

Economic Investment Trust Limited



**SECOND QUARTER REPORT
JUNE 30, 2006**

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Section 4.3(3)(a) of National Instrument 51-102, *Continuous Disclosure Obligations*, provides that if an auditor has not performed a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's external auditors, PricewaterhouseCoopers LLP, have not performed a review of these interim financial statements of Economic Investment Trust Limited.

signed "Duncan N.R. Jackman"

Duncan N.R. Jackman
Chairman and President

signed "Travis R. Epp"

Travis R. Epp
Treasurer

August 2, 2006

Economic Investment Trust Limited

THE PERIOD AT A GLANCE (Unaudited)

	As at June 30 2006 ⁽¹⁾	As at December 31 2005 ⁽¹⁾
Net equity value per common share.....	\$ 109.73	\$ 99.49
Net assets.....	\$ 616,584	\$ 560,241
Number of common shares outstanding at period end.....	5,615,535	5,615,535

	Six months ended June 30	
	2006 ⁽¹⁾	2005 ⁽¹⁾
Net investment income per common share.....	\$ 0.78	\$ 0.67
Regular dividends per common share.....	\$ 0.30	\$ 0.30
Investment income	\$ 7,451	\$ 6,354
Net investment income	\$ 4,390	\$ 3,820

⁽¹⁾ In thousands of dollars, except number of common shares outstanding and per share amounts.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the unaudited consolidated operating results and financial condition of Economic Investment Trust Limited ("Economic" or the "Company") for the second quarter of 2006 should be read in conjunction with the MD&A for the year ended December 31, 2005, the Company's annual audited consolidated financial statements, the notes relating thereto, supplementary financial information included in the Company's Annual Report, the quarterly unaudited financial statements and notes contained in this report, as well as the Company's MD&A and unaudited interim financial statements for the previous quarter of 2006. The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and unless otherwise noted, both the financial statements and this MD&A are expressed in Canadian dollars.

MD&A contains 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, forward-looking statements within this discussion will occur, or if they do, that any benefits may be derived from them.

Market Review

Global stock markets posted negative results in the quarter ended June 30, 2006. The Canadian dollar increased against the U.S. dollar in the second quarter of 2006 but is relatively unchanged on a year to date basis. In Canadian dollar terms, in the second quarter of fiscal 2006, the S&P/TSX Composite Index decreased 3.5%, the MSCI World Index decreased 5.0% and the S&P 500 Index decreased 5.8%. On a year to date basis the S&P/TSX Composite Index increased 4.2%, the MSCI World Index increased 1.4% and the S&P 500 Index decreased 1.8%.

For the quarter ended June 30, 2006, the Company's net asset value per share increased to \$109.73 from \$107.20 at March 31, 2006, an increase of 2.5% (based on the reinvestment of dividends at month-end net equity values). On a year to date basis the net equity value per share increased to \$109.73 from \$99.49 at December 31, 2005, an increase of 10.6% (based on the reinvestment of dividends at month end net equity values). As a taxable Canadian corporation, a provision for future income taxes is recorded on the unrealized appreciation of investments. Future income taxes are recorded as a liability on the consolidated balance sheet. The net equity value of the Company's common shares is determined by deducting the outstanding preferred shares at their cost of redemption from the net assets of the Company. The net equity value per common share is the net equity value divided by the number of common shares outstanding.

Operating Results

Net investment income

The Company's net investment income in the second quarter of 2006 was \$3,049,000 compared to 2005 net investment income of \$2,504,000. On a year to date basis, the net investment income increased to \$4,390,000 in 2006 from \$3,820,000 in 2005. On a per common share basis, net investment income for the quarter increased to \$0.54 in 2006 from \$0.44 in 2005 and on a year to date basis to \$0.78 in 2006 from \$0.67 in 2005.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Foreign dividend income in the second quarter increased to \$4,313,000 in 2006 from \$3,469,000 in 2005 and to \$6,316,000 in 2006 from \$5,253,000 in 2005 on a year to date basis. The increase in foreign dividends is due to an increase in investment in foreign equities and a special dividend of approximately \$330,000 from Whitbread PLC. The total of foreign equities of \$327,357,000 has increased from December 31, 2005 (\$314,149,000) and June 30, 2005 (\$290,011,000). Canadian dividend income in the second quarter increased to \$579,000 in 2006 from \$487,000 in 2005 and decreased to \$946,000 in 2006 from \$948,000 in 2005 on a year to date basis. Interest, including securities lending income in the second quarter amounted to \$129,000 in 2006, compared to \$119,000 in 2005 and increased to \$189,000 in 2006 from \$153,000 in 2005 on a year to date basis.

Operating expenses in the quarter amounted to \$576,000 (2005 - \$456,000) and \$1,114,000 (2005 - \$935,000) on a year to date basis. The rise in expenses from the prior periods is mainly due to an increase in management costs.

Net gain (loss) on investments

The Company realized a net gain on investments sold before income taxes of \$8,726,000 in the second quarter of 2006 (2005 net loss - \$670,000). On a year to date basis, the net gain on investments sold before income taxes was \$18,172,000 (2005 - \$1,956,000). The majority of the realized gains in the current quarter were from sales of ConocoPhillips, Sumitomo Mitsui Financial Group, Arcelor and the forward currency contracts that matured in the quarter.

The Company's unrealized appreciation of investments before future income taxes decreased by \$524,000 in the quarter compared to an increase of \$11,376,000 in the same period last year. On a year to date basis, unrealized appreciation of investments before future income taxes increased by \$41,957,000 (2005 - \$31,560,000). In general, except for E-L Financial Corporation Limited which posted positive results in the quarter, the remainder of the investment portfolio performed poorly. The poorest performances in the quarter were Orix Corporation and European Aeronautic Defence and Space Company.

In the second quarter of 2006, the Federal government substantively enacted reductions in income tax rates commencing in 2008. As a result of the tax change, there was a reduction in the Future income tax liability and an increase in Unrealized appreciation of investments. The benefit of the tax rate change is approximately \$5,200,000.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 2006	March 31 2006	Dec. 31 2005	Sept. 30 2005	June 30 2005	March 31 2005	Dec. 31 2004	Sept. 30 2004
Investment income	\$ 5,021	\$ 2,430	\$ 1,453	\$ 1,994	\$ 4,075	\$ 2,279	\$ 3,105	\$ 1,880
Increase (decrease) in net assets from operations	\$ 14,942	\$ 43,890	\$ 46,971	\$ 25,592	\$ 11,277	\$ 20,006	\$ 15,854	\$ (1,495)
Increase (decrease) in net assets from operations per share ¹	\$ 2.66	\$ 7.81	\$ 8.36	\$ 4.56	\$ 2.00	\$ 3.56	\$ 2.82	\$ (0.26)

¹ Net of dividends on preferred shares

The investment income is primarily derived from dividend income that is earned by the Company. While North American investments generally pay regular quarterly dividends, investments outside of North America often pay less frequently. Generally, dividends earned on investments outside of North America peak in the second quarter of the fiscal year. Further, there are occasions when investments pay special dividends. As previously indicated, a special dividend from Whitbread PLC was earned during the quarter.

Share Data

At June 30, 2006, the following shares were issued and outstanding; 7,700 5% Cumulative Preferred Shares Series A and 5,615,535 Common Shares.

Liquidity and Capital Resources

The payment of the Company's regular quarterly dividends on its Common Shares and 5% Cumulative Preferred Shares Series A is funded by Net investment income. For the quarter ended June 30, 2006, Net investment income was \$3,049,000 as compared to dividend payments of \$848,000. On a year to date basis, Net investment income of \$4,390,000 exceeded the dividend payments of \$1,708,000.

Additional information

Additional information relating to Economic, including the Company's Annual Information Form, may be found on SEDAR at www.sedar.com.

August 2, 2006

Duncan N.R. Jackman
Chairman and President

Economic Investment Trust Limited

CONSOLIDATED BALANCE SHEET (Unaudited)

	June 30 2006	December 31 2005
	(000's)	
Assets		
Investments, at indicated market value (cost - \$302,465; December 31, 2005 - \$286,843)	\$ 662,451	\$ 604,872
Cash	4,976	9,120
Short-term investments	—	437
Receivable in respect of investments sold	8,373	1,119
Accrued income on investments.....	1,077	403
Income taxes receivable.....	—	477
Other assets	178	206
	677,055	616,634
Liabilities		
Accounts payable and accrued liabilities.....	309	266
Payable in respect of investments purchased.....	72	—
Income taxes payable.....	1,173	—
Future income taxes	58,917	56,127
	60,471	56,393
Net assets.....	\$ 616,584	\$ 560,241
Shareholders' Equity		
Capital stock.....	\$ 205,076	\$ 206,142
Contributed surplus	1,492	1,493
Unrealized appreciation of investments.....	301,647	262,095
Retained earnings	108,369	90,511
Total shareholders' equity.....	\$ 616,584	\$ 560,241

(See accompanying note)

Economic Investment Trust Limited

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
	(000's)			
INVESTMENT INCOME				
Dividends:				
Foreign	\$ 4,313	\$ 3,469	\$ 6,316	\$ 5,253
Canadian	579	487	946	948
	4,892	3,956	7,262	6,201
Interest, including securities lending income	129	119	189	153
	5,021	4,075	7,451	6,354
Expenses:				
Management costs	339	280	719	617
Office and miscellaneous	115	86	178	153
Transfer, registrar and custodial agents' fees	84	47	138	86
Directors' & officers' remuneration ..	25	31	49	53
Professional fees	7	7	18	15
Capital tax	6	5	12	11
	576	456	1,114	935
Investment income before income taxes	4,445	3,619	6,337	5,419
Income taxes	1,396	1,115	1,947	1,599
NET INVESTMENT INCOME	3,049	2,504	4,390	3,820
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS				
Net realized gain (loss) on investments	7,150	(549)	14,890	1,603
Net change in unrealized appreciation of investments	4,743	9,322	39,552	25,860
NET GAIN ON INVESTMENTS	11,893	8,773	54,442	27,463
INCREASE IN NET ASSETS FROM OPERATIONS	\$ 14,942	\$ 11,277	\$ 58,832	\$ 31,283
INCREASE IN NET ASSETS FROM OPERATIONS PER SHARE	\$ 2.66	\$ 2.00	\$ 10.47	\$ 5.56

(See accompanying note)

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (Unaudited)

	Six months ended June 30	
	2006	2005
	(000's)	
BEGINNING OF PERIOD.....	\$ 90,511	\$ 74,386
Add:		
Net investment income.....	4,390	3,820
Net realized gain on investments.....	14,890	1,603
Refundable dividend taxes recovered.....	569	574
	110,360	80,383
Deduct:		
Dividends from net investment income.....	1,708	1,721
Provision for refundable dividend taxes.....	283	263
	1,991	1,984
END OF PERIOD.....	\$ 108,369	\$ 78,399

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
	(000's)			
INCREASE IN NET ASSETS FROM OPERATIONS.....	\$ 14,942	\$ 11,277	\$ 58,832	\$ 31,283
DISTRIBUTIONS TO SHAREHOLDERS				
Common shareholders.....	(843)	(843)	(1,685)	(1,685)
Preferred shareholders.....	(5)	(18)	(23)	(36)
	(848)	(861)	(1,708)	(1,721)
CAPITAL SHARE TRANSACTIONS				
Purchase of preferred shares for cancellation.....	—	—	(1,067)	—
TAXATION CHANGES				
Net decrease in refundable dividend tax on hand.....	95	161	286	311
INCREASE IN NET ASSETS.....	14,189	10,577	56,343	29,873
NET ASSETS, BEGINNING OF PERIOD.....	602,395	478,586	560,241	459,290
NET ASSETS, END OF PERIOD.....	\$ 616,584	\$ 489,163	\$ 616,584	\$ 489,163

(See accompanying note)

Economic Investment Trust Limited

CONSOLIDATED STATEMENTS OF REALIZED GAIN (LOSS) (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
		(000's)		
Proceeds on sales of investments.....	\$ 28,217	\$ 25,964	\$ 54,637	\$ 51,742
Cost of investments, beginning of period.....	292,318	275,937	286,843	281,797
Cost of investments purchased during the period.....	29,638	29,405	52,087	46,697
	321,956	305,342	338,930	328,494
Cost of investments, end of period.....	302,465	278,708	302,465	278,708
Cost of investments sold during the period.....	19,491	26,634	36,465	49,786
Realized gain (loss) on investments sold before taxes	8,726	(670)	18,172	1,956
Taxes on (recovery of) realized net taxable capital gains (losses).....	1,576	(121)	3,282	353
Net realized gain (loss) on investments.....	\$ 7,150	\$ (549)	\$ 14,890	\$ 1,603

(See accompanying note)

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT JUNE 30, 2006

Number of shares		Cost	Market value	% of Market
		(000's)		
North America				
Canada				
212,638	Algoma Central Corporation ²	\$ 2,974	\$ 21,264	
64,600	Canadian Natural Resources Limited	3,055	3,987	
341,806	E-L Financial Corporation Limited ²	6,790	213,629	
33,101	Ecando Investments Limited Classes A, B and common ²	4,139	46,747	
176,414	The Fulcrum Investment Company Limited ²	464	10,225	
216,900	NVG Holdings Limited Classes B, C, D, E and common ^{1,2}	2,115	31,112	
4,837	TGV Holdings Limited Class B ^{1,2}	318	8,667	
		<u>19,855</u>	<u>335,631</u>	50.7
United States				
66,100	Altria Group, Inc.	5,556	5,412	
76,600	Bank of America Corporation	3,749	4,108	
97,300	Chevron Corporation	6,816	6,733	
93,900	Chubb Corporation (The)	4,470	5,224	
122,000	Citigroup Inc.	7,323	6,562	
46,710	Clorox Company (The)	3,182	3,175	
153,400	Comcast Corporation Special Class A	6,142	5,607	
69,700	ConocoPhillips	2,674	5,093	
30,000	Electronic Data Systems Corporation	929	805	
10,705	Embarq Corporation	562	489	
114,400	Fannie Mae	8,621	6,135	
93,600	Freddie Mac	6,957	5,950	
164,000	General Electric Company	6,861	6,027	
65,440	GlobalSantaFe Corporation	3,189	4,214	
9,300	HCA Inc.	512	447	
63,000	Hartford Financial Services Group, Inc.	5,092	5,943	
138,600	Hewlett-Packard Company	3,676	4,896	
69,700	JPMorgan Chase & Co.	3,519	3,264	
219,600	Kroger Co.	5,028	5,353	
45,000	Metlife, Inc.	1,672	2,569	
139,300	Microsoft Corporation	4,454	3,619	
16,800	Occidental Petroleum Corporation	1,108	1,921	
89,700	Safeway Inc.	2,410	2,600	
156,900	Smurfit-Stone Container Corporation	3,541	1,914	
214,100	Sprint Nextel Corporation	6,048	4,772	
19,000	Textron Inc.	1,434	1,953	
290,600	Time Warner Inc.	6,489	5,606	
30,800	XL Capital Ltd. Class A	3,367	2,105	
		<u>115,381</u>	<u>112,496</u>	<u>17.0</u>
	Total North America	<u>135,236</u>	<u>448,127</u>	<u>67.7</u>
Latin America				
75,100	Petroleo Brasileiro S.A. ADR	2,228	6,686	1.0

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

² Companies which, together with Economic, can be significantly influenced by the same party.

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Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT JUNE 30, 2006 (continued)

Number of shares		Cost	Market value	% of Market
		(000's)		
Europe, excluding United Kingdom				
53,880	Arcelor	1,075	2,897	
920	Arkema	44	40	
70,000	Assurances Générales de France	5,249	9,199	
33,600	BNP Paribas SA.....	3,295	3,583	
64,400	Continental AG.....	2,736	7,341	
117,600	Credit Suisse Group	5,587	7,323	
85,000	Deutsche Lufthansa AG.....	1,673	1,744	
41,900	E.ON AG	5,009	5,371	
115,620	European Aeronautic Defence and Space Company	4,310	3,699	
116,400	ENI S.p.A.	2,553	3,816	
97,700	Endesa S.A.	2,700	3,784	
94,800	Fortis Group.....	3,817	3,595	
157,700	ING Groep N.V.....	5,589	6,904	
45,000	MAN AG	2,094	3,634	
29,900	Mol Magyar Olaj - es Gazipari Rt.....	2,844	3,419	
32,800	Muenchener Rueckversicherungs-Gesellschaft AG	4,645	4,994	
68,000	Renault SA.....	7,390	8,137	
200,700	Repsol YPF, S.A.	5,512	6,402	
22,830	Sanofi-Aventis.....	1,366	2,482	
36,800	Total SA.....	2,818	2,697	
160,000	Xstrata PLC	2,809	6,761	
		<u>73,115</u>	<u>97,822</u>	14.8
United Kingdom				
476,987	Aviva PLC	5,357	7,527	
384,400	BP plc	4,563	4,996	
789,170	Friends Provident plc.....	3,129	2,908	
119,790	HBOS plc	2,253	2,321	
84,700	Royal Bank of Scotland Group plc.....	3,109	3,105	
20,361	Tate & Lyle PLC	251	254	
2,445,200	Vodafone Group Plc.....	6,122	5,809	
87,792	Whitbread PLC	1,619	2,110	
		<u>26,403</u>	<u>29,030</u>	4.4
Asia				
840,000	Bank Hapoalim Ltd.	2,526	3,992	
88,350	Canon Inc.	3,277	4,826	
310,000	China Netcom Group Corporation (Hong Kong) Limited.....	570	605	
5,576,000	China Petroleum & Chemical Corp. (Sinopec)	2,028	3,562	
774,284	Compal Electronics Inc.	5,345	4,230	
31,463	Emerging Markets Investors Fund.....	1,341	1,700	
30,025	Flextronics International Ltd.....	566	356	
1,375	Japan Tobacco Inc.....	4,352	5,583	
101,200	JFE Holdings, Inc.....	3,484	4,779	
51,200	Kookmin Bank.....	2,077	4,692	
50,200	Leopalace21 Corporation	1,874	1,931	
383,000	Mitsui Chemicals Inc.	3,267	2,786	
323,000	Mitsui O.S.K. Lines, Ltd.	3,274	2,447	
25,230	Orix Corporation	4,874	6,866	
1,416,000	PetroChina Company Limited.....	1,784	1,687	
23,454	POSCO.....	3,023	7,014	

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Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT JUNE 30, 2006 (continued)

Number of shares		Cost	Market value	% of Market
		(000's)		
	Asia (continued)			
5,110	Samsung Electronics Co., Ltd.	3,166	3,621	
33,900	Sino Land Company Limited.....	59	60	
271,000	Sumitomo Heavy Industries, Ltd.....	3,033	2,792	
547	Sumitomo Mitsui Financial Group, Inc.	4,091	6,446	
470,502	Taiwan Semiconductor Manufacturing Company Ltd. ADR	4,601	4,816	
112,000	Toyota Motor Corporation	6,871	6,532	
		<u>65,483</u>	<u>81,323</u>	<u>12.2</u>
	Total equities	302,465	662,988	100.1
	Forward Currency Contracts, net - Schedule 1	—	(537)	(0.1)
	Total investments	<u>\$ 302,465</u>	<u>\$ 662,451</u>	<u>100.0</u>

Schedule 1 - Forward Currency Contracts, net

Forward contracts to sell foreign currencies for Canadian dollars:

Par value	Currency	Number of Contracts	Contract Rates	Settlement Date	Unrealized loss
(in millions)					(000's)
89.0	U.S. Dollar	1	1.1043	Sept. 15, 2006	\$ 463
7.0	Swiss Franc	2	0.9038 - 0.9132	Sept. 15, 2006	74
					<u>\$ 537</u>

All counterparties currently have an approved credit rating equivalent to A-1+.

Economic Investment Trust Limited

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Summary of significant accounting policies

Basis of presentation

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods as the most recent 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, 2005.

Economic Investment Trust Limited

CORPORATE INFORMATION

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EXTERNAL INVESTMENT MANAGER Sanford C. Bernstein & Co., LLC, New York

AUDITORS PricewaterhouseCoopers LLP, Toronto

TRANSFER AGENT AND REGISTRAR Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario
M5J 2Y1
Tel: 416-981-9633
Toll Free: 1-800-564-6253

STOCK EXCHANGE LISTINGS

Common	EVT
5% Cumulative Preferred Shares Series A	EVT.PR.A

NET EQUITY VALUE

The Company's Net Equity Value per share is published every Saturday in the mutual fund section of the Globe and Mail (under "Fund Asset Values") and in the National Post (under "Closed End Funds").

WEBSITE www.evt.ca