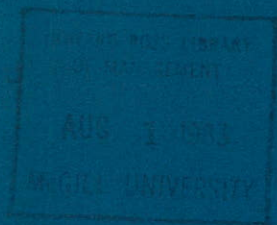




**EATON BAY  
COMMONWEALTH FUND LTD.**

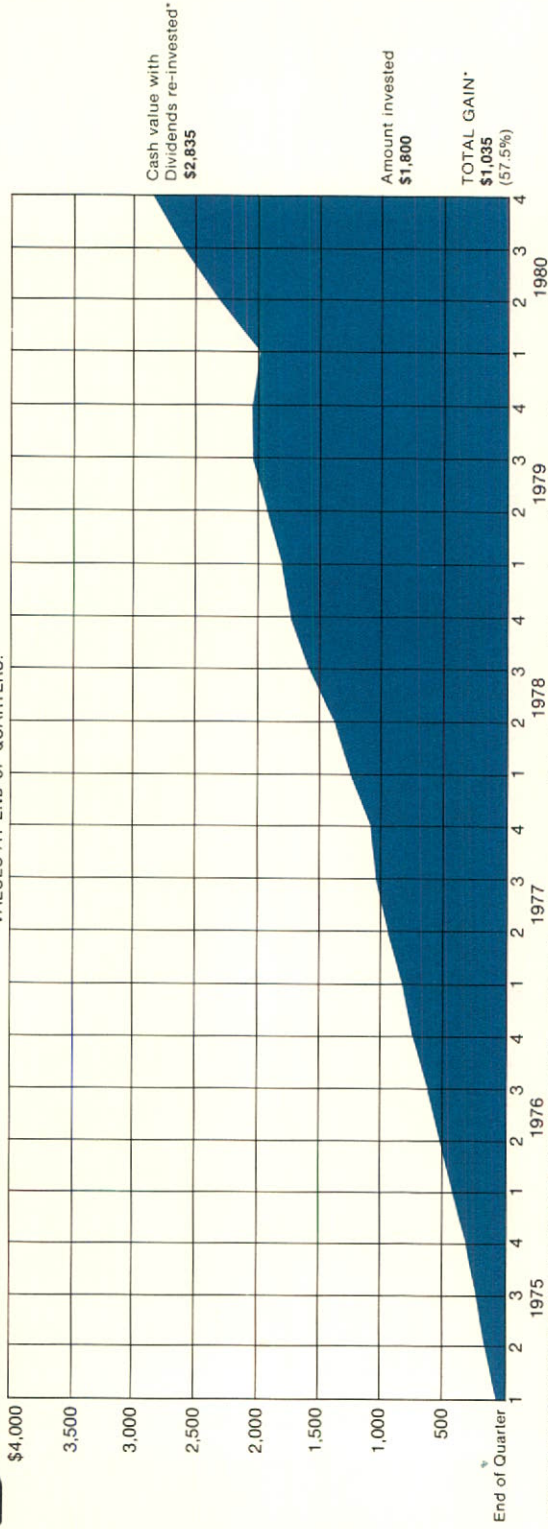


**annual report**  
**december 31st, 1980**



## EATON BAY COMMONWEALTH FUND LTD.

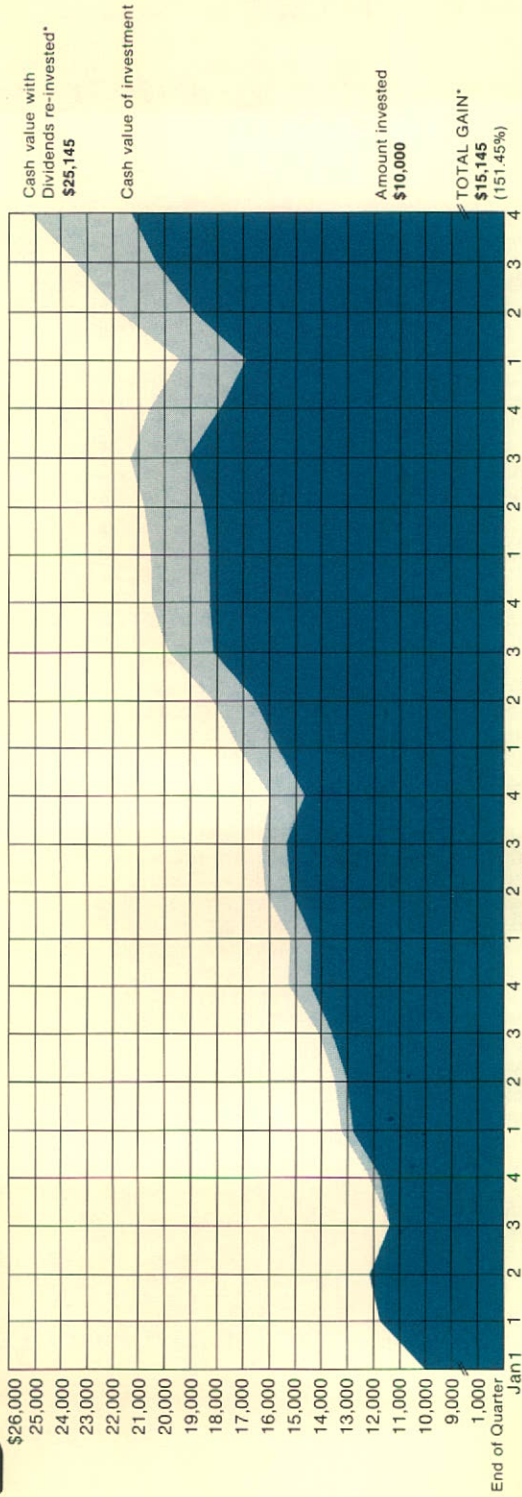
INITIAL \$25 INVESTED ON JANUARY 1, 1975 AND SUBSEQUENT INVESTMENTS OF \$25  
INVESTED ON THE 1ST OF EACH MONTH FOR 6 YEARS. DIVIDENDS RE-INVESTED.  
VALUES AT END OF QUARTERS.\*





# **EATON BAY COMMONWEALTH FUND LTD.**

**\$10,000 INVESTMENT MADE ON JANUARY 1, 1975, INVESTED FOR 6 YEARS.  
VALUES AT END OF QUARTERS.\***



\*The results shown should not be considered as a representation of the dividend income, or capital gain or loss which may be realized from an investment made in the Fund today.

## To the Shareholders:

In 1980 the Toronto Stock Exchange Composite rose 25.1%, the Standard & Poor's 400 Industrials 27.6%, the Dow-Jones Industrials 14.9% and the Tokyo Dow-Jones 8.3%. The U.S. dollar appreciated 2.4% and the yen 18.3% in Canadian currency. The net asset value per share of your Fund, including the dividend paid increased 22.5%.

The recession forecast for the U.S. in last year's report was short-lived. In fact the only decline was in the second quarter, when real G.N.P. declined at almost a 10% rate. Increased federal government spending and a rapid expansion of money supply and credit appeared to bring about a quick recovery. The U.S. outlook for 1981 is for a lesser rate of growth in government spending and there has been a reduced rate of increase in money supply recently, which will likely lead to, at best, very slow growth in the first half of the year. A recovery in economic activity would result in increased productivity and a favourable impact on inflation later in the year.

A slowdown in the U.S. would result in little growth in the Canadian economy in the first half. The changes proposed in the federal government's National Energy Program have resulted in a reduction in capital spending by the oil and gas industry in 1981 from levels previously expected, and this was one industry which was expected to provide strength to the economy. A compromise among the producing provinces, the federal government and the industry must be arrived at, perhaps by more rapid increases in prices. Renewed growth in the U.S. and abroad ought to result in a better second half. The decline in the external value of the Canadian dollar in 1980 is beneficial for exporters, and has improved the competitive position of most Canadian products relative to foreign products.

In spite of rising world oil prices, the Japanese economy put in a respectable performance in 1980. Personal consumption increased only modestly, but exports and business capital expenditures remained strong. Exports are not likely to be as strong as in 1980, but personal consumption is expected to regain strength. Recent history suggests that the Japanese have managed their economy very well, despite increasing oil prices since 1973, and there is no reasons to expect this to end in 1981.

We believe that equity prices are reasonable and will reflect the expected resumption of growth of corporate profits forecast for later this year and in 1982. The longer term has demonstrated that the return from equities is attractive, and we expect this to continue. We also believe that interest rates will decline in 1981 with corresponding benefit to the Fund's small holdings of fixed income securities.

On Behalf of the Board



Chairman



President

Toronto, Canada  
March 9, 1981



(Continued under the Canada Business Corporations Act)

## statements of financial position

December 31, 1980 and 1979

	1980	1979
<b>ASSETS:</b>		
Investments, at quoted value:		
(Average cost		
1980 — \$20,243,617;		
1979 — \$21,809,435)		
Canadian common stocks .	\$13,426,827	\$11,206,766
Foreign common stocks . .	15,151,091	14,058,314
Canadian preferred		
stocks . . . . .	1,721,000	2,090,000
Canadian bonds . . . . .	2,493,000	4,080,050
Foreign bonds . . . . .	1,070,645	690,857
	<u>33,862,563</u>	<u>32,125,987</u>
Cash, interest-bearing . . . . .	696,356	153,135
Short-term notes . . . . .	1,087,500	299,064
Accrued investment income . . .	342,988	326,743
Accounts receivable:		
Shares issued . . . . .	12,442	80,749
Investment securities sold . .	165,167	—
	<u>36,167,016</u>	<u>32,985,678</u>
<b>LIABILITIES:</b>		
Accounts payable:		
Shares redeemed . . . . .	51,716	71,476
Investment securities		
purchased . . . . .	496,410	—
Management fees and other .	54,055	37,238
Income taxes payable (note 4) . .	113,152	125,629
	<u>715,333</u>	<u>234,343</u>
<b>NET ASSETS REPRESENTING</b>		
<b>SHAREHOLDERS'</b>		
<b>EQUITY (note 2) . . . . .</b>	<u>\$35,451,683</u>	<u>\$32,751,335</u>
1,527,109 no par value mutual		
fund shares outstanding at		
December 31, 1980		
(1,685,705 — 1979) (note 3)		
<b>NET ASSET VALUE</b>		
<b>PER SHARE . . . . .</b>	<u>\$23.21</u>	<u>\$19.43</u>

On behalf of the Board:  
W. R. Livingston, Director  
G. D. deS. Wotherspoon, Director

(See accompanying notes)

# statements of earnings

for the years ended December 31, 1980 and 1979

	1980	1979
<b>INVESTMENT INCOME:</b>		
Dividends .....	\$1,572,719	\$1,488,739
Interest .....	<u>405,029</u>	<u>501,159</u>
	1,977,748	1,989,898
 <b>EXPENSE:</b>		
Management fee (note 5) ....	<u>489,421</u>	<u>394,751</u>
Earnings before provision for income taxes .....	1,488,327	1,595,147
Provision for income taxes (note 4) .....	<u>333,476</u>	<u>383,505</u>
 <b>NET EARNINGS</b> .....	<u>\$1,154,851</u>	<u>\$1,211,642</u>
 <b>NET EARNINGS PER SHARE —</b> Based on average number of shares outstanding during year .....	<u>73.6¢</u>	<u>69.4¢</u>

(See accompanying notes)

# statements of changes in net assets

for the years ended December 31, 1980 and 1979

	1980	1979
<b>NET ASSETS, BEGINNING OF YEAR</b> .....	<u>\$32,751,335</u>	<u>\$36,699,389</u>
<b>ADDITIONS TO NET ASSETS:</b>		
Net earnings .....	1,154,851	1,211,642
Proceeds from issue of shares .....	1,836,232	1,948,637
* Net gain on sales of securities .....	2,281,636	922,137
Unrealized appreciation of investments .....	<u>3,302,394</u>	<u>—</u>
	<u>8,575,113</u>	<u>4,082,416</u>
<b>DEDUCTIONS FROM NET ASSETS:</b>		
Dividends (note 5) .....	891,925	860,206
Payment on redemption of shares .....	4,982,840	5,147,677
Unrealized depreciation of investments (note 2) .....	<u>—</u>	<u>2,022,587</u>
	<u>5,874,765</u>	<u>8,030,470</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b> .....	2,700,348	(3,948,054)
<b>NET ASSETS, END OF YEAR</b> ...	<u>\$35,451,683</u>	<u>\$32,751,335</u>
<b>NET ASSET VALUE PER SHARE:</b>		
Beginning of year .....	<u>\$19.43</u>	<u>\$19.89</u>
End of year .....	<u>\$23.21</u>	<u>\$19.43</u>
<b>* NET GAIN ON SALES OF SECURITIES:</b>		
Proceeds from sales of securities (a) .....	<u>\$ 3,942,070</u>	<u>\$ 2,609,937</u>
Cost of securities sold —		
Securities at cost, beginning of year .....	21,809,435	21,741,441
Purchases .....	<u>94,616</u>	<u>1,755,794</u>
	21,904,051	23,497,235
Securities at cost, end of year .....	<u>20,243,617</u>	<u>21,809,435</u>
Cost of securities sold .....	<u>1,660,434</u>	<u>1,687,800</u>
Net gain on sales of securities .....	<u>\$ 2,281,636</u>	<u>\$ 922,137</u>

(a) Excluding short-term debt instruments redeemed during the year of \$8,301,084 (1979 — \$13,364,003)

(See accompanying notes)

# statement of investments and other net assets

December 31, 1980

## COMMON STOCKS — 80.61%

### BANKS AND FINANCE COMPANIES — 10.28%

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

### ELECTRICAL AND ELECTRONICS — 13.92%

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

### LEISURE — 4.72%

*Fuji Photo Film Co. Ltd. ....	
--------------------------------	--

### METALS AND MINING — 5.52%

Alcan Aluminium Limited .....	
Pine Point Mines Limited .....	

### OFFICE SYSTEMS AND EQUIPMENT — 7.71%

*International Business Machines Corporation .....	
*Rank Organisation Ltd. ....	

### OIL — 8.92%

*Conoco Inc. ....	
Hudson's Bay Oil and Gas Company Limited .....	

### PUBLIC UTILITIES — 9.88%

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

### STEEL AND HEAVY INDUSTRIES — 3.03%

Canron Inc. ....	
------------------	--

### TRANSPORTATION — 7.62%

Canadian Pacific Limited .....	
*Southern Railway Company .....	

### MISCELLANEOUS — 9.01%

*Campbell Soup Company .....	
*Interco Incorporated .....	

### TOTAL COMMON STOCKS .....

## PREFERRED STOCKS — 4.86%

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

### TOTAL PREFERRED STOCKS .....

## BONDS — 10.05%

### GOVERNMENT AND GOVERNMENT GUARANTEED — 6.00%

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

### PROVINCIAL — 1.03%

Province of Ontario 9% July 1, 1998-83 .....	
--	--

### CORPORATE — 3.02%

*Matsushita Electric Industrial Co., Ltd. Conv. Deb. 6¾ % November 20, 1990 .....	
--	--

### TOTAL BONDS .....

## TOTAL INVESTMENT PORTFOLIO — 95.52%

### Short-term notes — 3.07% .....

### Other assets less liabilities — 1.41% .....

## TOTAL NET ASSETS — 100.00% .....

\*Foreign securities

A statement of Portfolio Transactions for the year ended December 31, 1980 is available

(See accompanying notes)



Number of shares or par value	Average cost	Quoted value	Diversification of \$10,000 of net assets
37,500	\$ 372,075	\$1,256,250	\$ 354
20,000	259,800	560,000	158
40,000	375,505	475,000	134
22,500	398,858	1,355,625	382
60,000	1,830,000	1,980,000	559
1,275,000	671,015	2,407,853	679
110,000	17,784	547,704	154
325,000	40,678	1,674,085	472
40,000	450,467	1,600,000	451
7,000	223,285	358,750	101
28,000	1,309,532	2,268,722	640
100,000	237,233	465,000	131
30,000	989,733	2,341,242	660
33,328	404,250	820,702	232
90,000	1,333,211	1,800,000	508
24,000	276,563	408,000	115
40,000	1,385,465	1,295,219	365
60,000	441,994	1,072,500	303
40,000	312,285	1,740,000	491
10,000	650,254	960,969	271
40,000	1,332,014	1,480,250	418
30,000	1,494,414	1,710,047	483
	<u>14,806,415</u>	<u>28,577,918</u>	<u>8,061</u>
55,000	1,201,118	825,000	233
14,000	1,330,532	896,000	253
	<u>2,531,650</u>	<u>1,721,000</u>	<u>486</u>
\$ 600,000	419,250	597,000	168
1,000,000	735,000	632,500	179
700,000	644,000	591,500	167
400,000	346,000	306,000	86
400,000	400,000	366,000	103
US \$ 350,000	361,302	1,070,645	302
	<u>2,905,552</u>	<u>3,563,645</u>	<u>1,005</u>
	20,243,617	33,862,563	9,552
	1,087,500	1,087,500	307
	<u>21,331,117</u>	<u>34,950,063</u>	<u>9,859</u>
	501,620	501,620	141
	<u>\$21,832,737</u>	<u>\$35,451,683</u>	<u>\$10,000</u>

upon request without charge from the registered office of the corporation.

# auditors' report

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

We have examined the statements of financial position of Eaton/Bay Commonwealth Fund Ltd. as at December 31, 1980 and 1979, the statement of investments and other net assets as at December 31, 1980 and the statements of earnings and changes in net assets for the two years ended December 31, 1980. 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 corporation as at December 31, 1980 and 1979, the investments and other net assets as at December 31, 1980 and the results of its operations and the changes in its net assets for the two years ended December 31, 1980 in accordance with generally accepted accounting principles consistently applied.

Toronto, Canada,  
February 13, 1981

(Signed) Clarkson Gordon  
Chartered Accountants

## notes to financial statements

December 31, 1980

### 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 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.
- The quoted value of foreign investments is translated into 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 into 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 corporation with dividends being recorded on their ex-dividend date.
- For each mutual fund share sold, the corporation 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 realized and unrealized appreciation (depreciation) of investments.

The authorized capital stock as at December 31, 1980 is an unlimited number of mutual fund shares without nominal or par value. The issued and outstanding capital stock is summarized as follows:

1980 — 1,527,109 mutual fund shares

1979 — 1,685,705 mutual fund shares

The unrealized appreciation of investments is:

	1980	1979
Balance, beginning of year . . . . .	\$10,316,552	\$12,339,139
Unrealized appreciation (depreciation) of investments during the year . . . . .	3,302,394	(2,022,587)
Balance, end of year . . . . .	<u>\$13,618,946</u>	<u>\$10,316,552</u>

### 3. CAPITAL STOCK TRANSACTIONS

Capital stock transactions during the year were as follows:

	1980		1979	
	Number of shares	Amount	Number of shares	Amount
Subscrip- tions . . . .	83,324	\$1,836,232	98,840	\$1,948,637
Redemp- tions . . . .	241,920	4,982,840	258,475	5,147,677

### 4. INCOME TAXES

Eaton/Bay Commonwealth Fund Ltd. 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 taxes on interest income and dividends from foreign corporations.

### 5. MANAGEMENT FEE AND DIVIDENDS

Under the terms of an agreement between the corporation 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 corporation.

Effective May 1, 1980, after approval by the shareholders, the management fee was increased. Under the new fee structure, the 1980 fee would have been approximately \$541,997 if it had been in effect for the full year. As a result the total fees charged to the corporation as a percent of net assets in 1980 would have been 1.65%.

Net asset values per share, charges to the corporation, and dividends paid per share over the last five years were as follows:

	Net asset value per share		Dividends per share (all out of net earnings)	Total fees charged to the corporation	Total fees charged to the corporation as a % of average net assets
	Beginning of year	End of year			
1976	\$12.82	\$15.66	43.0¢	\$399,585	1.1346%
1977	15.66	15.89	47.0	389,069	1.1390
1978	15.89	19.89	44.4	391,765	1.1379
1979	19.89	19.43	52.2	394,751	1.1367
1980	19.43	23.21	59.7	489,421	1.4899

(a) All charges under the terms of the management agreement were paid by the corporation. Administrative charges and fees for services provided to shareholders on an elective basis are not included.

(b) Average net assets are calculated to be the average of the net asset values determined on a daily basis.

(c) Management fee charges vary from one mutual fund to another.

### 6. BROKERAGE FEES

During the year, the corporation paid brokerage commissions amounting to \$7,009 (1979 — \$10,708) with respect to security transactions.

### 7. DIRECTORS AND OFFICERS

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

## 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.
The Honorable DOUGLAS D. EVERETT .....	Winnipeg, Man.
MURRAY J. HOWE .....	Toronto, Ont.
DAVID KINNEAR .....	Toronto, Ont.
WILLIAM R. LIVINGSTON .....	Toronto, Ont.
CHARLES R. MacFADDEN .....	Halifax, N.S.
TREVOR F. MOORE, C.M. ....	Toronto, Ont.
T. IAIN RONALD .....	Toronto, Ont.
PETER W. WOOD .....	Toronto, Ont.
GORDON D. deS. WOTHERSPOON .....	Uxbridge, Ont.

## officers

GORDON D. deS. WOTHERSPOON ..	Chairman of the Board
WILLIAM R. LIVINGSTON .....	President
PETER W. WOOD .....	Vice-Chairman
KENNETH L. BEAUGRAND .....	Secretary
KEITH J. MUNRO .....	Treasurer



**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

# The Advantages of an Investment Fund

<b>Diversification of Risk</b>	Your capital has a greater degree of security through a wide participation in various equity markets.
<b>Liquidity</b>	You can buy or sell shares daily. The net asset value is reported every day in major newspapers.
<b>Ownership</b>	You own a share of the fund's equities instead of lending your capital to a financial institution for it to use at a fixed rate.
<b>Capital Growth Potential</b>	You have the potential to achieve greater returns through ownership of equities.
<b>Protection Against Inflation</b>	You can retain the value of your capital when the value of your shares increases at a faster rate than inflation.
<b>Full-time Professional Management</b>	Your fund is actively managed by investment professionals who have in the aggregate many years of experience in the equity markets.
<b>Tax Advantages</b>	You can achieve higher after-tax returns because of the tax treatment applied to capital gains.
<b>Withdrawal Options</b>	You can have a systematic withdrawal plan which can provide income and can reduce your investment's exposure to tax.
<b>Shareholder Accounting</b>	Your record-keeping is simplified.
<b>Transfer Provisions</b>	You can easily modify your investment objectives by transferring between Eaton Bay's other funds at a nominal fee.

For full details, see your fund's Summary Statement or Prospectus.

## Eaton Bay also manages:

Eaton Bay Dividend Fund Ltd.  
Eaton Bay Growth Fund Ltd.  
Eaton Bay Income Fund  
Eaton Bay International Fund Ltd.  
Eaton Bay Viking Fund Limited

## **EATON BAY COMMONWEALTH FUND A PART OF THE EATON BAY FINANCIAL FAMILY**

In today's ever changing economy, it is important 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 which clearly defines objectives and outlines steps to be followed to reach those objectives.

At Eaton Bay Financial the wide range of products and services offered provides basic insurance protection, savings, investment, and annuity programs, each of which is a necessary part of your total financial plan, and all available from a single source. In addition, Eaton Bay 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 enable you to achieve your overall goals.

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

Person to Person Financial Services

## **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.