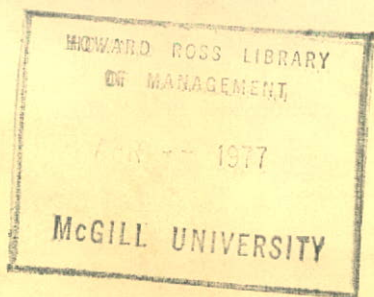


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EATON FINANCIAL SERVICES

**EATON  
VIKING  
FUND  
LIMITED**

**annual report**  
**december 31st, 1976**



ONE PLACE FOR ALL YOUR TOMORROWS

## To the Shareholders:

Your Board of Directors is pleased to present the 1976 Annual Report of your Fund.

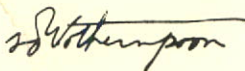
Stock prices in most countries rose in 1976, for the second year in a row. Contrary to our expectations as stated in last year's Annual Report, the rise in Canadian stock prices again lagged very far behind the rise in New York. The Toronto Stock Exchange Industrial Index rose 3.9%, the Dow Jones Industrials 17.9% and the Tokyo Dow Jones 14.5%. The net asset value per share of your Fund increased 4.9%, including the dividend paid in December.

Economic growth in Canada was disappointing last year, especially business capital spending, and, for the first time, direct investment outside the country by Canadian business exceeded direct investment in Canada by foreign business. The provisions of the federal government's Anti-Inflation Program limiting profits, the expense and effort required to report compliance with the Anti-Inflation Program, and the belief that the federal government is not sympathetic to the business sector have led to a reduction in business confidence and in capital spending for future growth. Consumer spending and residential construction were strong and this resulted in growth in the economy overall. The rate of inflation declined significantly.

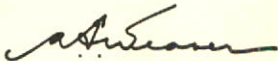
In 1977, the federal government is expected to introduce measures designed to restore business confidence and stimulate capital spending. There appears to be a growing recognition that all governments must restrain growth in their spending, reduce waste in social programs, encourage investment rather than consumption and restrain wage costs in the public sector, which have increased at a faster rate than those in the private sector. One hopeful sign is the reduction of 5% in the number of employees of the Ontario government.

We believe that most adverse factors have been reflected in stock market prices in Canada. The economy is likely to expand moderately this year, and with common shares in the aggregate providing historically high yields and selling at historically low multiples of earnings the Canadian market is attractive. As our problems are addressed, prices are likely to move from discounting problems to anticipating improvement. This is what leads to higher stock prices.

On Behalf of the Board,



Chairman



President

Toronto, Canada  
March 8, 1977

# statement of financial position

December 31, 1976

	1976	1975
<b>ASSETS:</b>		
Investments, at quoted value:		
(Average cost 1976 —		
\$19,933,021;		
1975 — \$21,332,220)		
Canadian common stocks..	\$16,866,263	\$16,698,776
Foreign common stocks ....	2,683,022	2,286,943
Canadian preferred stocks	—	715,000
	<u>19,549,285</u>	<u>19,700,719</u>
Cash, interest-bearing .....	96,574	79,864
Short-term notes .....	—	691,005
Accrued investment income ....	130,506	125,376
Accounts receivable .....	1,715	21,535
Income taxes recover-		
able (note 3) .....	20,804	37,232
	<u>19,798,884</u>	<u>20,655,731</u>
<b>LIABILITIES:</b>		
Accounts payable .....	28,411	33,557
Redemptions payable .....	50,826	209,292
	<u>79,237</u>	<u>242,849</u>
<b>NET ASSETS REPRESENTING</b>		
<b>    SHAREHOLDERS' EQUITY ..</b>	<u>\$19,719,647</u>	<u>\$20,412,882</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock (note 2):		
Authorized —		
25,000,000 mutual fund		
shares of \$0.70 par value		
each less 2,445,099 shares		
redeemed (1975 — 1,514,935		
shares redeemed)		
Issued and outstanding —		
4,039,651 mutual fund shares		
(1975 — 4,280,050 shares)	\$ 2,827,756	\$ 2,996,035
Surplus:		
Deficit .....	(1,798,641)	(1,123,997)
Contributed surplus .....	19,074,268	20,172,345
Unrealized (depreciation)		
of investments .....	<u>(383,736)</u>	<u>(1,631,501)</u>
<b>TOTAL SHAREHOLDERS'</b>		
<b>    EQUITY .....</b>	<u>\$19,719,647</u>	<u>\$20,412,882</u>

On behalf of the Board:  
G. D. deS. Wotherspoon, Director  
A. G. Weaver, Director

(See accompanying notes)

## statement of earnings

for the year ended December 31, 1976

	1976	1975
<b>INVESTMENT INCOME:</b>		
Dividends .....	\$ 785,235	\$ 784,447
Interest .....	<u>28,711</u>	<u>149,362</u>
	813,946	933,809
<b>EXPENSE:</b>		
Management fee (note 4) .....	<u>255,709</u>	<u>257,573</u>
Earnings before provision for income taxes .....	558,237	676,236
Provision for (recovery of) income taxes (note 3) .....	<u>11,715</u>	<u>(18,000)</u>
<b>NET EARNINGS</b> .....	<u>\$ 546,522</u>	<u>\$ 694,236</u>
<b>NET EARNINGS PER SHARE —</b> Based on average number of shares outstanding during year .....	<u>13.3¢</u>	<u>16.3¢</u>

## statement of surplus

for the year ended December 31, 1976

<b>DEFICIT:</b>		
Balance, beginning of year ..	\$ (1,123,997)	\$ (1,005,862)
Net earnings .....	<u>546,522</u>	<u>694,236</u>
	(577,475)	(311,626)
Dividends .....	(492,681)	(582,527)
Net loss on sales of securities	<u>(728,485)</u>	<u>(229,844)</u>
Balance, end of year .....	<u>\$ (1,798,641)</u>	<u>\$ (1,123,997)</u>
<b>CONTRIBUTED SURPLUS:</b>		
Balance, beginning of year ..	\$20,172,345	\$20,554,852
Excess of amounts received over par value of shares issued .....	<u>3,019,567</u>	<u>4,207,873</u>
	23,191,912	24,762,725
Excess of amounts paid over par value of shares redeemed .....	<u>(4,117,644)</u>	<u>(4,590,380)</u>
Balance, end of year .....	<u>\$19,074,268</u>	<u>\$20,172,345</u>
<b>UNREALIZED (DEPRECIATION) OF INVESTMENTS:</b>		
Balance, beginning of year ..	\$ (1,631,501)	\$ (4,743,309)
Unrealized appreciation of investments .....	<u>1,247,765</u>	<u>3,111,808</u>
Balance, end of year .....	<u>\$ (383,736)</u>	<u>\$ (1,631,501)</u>

(See accompanying notes)



# statement of changes in net assets

for the year ended December 31, 1976

	1976	1975
<b>NET ASSETS, BEGINNING OF YEAR</b> .....	<u>\$20,412,882</u>	<u>\$17,860,441</u>
<b>ADDITIONS TO NET ASSETS:</b>		
Net earnings .....	546,522	694,236
Proceeds from issue of mutual fund shares .....	3,502,402	4,920,221
Unrealized appreciation of investments .....	<u>1,247,765</u>	<u>3,111,808</u>
	<u>5,296,689</u>	<u>8,726,265</u>
<b>DEDUCTIONS FROM NET ASSETS:</b>		
Dividends —		
Out of net earnings —		
12.5¢ per share (1975 —		
14¢ per share) .....	492,681	582,527
Payment on redemption of mutual fund shares .....	4,768,758	5,361,453
*Net loss on sales of securities .....	<u>728,485</u>	<u>229,844</u>
	<u>5,989,924</u>	<u>6,173,824</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b> .....	<u>(693,235)</u>	<u>2,552,441</u>
<b>NET ASSETS, END OF YEAR</b> ..	<u>\$19,719,647</u>	<u>\$20,412,882</u>
<b>NET ASSET VALUE PER SHARE:</b>		
Beginning of year .....	<u>\$ 4.77</u>	<u>\$ 4.09</u>
End of year .....	<u>\$ 4.88</u>	<u>\$ 4.77</u>
<b>*NET LOSS ON SALES OF SECURITIES:</b>		
Proceeds from sales of securities .....	<u>\$ 1,715,696</u>	<u>\$ 1,005,223</u>
Cost of securities sold:		
Securities at cost, beginning of year .....	21,332,220	20,304,285
Purchases .....	<u>1,044,982</u>	<u>2,263,002</u>
	22,377,202	22,567,287
Securities at cost, end of year .....	<u>19,933,021</u>	<u>21,332,220</u>
Cost of securities sold .....	<u>2,444,181</u>	<u>1,235,067</u>
Net loss on sales of securities .....	<u>\$ 728,485</u>	<u>\$ 229,844</u>

(See accompanying notes)

# **schedule of investments and other net assets**

December 31, 1976

## **COMMON STOCKS — 99.14%**

### **BANKS, FINANCIAL AND INSURANCE — 20.96%**

Canadian Imperial Bank of Commerce .....	
Crown Life Insurance Company .....	
The Bank of Nova Scotia .....	
The Mercantile Bank of Canada .....	
The Royal Bank of Canada .....	
The Toronto-Dominion Bank .....	
Traders Group Limited "A" .....	

### **BUSINESS EQUIPMENT — 10.16%**

*International Business Machines Corporation .....	
Moore Corporation Limited .....	

### **COMMUNICATIONS — 2.97%**

Selkirk Holdings Limited .....	
Toronto Star Limited "B" .....	

### **FOOD AND BEVERAGES — 6.16%**

Canada Packers Limited .....	
Walker (Hiram) Gooderham & Worts, Limited .....	

### **MERCHANDISING — 8.69%**

Canadian Tire Corporation Limited .....	
Canadian Tire Corporation Limited "A" .....	
Reitmans (Canada) Limited "A" .....	
Steinberg's Limited "A" .....	

### **METALS AND MINING — 10.71%**

Alcan Aluminium Limited .....	
Inco Limited .....	
Labrador Mining and Exploration Company Limited .....	
Noranda Mines Limited "A" .....	
Placer Development Limited .....	

### **OIL AND GAS — 9.66%**

Canadian Superior Oil Ltd. ....	
Dome Petroleum Limited .....	
Gulf Oil Canada Limited .....	
Shell Canada Limited "A" .....	

### **PAPER AND FOREST PRODUCTS — 4.16%**

Domtar Limited .....	
MacMillan Bloedel Limited .....	

### **PIPELINES — 6.39%**

The Alberta Gas Trunk Line Co., Ltd. "A" .....	
TransCanada PipeLines Limited .....	

### **PUBLIC UTILITIES — 2.78%**

Bell Canada .....	
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### **REAL ESTATE — 1.16%**

The Cadillac Fairview Corporation Limited .....	
---	--

### **STEEL AND HEAVY INDUSTRIES — 5.68%**

Dominion Bridge Co. Ltd. ....	
Dominion Foundries and Steel, Limited .....	

### **MISCELLANEOUS — 9.66%**

Harding Carpets Limited "A" .....	
*General Signal Corporation .....	
Northern Telecom Limited .....	
*Warner Lambert Company .....	

### **TOTAL INVESTMENT PORTFOLIO — 99.14%**

Other — 0.86% .....	
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### **TOTAL NET ASSETS — 100.00%**

\*Foreign Stocks

(See accompanying notes)

Number of shares	Quoted value	Diversification of \$10,000 of net assets
30,000	\$ 772,500	\$ 391
10,000	430,000	218
40,000	855,000	433
16,000	242,000	122
20,000	525,000	266
45,000	877,500	445
30,000	435,000	221
4,500	1,267,620	643
20,000	735,000	373
25,000	265,625	135
20,000	320,000	162
35,000	638,750	324
20,000	575,000	292
11,500	480,125	243
11,500	494,500	251
35,000	315,000	160
30,000	423,750	215
6,500	155,188	79
25,000	825,000	418
10,000	295,000	150
16,500	474,375	241
18,000	360,000	183
8,000	330,000	167
10,000	415,000	210
20,000	530,000	269
40,000	630,000	320
22,500	360,000	183
20,000	460,000	233
43,200	610,200	309
50,000	650,000	330
11,500	549,125	278
25,000	228,125	116
40,000	720,000	365
15,000	399,375	203
25,000	125,000	63
15,000	792,499	402
11,500	365,125	185
20,000	622,903	316
	19,549,285	9,914
	170,362	86
	<u>\$19,719,647</u>	<u>\$10,000</u>

## auditors' report

To the Shareholders of  
Eaton Viking Fund Limited:

We have examined the statement of financial position and the schedule of investments and other net assets of Eaton Viking Fund Limited as at December 31, 1976 and the statements of earnings, surplus and changes in net assets for 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 company as at December 31, 1976 and the results of its operations and changes in 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,  
March 7, 1977

Clarkson, Gordon & Co.  
Chartered Accountants

## notes to financial statements

December 31, 1976

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments are recorded in the accounts at their quoted value at the close of each business day, with the difference between this amount and 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. Of this amount the par value of \$0.70 is allocated to capital stock and the remainder to contributed surplus. The mutual fund shares are redeemable at the option of the shareholder at their net asset value and for each share redeemed a corresponding allocation of the net asset value is made.



## 2. CAPITAL STOCK TRANSACTIONS

Capital stock transactions during the year were as follows:

	1976		1975	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Subscriptions	689,765	\$3,502,402	1,017,640	\$4,920,221
Redemptions	930,164	\$4,768,758	1,101,533	\$5,361,453

## 3. INCOME TAXES

The company qualifies as a mutual fund corporation for income tax purposes. The company also qualifies as an investment corporation for income tax purposes. Income taxes payable on taxable capital gains 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.

## 4. MANAGEMENT FEE

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

## 5. DIRECTORS AND OFFICERS

During the year the company had seventeen directors and seven officers. Three of the officers also served as directors.

## officers

GORDON D. deS. WOTHERSPOON	Chairman of the Board
ARTHUR G. WEAVER	President
WILLIAM H. ZIMMERMAN	Vice-Chairman
C. VERNER CHRISTENSEN	Treasurer
ROBERT A. DUNFORD	Secretary
MAX W. ZIESACK	Assistant Secretary
LYNN CONLON	Assistant Treasurer

## directors

CHARLES W. BRAZIER	Vancouver, B.C.
EDMOND J. COURTOIS	Montreal, Que.
ROBERT E. DAVIES	Banff, Alta.
FREDRIK S. EATON	Toronto, Ont.
JOHN C. EATON	Toronto, Ont.
DOUGLAS D. EVERETT	Winnipeg, Man.
MURRAY J. HOWE	Burlington, Ont.
DAVID KINNEAR	Toronto, Ont.
CHARLES R. MacFADDEN	Halifax, N.S.
TREVOR F. MOORE	Toronto, Ont.
ARTHUR G. WEAVER	Toronto, Ont.
GORDON D. deS. WOTHERSPOON	Uxbridge, Ont.
WILLIAM H. ZIMMERMAN	Toronto, Ont.

**business office**

Suite 3023, Place Victoria,  
Montreal, Quebec H4Z 1B8

**manager and distributor**

Eaton Fund Management Limited  
Toronto, Ontario

**transfer agent and  
registrar**

Eaton Trust Company

**custodian**

A Canadian Chartered Bank  
Toronto, Ontario

**auditors**

Clarkson, Gordon & Co.  
Toronto, Ontario

## **fund highlights**

- Principal Protection Insurance available on new investments.
- No initial sales charges.
- Low initial investment. \$200 minimum plus a \$10 administrative fee.
- Income tax savings through Registered Retirement Savings Plans and Registered Home Ownership Savings Plans.
- Voluntary investments. No long term contract.
- Convenient payment system. Automatic monthly transfers from your bank account.
- Annual inter-fund transfer privilege.
- Invested primarily in Canadian growth securities.
- Service at any Eaton Financial Centre.

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