202	Walgreen Boots Alliance Inc.	10,575	15,162	
		<u>144,819</u>	<u>223,222</u>	25.0
	Total North America	<u>192,054</u>	<u>727,687</u>	81.4

Economic Investment Trust Limited

SCHEDULE OF INVESTMENT PORTFOLIO AS AT JUNE 30, 2017 (Unaudited)

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
	Europe, excluding United Kingdom			
65,915	Brenntag AG	\$ 4,166	\$ 4,948	
215,547	Bureau Veritas S.A.	5,429	6,186	
103,821	Colruyt S.A.	5,578	7,094	
42,737	Hannover Rueckversicherung SE.....	2,885	6,668	
73,146	Heineken Holding N.V.....	3,761	8,695	
96,860	Henkel AG & Co. KGaA.....	6,284	15,215	
64,867	Nestle S.A.	4,861	7,330	
124,722	Novartis AG.....	9,699	13,477	
152,042	Publicis Groupe	10,686	14,709	
22,032	Roche Holding AG	5,363	7,285	
		<u>58,712</u>	<u>91,607</u>	10.3
	United Kingdom			
177,757	British American Tobacco plc.....	10,001	15,688	
145,117	Imperial Brands plc.....	5,585	8,439	
10,581	Micro Focus International plc.....	264	405	
370,628	Sage Group plc (The)	2,063	4,300	
149,815	Unilever plc.....	5,893	10,496	
		<u>23,806</u>	<u>39,328</u>	4.4
	Asia			
201,000	Kakaku.com Inc.	3,847	3,748	
75,500	Kao Corporation.....	2,603	5,823	
9,400	Keyence Corporation	1,270	5,362	
157,400	Komatsu Ltd.....	3,759	5,194	
154,200	Unicharm Corporation.....	3,456	5,030	
4,047,000	Want Want China Holdings Ltd.....	4,780	3,545	
		<u>19,715</u>	<u>28,702</u>	3.2
	Brazil			
694,512	Cielo S.A.	5,960	6,704	0.7
	Total investments	<u>\$ 300,247</u>	<u>\$ 894,028</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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Burgundy Asset Management Ltd., Toronto

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

