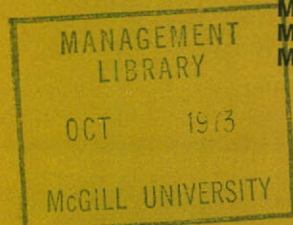

Mutual Funds Management Corporation of Canada Limited

(Formerly:
Mutual Funds Management
Corporation Limited)

Annual Report 1972

Mutual Accumulating Fund
Mutual Income Fund
Mutual Bond Fund
Mutual Growth Fund
Mutual Resources Fund



Mutual Funds Management Corporation of Canada Limited

(Formerly:
Mutual Funds Management
Corporation Limited)

To the Shareholders:

**Mutual Accumulating Fund
Mutual Income Fund
Mutual Bond Fund
Mutual Growth Fund
and Mutual Resources Fund**

Contained in this report are the financial statements for the fiscal year ended December 31st, 1972. The report will deal with these results and discuss developments that have occurred in early 1973.

The year 1972 was a good one for all the M.F.M.C. funds with the exception of Mutual Growth Fund. The results for the 12 month period are summarized in the following table:

Investment Performance — 1972

| Fund | Net Asset Value | | Dividends Declared | % Change Including Dividends |
|--------|-----------------|-------------|--------------------|------------------------------|
| | Dec 31 1971 | Dec 31 1972 | | |
| M.A.F. | \$ 5.25 | \$ 6.18 | \$0.1274 | +20.1% |
| M.I.F. | 4.82 | 5.50 | 0.2644 | +19.4% |
| M.B.F. | 10.37 | 10.42 | 1.0671 | +10.7% |
| M.G.F. | 5.10 | 4.75 | 0.0000 | - 6.9% |
| M.R.F. | 2.34 | 2.82 | 0.1565 | +27.2% |

The Canadian economy expanded at an above average rate in 1972. Gross National Product rose 10.6% of which 5.5% was real growth and 4.9% was as a result of inflation. As is usual in a cyclical economic recovery, there was a large increase in corporate profits; compared with 1971, pre-tax corporate profits in 1972 rose 20%. With this favourable background it is hardly surprising that the prices of Canadian common stocks showed a significant rise during the year. Adding to the buoyancy of Canadian stock prices was the strong institutional demand for equities occasioned by the recent changes in the Income Tax Act. The strength in the Canadian stock market continued into the early weeks of 1973 but latterly, prices have declined in sympathy with the very poor market trend in the United States.

Report of the Manager

During 1972 the economic trends in the United States were also very favourable. Gross National Product rose 9.7% but growth in real terms was an impressive 6.4% and only 3.3% was attributable to inflation. Corporate pre-tax profits rose 13%. The stock market in New York was very strong in the first four months of the year with a large number of companies participating in the advance. In the latter months of the year, prices for the great majority of stocks began to deteriorate. Strength was confined to a narrow list of high quality, very expensive growth companies, and to some of the very large, more stable companies that dominate the "popular" market averages. The weakness of the overall stock market was not therefore apparent to the casual observer. In this environment the net asset value of Mutual Growth Fund advanced from \$5.10 at the end of 1971 to a high of \$6.20 in the spring of 1972 and then declined steadily to \$4.75 at December 31st, 1972. In the early months of 1973 the decline in the market and the erosion of the value of the Fund have continued. The unsatisfactory results produced by the Fund has occasioned changes in the team of managers responsible for the Fund and has caused us to review our investment tactics and policies with regard to this portfolio. Our investment organization is composed of individuals with demonstrated records of success over long periods of time. We are making a determined effort to harness those skills to cure a situation that is a cause of mortification to all members of the organization.

Bond prices declined slightly in 1972. The ownership of convertible securities together with moves to alter the average maturity of the portfolio enabled Mutual Bond Fund to show an overall gain in value of 10.7% in 1972. In the early months of 1973 credit conditions tightened noticeably with the main impact affecting short term interest rates which have risen substantially. Long term bond prices have in many instances declined 3 or 4 per cent but the Fund was cushioned from the decline by holdings of short term securities and by the concentration in high coupon, long term issues.

In accordance with the provisions of the Income Tax Act, the Funds that had previously operated on a compound-cumulative basis, made dividend allocations of their respective amounts of taxable income and taxable net capital gains. Mutual Income Fund continued to make quarterly dividend distributions at the rate of approximately 5% of the net asset value of the Fund.

As previously reported, controlling interest in M.G.F. Management Limited, a holding company that owned all the shares of Mutual Funds Management Corporation Limited (M.F.M.C.) and Grouped Fund Distributors Limited (G.F.D.L.) was acquired by Gdn. Management Limited during 1972. Early in 1973 Gdn. Management acquired 100% ownership of M.G.F. Management. Subsequently M.F.M.C. and G.F.D.L. were amalgamated with their parent company, M.G.F. Management, and that company changed its name to "Mutual Funds Management Corporation of Canada Limited". This company now distributes and manages all the publicly offered mutual funds within the combined group. These moves were made to increase the efficiency and effectiveness of the organization. They have also enabled us to make all the publicly offered funds inter-convertible at modest cost. Thus shareholders of the "old" M.F.M.C. family of funds may now also convert their shares into those of Guardian Enterprise Fund, Guardian Equity Fund and Grouped Income Shares Limited.

The economic outlook, in terms of production and employment, for the balance of 1973 appears to be favourable. There are, however, signs in some sectors of the economy of shortages and imbalances and an incipient profit margin squeeze. The rate of inflation is once more accelerating. Credit conditions are becoming less accommodating. In the United States confidence in the institutions of government has been badly shaken by revelations concerning the 1972 Presidential election campaign. All these happenings have combined to drive stock prices down sharply in recent months. Adversity however also creates opportunity. We intend to do our best to produce results that will be rewarding for our constituency of mutual fund shareholders.

On behalf of the Manager of the Funds.

Norman Short, *Chairman*
John D. McNeil, *President*

Auditors' Report to the Directors Mutual Funds Management Corporation Limited

We have examined the following financial statements:

Mutual Accumulating Fund: Balance sheet as at December 31, 1972. Statements of changes in net assets, changes in investments, accumulated net gain on sale of investments, income and expense and accumulated net income for the year ended December 31, 1972. Portfolio of investments as at December 31, 1972.

Mutual Income Fund: Balance sheet as at December 31, 1972. Statements of changes in net assets, changes in investment, accumulated net gain on sale of investment, income and accumulated net income for the year ended December 31, 1972.

Mutual Bond Fund: Balance sheet as at December 31, 1972. Statements of changes in net assets, changes in investments, accumulated net loss on sale of investments, income and expense and accumulated net income for the year ended December 31, 1972. Portfolio of investments as at December 31, 1972.

Mutual Growth Fund: Balance sheet as at December 31, 1972. Statements of changes in net assets, changes in investments, accumulated net gain (loss) on sale of investments, income and expense accumulated net income for the year ended December 31, 1972. Portfolio of investments as at December 31, 1972.

Mutual Resources Fund: Balance sheet as at December 31, 1972. Statements of changes in net assets, changes in investments, accumulated net gain (loss) on sale of investments, income and expense and accumulated net loss for the year ended December 31, 1972. Portfolio of investments as at December 31, 1972.

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the funds as at December 31, 1972 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Riddell, Stead & Co.
Chartered Accountants

Toronto, Ontario
February 16, 1973

Mutual Accumulating Fund

Balance Sheet

as at
December 31, 1972

| | 1972 | 1971 |
|--|---------------------|--------------|
| Assets and Liabilities | | |
| Investments at quoted market value (Average cost – 1972 – \$34,640,238; 1971 – \$37,210,488) | \$39,477,977 | \$37,206,017 |
| Cash | 216,072 | 1,385,212 |
| Amounts due from brokers | 973,064 | 1,073,236 |
| Income receivable | 128,508 | 92,774 |
| | 40,795,621 | 39,757,239 |
| Amounts due to brokers and others | 477,587 | 359,831 |
| Total net assets | \$40,318,034 | \$39,397,408 |

| | 1972 | 1971 |
|--|----------------------|--------------|
| Shareholders' Equity | | |
| Shares issued and outstanding, at net issue price, less redemptions 6,523,231 shares of no par value (1971 - 7,508,917) (Note 1) | \$ (917,149) | \$ 4,964,734 |
| Accumulated net income from investments | 18,664,303 | 18,664,303 |
| Accumulated net gain on sale of investments | 17,733,141 | 15,772,842 |
| Excess of market value of investments over their cost | 4,837,739 | (4,471) |
| Total Shareholders' Equity | \$40,318,034 | \$39,397,408 |

Approved on behalf of the Manager:

John D. McNeil, *Director*
Peter E. Roode, *Director*

Mutual Accumulating Fund

Statement of Changes in Net Assets

for the year ended
December 31, 1972

| | 1972 | 1971 |
|---|--------------|--------------|
| Net assets beginning of year | \$39,397,408 | \$40,354,806 |
| Add | | |
| Proceeds on sale of shares | 2,924,248 | 2,786,960 |
| Gain (loss) on sale of investments | 2,407,387 | (2,058,289) |
| Net income from investments | 366,656 | 678,089 |
| Unrealized appreciation of investments | 4,842,209 | 4,361,802 |
| | 49,937,908 | 46,123,368 |
| Deduct | | |
| Redemption of shares | 8,806,130 | 6,725,960 |
| Distribution to shareholders (Note 4) | 813,744 | — |
| | 9,619,874 | 6,725,960 |
| Net assets at end of year | \$40,318,034 | \$39,397,408 |
| Net asset value per share | \$ 6.18 | \$ 5.25 |

Mutual Accumulating Fund

Statement of Accumulated Net Gain on Sale of Investments

for the year ended
December 31, 1972

| | 1972 | 1971 |
|--|--------------|--------------|
| Balance at beginning of year | \$15,772,842 | \$17,831,131 |
| Net gain (loss) for the year | 2,407,387 | (2,058,289) |
| Distributions to shareholders (Note 4) | (447,088) | — |
| Balance at end of year | \$17,733,141 | \$15,772,842 |

Mutual Accumulating Fund

Statement of Changes in Investments

for the year ended
December 31, 1972

| | 1972 | 1971 |
|--|---------------------|--------------|
| Investments at average cost, beginning of year | \$37,210,488 | \$43,917,664 |
| Add | | |
| Cost of investments purchased | 22,955,862 | 32,687,996 |
| | 60,166,350 | 76,605,660 |
| Deduct | | |
| Proceeds on sale of investments | 27,933,499 | 37,336,883 |
| Gain (loss) on sale of investments | 2,407,387 | (2,058,289) |
| Cost of investments sold | 25,526,112 | 39,395,172 |
| Investments at average cost, end of year | \$34,640,238 | \$37,210,488 |

Mutual Accumulating Fund

Statement of Income and Expense

for the year ended
December 31, 1972

| | 1972 | 1971 |
|--------------------------------------|-------------------|--------------|
| Income from investments | \$ 810,642 | \$ 1,123,442 |
| Expenses | | |
| Management fees (Note 2) | 443,986 | 445,353 |
| Net income | \$ 366,656 | \$ 678,089 |
| Net income per share (Note 3) | 5.33¢ | 8.56¢ |

Mutual Accumulating Fund

Statement of Accumulated Net Income

for the year ended
December 31, 1972

| | 1972 | 1971 |
|-------------------------------------|---------------------|--------------|
| Balance at beginning of year | \$18,664,303 | \$17,986,214 |
| Net income for the year | 366,656 | 678,089 |
| Distributions (Note 4) | (366,656) | — |
| Balance at end of year | \$18,664,303 | \$18,664,303 |

Notes to Financial Statements as at December 31, 1972

1 Shares

Shares are redeemable at the holder's option in accordance with the provisions of the Trust Indenture of the fund. During 1972 the fund issued 490,916 shares for \$2,924,248 and redeemed 1,476,602 shares for \$8,806,130. In 1971 the fund issued 527,142 shares for \$2,786,960 and redeemed 1,282,477 shares for \$6,725,960.

2 Management Fees

By a supplement to the Trust Indenture establishing the fund the management fee was increased and administrative expenses were borne by the Manager, effective May 11, 1970.

3 Net Income Per Share

Net income per share has been calculated using the weighted average of shares outstanding during the year.

4 Distributions

Distributions per share, which were based on the number of shares outstanding on date of distribution, were as follows:

| | |
|-------------------------------------|------------|
| Out of net income | 5.74 cents |
| Out of gains on sale of investments | 7.0 cents |

5 Income Taxes

The fund is not subject to income taxes on its net taxable capital gains and its net income for the year if it allocates such gains and income to shareholders. It is the intention of management to allocate the total taxable income of the fund annually so as to eliminate any taxes payable.

Mutual Accumulating Fund

Portfolio of Investments

as at
December 31, 1972

*United States investments are expressed in Canadian dollars, for average cost at the prevailing rate of exchange at the time of purchase, and for market value at the prevailing rate of exchange at December 31, 1972.

As at December 31, 1972, Mutual Income Fund held 1,494,913 shares of Mutual Accumulating Fund for established participation of approximately 23.39% by Mutual Income Fund in the foregoing investment portfolio.

| Securities | Number of Shares | Average Cost | Quoted Market Value |
|--------------------------------------|------------------|--------------|---------------------|
| Banks and Finance | | | |
| Bank of Montreal | 60,000 | \$ 723,818 | \$ 1,282,500 |
| Bank of Nova Scotia | 30,000 | 461,121 | 1,128,750 |
| Canadian Imperial Bank of Commerce | 50,000 | 702,894 | 1,556,250 |
| Traders Group Limited "A" | 33,800 | 413,200 | 760,500 |
| Foods and Beverages | | | |
| Canada Packers Limited | 45,000 | 809,548 | 984,375 |
| George Weston Limited | 35,000 | 753,036 | 647,500 |
| Forest Products | | | |
| Abitibi Paper Company Limited | 20,000 | 152,333 | 210,000 |
| Cresbrook Forest Industries Limited | 60,000 | 774,104 | 201,000 |
| Merchandising | | | |
| Becker Milk Company Limited "B" | 60,000 | 876,946 | 495,000 |
| Grafton Group Limited | 25,000 | 316,159 | 1,000,000 |
| Harvey's Food Limited | 80,000 | 415,077 | 88,000 |
| Peoples Credit Jewellers "A" | 30,000 | 433,715 | 780,000 |
| Provigo Inc. | 25,000 | 217,659 | 212,500 |
| Scotts Restaurants | 30,000 | 413,196 | 667,500 |
| Mining | | | |
| Conwest Explorations Company Limited | 67,000 | 778,442 | 355,100 |
| Dome Mines Limited | 13,000 | 793,945 | 890,500 |
| Falconbridge Copper Limited | 50,000 | 362,549 | 575,000 |
| Hollinger Mines Limited | 15,000 | 430,489 | 630,000 |
| International Mogul Mines | 50,000 | 971,817 | 643,750 |
| Kaiser Resources | 20,000 | 239,918 | 46,000 |
| Kerr-Addison Mines | 60,000 | 928,440 | 591,000 |
| Mattagami Lake Mines | 15,000 | 542,500 | 555,000 |
| Teck Corporation Limited "A" | 23,400 | 181,400 | 95,940 |
| Office Equipment | | | |
| Moore Corporation Limited | 30,000 | 480,595 | 1,575,000 |
| Petroleum | | | |
| Alberta Eastern Gas Limited | 40,000 | 323,068 | 340,000 |
| Alminex Limited | 60,000 | 370,533 | 369,000 |
| Canadian Industrial Gas and Oil | 90,000 | 691,099 | 967,500 |
| Canadian Superior Oil Limited | 10,000 | 440,796 | 572,500 |
| *General American Oil Texas | 10,609 | 470,463 | 477,657 |
| Great Plains Development Company | 15,000 | 508,960 | 510,000 |
| Gulf Oil Canada Limited | 25,000 | 478,989 | 996,875 |
| Home Oil Company Limited "B" | 23,000 | 394,212 | 868,250 |
| Husky Oil Limited | 20,000 | 525,230 | 375,000 |
| Pan Ocean Oil Corp. | 37,000 | 452,078 | 522,625 |
| Scurry-Rainbow Oil Limited | 35,000 | 1,138,474 | 581,875 |
| Shell Canada "A" | 20,000 | 712,717 | 1,205,000 |
| Toronto Petroleum (N.A.) Limited | 80,000 | 619,780 | 728,000 |
| Westcoast Petroleum Limited | 35,000 | 352,856 | 328,125 |

Mutual Accumulating Fund

Portfolio of Investments

as at
December 31, 1972

| Securities | Number of Shares | Average Cost | Quoted Market Value |
|--|---------------------|-----------------|---------------------------|
| Oil and Gas Pipelines | | | |
| Pembina Pipe Line Limited "A" | 70,000 | 312,831 | 420,000 |
| Pembina Pipe Line Limited "B" | 25,000 | 114,280 | 150,000 |
| TransCanada Pipelines — \$2.65 Pfd. | 4,000 | 208,748 | 218,000 |
| Trans Mountain Pipe Line Limited | 25,000 | 527,284 | 568,750 |
| Real Estate and Construction | | | |
| Block Brothers Industries Limited | 70,000 | 506,376 | 203,000 |
| Cadillac Development Corp. | 45,000 | 369,893 | 551,250 |
| Canadian Equity and Development Company | 25,000 | 317,954 | 350,000 |
| Genstar Limited | 90,000 | 1,433,386 | 1,518,750 |
| Markborough Properties Limited | 35,000 | 261,460 | 310,625 |
| Trizec Corporation Limited | 30,000 | 511,500 | 555,000 |
| Recreation and Services | | | |
| Chum Limited "B" | 100,000 | 650,625 | 1,187,500 |
| Commonwealth Holiday Inns | 39,000 | 461,033 | 492,375 |
| Premier Cablevision Limited | 25,000 | 455,264 | 450,000 |
| Steel and Heavy Industry | | | |
| Alcan Aluminum Limited | 10,000 | 239,399 | 227,500 |
| Algoma Steel Corp. Limited | 35,000 | 494,295 | 472,500 |
| Textiles and Apparel | | | |
| Dominion Textile Company Limited | 90,000 | 697,116 | 810,000 |
| Tires and Rubber | | | |
| *General Tire and Rubber Company Limited | 25,000 | 705,335 | 680,953 |
| Transportation | | | |
| International Utilities Corp. | 15,000 | 366,880 | 361,875 |
| Utilities | | | |
| British Columbia Telephone Company | 5,000 | 291,561 | 282,500 |
| Canadian International Power Co. Ltd. | 30,000 | 368,938 | 375,000 |
| Miscellaneous | | | |
| Versatile Manufacturing Limited "A" | 55,000 | 524,472 | 309,375 |
| Short-term deposit receipts | \$ 4,200,000 | 4,169,452 | 4,169,452 |
| | | \$34,640,238 | \$39,477,977 |

Mutual Income Fund

Balance Sheet

as at
December 31, 1972

| | 1972 | 1971 | |
|-------------------------------|--|---------------------|--------------|
| Assets and Liabilities | Investment in Mutual Accumulating Fund 1,494,913 shares (1971 – 1,855,680 shares) at redemption value (Average cost 1972 – \$4,651,858; 1971 – \$5,655,066) | \$ 9,223,612 | \$ 9,742,321 |
| | Amount due from brokers | 227,582 | 134,817 |
| | Cash | — | 24,484 |
| | | 9,451,194 | 9,901,622 |
| | Amounts due to brokers and others | 81,094 | 6,775 |
| Total net assets | \$ 9,370,100 | \$ 9,894,847 | |

| | 1972 | 1971 | |
|-----------------------------|---|---------------------|---------------------|
| Shareholders' Equity | Shares issued and outstanding, at net issue price, less redemptions 1,704,595 shares of no par value (1971 – 2,054,726 shares) (Note 1) | \$ 6,065,672 | \$ 7,917,476 |
| | Accumulated net income from investments | 187,327 | — |
| | Accumulated net gain on sale of investment | 11,881,625 | 10,742,040 |
| | Excess of market value of investment over its cost | 4,571,754 | 4,087,255 |
| | Accumulated distributions to shareholders | (13,336,278) | (12,851,924) |
| | Total Shareholders' Equity | \$ 9,370,100 | \$ 9,894,847 |

Approved on behalf of the Manager:

John D. McNeil, *Director*
Peter E. Roode, *Director*

Mutual Income Fund

Statement of Changes in Net Assets

for the year ended
December 31, 1972

| | 1972 | 1971 |
|--|---------------------|--------------|
| Net assets beginning of year | \$ 9,894,847 | \$10,827,381 |
| Add | | |
| Proceeds on sale of shares | 48,308 | 281,182 |
| Gain on sale of investment | 1,139,585 | 704,045 |
| Unrealized appreciation of investment | 484,499 | 53,967 |
| Net income from investment | 187,327 | — |
| | 11,754,566 | 11,866,575 |
| Deduct | | |
| Redemption of shares | 1,900,112 | 1,422,904 |
| Distributions to shareholders (Note 2) | 484,354 | 548,824 |
| | 2,384,466 | 1,971,728 |
| Net assets end of year | \$ 9,370,100 | \$ 9,894,847 |
| Net asset value per share | \$ 5.50 | \$ 4.82 |
| Distribution per share | | |
| Out of net income | 9.84¢ | — |
| Out of gains on sale of investment | 15.61¢ | 24.59¢ |
| | 25.45¢ | 24.59¢ |

Mutual Income Fund

Statement of Income and Accumulated Net Income

for the year ended
December 31, 1972

| | 1972 | 1971 |
|---|-------------------|----------|
| Income from investment being net income for the year and accumulated net income at end of year | \$ 187,327 | — |
| Net income per share (Note 3) | 10.27¢ | — |

Mutual Income Fund

Statement of Changes in Investments

for the year ended
December 31, 1972

| | 1972 | 1971 |
|--|---------------------|---------------------|
| Investment at average cost, beginning of year | \$ 5,655,066 | \$ 6,670,537 |
| Add | | |
| Cost of investment purchased | 187,316 | — |
| Deduct | | |
| Proceeds on sale of investment | 2,330,109 | 1,719,516 |
| Gain on sale of investment | 1,139,585 | 704,045 |
| Cost of investment sold | 1,190,524 | 1,015,471 |
| Investment at average cost, end of year | \$ 4,651,858 | \$ 5,655,066 |

Mutual Income Fund

Statement of Accumulated Net Gain on Sale of Investments

for the year ended
December 31, 1972

| | 1972 | 1971 |
|-------------------------------------|--------------|--------------|
| Balance at beginning of year | \$10,742,040 | \$10,037,995 |
| Net gain for the year | 1,139,585 | 704,045 |
| Balance at end of year | \$11,881,625 | \$10,742,040 |

Notes to Financial Statements as at December 31, 1972

1 Shares

Shares are redeemable at the holder's option in accordance with the provisions of the Trust Indenture of the fund. During 1972 the fund issued 9,191 shares for \$48,308 and redeemed 359,322 shares for \$1,900,112. In 1971 the fund issued 57,010 shares for \$281,182 and redeemed 292,069 shares for \$1,422,904.

2 Distributions

Distributions per share are based on the number of shares outstanding on date of distribution.

3 Net Income Per Share

Net income per share has been calculated using the weighted average of shares outstanding during the year.

4 Income Taxes

The fund is not subject to income taxes on its net taxable capital gains and its net income for the year if it allocates such gains and income to shareholders. It is the intention of management to allocate the total taxable income of the fund annually so as to eliminate any taxes payable.

Mutual Bond Fund

Balance Sheet

as at
December 31, 1972

| | 1972 | 1971 | |
|-------------------------------|--|---------------------|--------------|
| Assets and Liabilities | Investments at quoted market value (Average cost 1972 – \$1,266,248; 1971 – \$3,586,611) | \$ 1,286,638 | \$ 3,202,758 |
| | Cash | 235,598 | 254,640 |
| | Amounts due from brokers | 303,583 | 77,530 |
| | Income receivable | 24,941 | 58,687 |
| | | 1,850,760 | 3,593,615 |
| | Amounts due to brokers and others | 98,124 | 72,725 |
| Total net assets | \$ 1,752,636 | 3,520,890 | |

| | 1972 | 1971 | |
|----------------------------|---|---------------------|--------------|
| Unitholders' Equity | Units issued and outstanding, at net issue price less redemptions 168,092 units of no par value (1971 – 339,674) (Note 1) | \$ 43,055 | \$ 1,902,505 |
| | Accumulated net income from investments | 2,693,809 | 2,682,064 |
| | Accumulated net loss on sale of investments | (1,004,618) | (679,826) |
| | Excess of market value of investments over their cost | 20,390 | (383,853) |
| | Total Unitholders' Equity | \$ 1,752,636 | 3,520,890 |

Approved on behalf of the Manager:

John D. McNeil, *Director*

Peter E. Roode, *Director*

Mutual Bond Fund

Statement of Changes in Net Assets

for the year ended
December 31, 1972

| | 1972 | 1971 |
|--|--------------|--------------|
| Net assets beginning of year | \$ 3,520,890 | \$ 3,168,537 |
| Add | | |
| Proceeds on sale of units | 1,717,940 | 5,233,042 |
| Net income from investments | 171,014 | 232,428 |
| Unrealized appreciation (depreciation) of investments | 404,243 | 373,613 |
| | 5,814,087 | 9,007,620 |
| Deduct | | |
| Redemption of units | 3,577,390 | 5,361,318 |
| Loss on sale of investments | 324,792 | 125,412 |
| Distribution to unitholders (Note 2) | 159,269 | — |
| | 4,061,451 | 5,486,730 |
| Net assets end of year | \$ 1,752,636 | \$ 3,520,890 |
| Net asset value per unit | \$ 10.42 | \$ 10.37 |

Mutual Bond Fund

Statement of Accumulated Net Loss on Sale of Investments

for the year ended
December 31, 1972

| | 1972 | 1971 |
|-------------------------------------|--------------|------------|
| Balance at beginning of year | \$ 679,826 | \$ 554,414 |
| Net loss for the year | 324,792 | 125,412 |
| Balance at end of year | \$ 1,004,618 | \$ 679,826 |

Mutual Bond Fund

Statement of Changes in Investments

for the year ended
December 31, 1972

| | 1972 | 1971 |
|--|------------------|--------------|
| Investments at average cost, beginning of year | \$ 3,586,611 | \$ 3,802,404 |
| Add | | |
| Cost of investments purchased | 2,542,446 | 6,873,812 |
| | 6,129,057 | 10,676,216 |
| Deduct | | |
| Proceeds on sale of investments | 4,538,017 | 6,964,193 |
| Loss on sale of investments | 324,792 | 125,412 |
| Cost of investments sold | 4,862,809 | 7,089,605 |
| Investments at average cost, end of year | \$ 1,266,248 | \$ 3,586,611 |

Mutual Bond Fund

Statement of Income and Expense

for the year ended
December 31, 1972

| | 1972 | 1971 |
|-------------------------------------|------------|------------|
| Income from investments | \$ 202,882 | \$ 274,112 |
| Management fees | 31,868 | 41,684 |
| Net Income | \$ 171,014 | \$ 232,428 |
| Net income per unit (Note 3) | 61.44¢ | 55.01¢ |

Mutual Bond Fund

Statement of Accumulated Net Income

for the year ended
December 31, 1972

| | 1972 | 1971 |
|-------------------------------------|--------------|--------------|
| Balance at beginning of year | \$ 2,682,064 | \$ 2,449,636 |
| Net income for the year | 171,014 | 232,428 |
| Distribution (Note 2) | (159,269) | — |
| Balance at end of year | \$ 2,693,809 | \$ 2,682,064 |

Mutual Bond Fund

Portfolio of Investments

as at
December 31, 1972

| Securities | Par Value | Average Cost | Quoted Market Value |
|---|------------|--------------|---------------------|
| Government | | | |
| Canada, 7%, 1977-82 | \$ 200,000 | \$ 200,000 | \$ 207,000 |
| Ontario Hydro, 7½%, 1996 | 200,000 | 200,000 | 193,000 |
| Corporations | | | |
| Alberta Gas Trunk Line Company Limited, 8%, 1991 | 100,000 | 100,000 | 99,500 |
| Dominion Foundries and Steel Limited, 9%, 1991 | 75,000 | 75,000 | 79,875 |
| International Nickel Co. of Canada Limited, 9¼%, 1990 | 55,000 | 55,000 | 59,263 |
| Noranda Mines Limited, 9¼%, 1990 | 100,000 | 100,000 | 108,000 |
| Simpson-Sears Ltd., 7¾%, 1991 | 100,000 | 100,000 | 95,500 |
| Corporation Convertible Debentures | | | |
| Acklands Limited, 7½%, 1988 | 100,000 | 100,000 | 102,500 |
| Agra Industries Limited, 6½%, 1992 | 50,000 | 50,000 | 57,500 |
| Genstar Ltd., 6½%, 1992 | 100,000 | 95,500 | 122,000 |
| National Sea Products Limited, 6¼%, 1981 | 100,000 | 100,000 | 86,000 |
| Wardair Canada Ltd., 6½%, 1981 | 100,000 | 90,748 | 76,500 |
| | | \$ 1,266,248 | \$ 1,286,638 |

Notes to Financial Statements as at December 31, 1972

1 Units

Units are redeemable at the holder's option in accordance with the provisions of the Trust Indenture of the fund. During 1972 the fund issued 159,630 units for \$1,717,940 and redeemed 331,212 units for \$3,577,390. In 1971 the fund issued 535,428 units for \$5,233,042 and redeemed 545,267 units for \$5,361,318.

2 Distribution

The distribution per unit of net income was 1.06 cents based on the number of units outstanding on date of distribution.

3 Net Income Per Unit

Net income per unit has been calculated using the weighted average of units outstanding during the year.

4 Income Taxes

The fund is not subject to income taxes on its net taxable capital gains and its net income for the year if it allocates such gains and income to unitholders. It is the intention of management to allocate the total taxable income of the fund annually so as to eliminate any taxes payable.

Mutual Growth Fund

Balance Sheet

as at
December 31, 1972

| | 1972 | 1971 |
|--|---------------------|--------------|
| Assets and Liabilities | | |
| Investments at quoted market value (Average cost – 1972 – \$13,644,645; 1971 – \$21,473,340) | \$12,003,480 | \$16,136,229 |
| Cash | 1,287,675 | 2,024,316 |
| Amounts due from brokers | 678,461 | 824,932 |
| Income receivable | 35,724 | 47,053 |
| | 14,005,340 | 19,032,530 |
| Amounts due to brokers and others | 1,607,511 | 353,729 |
| Total net assets | \$12,397,829 | \$18,678,801 |

| | 1972 | 1971 |
|--|---------------------|--------------|
| Shareholders' Equity | | |
| Shares issued and outstanding, at net issue price, less redemptions 2,610,787 shares of no par value (1971 – 3,668,171) (Note 1) | \$15,805,336 | \$21,413,878 |
| Accumulated net income from investments | 339,035 | 402,741 |
| Accumulated net gain (loss) on sale of investments | (2,105,377) | 2,199,293 |
| Excess of cost of investments over their market value | (1,641,165) | (5,337,111) |
| Total Shareholders' Equity | \$12,397,829 | \$18,678,801 |

Approved on behalf of the Manager:

John D. McNeil, *Director*
Peter E. Roode, *Director*

Mutual Growth Fund

Statement of Changes in Net Assets

for the year ended
December 31, 1972

| | 1972 | 1971 |
|---|--------------|--------------|
| Net assets beginning of year | \$18,678,801 | \$16,674,580 |
| Add | | |
| Proceeds on sale of shares | 2,415,225 | 9,149,479 |
| Gain (loss) on sale of investments | (4,304,670) | 129,132 |
| Net income (loss) from investments | (63,706) | 92,010 |
| Unrealized appreciation of investments | 3,695,946 | 2,895,561 |
| | 20,421,596 | 28,940,762 |
| Deduct | | |
| Redemption of shares | 8,023,767 | 10,261,961 |
| Net assets end of year | \$12,397,829 | \$18,678,801 |
| Net asset value per share | \$ 4.75 | \$ 5.10 |

Mutual Growth Fund

Statement of Changes in Investments

for the year ended
December 31, 1972

| | 1972 | 1971 |
|--|--------------|--------------|
| Investments at average cost, beginning of year | \$21,473,340 | \$24,407,654 |
| Add | | |
| Cost of investments purchased | 35,155,793 | 19,233,389 |
| | 56,629,133 | 43,641,043 |
| Deduct | | |
| Proceeds on sale of investments | 38,679,818 | 22,296,835 |
| Gain (loss) on sale of investments | (4,304,670) | 129,132 |
| Cost of investments sold | 42,984,488 | 22,167,703 |
| Investments at average cost, end of year | \$13,644,645 | \$21,473,340 |

Mutual Growth Fund

Statement of Accumulated Net Gain (loss) on Sale of Investments

for the year ended
December 31, 1972

| | 1972 | 1971 |
|-------------------------------------|----------------------|---------------------|
| Balance at beginning of year | \$ 2,199,293 | \$ 2,070,161 |
| Net gain (loss) for the year | (4,304,670) | 129,132 |
| Balance at end of year | \$(2,105,377) | \$ 2,199,293 |

Mutual Growth Fund

Statement of Income and Expense

for the year ended
December 31, 1972

| | 1972 | 1971 |
|---|--------------------|------------------|
| Income from investments | \$ 151,810 | \$ 331,189 |
| Expenses | | |
| Management fees (Note 2) | 215,516 | 239,179 |
| Net income (loss) | \$(63,706) | \$ 92,010 |
| Net income (loss) per share (Note 3) | (2.10¢) | 2.47¢ |

Mutual Growth Fund

Statement of Accumulated Net Income

for the year ended
December 31, 1972

| | 1972 | 1971 |
|-------------------------------------|------------|------------|
| Balance at beginning of year | \$ 402,741 | \$ 310,731 |
| Net income (loss) for the year | (63,706) | 92,010 |
| Balance at end of year | \$ 339,035 | \$ 402,741 |

Notes to Financial Statements as at December 31, 1972

1 Shares

Shares are redeemable at the holder's option in accordance with the provisions of the Trust Indenture of the fund. During 1972 the fund issued 430,385 shares for \$2,415,225 and redeemed 1,487,769 shares for \$8,023,767. In 1971 the fund issued 1,820,591 shares for \$9,149,479 and redeemed 1,974,386 shares for \$10,261,961.

2 Management Fees

By a supplement to the Trust Indenture establishing the fund the management fee was increased and administrative expenses were borne by the Manager, effective May 11, 1970.

3 Net Income (Loss) Per Share

Net income (loss) per share has been calculated using the weighted average of shares outstanding during the year.

Mutual Growth Fund

Portfolio of Investments

as at
December 31, 1972

*United States investments are expressed in Canadian dollars, for average cost at the prevailing rate of exchange at time of purchase, and for market value at the prevailing rate of exchange at December 31, 1972.

) Private company — market value determined by the Manager.

| | Number of Shares or Par Value | Average Cost | Quoted Market Value |
|--|-------------------------------------|-----------------|---------------------------|
| Securities | | | |
| Banks and Finance | | | |
| *Merrill Lynch Pierce Fenner & Smith | 3,700 | \$ 111,189 | \$ 114,127 |
| *Unicapital Corporation | 20,000 | 319,312 | 313,425 |
| *USLife Corporation | 2,000 | 120,912 | 147,260 |
| *Variable Annuity Life Ins. | 5,000 | 83,882 | 84,575 |
| Mining | | | |
| Bankeno Mines Limited | 20,000 | 184,624 | 155,000 |
| Tara Exploration & Development Company | 18,000 | 274,746 | 294,750 |
| Communications | | | |
| Canadian Cablesystems Limited | 2,000 | 38,660 | 36,000 |
| *Cox Cable Communications Inc. | 2,000 | 73,696 | 61,690 |
| *Globetrotter Communications | 20,000 | 364,858 | 161,688 |
| *Graphic Sciences Inc. | 16,000 | 297,884 | 224,870 |
| *Teleprompter Corporation | 15,000 | 490,108 | 496,256 |
| Consumer Specialty | | | |
| *Denny's Restaurants | 500 | 5,994 | 8,831 |
| *Intercraft Industries | 3,000 | 55,035 | 98,505 |
| *Polaroid Corporation | 2,000 | 225,988 | 250,989 |
| Rank Organization Limited "A" | 28,700 | 713,542 | 667,275 |
| Leisure | | | |
| *Bally Manufacturing Corporation | 14,000 | 763,016 | 954,205 |
| *Fair Lanes Inc. | 28,500 | 307,862 | 319,022 |
| Manufacturing | | | |
| *Newell Companies Inc. | 7,500 | 238,924 | 167,906 |
| *United States Filter Corporation | 9,800 | 168,967 | 185,269 |
| Medical | | | |
| *Extencicare Inc. | 14,800 | 308,168 | 237,457 |
| *National Medical Care | 20,000 | 469,590 | 318,400 |
| *National Medical Enter CL A | 8,500 | 179,182 | 180,779 |
| Merchandising | | | |
| *Levitz Furniture | 10,000 | 256,965 | 267,406 |

Mutual Growth Fund

Portfolio of Investments

as at
December 31, 1972

| Securities | Number of Shares or Par Value | Average Cost | Quoted Market Value |
|---|-------------------------------|--------------|---------------------|
| Petroleum | | | |
| *Zapata Units 5¼ % Dec. 1/79 | 200 | 200,250 | 191,040 |
| Chieftain Development Company | 5,000 | 66,513 | 85,000 |
| Pan Ocean Oil Corporation | 15,000 | 259,120 | 211,875 |
| *Petrofina S.A. | 3,000 | 351,259 | 380,886 |
| Ranger Oil Canada Limited | 8,100 | 203,142 | 222,750 |
| Sunningdale Oils Limited | 18,500 | 161,020 | 131,350 |
| Real Estate | | | |
| *Acmat Corporation | 5,000 | 138,212 | 109,450 |
| *Arlen Realty & Development Corporation | 42,000 | 797,806 | 543,270 |
| Cadillac Development Corporation | 12,500 | 139,862 | 153,125 |
| *Cenville Communities Inc. | 5,000 | 137,848 | 165,419 |
| *Continental Illinois Properties | 2,000 | 40,024 | 42,288 |
| *ICM Realty | 20,000 | 400,369 | 432,825 |
| *Leisure Technology Corporation | 15,000 | 281,558 | 197,756 |
| Trizec Corporation Limited | 20,000 | 344,310 | 370,000 |
| Technology | | | |
| *Bunker Ramo Corporation | 32,300 | 377,370 | 309,333 |
| *Docutel Corporation | 11,300 | 430,713 | 626,825 |
| *Dynell Electronics Corporation | 12,900 | 156,453 | 125,146 |
| *Nicolet Instruments | 1,500 | 54,905 | 30,969 |
| Transportation | | | |
| *American Airlines Inc. | 25,000 | 623,620 | 628,094 |
| *Continental Air Lines Inc. | 10,000 | 179,613 | 170,394 |
| Miscellaneous | | | |
| *Inflight Motion Pictures 6% Mar. 1/89 | \$ 200,000 | 215,429 | 90,545 |
| *Alberts Inc. | 8,000 | 111,600 | 141,290 |
| *Consolidated Refining | 9,000 | 140,554 | 125,370 |
| *Evans Incorporated | 25,300 | 204,379 | 176,215 |
| *International Chemical & Nuclear Corporation | 4,000 | 43,380 | 88,555 |
| *Noel Industries Inc. | 1,500 | 22,039 | 17,164 |
| *American Consumer Products | 5,000 | 5,383 | 4,975 (8) |
| *American Consumer Products — Preferred | 450 | 48,445 | 44,775 (8) |
| *MLS Industries | 30,000 | 979,603 | 253,725 |
| *Princeton Chemical 5% | \$ 145,000 | 155,875 | 67,986 |
| *Ticketron Inc | 30,000 | 320,887 | 119,400 (8) |
| | | \$13,644,645 | \$12,003,480 |

Mutual Resources Fund

Balance Sheet

as at
December 31, 1972

| | 1972 | 9 Months Ended December 31, 1971 |
|--|-------------------|--|
| Assets and Liabilities | | |
| Investments at quoted market value (Average cost – 1972 – \$199,983; 1971 – \$162,485) | \$ 224,756 | \$ 150,874 |
| Cash | — | 56,341 |
| Amounts due from brokers | 50,838 | 3,390 |
| | 275,594 | 210,605 |
| Amounts due to brokers and others | 50,786 | 613 |
| Total net assets | \$ 224,808 | \$ 209,992 |

| | 1972 | 9 Months Ended December 31, 1971 |
|---|-------------------|--|
| Shareholders' Equity | | |
| Shares issued and outstanding, at net issue price less redemptions 79,576 shares of no par value (1971 – 89,920) (Note 1) | \$ 180,540 | \$ 221,590 |
| Accumulated net income (loss) from investments | (1,552) | 221 |
| Accumulated net gain (loss) on sale of investments | 21,047 | (208) |
| Excess of market value of investments over their cost | 24,773 | (11,611) |
| Total Shareholders' Equity | \$ 224,808 | \$ 209,992 |

Approved on behalf of the Manager:

John D. McNeil, *Director*
Peter E. Roode, *Director*

Mutual Resources Fund

Statement of Changes in Net Assets

for the year ended
December 31, 1972

| | 1972 | 9 Months Ended December 31, 1971 |
|--|-------------------|--|
| Net assets beginning of period | \$ 209,992 | \$ 100,000 |
| Add | | |
| Proceeds on sale of shares | 235,550 | 125,620 |
| Gain (loss) on sale of investments | 33,061 | (208) |
| Unrealized appreciation (depreciation) of investments | 36,384 | (11,611) |
| | 514,987 | 213,801 |
| Deduct | | |
| Redemption of shares | 276,600 | 4,030 |
| Distribution to shareholders (Note 2) | 11,806 | — |
| Net loss (income) from investments | 1,773 | (221) |
| | 290,179 | 3,809 |
| Net assets end of period | \$ 224,808 | \$ 209,992 |
| Net asset value per share | \$ 2.82 | \$ 2.34 |

Mutual Resources Fund

Statement of Accumulated Net Gain (loss) on Sale of Investments

for the year ended
December 31, 1972

| | 1972 | 9 Months Ended December 31, 1971 |
|---------------------------------------|------------------|--|
| Balance at beginning of period | \$(208) | — |
| Net gain (loss) for the period | 33,061 | (208) |
| Distribution to shareholders (Note 2) | (11,806) | — |
| Balance at end of period | \$ 21,047 | (208) |

Mutual Resources Fund

Statement of Changes in Investments

for the year ended
December 31, 1972

| | 1972 | 9 Months Ended December 31, 1971 |
|--|------------|--|
| Investments at average cost, beginning of period | \$ 162,485 | — |
| Add | | |
| Cost of investments purchased | 376,514 | 344,680 |
| | 538,999 | 344,680 |
| Deduct | | |
| Proceeds on sale of investments | 372,077 | 181,987 |
| Gain (loss) on sale of investments | 33,061 | (208) |
| Cost of investments sold | 339,016 | 182,195 |
| Investments at average cost, end of period | \$ 199,983 | 162,485 |

Mutual Resources Fund

Statement of Income and Expense

for the year ended
December 31, 1972

| | 1972 | 9 Months Ended December 31, 1971 |
|---|------------|--|
| Income from investments | \$ 4,627 | \$ 1,611 |
| Management fees | 6,400 | 1,390 |
| Net income (loss) | \$(1,773) | \$ 221 |
| Net income (loss) per share (Note 3) | (1.45¢) | .25¢ |

Mutual Resources Fund

Statement of Accumulated Net Loss

for the year ended
December 31, 1972

| | | 9 Months Ended December 31, 1971 | |
|---------------------------------------|-----------|--|--------|
| | | 1972 | 1971 |
| Balance at beginning of period | \$ (221) | — | — |
| Net loss (income) for the period | 1,773 | (221) | (221) |
| Balance at end of period | \$ 1,552 | \$(221) | (221) |

Mutual Resources Fund

Portfolio of Investments

as at
December 31, 1972

| Securities | Number of Shares | Average Cost | Quoted Market Value |
|--|---------------------|-----------------|---------------------------|
| Mining | | | |
| Bankeno Mines Limited | 1,500 | \$ 13,967 | \$ 11,625 |
| Placer Development Limited | 400 | 16,101 | 15,750 |
| Tara Exploration & Development Company Limited | 1,000 | 17,433 | 16,375 |
| Petroleum | | | |
| Alberta Eastern Gas | 2,500 | 17,090 | 21,250 |
| Chieftain Development Company Limited | 1,200 | 12,881 | 20,400 |
| Crutcher Resources Corporation Limited | 1,000 | 11,094 | 12,313 |
| Lochiel Explorations Limited | 4,000 | 7,194 | 11,680 |
| Pan Ocean Oil Corporation Limited | 1,500 | 22,775 | 21,188 |
| Ranger Oil Canada Limited | 700 | 16,747 | 19,250 |
| Scurry-Rainbow Oil Limited | 500 | 8,597 | 8,313 |
| Shell Canada "A" | 200 | 7,380 | 12,050 |
| Siebens Oil and Gas Limited | 2,000 | 19,434 | 26,500 |
| Sunningdale Oils Limited | 1,600 | 13,731 | 11,360 |
| Voyageur Petroleum Limited | 1,000 | 5,590 | 7,150 |
| Zapata Exploration & Development Limited — Units 5½%, Dec. 1/70 | 10 | 9,969 | 9,552 |
| | | \$ 199,983 | \$ 224,756 |

Notes to Financial Statements as at December 31, 1972

1 Shares

Shares are redeemable at the holder's option in accordance with the provisions of the Trust Indenture of the fund. During 1972 the fund issued 87,787 shares for \$235,550 and redeemed 98,131 shares for \$276,600. In 1971 the fund issued 41,653 shares for \$125,620 and redeemed 1,733 shares for \$4,030.

2 Distribution

The distribution per share out of realized gains on sale of investments was 15.65 cents based on the number of shares outstanding on date of distribution.

3 Net Income (Loss) Per Share

Net income (loss) per share has been calculated using the weighted average of shares outstanding during the year.

4 Income Taxes

The fund is not subject to income taxes on its net taxable capital gains and its net income for the year if it allocates such gains and income to shareholders. It is the intention of management to allocate the total taxable income of the fund annually so as to eliminate any taxes payable.

Mutual Funds Management Corporation of Canada Limited

(Formerly:
Mutual Funds Management
Corporation Limited)

Mutual Accumulating Fund
Mutual Income Fund
Mutual Bond Fund
Mutual Growth Fund
Mutual Resources Fund

48 Yonge Street, Toronto, Ontario

Officers and Directors

Norman J. Short, *Chairman and Director*
John D. McNeil, *President and Director*
Ralph Horner, *Director*
Alan Grieve, *Director*
E. K. Hayman, *Vice-President and Director*
A. D. Johnstone, *Vice-President*
Peter E. Roode, *Secretary-Treasurer and Director*
Rachel Malenfant, *Vice-President*

Registrar and Custodian

Montreal Trust Company,
15 King Street West, Toronto, Ontario

Auditors

Riddell, Stead & Co.,
1800 Royal Trust Tower, Toronto, Ontario