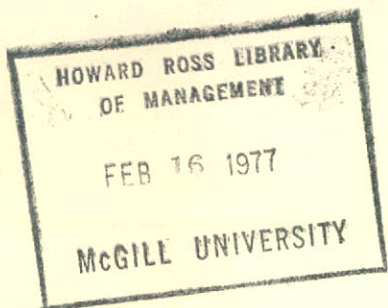


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EATON FINANCIAL SERVICES

↓ **EATON
COMMONWEALTH
FUND
LTD.**

annual report
december 31st, 1975



ONE PLACE FOR ALL YOUR TOMORROWS

To the Shareholders:

The Board is pleased to present the 1975 Annual Report of Eaton Commonwealth Fund Ltd.

There was a significant recovery on world stock markets in 1975 as the contraction in economic activity in most industrial countries came to an end and economies began to recover. The rise in the Toronto Stock Exchange Industrial Index of 9.9% was below average compared to most markets. In New York the Dow Jones Industrial Index rose 38.3%, while the Tokyo Dow Jones rose 14.2%. The net asset value per share of your Fund increased 23.1%, including the dividend paid in December.

The weaker performance of the Canadian market likely reflects the fact that Canada faces the severe problem of a rate of inflation higher than that of the U.S. and some other major markets and competitors. The very high labour settlements and demands, especially in the public sector, which appeared to be accelerating over the year as various groups attempted to maintain and increase their real incomes, led to the federal government introducing an Anti-Inflation Program in October to limit increases in prices and wages. It remains to be seen whether the federal government will take the necessary steps to reduce the rate of increase in its spending and in the growth of the money supply, which are necessary to make the Program truly successful.

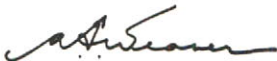
It is likely that the world-wide reduction in inflation rates, which appears to be taking place, will reduce the rate of inflation in Canada modestly this year even without help from the Anti-Inflation Program. This, together with the economic expansion taking place and the fact that Canadian equities are now lower priced in terms of earnings and dividend yield than U.S. equities, will likely result in a better performance for Canadian equities compared to U.S. equities than was experienced last year.

Your Fund is well diversified on a geographic basis to benefit as world economies and trade continue to recover. In the U.S. especially, we look for a lower rate of inflation and higher corporate profits to result in another good year for common stock shareholders.

On Behalf of the Board,



Chairman



President

Toronto, Canada,
March 10, 1976

statement of financial position

December 31, 1975

	1975	1974
ASSETS:		
Investments, at quoted value:		
(Average cost 1975 — \$30,181,253; 1974 — \$32,065,715)		
Canadian common stocks ..	\$12,891,413	\$12,796,375
Foreign common stocks	13,266,656	9,839,951
Canadian preferred stocks	2,315,200	3,637,975
Canadian bonds	4,485,500	4,276,500
Foreign bonds	361,023	—
	<u>33,319,792</u>	<u>30,550,801</u>
Cash, interest-bearing	500,473	—
Short-term notes	1,975,640	1,690,032
Accrued investment income	407,015	394,886
Accounts receivable	30,856	65,897
Income taxes recover- able (note 3)	112,510	61,790
	<u>36,346,286</u>	<u>32,763,406</u>
LIABILITIES:		
Due to trust company	—	55,829
Accounts payable	469,629	83,122
Redemptions payable	408,063	95,262
	<u>877,692</u>	<u>234,213</u>
NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY ..	<u><u>\$35,468,594</u></u>	<u><u>\$32,529,193</u></u>
SHAREHOLDERS' EQUITY:		
Capital stock (note 2):		
Authorized —		
1,000 deferred shares of \$1 par value each		
17,746,783 common shares of \$1 par value each less 14,483,217 shares redeemed (1974 — 14,050,119 shares redeemed)		
Issued and outstanding —		
2,767,344 common shares (1974 — 3,023,703 shares)	\$ 2,767,344	\$ 3,023,703
Surplus:		
Retained earnings	29,562,711	31,020,404
Unrealized appreciation (depreciation) of investments	<u>3,138,539</u>	<u>(1,514,914)</u>
TOTAL SHAREHOLDERS' EQUITY	<u><u>\$35,468,594</u></u>	<u><u>\$32,529,193</u></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, 1975

	1975	1974
INVESTMENT INCOME:		
Dividends	\$ 1,596,256	\$ 1,683,206
Interest	486,318	527,029
	<u>2,082,574</u>	<u>2,210,235</u>
EXPENSE:		
Management fee (note 4)	<u>407,649</u>	<u>450,370</u>
EARNINGS BEFORE PROVISION FOR INCOME TAXES	1,674,925	1,759,865
PROVISION FOR INCOME TAXES (note 3)	<u>178,000</u>	<u>206,800</u>
NET EARNINGS FOR THE YEAR	<u>\$ 1,496,925</u>	<u>\$ 1,553,065</u>
NET EARNINGS PER SHARE — Based on average number of shares outstanding during year	<u>52.4¢</u>	<u>47.1¢</u>

statement of surplus

for the year ended December 31, 1975

RETAINED EARNINGS:		
Balance, beginning of year ..	\$31,020,404	\$36,887,579
Net earnings for the year	1,496,925	1,553,065
Net gain (loss) on sales of securities	<u>1,164,419</u>	<u>(398,741)</u>
	33,681,748	38,041,903
Dividends	<u>1,142,478</u>	<u>1,171,417</u>
Excess of amounts paid over par value of shares redeemed (in addition to amounts charged to contributed surplus)	<u>2,976,559</u>	<u>5,850,082</u>
Balance, end of year	<u>\$29,562,711</u>	<u>\$31,020,404</u>
CONTRIBUTED SURPLUS:		
Balance, beginning of year ..	\$ —	\$ —
Excess of amounts received over par value of shares issued	<u>2,065,548</u>	<u>3,027,390</u>
	2,065,548	3,027,390
Excess of amounts paid over par value of shares redeemed	<u>2,065,548</u>	<u>3,027,390</u>
Balance, end of year	<u>\$ —</u>	<u>\$ —</u>
UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS:		
Balance, beginning of year ..	\$ (1,514,914)	\$ 6,712,420
Unrealized appreciation (depreciation) of investments	<u>4,653,453</u>	<u>(8,227,334)</u>
Balance, end of year	<u>\$ 3,138,539</u>	<u>\$ (1,514,914)</u>

(See accompanying notes)

statement of changes in net assets

for the year ended December 31, 1975

	1975	1974
NET ASSETS, BEGINNING OF YEAR	<u>\$32,529,193</u>	<u>\$47,148,980</u>
ADDITIONS TO NET ASSETS:		
Net earnings for the year	1,496,925	1,553,065
Proceeds from issue of common shares	2,242,287	3,303,026
Unrealized appreciation of investments	4,653,453	—
*Net gain on sales of securities	1,164,419	—
	<u>9,557,084</u>	<u>4,856,091</u>
DEDUCTIONS FROM NET ASSETS:		
Dividends —		
Out of net earnings —		
42.5¢ per share (1974 —		
37.5¢ per share)	1,142,478	1,171,417
Payment on redemption of common shares	5,475,205	9,678,386
Unrealized depreciation of investments	—	8,227,334
*Net loss on sales of securities	—	398,741
	<u>6,617,683</u>	<u>19,475,878</u>
INCREASE (DECREASE) IN NET ASSETS	<u>2,939,401</u>	<u>(14,619,787)</u>
NET ASSETS, END OF YEAR ..	<u><u>\$35,468,594</u></u>	<u><u>\$32,529,193</u></u>
NET ASSET VALUE PER SHARE:		
Beginning of year	<u>\$ 10.76</u>	<u>\$ 13.29</u>
End of year	<u><u>\$ 12.82</u></u>	<u><u>\$ 10.76</u></u>
*NET GAIN (LOSS) ON SALES OF SECURITIES:		
Proceeds from sales of securities	<u>\$ 6,171,931</u>	<u>\$ 8,007,483</u>
Cost of securities sold:		
Securities at cost, beginning of year	32,065,715	39,479,939
Purchases	3,123,050	992,000
	<u>35,188,765</u>	<u>40,471,939</u>
Securities at cost, end of year	<u>30,181,253</u>	<u>32,065,715</u>
Cost of securities sold	<u>5,007,512</u>	<u>8,406,224</u>
Net gain (loss) on sales of securities	<u><u>\$ 1,164,419</u></u>	<u><u>\$ (398,741)</u></u>

(See accompanying notes)

schedule of investments and other net assets

December 31, 1975

COMMON STOCKS — 73.75%

BANKS AND FINANCE COMPANIES — 9.81%

The Bank of Nova Scotia
Canadian Imperial Bank of Commerce
I.A.C. Limited
The Royal Bank of Canada

ELECTRICAL AND ELECTRONICS — 10.44%

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

LEISURE — 9.36%

*Fuji Photo Film Co. Ltd.

MERCHANDISING — 2.25%

*United Merchants & Manufacturers, Inc.

METALS AND MINING — 3.72%

Alcan Aluminium Limited
Noranda Mines Limited "A"

OFFICE SYSTEMS AND EQUIPMENT — 7.74%

*International Business Machines Corporation
*The Rank Organization Limited "A"

OIL — 1.75%

*Continental Oil Company

PUBLIC UTILITIES — 14.61%

Bell Canada
British Columbia Telephone Company
*General Telephone & Electronics Corporation
Norcen Energy Resources Limited

STEEL AND HEAVY INDUSTRIES — 2.43%

Canron Limited

TRANSPORTATION — 1.51%

Canadian Pacific Limited

MISCELLANEOUS — 10.13%

*Campbell Soup Company
Crown Cork and Seal Company Limited
*Interco Incorporated

TOTAL COMMON STOCKS

PREFERRED STOCKS — 6.53%

Consolidated-Bathurst Limited 6%
Reed Paper Limited \$2.00 Conv.
Rothmans of Pall Mall Canada Ltd. 6.85% "A"

TOTAL PREFERRED STOCKS

BONDS — 13.66%

GOVERNMENT AND GOVERNMENT GUARANTEED — 6.84%

Canadian National Railways 4% February 1, 1981
Government of Canada 5¼% May 1, 1990
Government of Canada 9% February 1, 1978-80

PROVINCIAL — 2.21%

Province of Ontario 9% July 1, 1998-83

CORPORATE — 4.61%

Bell Canada 6¾% February 1, 1990
Hudson's Bay Company 6% July 15, 1993 (exchangeable into
common shares of Hudson's Bay Oil & Gas Ltd.)
*Matsushita Electric Industrial Co. Ltd. Conv. Deb. 6¾%
November 20, 1990
Roynat Limited 6% January 15, 1979

TOTAL BONDS

TOTAL INVESTMENT PORTFOLIO — 93.94%

Short-term notes — 5.57%

Other — 0.49%

TOTAL NET ASSETS — 100.00%

*Foreign Securities

(See accompanying notes)

Number of shares or par value	Quoted value	Diversification of \$10,000 of net assets
20,000	\$ 812,500	\$ 229
35,000	875,000	247
60,000	1,102,500	311
23,000	687,125	194
61,500	1,491,375	420
2,300,000	1,416,449	400
400,000	791,862	224
2,425,000	3,324,484	936
55,000	796,486	225
30,000	592,500	167
25,000	728,125	205
8,750	1,994,073	562
250,000	750,000	212
10,000	618,642	175
50,000	2,150,000	605
140,000	1,557,500	438
40,000	1,031,494	291
45,000	450,000	127
48,100	859,788	243
40,000	535,000	151
40,000	1,361,775	384
3,500	1,050,000	296
30,000	1,181,391	333
	<u>26,158,069</u>	<u>7,375</u>
59,200	910,200	257
20,000	430,000	121
15,000	975,000	275
	<u>2,315,200</u>	<u>653</u>
\$1,300,000	1,046,500	295
1,000,000	665,000	188
700,000	714,000	201
800,000	784,000	221
750,000	517,500	145
400,000	316,000	89
350,000	361,023	102
500,000	442,500	125
	<u>4,846,523</u>	<u>1,366</u>
	33,319,792	9,394
	1,975,640	557
	173,162	49
	<u>\$35,468,594</u>	<u>\$10,000</u>

auditors' report

To the Shareholders of
Eaton Commonwealth Fund Ltd.:

We have examined the statement of financial position and the schedule of investments and other net assets of Eaton Commonwealth Fund Ltd. as at December 31, 1975 and the statements of earnings, surplus and changes in net assets for the year then ended. 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 company as at December 31, 1975 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 8, 1976

Clarkson, Gordon & Co.
Chartered Accountants

notes to financial statements

December 31, 1975

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 common 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 \$1.00 is allocated to capital stock and the remainder to contributed surplus. The common 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 unless there is insufficient contributed surplus available in which case the excess over par value is charged to retained earnings.

2. CAPITAL STOCK TRANSACTIONS

Capital stock transactions during the year were as follows:

	1975		1974	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Subscriptions	176,739	\$2,242,287	275,636	\$3,303,026
Redemptions	433,098	\$5,475,205	800,914	\$9,678,386

3. INCOME TAXES

The company qualifies as a mutual fund corporation for income tax purposes. Federal income taxes payable on taxable capital gains and dividends received from taxable 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.

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
ROGER J. McGRAW	Assistant Treasurer
MAX W. ZIESACK	Assistant Secretary

directors

CHARLES W. BRAZIER	Vancouver, B.C.
ROBERT J. BUTLER	Don Mills, Ont.
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.
PHILLIP B. HOPGOOD	Halifax, N.S.
MURRAY J. HOWE	Burlington, Ont.
DAVID KINNEAR	Toronto, Ont.
CHARLES R. MacFADDEN	Halifax, N.S.
TREVOR F. MOORE	Toronto, Ont.
JOHN SAYWELL	Victoria, B.C.
ERIC D. SCOTT	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

**investment manager and
distributor**

Eaton Fund Management Limited
Toronto, Ontario

**transfer agent and
registrar**

Eaton Trust Company
Montreal, Quebec

custodian of investments

International Trust Company
Toronto, Ontario

auditors

Clarkson, Gordon & Co.
Toronto, Ontario

fund highlights

- No initial sales charges.
- Low initial investment. \$200 minimum plus a \$10 administrative fee.
- Voluntary investments. No long term contract.
- Convenient payment system. Automatic monthly transfers from your bank account.
- Annual inter-fund transfer privilege.
- Invested internationally for strong growth potential.
- Service at any Eaton Financial Centre.

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