

# **Economic Investment Trust Limited**



**SECOND QUARTER REPORT  
JUNE 30, 2011**

# *Economic Investment Trust Limited*

## THE PERIOD AT A GLANCE (Unaudited)

	As at June 30 2011 <sup>(1)</sup>	As at Dec. 31 2010 <sup>(1)</sup>
Net equity value per Common Share <sup>(2)</sup> .....	\$ 87.85	\$ 91.65
Net assets.....	\$ 493,336	\$ 514,671
Number of Common Shares outstanding at period end .....	5,615,535	5,615,535

	Six months ended June 30	
	2011 <sup>(1)</sup>	2010 <sup>(1)</sup>
Net investment income per Common Share <sup>(2)</sup> .....	\$ 0.63	\$ 0.55
Dividends per Common Share .....	\$ 0.30	\$ 0.30
Decrease in net assets from operations per Common Share .....	\$ (3.52)	\$ (4.06)
Investment income .....	\$ 5,307	\$ 5,038
Net investment income .....	\$ 3,544	\$ 3,063

<sup>(1)</sup> In thousands of Canadian dollars, except number of Common Shares outstanding and per share amounts.

<sup>(2)</sup> See Management's Discussion and Analysis for Use of Non-GAAP Measures.

### 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 operating results and financial condition of Economic Investment Trust Limited ("Economic" or the "Company") for the second quarter of 2011 should be read in conjunction with the MD&A for the year ended December 31, 2010, the Company's annual audited financial statements, the notes relating thereto, the 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 2011. The unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). They do not include all of the disclosures required under GAAP for annual financial statements. 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, forward-looking statements within this disclosure 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 owns, directly and indirectly, long-term investments in the common shares of some publicly-traded Canadian companies and a managed diversified portfolio of common shares of publicly-traded global companies.

The long-term investments consist primarily of common shares of E-L Financial Corporation Limited ("E-L Financial"), and to a lesser extent, Algoma Central Corporation ("Algoma") and The Bank of Nova Scotia. E-L Financial, Algoma and the Company can be significantly influenced by the same party. In management's view, these investments are consistent with the Company's investment strategy and contribute to achieving the investment objective. Further related party information is provided in Note 8 to the financial statements in the 2010 Annual Report and in the statement of investments beginning on page 11.

The balance of the investment portfolio is managed by Sanford C. Bernstein & Co. LLC ("Bernstein"), a global investment manager based in New York that commenced operations in 1967. At the quarter end, approximately 96.9% (December 31, 2010 – 96.8%) of the global portfolio was made up of non-Canadian companies. As part of its mandate, Bernstein may hedge the foreign currency exposure of any non-Canadian investment that it manages.

At June 30, 2011, approximately 55.7% (December 31, 2010 – 57.3%) of the investment portfolio was held in long-term investments and 44.3% (December 31, 2010 – 42.7%) was managed by Bernstein. Over time these percentages will vary based on the market value of the two portfolios and as a result of any purchases or sales of long-term investments.

# *Economic Investment Trust Limited*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 is comprised of a mix of Canadian and foreign investments. Net equity value and net investment income may vary significantly from period to period depending on the economic environment and market conditions.

### Use of Non-GAAP Measures

This MD&A contains references to "net equity value per Common Share" and "net investment income per Common Share". These terms do not have any standardized meaning according to Canadian 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.

Investors and management use net equity value per Common Share to determine the Company's value on a per Common Share basis. Net equity value per Common Share is also used by investors and management as a comparison to the market price of its Common Shares to determine the particular discount or premium that the Company's Common Shares are trading at 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 sustainability and funding of dividends 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):

	<b>June 30 2011</b>	Dec. 31 2010
Net assets .....	<b>\$ 493,336</b>	\$ 514,671
Common Shares outstanding .....	<b>5,615,535</b>	5,615,535
Net equity value per Common Share .....	<b>\$ 87.85</b>	\$ 91.65

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	
	<b>2011</b>	2010	<b>2011</b>	2010
Decrease in net assets from operations ...	<b>\$ (26,444)</b>	\$ (21,549)	<b>\$ (19,775)</b>	\$ (22,774)
Add: Net loss on investments .....	<b>28,585</b>	23,626	<b>23,319</b>	25,837
Net investment income .....	<b>2,141</b>	2,077	<b>3,544</b>	3,063
Common Shares outstanding .....	<b>5,615,535</b>	5,615,535	<b>5,615,535</b>	5,615,535
Net investment income per Common Share .....	<b>\$ 0.38</b>	\$ 0.37	<b>\$ 0.63</b>	\$ 0.55

# *Economic Investment Trust Limited*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Net Equity Value per Common Share

For the quarter ended June 30, 2011, the Company's net equity value per Common Share decreased to \$87.85 from \$92.70 at March 31, 2011. With dividends reinvested at month-end net equity values, the Company's net equity value total return during the quarter was negative 5.1%, compared to a negative return of 4.5% for the same period in 2010. On a year-to-date basis, the net equity value per Common Share declined to \$87.85 from \$91.65 at December 31, 2010. The net equity value return for the six-month period was negative 3.8% compared to a negative return of 4.7% in the first six months of the prior year.

As the Company is a taxable Canadian corporation, these returns are net of a provision for income taxes on investment income and realized gains (losses) on investments, and net of a future income tax provision on the unrealized appreciation of investments. Current year-to-date net realized gains on investments have reduced the Company's year-end capital loss carry forward balance. The provision for future income taxes related to the current year-to-date net realized gain on investments has been recognized in the net change in unrealized appreciation of investments in the statement of operations.

In Canadian dollar terms, benchmark returns on a total return (capital gains plus dividends) basis, compared to the net equity value of the Company, were as follows:

	Three months ended June 30, 2011	Six months ended June 30, 2011
	(%)	
Economic net equity value .....	(5.1)	(3.8)
S&P/TSX Composite Index .....	(5.2)	0.2
MSCI All Country World Index .....	(0.5)	1.7
S&P 500 Index .....	(0.7)	2.8

### Operating Results

#### *Net investment income*

The Company's net investment income in the second quarter of 2011 was \$2,141,000 compared to 2010 net investment income of \$2,077,000. On a year-to-date basis, net investment income increased to \$3,544,000 in 2011 from \$3,063,000 for the same period in the prior year. On a per Common Share basis, net investment income for the quarter increased to \$0.38 in 2011 compared to \$0.37 in 2010 and on a year-to-date basis increased to \$0.63 in 2011 from \$0.55 in 2010.

Foreign dividend income in the second quarter decreased to \$2,312,000 in 2011 from \$2,516,000 in 2010 and on a year-to-date basis increased to \$3,621,000 from \$3,450,000 in 2010. The year-over-year increase for the six months ended June 30 occurred primarily as a result of different securities held in the current year compared to the same period in the prior year.

Canadian dividend income in the second quarter increased to \$805,000 in 2011 from \$743,000 in 2010 and on a year-to-date basis increased to \$1,579,000 from \$1,485,000 in 2010. The increase in both periods year over year resulted from additional Canadian securities in the Bernstein-managed portfolio and dividend increases in several of the Company's long-term investments.

Expenses in the quarter amounted to \$409,000 (2010 - \$353,000) and \$859,000 (2010 - \$800,000) on a year-to-date basis. The increase in expenses for both periods was due primarily to an increase in investment management and administrative costs resulting from a higher average market value of the Bernstein-managed portfolio.

The provision for income taxes in the current quarter and year to date includes \$95,000 (2010 - \$228,000) and \$95,000 (2010 - \$305,000) respectively of additional income tax related to certain foreign withholding taxes that could not be credited against Canadian income taxes payable.

# Economic Investment Trust Limited

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Net loss on investments

The Company realized a net gain on the sale of investments of \$1,815,000 in the second quarter of 2011 compared to a net loss of \$2,823,000 in the same quarter of the prior year. On a year-to-date basis, the net realized gain on the sale of investments was \$6,309,000 in 2011 compared to a net realized loss of \$3,040,000 for the same period in the prior year.

In the second quarter of 2011, net gains on the sale of equity investments amounted to \$1,815,000, and there were no gains on the maturity of forward foreign currency contracts. On a year-to-date basis in 2011, net gains on the sale of equity investments totaled \$6,291,000 and gains on the maturity of forward foreign currency contracts were \$18,000. The largest contributors to the net realized gain on the sale of equities for the quarter were Ford Motor Company, TE Connectivity Ltd., and News Corporation. On a year-to-date basis, the largest contributors to the net realized gain were TE Connectivity Ltd., Ford Motor Company, and Time Warner Cable Inc.

The Company's net change in unrealized appreciation of investments decreased \$30,319,000 during the quarter compared to a decline of \$20,685,000 during the same period last year. On a year-to-date basis, the net change in unrealized appreciation of investments decreased \$29,402,000 compared to a decline \$22,493,000 for the same period in the prior year. Long-term investments contributed \$19,716,000 and \$18,526,000 of the quarterly and year-to-date declines, respectively. The Bernstein-managed portfolio contributed declines of \$10,603,000 and \$10,876,000 for the quarter and year to date, respectively.

### 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 2011	March 31 2011	Dec. 31 2010	Sept. 30 2010	June 30 2010	March 31 2010	Dec. 31 2009	Sept. 30 2009
Investment income	\$ 3,206	\$ 2,101	\$ 1,806	\$ 1,523	\$ 3,359	\$ 1,679	\$ 1,815	\$ 1,768
Increase (decrease) in net assets from operations	\$ (26,444)	\$ 6,669	\$ 46,776	\$ 9,456	\$ (21,549)	\$ (1,225)	\$ 3,489	\$ 67,182
Increase (decrease) in net assets from operations per Common Share <sup>1</sup>	\$ (4.71)	\$ 1.19	\$ 8.33	\$ 1.69	\$ (3.84)	\$ (0.22)	\$ 0.63	\$ 11.96
Net equity value per Common Share	\$ 87.85	\$ 92.70	\$ 91.65	\$ 83.46	\$ 81.91	\$ 85.89	\$ 86.24	\$ 85.75

<sup>1</sup> Net of dividends on Preferred Shares Series A

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. Given the volatility in global stock markets and the value of the Canadian dollar relative to other currencies, there is no guarantee that the Company will receive dividend income on its investments at recent dividend payout levels. During three of the past four quarters, the Company experienced a quarter-over-quarter decrease in foreign dividend income compared to the same quarter in the prior year.

# *Economic Investment Trust Limited*

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

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

### **Share Data**

At June 30, 2011, there are 5,615,535 Common Shares issued and outstanding and each share is entitled to one vote.

### **Liquidity and Capital Resources**

During the quarter and year to date, dividends of \$0.15 and \$0.30, respectively, were paid on the Common Shares. The payment of the Company's quarterly dividends is funded by net investment income. For the quarter ended June 30, 2011, net investment income was \$0.38 per Common Share and on a year-to-date basis, net investment income was \$0.63 per Common Share.

### **Transition to International Financial Reporting Standards ("IFRS") for Investment Companies**

The Company will apply IFRS to its disclosures commencing January 1, 2013. Its first set of financial statements prepared in accordance with IFRS will be for the quarter ending March 31, 2013, which will provide corresponding comparative financial information for 2012, including an opening statement of financial position as at January 1, 2012.

On transition to IFRS, management does not expect that the conversion will affect the calculation of the Company's net assets or net equity value per Common Share. The primary impact of IFRS on the Company's financial statements will be in financial statement presentation and note disclosure. In addition, management believes that the conversion to IFRS will not materially affect the Company's business arrangements, systems, internal controls over financial reporting, or disclosure controls and procedures.

Additional information relating to the transition to IFRS is available in the Company's 2010 Annual Report.

### **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.

Duncan N.R. Jackman  
Chairman and President

August 3, 2011

# *Economic Investment Trust Limited*

## STATEMENT OF NET ASSETS (Unaudited)

	<u>June 30</u> <u>2011</u>	<u>December 31</u> <u>2010</u>
		(000's)
<b>Assets</b>		
Investments, at fair value (cost - \$266,796; 2010 - \$257,059) (Note 2).....	<b>\$ 510,758</b>	\$ 533,754
Cash .....	<b>3,091</b>	6,734
Short-term investments .....	<b>1,762</b>	—
Receivable in respect of investments sold .....	<b>1,986</b>	105
Accrued income on investments.....	<b>372</b>	253
Income taxes receivable.....	<b>1,683</b>	3,851
Other assets .....	<b>64</b>	69
	<u><b>519,716</b></u>	<u>544,766</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities.....	<b>235</b>	244
Payable in respect of investments purchased.....	<b>390</b>	798
Future income taxes.....	<b>25,755</b>	29,053
	<u><b>26,380</b></u>	<u>30,095</u>
Net assets.....	<u><b>\$ 493,336</b></u>	<u>\$ 514,671</u>
<b>Shareholders' Equity</b>		
Capital stock.....	<b>\$ 204,691</b>	\$ 204,691
Contributed surplus .....	<b>1,474</b>	1,474
Retained earnings (Note 3) .....	<b>287,171</b>	308,506
Total shareholders' equity.....	<u><b>\$ 493,336</b></u>	<u>\$ 514,671</u>

(See accompanying notes)



# Economic Investment Trust Limited

## STATEMENT OF RETAINED EARNINGS (Unaudited)

	<b>Six months ended June 30</b>	
	<u>2011</u>	<u>2010</u>
	(000's)	
BEGINNING OF PERIOD.....	<b>\$ 308,506</b>	\$ 278,116
Add:		
Refundable dividend taxes recovered .....	<b>562</b>	562
	<b>309,068</b>	278,678
Deduct:		
Decrease in net assets from operations .....	<b>19,775</b>	22,774
Dividends .....	<b>1,685</b>	1,685
Provision for refundable dividend taxes.....	<b>437</b>	405
	<b>21,897</b>	24,864
END OF PERIOD (Note 3) .....	<b>\$ 287,171</b>	\$ 253,814

## STATEMENT OF CHANGES IN NET ASSETS (Unaudited)

	<b>Three months ended June 30</b>		<b>Six months ended June 30</b>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	(000's)			
DECREASE IN NET ASSETS FROM OPERATIONS .....	<b>\$ (26,444)</b>	\$ (21,549)	<b>\$ (19,775)</b>	\$ (22,774)
DIVIDENDS TO SHAREHOLDERS				
Common Shares .....	<b>(843)</b>	(843)	<b>(1,685)</b>	(1,685)
TAXATION CHANGES				
Net decrease in refundable dividend taxes on hand .....	<b>58</b>	80	<b>125</b>	157
DECREASE IN NET ASSETS .....	<b>(27,229)</b>	(22,312)	<b>(21,335)</b>	(24,302)
NET ASSETS, BEGINNING OF PERIOD .....	<b>520,565</b>	482,291	<b>514,671</b>	484,281
NET ASSETS, END OF PERIOD .....	<b>\$ 493,336</b>	\$ 459,979	<b>\$ 493,336</b>	\$ 459,979

(See accompanying notes)

# *Economic Investment Trust Limited*

## STATEMENT OF NET REALIZED GAIN (LOSS) ON INVESTMENTS (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
	(000's)			
Proceeds on sales of investments.....	<b>\$ 28,598</b>	\$ 41,185	<b>\$ 82,810</b>	\$ 115,329
Cost of investments, beginning of period.....	<b>263,573</b>	258,030	<b>257,059</b>	257,324
Cost of investments purchased during the period.....	<b>30,006</b>	41,833	<b>86,238</b>	116,990
	<b>293,579</b>	299,863	<b>343,297</b>	374,224
Cost of investments, end of period.....	<b>266,796</b>	255,855	<b>266,796</b>	255,855
Cost of investments sold during the period.....	<b>26,783</b>	44,008	<b>76,501</b>	118,369
Net realized gain (loss) on investments.....	<b>\$ 1,815</b>	\$ (2,823)	<b>\$ 6,309</b>	\$ (3,040)

(See accompanying notes)

# Economic Investment Trust Limited

## STATEMENT OF INVESTMENTS AS AT June 30, 2011 (Unaudited)

Number of shares		Cost	Fair value	% of Fair value
		(000's)		
<b>North America</b>				
<b>Canada</b>				
212,638	Algoma Central Corporation <sup>2</sup> .....	\$ 2,974	\$ 20,668	
381,006	E-L Financial Corporation Limited <sup>2</sup> .....	23,880	167,643	
33,101	Ecando Investments Limited			
	Classes A, B and common <sup>2,3</sup> .....	4,139	38,480	
176,414	The Fulcrum Investment Company			
	Limited <sup>2,3</sup> .....	464	10,703	
72,513	Magna International Inc. ....	3,795	3,774	
152,860	Nexen Inc. ....	3,720	3,313	
216,900	NVG Holdings Limited			
	Classes B, C, D, E and common <sup>1,2,3</sup> .....	2,115	36,517	
4,837	TGV Holdings Limited Class B <sup>1,2,3,4</sup> .....	318	10,511	
		<u>41,405</u>	<u>291,609</u>	57.0
<b>United States</b>				
65,300	Bunge Limited .....	3,929	4,341	
111,440	Citigroup Inc. ....	4,857	4,470	
174,800	Comcast Corportion - Class A.....	3,815	4,270	
29,100	ConocoPhillips .....	2,048	2,109	
182,100	Corning Inc. ....	3,279	3,185	
218,000	Dell Inc. ....	2,970	3,504	
242,342	Delta Air Lines, Inc. ....	3,164	2,143	
55,100	Devon Energy Corporation .....	4,119	4,189	
100,600	Dow Chemical Company (The).....	3,614	3,492	
514,799	Esprit Holdings Limited .....	3,162	1,537	
121,000	GAP Inc. (The).....	2,550	2,111	
85,600	Gilead Sciences, Inc. ....	3,218	3,417	
49,299	Hess Corporation .....	3,446	3,554	
98,900	Hewlett-Packard Company .....	4,525	3,471	
71,200	Johnson & Johnson .....	4,438	4,563	
107,300	JPMorgan Chase & Co. ....	4,115	4,233	
101,800	Kroger Co. (The).....	2,339	2,435	
29,800	Lear Corporation .....	1,450	1,537	
142,700	Lowe's Companies, Inc. ....	3,645	3,208	
92,100	Marathon Oil Corporation .....	3,979	4,674	
31,929	Motorola Solutions Inc. ....	1,309	1,417	
105,500	News Corporation, Class A.....	1,196	1,800	
71,900	Northrop Grumman Corporation .....	4,201	4,808	
359,900	Pfizer Inc. ....	7,688	7,146	
46,022	Time Warner Cable Inc. ....	1,980	3,464	
65,600	Travelers Companies, Inc. (The) .....	3,301	3,693	
38,800	WellPoint, Inc. ....	2,948	2,947	
		<u>91,285</u>	<u>91,718</u>	18.0
	Total North America .....	<u>132,690</u>	<u>383,327</u>	75.0

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# *Economic Investment Trust Limited*

## STATEMENT OF INVESTMENTS AS AT June 30, 2011 (continued) (Unaudited)

Number of shares		Cost	Fair value	% of Fair value
		(000's)		
	<b>Latin America</b>			
132,900	Banco do Brasil S.A. ....	\$ 2,404	\$ 2,277	
44,800	Petroleo Brasileiro S.A. ADR .....	1,310	1,326	
118,100	Vale S.A. SP Pref ADR .....	3,374	3,296	
		<u>7,088</u>	<u>6,899</u>	1.4
	<b>Europe, excluding United Kingdom</b>			
36,450	Allianz SE .....	7,063	4,906	
134,800	Bouygues S.A. ....	6,485	5,711	
145,900	E.ON AG .....	5,505	4,003	
39,900	Gas Natural SDG, S.A. ....	758	806	
387,000	Gazprom OAO Spons ADR .....	4,932	5,441	
602,500	ING Groep N.V. ....	7,272	7,163	
81,677	Ingersoll-Rand plc .....	2,405	3,577	
51,283	Lukoil ADR .....	3,582	3,140	
63,500	Renault SA .....	3,805	3,636	
15,200	Roche Holding AG .....	2,329	2,448	
65,651	Societe Generale .....	3,609	3,762	
1,591,800	Telecom Italia S.p.A. ....	2,604	2,138	
698,600	Telecom Italia S.p.A. (New) di Risparmio .....	866	781	
729,800	Unicredit S.p.A. ....	2,299	1,488	
56,877	Vivendi .....	1,695	1,527	
		<u>55,209</u>	<u>50,527</u>	9.9
	<b>United Kingdom</b>			
114,300	AstraZeneca plc .....	5,284	5,501	
395,700	BAE Systems plc .....	2,444	1,953	
69,600	Imperial Tobacco Group plc .....	2,267	2,232	
87,200	Rio Tinto plc .....	5,353	6,055	
1,215,350	Vodafone Group Plc .....	3,221	3,112	
190,511	Xstrata plc .....	3,818	4,044	
		<u>22,387</u>	<u>22,897</u>	4.5
	<b>Africa</b>			
30,000	Royal Caribbean Cruises Ltd. ....	990	1,089	0.2

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# Economic Investment Trust Limited

## STATEMENT OF INVESTMENTS AS AT June 30, 2011 (continued) (Unaudited)

Number of shares		Cost	Fair value	% of Fair value
		(000's)		
	<b>Asia</b>			
1,122,000	Advanced Semiconductor Engineering Inc...	\$ 1,164	\$ 1,180	
4,176,920	AU Optronics Corp.....	3,763	2,734	
86,300	Bridgestone Corporation.....	1,737	1,905	
53,000	Hana Financial Group Inc.....	1,580	1,785	
388,326	Hindalco Industries Limited GDR.....	1,778	1,423	
181,000	Hindalco Industries Limited (CS) Warrants 15/09/14 .....	835	708	
1,188	Japan Tobacco Inc.....	4,372	4,390	
99,100	JFE Holdings Inc.....	3,119	2,611	
65,700	KB Financial Group, Inc.....	2,864	2,999	
81,500	LG Display Co., Ltd.....	2,586	2,173	
25,380	LG Electronics Inc.....	2,489	1,902	
19,000	Mazda Motor Corporation .....	48	48	
409,800	Nissan Motor Co., Ltd. ....	4,189	4,127	
23,660	ORIX Corporation .....	1,631	2,201	
4,720	Samsung Electronics Co., Ltd. ....	3,020	3,520	
330,000	Sharp Corporation .....	3,588	2,877	
52,400	Sumco Corporation.....	962	846	
94,600	Tata Steel GDR.....	1,256	1,195	
217,900	Tokyo Electric Power Co. Inc.....	1,277	850	
475,000	Toshiba Corporation.....	2,186	2,392	
543,400	Turkiye Is Bankasi.....	1,804	1,604	
		46,248	43,470	8.5
	<b>Australia</b>			
96,287	National Australia Bank Limited .....	2,184	2,549	0.5
	<b>Total investments</b> .....	\$ 266,796	\$ 510,758	100.0

<sup>1</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>2</sup> These companies and Economic can be significantly influenced by the same party.

<sup>3</sup> Not listed on a stock exchange.

<sup>4</sup> Subject to direct significant influence by the Company.

# *Economic Investment Trust Limited*

## **NOTES TO FINANCIAL STATEMENTS**

**(Unaudited)**

### **Summary of significant accounting policies**

#### **1. Basis of presentation**

The accompanying unaudited interim 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, 2010. The financial statements do not include all of the disclosures required under GAAP for annual financial statements.

#### **2. Classification of fair value measurements**

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

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

At June 30, 2011, the Company had \$414,547,000 (December 31, 2010 - \$434,825,000) of Level 1 and \$96,211,000 (December 31, 2010 - \$98,929,000) of Level 2 investments. There were no transfers year to date between Level 1 and Level 2 investments and the Company had no Level 3 investments.

#### **3. Comparative figures**

As a result of the financial statement reporting format adopted at the prior year end, the prior year's retained earnings numbers have been reclassified. In particular, the unrealized appreciation of investments at June 30, 2010, of \$188,498,000, reported as a separate component of shareholders' equity in the June 30, 2010 financial statements, has been grouped with retained earnings under the current financial statement format.

# *Economic Investment Trust Limited*

## **CORPORATE INFORMATION**

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CUSTODIAN RBC Dexia Investor Services Trust

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TORONTO STOCK EXCHANGE LISTING  
Common EVT

### **NET EQUITY VALUE**

The Company's net equity value per Common Share is published weekly on the Globe and Mail's website ([www.globefund.com](http://www.globefund.com)) and on the Company's website.

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

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

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