



**EATON BAY
MONEY MARKET FUND**

C

annual report
december 31st, 1985

to the unitholders:

Your Fund was established in 1984 to provide an attractive rate of daily interest. At December 31, 1985, total assets were \$4.3 million. The average yield for the year 1985 was 9.17%.


Your Fund invests in short-term, high-quality government treasury bills or debt obligations, which minimizes the risk of fluctuations in market value. This means that interest earnings fluctuate as market rates change, so that the return available will reflect current market rates and will always be competitive. Net interest income is credited daily to your account and paid monthly.

Economic growth in 1985 slowed in Canada and the U.S. In contrast to 1984, the Canadian economy was the more buoyant of the two. Consumer demand was strong in both countries. Inflation remained low, contained by competitive forces worldwide and by moderate wage settlements in North America. While inventory changes and net exports had a positive effect in Canada, U.S. performance was especially hampered by the high exchange value of the U.S. dollar, which further aggravated that country's large trade deficit. At the same time, large inflows of foreign capital and an accommodative monetary policy in a disinflationary setting allowed the slide in U.S. interest rates to continue. Equity and fixed income security prices benefited in both countries.

We expect economic expansion to continue at a moderate pace through 1986. Although the growth in consumer demand is likely to level off, an improvement in the external trade balance following the recent drop of the U.S. dollar relative to the major overseas currencies should lend strength to the U.S. economy, as will the re-building of inventories. Since the Canadian dollar has declined in terms of the U.S. currency, the outlook for Canadian exports is reasonably good as well. Continued ample productive capacity should permit productivity gains, which would help to avert a revival of inflation.

The combination of stability of value, ready liquidity, and daily interest, together with ease of investment, are attributes which make your Fund a valuable service, providing an effective method of compounding your income.

On Behalf of the Board



Chairman



President

Toronto, Canada
March 10, 1986

statements of financial position

December 31, 1985 and 1984

	1985	1984
ASSETS:		
Cash, interest bearing	\$ 551	\$ 53,870
Short-term notes, at cost which approximates market value	4,280,538	98,091
Accrued investment income ..	70,825	795
Accounts receivable for units issued	10,539	988
	<u>4,362,453</u>	<u>153,744</u>
LIABILITIES:		
Accounts payable:		
Units redeemed	63,838	—
Distributions to unitholders	6,128	84
	<u>69,966</u>	<u>84</u>
NET ASSETS REPRESENTING UNITHOLDERS' EQUITY (notes 3 and 4)		
	<u>\$4,292,487</u>	<u>\$153,660</u>
NET ASSET VALUE PER UNIT		
	<u>\$10.00</u>	<u>\$10.00</u>

On behalf of the Board:

A.L. Beattie, Trustee

W.R. Livingston, Trustee

(See accompanying notes)

statements of earnings

for the year ended December 31, 1985
and for the period from October 4, 1984 to
December 31, 1984

	1985	1984
INVESTMENT INCOME:		
Interest	\$413,814	\$795
EXPENSE:		
Management fee (note 6) ...	<u>21,812</u>	<u>50</u>
NET EARNINGS FOR THE PERIOD	<u><u>\$392,002</u></u>	<u><u>\$745</u></u>
NET EARNINGS PER UNIT — Based on average number of units outstanding during the period	<u><u>90.96¢</u></u>	<u><u>4.85¢</u></u>

(See accompanying notes)

statement of investments and other net assets

December 31, 1985

SHORT-TERMS NOTES — 99.72%

Canada Treasury Bills

TOTAL INVESTMENT PORTFOLIO — 99.72%

Other assets less liabilities — 0.28%

TOTAL NET ASSETS — 100.00%

A statement of Portfolio Transactions for the year ended
December 31, 1985 is available upon request without charge from the
registered office of the trust.

(See accompanying notes)

statements of changes in net assets

for the year ended December 31, 1985
and for the period from October 4, 1984 to
December 31, 1984

	1985	1984
NET ASSETS, BEGINNING OF PERIOD	<u>\$ 153,660</u>	<u>\$ —</u>
ADDITIONS TO NET ASSETS:		
Net earnings for the period .	392,002	745
Proceeds from issue of mutual fund units (note 4)	<u>8,407,573</u>	<u>153,660</u>
	<u>8,799,575</u>	<u>154,405</u>
DEDUCTIONS FROM NET ASSETS:		
Distributions to unitholders out of net earnings (note 7)	392,002	745
Payments on redemption of mutual fund units (note 4) .	<u>4,268,746</u>	<u>—</u>
	<u>4,660,748</u>	<u>745</u>
INCREASE IN NET ASSETS ..	<u>4,138,827</u>	<u>153,660</u>
NET ASSETS, END OF PERIOD	<u><u>\$4,292,487</u></u>	<u><u>\$153,660</u></u>
NET ASSET VALUE PER UNIT (note 6):		
Beginning of period	<u>\$10.00</u>	<u>—</u>
End of period	<u>\$10.00</u>	<u>\$10.00</u>

(See accompanying notes)

	<u>Par Value</u>	<u>Yield</u>	<u>Maturity Date</u>	<u>Average Cost</u>
.....	\$ 705,000	9.10%	10-Jan-86	\$ 684,520
	778,000	9.42	17-Jan-86	744,383
	17,000	8.25	24-Jan-86	16,621
	507,000	8.52	21-Feb-86	492,515
	430,000	8.89	11-Apr-86	416,507
	75,000	9.10	11-Apr-86	72,769
	1,300,000	9.05	15-May-86	1,254,278
	612,000	9.25	27-Jun-86	598,945
.....				<u>\$4,280,538</u>
.....				<u>11,949</u>
.....				<u><u>\$4,292,487</u></u>

auditors' report

To the Unitholders of
Eaton Bay Money Market Fund:

We have examined the statements of financial position of Eaton Bay Money Market Fund as at December 31, 1985 and 1984, the statement of investments and other net assets at December 31, 1985 and the statements of earnings and changes in net assets for the year ended December 31, 1985 and for the period from the date of creation of the trust (October 4, 1984) to December 31, 1984. Our examinations were 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 trust as at December 31, 1985 and 1984, the investments and other net assets as at December 31, 1985 and the results of its operations and the changes in its net assets for the year ended December 31, 1985 and for the period from the date of creation of the trust (October 4, 1984) to December 31, 1984 in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Canada,
February 4, 1986.

(Signed) Clarkson Gordon
Chartered Accountants

notes to financial statements

December 31, 1985

1. CREATION OF FUND

The Fund is an open ended mutual fund trust created under the laws of Ontario by a Trust Agreement dated October 4, 1984.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- (a) Investments are recorded in the accounts of their quoted value in Canadian currency 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. No amortization of premium or discount on investments is provided.
- (b) The trust follows the accrual method of recording income and expenses. Security transactions are recorded on the trade date.
- (c) For each mutual fund unit sold, the trust receives an amount equal to the net asset value per unit at the date of sale, which amount is included in unitholders' equity. Mutual fund units are redeemable at the option of the unitholders at their net asset value on the redemption date. For each unit redeemed, unitholders' equity is reduced by the related net asset value at the date of redemption.

3. UNITHOLDERS' EQUITY

Unitholders' equity consists of amounts paid for units. The authorized capital as at December 31, 1985 is an unlimited number of mutual fund units without nominal or par value. The issued and outstanding capital is summarized as follows:

1985 — 429,248 mutual fund units
1984 — 15,366 mutual fund units

4. FUND UNIT TRANSACTIONS

Fund unit transactions during the period were as follows:

	1985		1984	
	Units	Amount	Units	Amount
Subscriptions	840,757	\$8,407,573	15,366	\$153,660
Redemptions	426,875	4,268,746	Nil	Nil

5. INCOME TAXES

Eaton Bay Money Market Fund qualified as a "Mutual Fund Trust" under the Income Tax Act of Canada on March 31, 1985.

No provision for income taxes has been made in the accompanying statements as all income of the trust for the period is allocated to the unitholders and is taxed in their hands.

6. MANAGEMENT FEE

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

Net asset values per unit and charges to the trust since the fund's creation were as follows:

	Net asset value per unit		Total fees charged to the trust	Total fees charged to the trust as a % of average net assets
	Beginning of period	End of period		
1984	—	\$10.00	\$ 50	.0419%
1985	\$10.00	\$10.00	\$21,812	.5000%

- Under the terms of the management agreement all charges were paid by the trust. Administrative charges and fees for services provided to unitholders on an elective basis are not included.
- Average net assets are calculated to be the average of the net asset values determined on a daily basis.
- Management fee charges vary from one mutual fund to another.

As at December 31, 1985 Eaton Life Assurance Company (formerly Eaton Bay Life Assurance Company), the parent company of Eaton Bay Funds Management Limited, owned 10,988 (1984 — 10,060) units of the trust. This represents the initial capital investment at the time the trust was established plus reinvested distributions to date.

7. DISTRIBUTIONS PER UNIT

Distributions per unit paid, entirely out of net earnings, during the year were 90.96¢ and for the period October 4, 1984 to December 31, 1984 were 4.85¢.

8. BROKERAGE FEES

The trust did not pay any brokerage fees during the period (1984 — nil).

9. TRUSTEES AND OFFICERS

During 1985 the trust had twelve trustees (1984 — thirteen) and seven officers (1984 — six). Three of the officers also served as trustees.

trustees

ALLAN L. BEATTIE	Toronto, Ont.
CHARLES W. BRAZIER	Vancouver, B.C.
EDMOND J. COURTOIS	Montreal, Que.
J. V. RAYMOND CYR	Montreal, Que.
GEORGE R. EATON	Toronto, Ont.
JOHN C. EATON	Toronto, Ont.
The Honorable DOUGLAS D. EVERETT	Winnipeg, Man.
MURRAY J. HOWE	Toronto, Ont.
DAVID KINNEAR	Toronto, Ont.
WILLIAM R. LIVINGSTON	Toronto, Ont.
PETER W. WOOD	Toronto, Ont.
GORDON D. deS. WOTHERSPOON	Uxbridge, Ont.

officers

ALLAN L. BEATTIE	Chairman of the Board
WILLIAM R. LIVINGSTON	President
PETER W. WOOD	Vice-Chairman
KENNETH L. BEAUGRAND	Executive Vice-President and Secretary
KEITH J. MUNRO	Treasurer
JENNIFER I. LEDERMAN	Assistant-Secretary
CECIL R. HUNTER	Investment Adviser

business office

595 Bay Street
Toronto, Ontario M5G 2C6

manager and distributor

Eaton Bay Funds Management Limited
Toronto, Ontario

registrar

Eaton Trust Company

custodian

A Canadian Chartered Bank
Toronto, Ontario

auditors

Clarkson Gordon
Toronto, Ontario

EATON BAY MONEY MARKET FUND A PART OF THE EATON FINANCIAL FAMILY

In today's ever changing economy, it is necessary for individuals to maximize the use of all their resources in order to ensure that they meet their financial responsibilities to their family today and their own financial security in later years. One way of accomplishing that maximization is the development of a Financial Program that clearly defines objectives and outlines steps to be followed to reach these objectives.

At Eaton Financial the wide range of products and services offered provides the basic insurance protection, savings, investment, and annuity programs, each of which is a necessary part of your total financial plan, all available from a single source. In addition, Eaton Financial Representatives are trained to provide sound advice when developing a total program specifically designed to meet your personal goals, by

- (a) assessing your current needs using data supplied by you;
- (b) providing direction to help you establish your current needs and long range objectives; and
- (c) making recommendations that will help you to achieve your overall goals.

Financial Planning ... the key for your security TODAY and IN THE FUTURE. Eaton Financial can help you start. Contact an Eaton Financial Representative at an Eaton Financial Centre or visit the Eaton Trust Branch location near you to discuss your personal financial program.

EATON FINANCIAL SERVICES
Your financial department store.

fund highlights

- Low initial investment. \$100 minimum instalments if investing under Pre-Authorized Cheque Plan. \$1000 investment required in first twelve months.
- Invested primarily in short term fixed income notes.
- Net asset value will normally approximate \$10 per Unit.
- Income calculated daily and credited monthly.
- Income tax savings through Registered Retirement Savings Plans.
- Voluntary investments. No long term contract.
- Convenient payment system. Automatic monthly transfers from your bank account.
- Inter-fund transfer privilege.
- Service at any Eaton Financial Centre.

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



THE INVESTMENT FUNDS INSTITUTE OF CANADA