

# Economic Investment Trust Limited



**THIRD QUARTER REPORT  
SEPTEMBER 30, 2021**



# *Economic Investment Trust Limited*

## **THE PERIOD AT A GLANCE (Unaudited)**

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	<b>As at Sept. 30 2021</b>	As at Dec. 31 2020
Net equity value per Common Share <sup>1</sup>	<b>\$ 190.70</b>	\$ 163.93
Net assets <sup>2</sup>	<b>\$ 1,065,261</b>	\$ 915,991
Number of Common Shares outstanding at period end	<b>5,585,935</b>	5,587,735

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	Nine months ended September 30	
	<b>2021</b>	2020
Net investment income per Common Share <sup>1</sup>	<b>\$ 7.92</b>	\$ 3.38
Dividends per Common Share		
Quarterly	<b>\$ 0.90</b>	\$ 0.90
Additional <sup>3</sup>	<b>\$ 4.07</b>	\$ 1.52
Net income (loss) per Common Share	<b>\$ 31.73</b>	\$ (13.41)
Net investment income <sup>1,2</sup>	<b>\$ 44,231</b>	\$ 18,940

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

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

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

The accompanying financial statements have been prepared under International Financial Reporting Standards ("IFRS").

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### **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.

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# *Economic Investment Trust Limited*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following Management's Discussion and Analysis ("MD&A") of the unaudited interim condensed financial performance and financial condition of Economic Investment Trust Limited ("Economic" or the "Company") for the third quarter of 2021 should be read in conjunction with: the December 31, 2020 Annual Report, including the MD&A, the Company's audited annual financial statements and the notes and supplementary financial information; the Company's MD&A and unaudited interim condensed financial statements and notes for the previous quarters of 2021; and the unaudited interim condensed financial statements and notes contained in this report. This MD&A is dated November 4, 2021. These unaudited interim condensed financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"), as set out in the Handbook of the Chartered Professional Accountants of Canada. The reporting currency for the Company is the Canadian dollar, and all amounts in the following discussion are in Canadian dollars.

This MD&A may contain certain forward-looking statements that are subject to risks and uncertainties that may cause the results or events mentioned in this discussion to differ materially from actual results or events. No assurance can be given that results, performance or achievement expressed in, or implied by, any forward-looking statements within this discussion will occur, or if they do, that any benefits may be derived from them.

### **Overview**

Economic is a closed-end investment corporation, the shares of which trade on the Toronto Stock Exchange under the symbol "EVT". Economic is an investment vehicle for long-term growth through investments in common equities, as management believes that over long periods of time, common equities, as an asset class, will outperform fixed-income instruments or balanced funds. From time to time, however, assets of the Company may be invested in interest-bearing short-term securities pending the selection of suitable equity investments.

The Company has been a closed-end investment corporation since 1927. The Common Shares have persistently traded at a discount to their net asset value, ranging from approximately a 37% discount to an 18% discount over the past 10 years. Management believes that shareholders who have invested in the Common Shares of the Company recognize that the Common Shares of the Company usually trade at a discount to their net asset value. On March 4, 2020, the Company announced its intention to commence a normal course issuer bid ("NCIB") and has renewed its NCIB effective March 9, 2021. Further information is included on page 7 of this interim report.

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

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

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

The long-term investments consist primarily of the publicly-traded common shares of E-L Financial Corporation Limited ("E-L Financial"), Algoma Central Corporation ("Algoma"), a shipping company, and The Bank of Nova Scotia. At September 30, 2021, E-L Financial represented 38.7% (December 31, 2020 – 36.9%) of total equity investments, Algoma 4.5% (December 31, 2020 – 4.3%) and The Bank of Nova Scotia 5.2% (December 31, 2020 – 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 2020 Annual Report and in the schedule of investment portfolio in this interim report beginning on page 15.

# *Economic Investment Trust Limited*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

E-L Financial operates as an investment and insurance holding company with two operating segments, E-L Corporate and The Empire Life Insurance Company ("Empire Life"). E-L Corporate's operations include the oversight of investments in global equities held through direct and indirect holdings of common shares, investment funds, closed-end investment companies and private companies.

E-L Financial has a 52.7% interest in a closed-end investment corporation, United Corporations Limited ("United"), which is an investment vehicle for long-term growth through investments in common equities. In addition, E-L Financial has a 37.4% interest in Algoma and a 24.1% interest in Economic. E-L Financial also owns 99.4% of Empire Life which underwrites life and health insurance policies and provides segregated funds, mutual funds and annuity products in Canada. Each of E-L Financial, Empire Life, United and Algoma are related parties and are reporting issuers which trade on the Toronto Stock Exchange and have profiles on SEDAR.

The balance of Economic's investment portfolio is managed by Burgundy Asset Management Ltd. ("Burgundy"), a global equity manager based in Toronto. Burgundy manages the portfolio using a long-term bottom-up investment philosophy, which is to purchase good companies with strong economics and management, whose shares are selling below Burgundy's estimate of intrinsic value. The portfolio, of approximately 40 - 60 publicly-traded companies, invests primarily in mid to large capitalization companies which are publicly traded. At September 30, 2021, 99.7% (December 31, 2020 – 99.7%) of the fair value of the global investment portfolio was made up of non-Canadian companies.

At September 30, 2021, approximately 50.4% (December 31, 2020 – 48.2%) of the investment portfolio was held in long-term investments and 49.6% (December 31, 2020 – 51.8%) 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.

# Economic Investment Trust Limited

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Use of Non-GAAP Measures (continued)

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

	<b>Sept. 30 2021</b>	Dec. 31 2020
Net assets	<b>\$1,065,261</b>	\$ 915,991
Common Shares outstanding	<b>5,585,935</b>	5,587,735
Net equity value per Common Share	<b>\$ 190.70</b>	\$ 163.93

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

	Three months ended September 30		Nine months ended September 30	
	<b>2021</b>	2020	<b>2021</b>	2020
Net income (loss)	<b>\$ 50,351</b>	\$ 6,753	<b>\$ 177,252</b>	\$ (75,075)
Add (deduct):				
Other net fair value changes in investments	<b>(18,257)</b>	(4,181)	<b>(153,256)</b>	108,445
Tax on other net fair value changes in investments	<b>2,351</b>	554	<b>20,239</b>	(14,369)
Net change in refundable dividend taxes on hand	<b>(139)</b>	(494)	<b>(4)</b>	(61)
Net investment income <sup>1</sup>	<b>\$ 34,306</b>	\$ 2,632	<b>\$ 44,231</b>	\$ 18,940
Weighted average Common Shares outstanding	<b>5,585,935</b>	5,591,597	<b>5,586,585</b>	5,599,859
Net investment income per Common Share <sup>1</sup>	<b>\$ 6.14</b>	\$ 0.47	<b>\$ 7.92</b>	\$ 3.38

<sup>1</sup> On an after-tax basis.

### Net Equity Value per Common Share

The Company's net equity value per Common Share increased 4.8% to \$190.70 at September 30, 2021 from \$181.99 at June 30, 2021.

With dividends reinvested at month-end net equity values, the Company's net equity value return was 5.0% in the third quarter of 2021, compared to 0.9% during 2020.

Long-term investments had a pre-tax return of 7.0% in the third quarter of 2021 compared to a return of negative 1.2% in the third quarter of 2020. On a pre-tax basis, the shares of E-L Financial had a return of 8.2% during 2021 (2020 – negative 2.3%), the shares of Algoma had a return of 3.8% (2020 – 1.4%), and the shares of the Bank of Nova Scotia had a return of negative 2.2% (2020 – positive 0.1%).

The global investment portfolio had a pre-tax return, gross of fees, of 2.2% in the third quarter of 2021 versus a comparative return of 2.8% in the third quarter of 2020.

# *Economic Investment Trust Limited*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's net equity value per Common Share increased 16.3% to \$190.70 at September 30, 2021 from \$163.93 at December 31, 2020.

On a year-to-date basis, with dividends reinvested at month-end net equity values, the Company's net equity value return was 19.6% in 2021, compared to a return of negative 8.0% during 2020.

Long-term investments had a pre-tax return of 30.7% for the nine months ended September 30, 2021 compared to a return of negative 16.6% during 2020. On a pre-tax basis, the shares of E-L Financial had a return of 33.5% during 2021 (2020 – negative 17.2%), the shares of Algoma had a return of 24.7% (2020 – negative 19.9%), and the shares of the Bank of Nova Scotia had a return of 17.2% (2020 – negative 20.9%).

The global investment portfolio had a pre-tax return, gross of fees, of 11.1% for the nine months ended September 30, 2021 compared to negative 0.9% during 2020.

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

In Canadian dollar terms, total returns (capital gains plus dividends), for Economic's net equity value and stock market indices, were as follows:

	Three months ended September 30	Nine Months ended September 30
	(%)	
Economic net equity value	5.1	19.6
S&P/TSX Composite Index	0.2	17.5
MSCI All Country World Index	1.2	10.4
S&P 500 Index	3.4	16.0

### Growth in Net Equity Value (“NAV”)

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

#### Annual growth in NAV\*

	NAV per Common Share	Annual Growth %
2011	\$ 74.81	(17.8)
2012	83.98	13.9
2013	123.60	48.8
2014	122.43	4.5
2015	132.62	9.5
2016	138.26	5.4
2017	151.98	11.8
2018	142.92	(4.7)
2019	160.91	14.2
2020	163.93	3.9

#### Compound annual growth\*

2011 - 2020 - 10 years

7.8

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

# *Economic Investment Trust Limited*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Operating Results**

#### *Net income*

The Company reported net income of \$50,351,000 in the third quarter of 2021 compared to \$6,753,000 in the third quarter of 2020. On a year-to-date basis, the Company reported a net income of \$177,252,000 during 2021 compared to net loss of \$75,075,000 for the same period in the prior year. On a per Common Share basis, earnings per share increased to a net income of \$9.02 in the third quarter of 2021 compared to \$1.19 per share for 2020. On a year-to-date basis, earnings per share increased to \$31.73 compared to a net loss of \$13.41 per share in 2020.

The other net fair value changes in investments for the third quarter was a net gain of \$18,257,000 in 2021 compared to \$4,181,000 during 2020. On a year-to-date basis, the other net fair value changes in investments was a net gain of \$153,256,000 compared to a net loss of \$108,445,000 during 2020.

The other net fair value changes for long-term investments was a net gain of \$5,441,000 in the third quarter of 2021 compared to a net loss of \$6,696,000 during the same period in 2020. On a year-to-date basis, the other net fair value changes for long-term investments was a net gain of \$100,310,000 compared to a net loss of \$96,444,000 during the same period during 2020. The Company's year-to-date long-term investment gain was comprised primarily of gains in E-L Financial of \$77,754,000, Algoma of \$8,502,000 and in The Bank of Nova Scotia of \$6,692,000.

The global investment portfolio had other net fair value gains of \$12,816,000 in the third quarter of 2021 compared to other net fair value gains of \$10,877,000 during 2020. On a year-to-date basis, the global investment portfolio had other net fair value gains of \$52,946,000 compared to net losses of \$12,001,000 during 2020.

The 2021 year-to-date gain for the global investment included investment gains from North America of \$54,128,000, Europe of \$2,370,000, offset by investment losses from China of \$2,243,000 and the United Kingdom of \$2,088,000. The top three contributors to the investment performance included Alphabet Inc. Class A, Microsoft Corporation, and Facebook Inc., Class A. The largest detractors included Allison Transmission Holdings Inc., Ping An Insurance (Group) Company of China Ltd. and Novartis AG. Foreign currency negatively impacted the other net fair value gains due to a year-to-date appreciation of the Canadian dollar relative to other currencies including the Euro and Japanese Yen.

The Company's net realized gain, all of which relates to the global investment portfolio, was a loss of \$868,000 in the third quarter of 2021 compared to a gain of \$3,493,000 in 2020. On a year-to-date basis, the net realized gain was \$17,056,000 compared to \$15,850,000 during 2020. The largest year-to-date contributors to net realized gains were Oracle Corporation of \$4,136,000, L3Harris Technologies, Inc. of \$4,083,000, Northern Trust Corporation of \$2,964,000, Bureau Veritas S.A. of \$2,555,000 and Pepsico, Inc. of \$2,430,000. These gains were partly offset by a realized loss for Sabre Corporation of \$6,511,000.

#### *Net investment income*

The Company's net investment income in the third quarter of 2021 increased to \$34,306,000 compared to \$2,632,000 for the third quarter of 2020. On a year-to-date basis, net investment income increased to \$44,231,000 from \$18,940,000 for the same period in the prior year. On a per Common Share basis, net investment income for the quarter increased to \$6.14 in 2021 compared to \$0.47 in 2020 and on a year-to-date basis increased to \$7.92 compared to \$3.38 in 2020.

Foreign dividend income in the third quarter of 2021 increased by 24.8% to \$2,270,000 from \$1,819,000 in 2020 and on a year-to-date basis increased by 3.2% to \$7,552,000 from \$7,316,000 in 2020. In general, foreign dividend income is impacted by changes in the composition of the investment portfolio, variability in foreign exchange rates and dividend yields. Canadian dividend income in the third quarter of 2021 increased to \$33,498,000 from \$1,967,000 in 2020, primarily attributed to special dividend received from E-L Financial of \$30,896,000 or \$80.00 per share. On a year-to-date basis Canadian dividend income increased to \$41,109,000 from \$15,533,000 in 2020.



# Economic Investment Trust Limited

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses increased by 27.5% during the quarter to \$1,201,000 from \$943,000 in 2020 and on a year-to-date basis increased by 17.5% to \$3,390,000 from \$2,885,000. The majority of the increase relates to higher investment management fees resulting from the net increase in average investment balances year over year.

### Quarterly Results

The following table summarizes various financial results on a quarterly basis for the most recent quarters (in thousands of dollars, except per share amounts):

	Sept. 30 2021	June 30 2021	March 31 2021	Dec. 31 2020	Sept. 30 2020	June 30 2020	March 31 2020	Dec. 31 2019
Net investment income <sup>1</sup>	\$ 34,306	\$ 3,853	\$ 6,072	\$ 10,581	\$ 2,632	\$ 3,232	\$ 13,076	\$ 2,666
Net income (loss)	\$ 50,351	\$ 28,696	\$ 98,205	\$ 105,175	\$ 6,753	\$ 77,546	\$(159,374)	\$ 48,235
Earnings (loss) per Common Share	\$ 9.02	\$ 5.13	\$ 17.58	\$ 18.79	\$ 1.19	\$ 13.81	\$ (28.41)	\$ 8.59
NAV per Common Share	\$ 190.70	\$ 181.99	\$ 177.14	\$ 163.93	\$ 145.40	\$ 144.45	\$ 130.87	\$ 160.91
Quarterly NAV return % <sup>2</sup>	5.0	2.9	10.7	13.0	0.9	10.6	(17.5)	5.6

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

<sup>2</sup> Economic's NAV return includes reinvestment of dividends paid to Common shareholders.

Investment income is derived primarily from dividend income that is earned by the Company. While North American investments usually pay regular quarterly dividends, investments outside of North America often pay less frequently. In general, dividends earned on investments outside of North America peak in the second quarter of the year. There is no guarantee that the Company will receive dividend income on its investments at current dividend payout levels.

Overall returns are determined by the performance of the Company's long-term investments and the performance of the global investment portfolio and may fluctuate significantly as illustrated by the past eight quarters. The returns generated within each portfolio may also not correlate with benchmark returns.

### Share Data

At September 30, 2021, there are 5,585,935 (December 31, 2020 - 5,587,735) Common Shares issued and outstanding and each share is entitled to one vote.

### Normal Course Issuer Bid

On March 4, 2021, the Company obtained approval from the TSX to commence a normal course issuer bid ("NCIB") to purchase up to 279,386 Common Shares between March 9, 2021 and March 8, 2022. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB were limited to 1,000 common shares. The price that the Company will pay for common shares in open market transactions will be the market price at the time of purchase.

For the nine-month period ended September 30, 2021, 1,800 (2020 - 26,500) shares were purchased under the NCIB at an average price of \$117.78 (2020 - \$88.68) per share for a total consideration of \$212,000 (2020 - \$2,350,000).

# *Economic Investment Trust Limited*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Liquidity and Capital Resources**

The Company's dividend policy is to distribute annual net investment income in the form of dividends. The distributions are composed of quarterly dividends together with an additional dividend representing the balance of net investment income for the previous fiscal year.

An additional dividend of \$4.07 per Common Share was paid in the first quarter of fiscal 2021 along with the \$0.30 quarterly dividend.

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

### **Novel Coronavirus (or COVID-19)**

The continued worldwide spread of novel coronavirus (or COVID-19) continues to impact international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts. This has created increased uncertainty and volatility which will impact the performance and expected returns of the investment portfolios.

The Company continues to adjust operations as government restrictions and measures evolve. As the impacts of the COVID-19 pandemic continue to materialize, management is monitoring the developments in equity markets generally, and in connection with the Company's investment portfolios in particular.

To date, the Company has taken proactive measures through business continuity plans, carefully planning the return to premises for some employees. Processes supporting ongoing systems availability, stability and security are operating effectively and the Company continues to monitor the threat landscape.

The duration and impacts of the COVID-19 outbreak cannot currently be determined. If the COVID-19 pandemic is prolonged, or further diseases emerge that give rise to similar effects, there may be further negative effects on economies as well as increased volatility in equity markets. Unexpected developments in financial markets, regulatory environments, may also have adverse impacts on the Company's financial results.

### **Additional Information**

Additional information relating to Economic, including the Company's Annual Information Form, is available at [www.sedar.com](http://www.sedar.com).

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

# *Economic Investment Trust Limited*

## STATEMENTS OF FINANCIAL POSITION (Unaudited)

	September 30 2021	December 31 2020
	(000's)	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 34,333	\$ 11,246
Short-term investments	6,096	15,291
Investments (Note 4)	1,113,895	956,764
Receivable in respect of investments sold	1,652	357
Dividends and interest receivable	1,824	6,710
Income taxes receivable	215	704
Other assets	1,128	782
	<u>1,159,143</u>	<u>991,854</u>
<b>LIABILITIES</b>		
Accrued expenses	956	817
Deferred tax liabilities	92,926	75,046
	<u>93,882</u>	<u>75,863</u>
Net assets	<u>\$ 1,065,261</u>	<u>\$ 915,991</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 5)	\$ 203,613	\$ 203,678
Share premium (Note 5)	—	10
Retained earnings	861,648	712,303
Total shareholders' equity	<u>\$ 1,065,261</u>	<u>\$ 915,991</u>

(See accompanying notes)

# *Economic Investment Trust Limited*

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
	(000's)			
<b>INCOME</b>				
Dividends				
Foreign	\$ 2,270	\$ 1,819	\$ 7,552	\$ 7,316
Canadian (Note 7)	<u>33,498</u>	<u>1,967</u>	<u>41,109</u>	<u>15,533</u>
	<b>35,768</b>	3,786	<b>48,661</b>	22,849
Interest and securities lending income	31	38	95	216
Other net fair value changes in investments (Note 6)	<u>18,257</u>	<u>4,181</u>	<u>153,256</u>	<u>(108,445)</u>
	<u><b>54,056</b></u>	<u>8,005</u>	<u><b>202,012</b></u>	<u>(85,380)</u>
<b>EXPENSES</b>				
Investment management and administrative costs (Note 7)	980	745	2,687	2,246
Directors' remuneration	88	75	264	227
Office and miscellaneous	65	72	207	212
Transfer, registrar and custody fees	46	36	149	143
Professional fees	<u>22</u>	<u>15</u>	<u>83</u>	<u>57</u>
	<u><b>1,201</b></u>	<u>943</u>	<u><b>3,390</b></u>	<u>2,885</u>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>52,855</b>	7,062	<b>198,622</b>	(88,265)
Provision for (recovery of) income taxes	<u>2,504</u>	<u>309</u>	<u>21,370</u>	<u>(13,190)</u>
<b>NET INCOME (LOSS)</b>	<u><b>\$ 50,351</b></u>	<u>\$ 6,753</u>	<u><b>\$ 177,252</b></u>	<u>\$ (75,075)</u>
<b>EARNINGS (LOSS) PER COMMON SHARE - BASIC AND DILUTED</b>	<u><b>\$ 9.02</b></u>	<u>\$ 1.19</u>	<u><b>\$ 31.73</b></u>	<u>\$ (13.41)</u>

(See accompanying notes)

# Economic Investment Trust Limited

## STATEMENTS OF CHANGES IN EQUITY (Unaudited)

	Share capital	Share premium	Retained earnings	Total
			(000's)	
<b>At January 1, 2021</b>	<b>\$ 203,678</b>	<b>\$ 10</b>	<b>\$ 712,303</b>	<b>\$ 915,991</b>
<b>Net income for the period</b>	<b>—</b>	<b>—</b>	<b>177,252</b>	<b>177,252</b>
<b>Dividends</b>	<b>—</b>	<b>—</b>	<b>(27,770)</b>	<b>(27,770)</b>
<b>Repurchase and cancellation of common shares (Note 5)</b>	<b>(65)</b>	<b>(10)</b>	<b>(137)</b>	<b>(212)</b>
<b>At September 30, 2021</b>	<b>\$ 203,613</b>	<b>\$ —</b>	<b>\$ 861,648</b>	<b>\$ 1,065,261</b>
At January 1, 2020	\$ 204,691	\$ 1,474	\$ 697,451	\$ 903,616
Net loss for the period	—	—	(75,075)	(75,075)
Dividends	—	—	(13,572)	(13,572)
Repurchase and cancellation of common shares (Note 5)	(965)	(1,385)	—	(2,350)
At September 30, 2020	\$ 203,726	\$ 89	\$ 608,804	\$ 812,619

## STATEMENTS OF CASH FLOW (Unaudited)

	Nine months ended September 30	
	2021	2020
		(000's)
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Net income (loss)	\$ 177,252	\$ (75,075)
Adjustments for:		
Fair value change in investments	(153,256)	108,445
Net sale (purchases) of short-term investments	9,195	(11,521)
Purchases of investments	(83,137)	(102,925)
Proceeds from sale of investments	79,263	89,273
Dividends and interest receivable	4,886	178
Deferred taxes	17,880	(16,626)
Net change in other assets and liabilities	(1,014)	(2,199)
	<b>51,069</b>	<b>(10,450)</b>
<b>Financing</b>		
Dividends paid to shareholders	(27,770)	(13,572)
Repurchase of common shares	(212)	(2,350)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>23,087</b>	<b>(26,372)</b>
Cash and cash equivalents at beginning of the period	11,246	36,106
<b>Cash and cash equivalents at end of the period</b>	<b>\$ 34,333</b>	<b>\$ 9,734</b>
Additional information for operating activities:		
Interest received	\$ 19	\$ 208
Dividends received, net of withholding taxes	52,375	21,785
Income taxes paid	2,196	4,160

(See accompanying notes)

# *Economic Investment Trust Limited*

## **NOTES TO FINANCIAL STATEMENTS**

**(Unaudited)**

### **1. Description of Company and summary of operations**

Economic Investment Trust Limited (“Economic” or the “Company”) is a closed-end investment corporation. The head office, principal address and registered office of the Company is located at 165 University Avenue, Toronto, Ontario, M5H 3B8.

Economic trades on the Toronto Stock Exchange under the symbol EVT. Economic is an investment vehicle for long-term growth through investments in common equities, as management believes that over long periods of time, common equities, as an asset class, will outperform fixed-income instruments or balanced funds. From time to time, however, assets of the Company may be invested in interest-bearing short-term securities pending the selection of suitable equity investments.

The interim condensed financial statements are presented in Canadian dollars which is the functional and presentation currency. These interim condensed financial statements were approved by the Company’s Board of Directors on November 4, 2021.

### **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, 2020.

### **3. Critical accounting estimates and judgments**

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

#### *Fair value of investments in private companies*

The fair value of investments in private companies is measured using the adjusted net asset method which estimates the fair value of the underlying assets and liabilities of the private companies. Refer to Note 5 in the Company’s audited financial statements for the year ended December 31, 2020 for further details.

#### *Deferred taxes*

Estimates and assumptions are used primarily in the determination of the Company’s deferred tax liabilities, as the income tax rates used in determining the liability are dependent on an assumption as to when a deferred tax liability is expected to be realized.

### **4. Financial instruments**

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted unadjusted prices in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

# Economic Investment Trust Limited

## NOTES TO FINANCIAL STATEMENTS (Unaudited)

### 4. Financial instruments (continued)

At September 30, 2021, the Company had \$949,441,000 (December 31, 2020 - \$820,739,000) of Level 1 and \$164,454,000 (December 31, 2020 - \$136,025,000) of Level 3 equity investments. During the nine months ended September 30, 2021, there were no transfers between Level 1, 2 or 3 equity investments.

### 5. Share capital and share premium

The changes in share capital and share premium are comprised as follows:

	Number of Shares	Share Capital Amount	Share Premium Amount
			(000s)
<b>At January 1, 2021</b>	<b>5,587,735</b>	<b>\$ 203,678</b>	<b>\$ 10</b>
<b>Repurchase and cancellation of shares</b>	<b>(1,800)</b>	<b>(65)</b>	<b>(10)</b>
<b>At September 30, 2021</b>	<b>5,585,935</b>	<b>\$ 203,613</b>	<b>\$ —</b>
At January 1, 2020	5,615,535	\$ 204,691	\$ 1,474
Repurchase and cancellation of shares	(26,500)	(965)	(1,385)
At September 30, 2020	5,589,035	\$ 203,726	\$ 89

On March 4, 2021, the Company obtained approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase up to 279,386 Common Shares between March 9, 2021 and March 8, 2022. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB were limited to 1,000 common shares. The price that the Company will pay for common shares in open market transactions will be the market price at the time of purchase.

For the nine-month period ended September 30, 2021, 1,800 (2020 - 26,500) shares were purchased under the NCIB at an average price of \$117.78 (2020 - \$88.68) per share for a total consideration of \$212,000 (2020 - \$2,350,000). The total amount paid to purchase the shares is allocated to share capital, share premium, and retained earnings in the statements of changes in equity. The amount allocated to share capital is based on the average cost per Common Share and amounts paid above the average cost are allocated to share premium and retained earnings.

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

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
				(000's)
Net realized gain (loss)	\$ (868)	\$ 3,493	\$ 17,056	\$ 15,850
Change in unrealized appreciation	19,125	688	136,200	(124,295)
	<b>\$ 18,257</b>	<b>\$ 4,181</b>	<b>\$ 153,256</b>	<b>\$ (108,445)</b>

# *Economic Investment Trust Limited*

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

### **7. Related party information**

The Company has investments in related parties (see Schedule of Investment Portfolio) with a fair value at September 30, 2021 of \$561,383,000 (December 31, 2020 - \$461,072,000) representing 50.4% (December 31, 2020 – 48.2%) of the total investments. Dividends from these companies for the three months ended September 30, 2021 amounted to \$33,486,000 (2020 - \$1,959,000). Dividends from these companies for the nine months ended September 30, 2021 amounted to \$41,079,000 (2020 - \$15,490,000).

E-L Financial holds a 24.1% interest in the Company. Included in investment management and administrative costs are fees for administrative services paid to E-L Financial. These fees are calculated at 0.1% per annum of the fair value of the investments managed by the external investment manager and are paid monthly. The total fees for the three months ended September 30, 2021 amounted to \$161,000 (2020 - \$133,000) and \$458,000 (2020 - \$389,000) for the nine months ended September 30, 2021.

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.

### **8. Novel Coronavirus (or COVID-19)**

The continued worldwide spread of novel coronavirus (or COVID-19) continues to impact international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts. This has created increased uncertainty and volatility which will impact the performance and expected returns of the portfolio and the Company in the near term.

### **9. Subsequent event**

Common Share dividends of \$0.30 per Common Share were declared by the Board of Directors at its meeting on November 4, 2021, with a record and payable date of December 15, 2021 and December 31, 2021, respectively.



# *Economic Investment Trust Limited*

## SCHEDULE OF INVESTMENT PORTFOLIO AS AT SEPTEMBER 30, 2021 (Unaudited)

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
<b>North America</b>				
<b>Canada</b>				
2,126,380	Algoma Central Corporation <sup>1</sup> .....	\$ 2,974	\$ 35,830	
386,206	E-L Financial Corporation Limited <sup>1</sup> .....	26,116	361,099	
33,101	Ecando Investments Limited			
	Classes A, B and common <sup>1, 2, 3,</sup> .....	4,139	75,409	
176,414	The Fulcrum Investment Company			
	Limited <sup>1, 2</sup> .....	464	21,240	
216,900	NVG Holdings Limited			
	Classes B, C, D, E and common <sup>1, 2, 4</sup> .....	2,115	52,735	
136,215	Prairiesky Royalty Ltd. ....	2,992	1,840	
4,837	TGV Holdings Limited Class B <sup>1, 2, 4, 5</sup> .....	318	15,070	
		<u>39,118</u>	<u>563,223</u>	50.6
<b>United States</b>				
259,340	Allison Transmission Holdings Inc. ....	10,786	11,671	
8,434	Alphabet Inc. Class A.....	11,982	28,729	
94,492	AmerisourceBergen Corporation .....	8,069	14,381	
6,469	AutoZone, Inc. ....	8,223	13,995	
17,753	Berkshire Hathaway Inc. Class B .....	4,864	6,174	
230,907	Carrier Global Corporation.....	4,612	15,228	
106,362	Dollar Tree, Inc. ....	12,704	12,972	
158,679	Ebay Inc.....	12,196	14,085	
47,745	Electronic Arts Inc. ....	8,297	8,653	
37,836	Equifax Inc. ....	7,621	12,216	
51,055	Facebook, Inc. Class A.....	10,395	22,077	
101,804	Henry Schein Inc. ....	7,669	9,879	
96,368	Intercontinental Exchange, Inc. ....	12,580	14,098	
59,446	Johnson & Johnson .....	6,987	12,232	
11,707	Mastercard Inc. Class A.....	5,032	5,186	
72,855	Microsoft Corporation .....	3,660	26,169	
553,183	News Corporation Class A.....	11,361	16,584	
30,065	Northern Trust Corporation .....	2,090	4,130	
58,514	Oracle Corporation .....	2,779	6,496	
75,426	Procter & Gamble Co.....	12,407	13,435	
148,134	Raytheon Technologies Corporation.....	10,719	16,224	
8,779	Servicenow, Inc.....	5,072	6,960	
64,435	SS&C Technologies Holdings, Inc. ....	3,975	5,698	
180,964	Truist Financial Corp.....	7,417	13,523	
		<u>191,497</u>	<u>310,795</u>	27.9
	Total North America.....	<u>230,615</u>	<u>874,018</u>	78.5

# Economic Investment Trust Limited

## SCHEDULE OF INVESTMENT PORTFOLIO AS AT SEPTEMBER 30, 2021 (Unaudited)

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
	<b>Europe, excluding United Kingdom</b>			
153,477	Brenntag AG .....	\$ 10,207	\$ 18,305	
69,984	Cie Financiere Richemont SA.....	6,758	9,309	
143,920	Cie Financiere Richemont SA Warrants .....	-	87	
28,919	Hannover Rueckversicherung SE.....	2,141	6,478	
68,740	Heineken Holding N.V.....	3,587	7,656	
29,673	Heineken N.V.....	3,636	3,961	
89,343	Henkel AG & Co. KGaA.....	6,217	9,832	
2,472	Henkel AG & Co. KGaA Preferred .....	329	294	
30,396	Just Eat Takeaway.com .....	3,355	2,836	
158,647	Koninklijke Philips Electronics .....	8,722	9,003	
77,607	Nestle S.A.....	6,905	11,942	
108,258	Novartis AG.....	7,888	11,357	
25,147	Roche Holding AG .....	6,813	11,741	
42,230	SAP AG.....	6,212	7,305	
583	Schindler Holding Ltd.....	163	192	
15,698	Schindler Holding Ltd. Participation Certificate.....	4,859	5,384	
25,056	Willis Towers Watson plc .....	6,700	7,421	
		<u>84,492</u>	<u>123,103</u>	11.1
	<b>Japan</b>			
11,800	DISCO Corporation.....	3,157	4,213	
185,500	Kakaku.com Inc. ....	3,554	7,659	
75,100	Kao Corporation.....	3,043	5,693	
16,200	Keyence Corporation .....	1,244	12,363	
156,700	Komatsu Ltd.....	4,375	4,810	
10,200	Shimano, Inc. ....	1,983	3,822	
39,000	Shin-Etsu Chemical Co., Ltd.....	4,770	8,396	
46,400	Suzuki Motor Corporation .....	2,948	2,640	
74,000	Unicharm Corporation.....	1,691	4,171	
82,700	ZOZO, Inc. ....	1,714	3,951	
		<u>28,479</u>	<u>57,718</u>	5.2
	<b>United Kingdom</b>			
307,815	Auto Trader Group plc .....	2,954	3,103	
268,083	British American Tobacco plc.....	14,438	11,953	
215,569	Bunzl plc .....	7,561	9,062	
274,197	Hargreaves Lansdown plc .....	7,303	6,721	
121,603	Imperial Brands plc .....	3,198	3,245	
625,962	Informa plc .....	6,073	5,889	
101,345	Unilever plc.....	4,619	6,950	
		<u>46,146</u>	<u>46,923</u>	4.2
	<b>Bermuda</b>			
62,100	Jardine Matheson Holdings Limited.....	4,623	4,197	0.4

# *Economic Investment Trust Limited*

## SCHEDULE OF INVESTMENT PORTFOLIO AS AT SEPTEMBER 30, 2021 (Unaudited)

Number of shares		Cost	Carrying value	% of Carrying value
		(000's)		
	<b>Cayman Islands</b>			
4,185,000	Want Want China Holdings Ltd. ....	\$ 4,896	\$ 4,035	0.3
	<b>Mexico</b>			
274,200	Coca-Cola Femsa S.A.B. de C.V. ....	2,164	1,982	
26,760	Coca-Cola Femsa S.A.B. SP ADR .....	2,007	1,919	
		<u>4,171</u>	<u>3,901</u>	<u>0.3</u>
	<b>Total investments</b> .....	<u>\$ 403,422</u>	<u>\$1,113,895</u>	<u>100.0</u>

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

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

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

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

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

# *Economic Investment Trust Limited*

## **CORPORATE INFORMATION**

### **HEAD OFFICE**

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

### **EXTERNAL INVESTMENT MANAGER**

Burgundy Asset Management Ltd., Toronto

### **AUDITOR**

PricewaterhouseCoopers LLP, Toronto

### **CUSTODIAN**

RBC Investor & Treasury Services

### **TRANSFER AGENT AND REGISTRAR**

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

### **TORONTO STOCK EXCHANGE LISTING**

Common Shares, ticker symbol EVT

### **NET EQUITY VALUE**

The Company's net equity value per Common Share is published weekly on the Company's website.

### **REPORTING PROCEDURE FOR ACCOUNTING AND AUDITING MATTERS**

Please refer to the "Contact Us" section of our website if you have questions or concerns regarding accounting or auditing matters.

### **WEBSITE**

[www.evt.ca](http://www.evt.ca)







