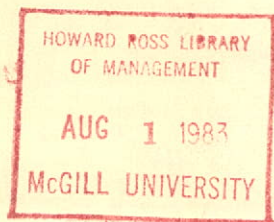


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EATON/ Bay
**COMMONWEALTH
FUND
LTD.**

annual report
december 31st, 1979



ONE PLACE FOR ALL YOUR TOMORROWS

To the Shareholders:

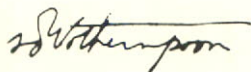
In 1979 the Toronto Stock Exchange Composite rose 38.4% and the Standard & Poor's 400 Industrials 12.9% and the Dow-Jones Industrials 4.2%. The Tokyo Dow-Jones increased 9.5%. The U.S. dollar declined 1.7% and the Japanese yen 20.6% in Canadian currency. The net asset value per share of your Fund increased 0.3%. For the five years to December 31, 1979 net asset value per share increased 80.6% while the Toronto Stock Exchange Composite increased 114.7%. As your Fund is a balanced fund, which means it holds bonds and preferred shares to lessen depreciation of its share value during periods of declining stock markets, it has lagged the TSE Composite during a rising market.

In 1979 the Canadian stock market was the best performing market of countries in which your Fund's assets are invested. This tends to obscure the attractiveness of international investment diversification such as in your Fund, as it results in performance being less than it would be if assets were invested only in the domestic market. In our view such international diversification is inherently attractive, and will result in superior performance over a longer period.

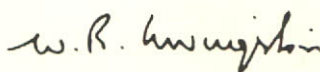
A mild recession is widely forecast for the U.S. economy this year. With operations close to capacity in many industries, and inflationary pressures strong, a marked slowdown would tend to correct these and other imbalances which have arisen. Residential construction and automobile sales are down significantly, and the savings rate is very low, which leads us to believe that a recession is likely. This ought to result in a reduction in the rate of inflation and lower interest rates. A recession in the U.S. would result in slow growth in Canada.

The growth of corporate profits in Canada has matched the rise in prices and in the aggregate stock prices do not appear greatly vulnerable in spite of the likelihood of at best, modest economic growth. U.S. stock prices appear to take into account a mild recession and that market appears attractive. In spite of the effect of the sharp rise in the price of oil on the Japanese economy, dependent on imports for most of its energy needs, Japan ought to benefit from the decline in the value of the yen as its exports are now more competitive. We believe that an investment in your Fund ought to result in a positive return in 1980.

On Behalf of the Board



Chairman



President

Toronto, Canada
March 4, 1980

statement of financial position

December 31, 1979

	1979	1978
ASSETS:		
Investments, at quoted value:		
(Average cost		
1979 — \$21,809,435;		
1978 — \$21,741,441)		
Canadian common stocks .	\$11,206,766	\$10,446,875
Foreign common stocks . .	14,058,314	16,164,958
Canadian preferred		
stocks	2,090,000	2,334,375
Canadian bonds	4,080,050	4,282,200
Foreign bonds	690,857	852,172
	<u>32,125,987</u>	<u>34,080,580</u>
Cash, interest-bearing	153,135	61,792
Short-term notes	299,064	1,980,173
Accrued investment income . . .	326,743	352,233
Accounts receivable:		
Shares sold	80,749	14,301
Investment securities sold . .	—	540,595
	<u>32,985,678</u>	<u>37,029,674</u>

LIABILITIES:

Accounts payable:		
Shares redeemed	71,476	72,822
Management fees and other .	37,238	125,685
Income taxes payable (note 4) . .	125,629	131,778
	<u>234,343</u>	<u>330,285</u>

NET ASSETS REPRESENTING SHAREHOLDERS'

EQUITY (note 2)	<u>\$32,751,335</u>	<u>\$36,699,389</u>
1,685,705 no par value mutual fund shares outstanding at December 31, 1979 (1,845,340 — 1978) (note 3)		

NET ASSET VALUE

PER SHARE	<u>\$19.43</u>	<u>\$19.89</u>
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On behalf of the Board:

W. R. Livingston, Director

G. D. deS. Wotherspoon, Director

(See accompanying notes)

statement of earnings

for the year ended December 31, 1979

	1979	1978
INVESTMENT INCOME:		
Dividends	\$1,488,739	\$1,378,086
Interest	501,159	475,472
	<u>1,989,898</u>	<u>1,853,558</u>
EXPENSE:		
Management fee (note 5)	<u>394,751</u>	<u>391,765</u>
Earnings before provision for income taxes	1,595,147	1,461,793
Provision for income taxes (note 4)	<u>383,505</u>	<u>331,294</u>
NET EARNINGS	<u><u>\$1,211,642</u></u>	<u><u>\$1,130,499</u></u>
NET EARNINGS PER SHARE		
Based on average number of shares outstanding during year	<u><u>69.4¢</u></u>	<u><u>59.0¢</u></u>

(See accompanying notes)

statement of changes in net assets

for the year ended December 31, 1979

	1979	1978
NET ASSETS, BEGINNING OF YEAR.....	<u>\$36,699,389</u>	<u>\$32,337,332</u>
ADDITIONS TO NET ASSETS:		
Net earnings	1,211,642	1,130,499
Proceeds from issue of shares	1,948,637	1,720,152
Unrealized appreciation of investments (note 2)	—	4,469,043
* Net gain on sales of securities	<u>922,137</u>	<u>2,886,608</u>
	<u>4,082,416</u>	<u>10,206,302</u>
DEDUCTIONS FROM NET ASSETS:		
Dividends — Out of net earnings — 52.2¢ per share (44.4¢ in 1978)	860,206	803,024
Payment on redemption of shares	5,147,677	5,041,221
Unrealized depreciation of investments (note 2)	<u>2,022,587</u>	<u>—</u>
	<u>8,030,470</u>	<u>5,844,245</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(3,948,054)</u>	<u>4,362,057</u>
NET ASSETS, END OF YEAR ...	<u>\$32,751,335</u>	<u>\$36,699,389</u>
NET ASSET VALUE PER SHARE:		
Beginning of year	<u>\$ 19.89</u>	<u>\$ 15.89</u>
End of year	<u>\$ 19.43</u>	<u>\$ 19.89</u>
* NET GAIN ON SALES OF SECURITIES:		
Proceeds from sales of securities	<u>\$ 2,609,937</u>	<u>\$ 4,769,631</u>
Cost of securities sold — Securities at cost, beginning of year	21,741,441	23,495,264
Purchases	<u>1,755,794</u>	<u>129,200</u>
	<u>23,497,235</u>	<u>23,624,464</u>
Securities at cost, end of year	<u>21,809,435</u>	<u>21,741,441</u>
Cost of securities sold	<u>1,687,800</u>	<u>1,883,023</u>
Net gain on sales of securities	<u>\$ 922,137</u>	<u>\$ 2,886,608</u>

(See accompanying notes)

statement of investments and other net assets

December 31, 1979

COMMON STOCKS — 77.14%

BANKS AND FINANCE COMPANIES — 9.54%

The Bank of Nova Scotia
Canadian Imperial Bank of Commerce
IAC Limited
The Royal Bank of Canada

ELECTRICAL AND ELECTRONICS — 14.99%

Canadian General Electric Company Limited
*Hitachi Ltd.
*Matsushita Electric Industrial Co. Ltd.

LEISURE — 6.02%

*Fuji Photo Film Co., Ltd.

METALS AND MINING — 4.85%

Alcan Aluminium Limited
Pine Point Mines Limited

OFFICE SYSTEMS AND EQUIPMENT — 7.89%

*International Business Machines Corporation
*The Rank Organisation Ltd.

OIL — 5.05%

*Conoco Inc.

PUBLIC UTILITIES — 10.90%

Bell Canada
British Columbia Telephone Company
*General Telephone & Electronics Corporation

STEEL AND HEAVY INDUSTRIES — 2.75%

Canron Inc.

TRANSPORTATION — 6.71%

Canadian Pacific Limited
*Southern Railway Company

MISCELLANEOUS — 8.44%

*Campbell Soup Company
*Interco Incorporated

TOTAL COMMON STOCKS

PREFERRED STOCKS — 6.38%

Consolidated-Bathurst Inc. 6%
Rothmans of Pall Mall Canada Limited 6.85% "A"

TOTAL PREFERRED STOCKS

BONDS — 14.57%

GOVERNMENT AND GOVERNMENT GUARANTEED — 8.73%

Canadian National Railway Company 4% February 1, 1981
Government of Canada 5¼ % May 1, 1990
Government of Canada 9% February 1, 1980
Government of Canada 10% October 1, 1995
Government of Canada 9½ % October 1, 2001

PROVINCIAL — 1.11%

Province of Ontario 9% July 1, 1998-83

CORPORATE — 4.73%

Hudson's Bay Company 6% Conv. Deb. July 15, 1993
(exchangeable into Common shares of Hudson's Bay
Oil & Gas Company Limited)
*Matsushita Electric Industrial Co., Ltd. Conv. Deb.
6¾ % November 20, 1990

TOTAL BONDS

TOTAL INVESTMENT PORTFOLIO — 98.09%

Short-term notes — 0.91%

Other — 1.00%

TOTAL NET ASSETS — 100.00%

A statement of Portfolio Transactions for the year ended Dec

*Foreign securities
(See accompanying notes)

Number of shares or par value	Average cost	Quoted value	Diversification of \$10,000 of net assets
39,375	\$ 384,624	\$ 959,766	\$ 293
33,000	404,372	845,625	258
40,000	375,505	470,000	144
20,000	283,858	847,500	259
60,000	1,830,000	1,770,000	541
1,600,000	842,059	2,074,992	634
300,000	173,900	1,060,821	324
700,000	271,896	1,972,362	602
25,000	529,499	1,365,625	417
7,000	223,285	224,000	68
28,000	1,309,532	2,110,329	644
100,000	237,233	475,000	145
30,000	989,733	1,653,159	505
90,000	1,333,211	1,845,000	563
24,000	276,563	408,000	125
40,000	1,385,464	1,317,863	402
70,000	515,660	901,250	275
40,000	312,285	1,570,000	479
10,000	650,254	629,775	192
40,000	1,332,014	1,399,500	427
30,000	1,494,414	1,364,513	417
	<u>15,155,361</u>	<u>25,265,080</u>	<u>7,714</u>
55,000	1,201,118	935,000	286
15,000	1,425,570	1,155,000	352
	<u>2,626,688</u>	<u>2,090,000</u>	<u>638</u>
\$ 600,000	419,250	552,000	169
1,000,000	735,000	652,500	199
700,000	697,200	695,800	212
700,000	657,617	624,750	191
400,000	352,767	333,000	102
400,000	400,000	364,000	111
400,000	404,250	858,000	262
350,000	361,302	690,857	211
	<u>4,027,386</u>	<u>4,770,907</u>	<u>1,457</u>
	21,809,435	32,125,987	9,809
	299,064	299,064	91
	22,108,499	32,425,051	9,900
	326,284	326,284	100
	<u>\$22,434,783</u>	<u>\$32,751,335</u>	<u>\$10,000</u>

umber 31, 1979 is available upon request from the Head Office of the fund.

auditors' report

To the Shareholders of
Eaton/Bay Commonwealth Fund Ltd.:

We have examined the statements of financial position and investments and other net assets of Eaton/Bay Commonwealth Fund Ltd. as at December 31, 1979 and the statements of earnings and changes in net assets for the the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the fund as at December 31, 1979 and the results of its operations and the changes in its net assets for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 8, 1980

(Signed) Clarkson Gordon
Chartered Accountants

notes to financial statements

December 31, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared within the framework of the accounting policies summarized below.

- Investments are recorded in the accounts at their quoted value at the close of each business day, with the difference between this amount and the average cost being shown as unrealized appreciation (depreciation) of investments.
- The quoted value of foreign investments is translated to Canadian dollars at exchange rates prevailing at the close of each business day.
- Purchases and sales of foreign securities and the related income are translated to Canadian dollars at the rates of exchange prevailing on the respective dates of such transactions.
- Average cost is used to determine the gain or loss on sales of securities.
- The accrual method of recording income and expenses is followed by the company with dividends being recorded on their ex-dividend date.
- For each mutual fund share sold, the company receives an amount equal to the net asset value per share at the date of sale, which amount is included in shareholders' equity. The mutual fund shares are redeemable at the option of the shareholders at their net asset value on the redemption date. For each share redeemed the issued and outstanding capital stock is reduced at the date of redemption, and shareholders' equity is reduced by the related net asset value.

2. SHAREHOLDERS' EQUITY

Shareholders' equity consists of amounts paid for capital stock, retained earnings, and unrealized appreciation of investments.

The authorized capital stock as at December 31, 1979 is an unlimited number of mutual fund shares without nominal or par value. The issued and outstanding capital stock is summarized as follows:

1979 — 1,685,705 mutual fund shares

1978 — 1,845,340 mutual fund shares

The unrealized appreciation of investments is:

	1979	1978
Balance, beginning of year	\$12,339,139	\$ 7,870,096
Unrealized appreciation (depreciation) of investments during the year	(2,022,587)	4,469,043
Balance, end of year	<u>\$10,316,552</u>	<u>\$12,339,139</u>

3. CAPITAL STOCK TRANSACTIONS

Capital stock transactions during the year were as follows:

	1979		1978	
	Number of shares	Amount	Number of shares	Amount
Subscriptions	98,840	\$1,948,637	92,315	\$1,720,152
Redemptions	258,475	\$5,147,677	282,041	\$5,041,221

4. INCOME TAXES

The fund qualifies as a mutual fund corporation for income tax purposes. Income taxes payable on taxable capital gains and federal income taxes payable on dividends from Canadian corporations are refundable and accordingly are not deducted in arriving at the net earnings for the year. The provision for income taxes on the statement of earnings includes all taxes on interest income and dividends from foreign corporations.

5. MANAGEMENT FEE

Under the terms of an agreement between the fund and Eaton/Bay Fund Management Limited, all expenses, including remuneration of directors and officers, incurred in the ordinary course of business, other than brokerage fees and all taxes, are paid by Eaton/Bay Fund Management Limited. In return for this and other investment management and administrative services, Eaton/Bay Fund Management Limited receives a management fee based on the average net assets of the fund.

Charges to the fund over the last five years were as follows:

	Net asset value per share		Total fees charged to the fund	Total fees charged to the fund as a % of average net assets
	Beginning of year	End of year		
1975	\$10.76	\$12.82	\$407,649	1.1319%
1976	12.82	15.66	399,585	1.1346
1977	15.66	15.89	389,069	1.1390
1978	15.89	19.89	391,765	1.1379
1979	19.89	19.43	394,751	1.1367

- All charges under the terms of the management agreement were paid by the fund. Administrative charges and fees for services provided to shareholders on an elective basis are not included.
- Average net assets are calculated to be the average of the net asset values determined at the end of each month.
- Management fee charges vary from one mutual fund to another.

6. BROKERAGE FEES

During the year, the fund paid brokerage commissions amounting to \$10,708 (1978 — \$39,603) with respect to security transactions.

7. DIRECTORS AND OFFICERS

During the year, the fund had fifteen directors and five officers. Three of the officers also served as directors.

officers

GORDON D. deS. WOTHERSPOON ..	Chairman of the Board
WILLIAM R. LIVINGSTON	President
PETER W. WOOD	Vice-Chairman
ROBERT H. POWER	Treasurer
KENNETH L. BEAUGRAND	Secretary

directors

CHARLES W. BRAZIER	Vancouver, B.C.
EDMOND J. COURTOIS	Montreal, Que.
J. V. RAYMOND CYR	Montreal, Que.
ROBERT E. DAVIES	Banff, Alta.
JOHN C. EATON	Toronto, Ont.
THOR E. EATON	Toronto, Ont.
DOUGLAS D. EVERETT	Winnipeg, Man.
MURRAY J. HOWE	Burlington, Ont.
DAVID KINNEAR	Toronto, Ont.
WILLIAM R. LIVINGSTON	Toronto, Ont.
CHARLES R. MacFADDEN	Halifax, N.S.
TREVOR F. MOORE	Toronto, Ont.
T. IAIN RONALD	Toronto, Ont.
PETER W. WOOD	Toronto, Ont.
GORDON D. deS. WOTHERSPOON	Uxbridge, Ont.

business office

1235 Bay Street
Toronto, Ontario M5R 3L4

manager and distributor

Eaton/Bay Fund Management Limited
Toronto, Ontario

transfer agent and registrar

Eaton/Bay Trust Company

custodian

A Canadian Chartered Bank
Toronto, Ontario

auditors

Clarkson Gordon
Toronto, Ontario

fund highlights

- No initial sales charges.
- Low initial investment. \$25 minimum instalments if investing under Pre-Authorized Cheque Plan. \$300 investment required in first twelve months.
- Voluntary investments. No long term contract.
- Convenient payment system. Automatic monthly transfers from your bank account.
- Annual inter-fund transfer privilege.
- A balanced portfolio invested internationally.
- Service at any Eaton or Bay Financial Centre.

For further information, please contact your nearest
Eaton or Bay Financial Centre.