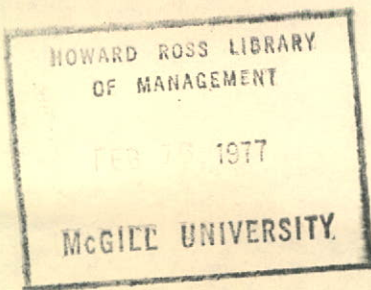


C-
EATON FINANCIAL SERVICES

**EATON
COMMONWEALTH
FUND
LTD.**

annual report
december 31st, 1974



ONE PLACE FOR ALL YOUR TOMORROWS

To the Shareholders:

The Board is pleased to present the 1974 Annual Report of Eaton Commonwealth Fund Ltd.

Most major stock markets declined sharply in 1974. Since the end of the year, however, there has been a significant recovery, as indicated by the changes in the following common stock indices.

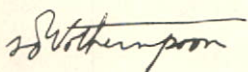
	Two Months to 28 Feb. 1975	Year 1974
Toronto Stock Exchange Industrials	+17.3%	-26.6%
Dow Jones Industrials	+19.9%	-27.6%
Tokyo Dow Jones Industrials	+12.0%	-11.4%

It is our opinion that the 1974 declines were the result of accelerating rates of inflation, rising interest rates and concern over the consequences of government measures to reduce the rate of inflation. With the maturing of the economic cycle, economic growth in most countries has been reduced sharply, while in some major countries total output has declined.

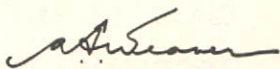
As economic activity has declined world-wide, so have commodity prices and short-term interest rates. Long-term interest rates have declined moderately. Over the months ahead it is likely that both wholesale and retail prices will show lower rates of increase. Governments are now taking fiscal and monetary steps to stimulate their countries' economies as inflation moderates and unemployment increases. Provided this stimulation is not excessive, economic growth with less inflation than in the last economic cycle is possible.

Despite the current major recession in the U.S., Canada can hope for modest economic growth in 1975. Stock markets are now well above their 1974 lows, reflecting lower interest rates, the expectation of lower inflation and the end of the U.S. recession by the fourth quarter of 1975. Your Fund has shared in the recovery of markets and is positioned favourably to participate fully as the outlook improves and stock prices continue their recovery.

On behalf of the Board,



Chairman



President

Montreal, Canada
March 18, 1975

statement of financial position

December 31, 1974

	1974	1973
ASSETS:		
Investments, at quoted value:		
(Average cost 1974 — \$32,065,715;		
1973 — \$39,479,939)		
Canadian common stocks..	\$12,796,375	\$18,954,375
Foreign common stocks	9,839,951	16,877,734
Canadian preferred stocks	3,637,975	4,254,250
Canadian bonds	4,276,500	6,106,000
	<u>30,550,801</u>	<u>46,192,359</u>
Short-term notes	1,690,032	987,639
Accrued income	394,886	439,186
Accounts receivable	65,897	217,417
Refundable taxes (note 3)	195,334	205,347
	<u>32,896,950</u>	<u>48,041,948</u>
LIABILITIES:		
Due to trust company	55,829	191,437
Accounts payable	83,122	18,392
Redemptions payable	95,262	355,867
Income taxes payable (note 3)	133,544	327,272
	<u>367,757</u>	<u>892,968</u>
NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY ..	<u>\$32,529,193</u>	<u>\$47,148,980</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 14,050,119 shares redeemed (1973 — 13,249,205 shares redeemed)		
Issued and outstanding —		
3,023,703 common shares (1973—3,548,981 shares) ..	\$ 3,023,703	\$ 3,548,981
Surplus:		
Retained earnings	31,020,404	36,887,579
Unrealized appreciation (depreciation) of investments	(1,514,914)	6,712,420
TOTAL SHAREHOLDERS' EQUITY	<u>\$32,529,193</u>	<u>\$47,148,980</u>

On behalf of the Board:

G. D. deS. Wotherspoon, Director.

W. H. Zimmerman, Director.

(See accompanying notes)

statement of earnings

for year ended December 31, 1974

	1974	1973
INVESTMENT INCOME:		
Dividends	\$ 1,683,206	\$ 1,923,539
Interest	527,029	539,418
	<u>2,210,235</u>	<u>2,462,957</u>
EXPENSE:		
Management fee (note 4)	<u>450,370</u>	<u>601,950</u>
EARNINGS BEFORE PROVISION FOR INCOME TAXES	1,759,865	1,861,007
PROVISION FOR INCOME TAXES (note 3)	<u>206,800</u>	<u>270,800</u>
NET EARNINGS FOR THE YEAR	<u>\$ 1,553,065</u>	<u>\$ 1,590,207</u>
NET EARNINGS PER SHARE — Based on average number of shares outstanding during year	<u>47.1¢</u>	<u>42.8¢</u>

statement of surplus

for year ended December 31, 1974

RETAINED EARNINGS:		
Balance, beginning of year ..	\$36,887,579	\$38,395,229
Net earnings for the year	1,553,065	1,590,207
Net gain (loss) on sales of securities	(398,741)	2,480,302
	<u>38,041,903</u>	<u>42,465,738</u>
Dividends	1,171,417	1,390,310
Excess of amounts paid over par value of shares redeemed	<u>5,850,082</u>	<u>4,187,849</u>
Balance, end of year	<u>\$31,020,404</u>	<u>\$36,887,579</u>
CONTRIBUTED SURPLUS		
Balance, beginning of year ..	\$ —	\$ 618,597
Excess of amounts received over par value of shares issued	<u>3,027,390</u>	<u>4,176,898</u>
	<u>3,027,390</u>	<u>4,795,495</u>
Excess of amounts paid over par value of shares redeemed	<u>3,027,390</u>	<u>4,795,495</u>
Balance, end of year	<u>\$ —</u>	<u>\$ —</u>
UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS:		
Balance, beginning of year ..	\$ 6,712,420	\$18,885,818
Unrealized (depreciation) of investments	(8,227,334)	(12,173,398)
Balance, end of year	<u>\$ (1,514,914)</u>	<u>\$ 6,712,420</u>

(See accompanying notes)

statement of changes in net assets

for the year ended December 31, 1974

	1974	1973
NET ASSETS, BEGINNING OF YEAR	<u>\$47,148,980</u>	<u>\$61,791,049</u>
ADDITIONS TO NET ASSETS:		
Net earnings for the year	1,553,065	1,590,207
Proceeds from issue of common shares	3,303,026	4,476,671
*Net gain on sales of securities	—	2,480,302
	<u>4,856,091</u>	<u>8,547,180</u>
DEDUCTIONS FROM NET ASSETS:		
Dividends —		
Out of net earnings —		
37.5¢ per share (1973 —		
35¢ per share)	1,171,417	1,284,659
Out of net gain on sales of securities (1973 — 3¢ per share)	—	105,651
	<u>1,171,417</u>	<u>1,390,310</u>
Payment on redemption of common shares	9,678,386	9,625,541
Unrealized depreciation of investments	8,227,334	12,173,398
*Net loss on sales of securities	398,741	—
	<u>19,475,878</u>	<u>23,189,249</u>
DECREASE IN NET ASSETS ..	<u>14,619,787</u>	<u>14,642,069</u>
NET ASSETS, END OF YEAR ..	<u><u>\$32,529,193</u></u>	<u><u>\$47,148,980</u></u>
NET ASSET VALUE PER SHARE:		
Beginning of year	<u>\$ 13.29</u>	<u>\$ 15.88</u>
End of year	<u><u>\$ 10.76</u></u>	<u><u>\$ 13.29</u></u>
*NET GAIN (LOSS) ON SALES OF SECURITIES:		
Proceeds from sales of securities	<u>\$ 8,007,483</u>	<u>\$ 3,813,108</u>
Cost of securities sold:		
Securities at cost, beginning of year	39,479,939	38,914,081
Purchases	992,000	1,898,664
	<u>40,471,939</u>	<u>40,812,745</u>
Securities at cost, end of year	<u>32,065,715</u>	<u>39,479,939</u>
Cost of securities sold	<u>8,406,224</u>	<u>1,332,806</u>
Net gain (loss) on sales of securities	<u><u>\$ (398,741)</u></u>	<u><u>\$ 2,480,302</u></u>

(See accompanying notes)

schedule of investments and other net assets

December 31, 1974

COMMON STOCKS — 69.59%

BANKS AND FINANCE COMPANIES — 9.98%

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

ELECTRICAL AND ELECTRONICS — 7.73%

*Hitachi Ltd.
*Matsushita Electric Industrial Co. Ltd.

LEISURE — 6.93%

*Fuji Photo Film Co. Ltd.

MERCHANDISING — 2.35%

*United Merchants & Manufacturers, Inc.

METALS AND MINING — 5.31%

Alcan Aluminium Limited
Noranda Mines Limited "A"

OFFICE SYSTEMS AND EQUIPMENT — 6.09%

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

PUBLIC UTILITIES — 14.66%

Bell Canada
British Columbia Telephone Company
*General Telephone & Electronics Corporation
Northern and Central Gas Corporation Limited

STEEL AND HEAVY INDUSTRIES — 2.77%

Canron Limited

TRANSPORTATION — 5.49%

Canadian Pacific Limited

MISCELLANEOUS — 8.28%

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

TOTAL COMMON STOCKS

PREFERRED STOCKS — 11.18%

British Columbia Telephone Company 5¾%
Canadian General Electric Company Limited \$1.25 Conv.
Consolidated-Bathurst Limited 6%
Reed Paper Limited \$2.00 Conv.
Rothmans of Pall Mall Canada Ltd. 6.85% "A"

TOTAL PREFERRED STOCKS

BONDS — 13.15%

GOVERNMENT AND GOVERNMENT GUARANTEED — 7.03%

Canadian National Railways 4% February 1, 1981
Government of Canada 5¼% May 1, 1990
Government of Canada 6½% April 1, 1975

PROVINCIAL AND PROVINCIAL GUARANTEED — 2.37%

Province of Ontario 5¾% May 1, 1987

CORPORATE — 3.75%

Bell Canada 6¾% February 1, 1990
Hudson's Bay Company 6% July 15, 1993
Roynat Limited 6% January 15, 1979

TOTAL BONDS

TOTAL INVESTMENT PORTFOLIO — 93.92%

Short-term notes — 5.19%
Other — 0.89%

TOTAL NET ASSETS — 100.00%

*Foreign Stocks

(See accompanying notes)

Number of shares or par value	Quoted Value	Diversification of \$10,000 of net assets
21,000	\$ 727,125	\$ 224
35,000	761,250	234
65,000	1,105,000	340
25,000	650,000	200
2,300,000	1,062,422	327
1,100,000	1,451,289	446
2,475,000	2,254,623	693
63,000	764,997	235
43,000	843,875	259
31,000	883,500	272
8,750	1,457,138	448
250,000	525,000	161
50,000	2,181,250	670
30,000	1,410,000	433
40,000	669,094	206
60,000	510,000	157
60,000	900,000	277
131,000	1,784,875	549
40,000	1,090,375	335
3,500	1,039,500	319
30,000	565,013	174
	<u>22,636,326</u>	<u>6,959</u>
3,500	192,500	59
64,000	1,152,000	354
59,200	917,600	282
25,500	490,875	151
15,000	885,000	272
	<u>3,637,975</u>	<u>1,118</u>
\$1,300,000	1,072,500	330
1,000,000	715,000	220
500,000	499,000	153
1,000,000	770,000	237
750,000	525,000	161
400,000	260,000	80
500,000	435,000	134
	<u>4,276,500</u>	<u>1,315</u>
	30,550,801	9,392
	1,690,032	519
	288,360	89
	<u>\$32,529,193</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, 1974 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, 1974 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.

Montreal, Canada,
March 14, 1975.

Clarkson, Gordon & Co.
Chartered Accountants

notes to financial statements

December 31, 1974

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments are recorded in the accounts at their quoted value 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.

Average cost is used to determine the gain or loss on sales of securities.

The full 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:

	1974		1973	
	Shares	Amount	Shares	Amount
Subscriptions	275,636	\$3,303,026	299,773	\$4,476,671
Redemptions	800,914	\$9,678,386	642,197	\$9,625,541

3. INCOME TAXES

Effective January 1, 1972, 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 shown as an asset and 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.

The 1973 provision for income taxes includes taxes of \$48,000 on foreign stock dividends which, for accounting purposes, are excluded from income.

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, other than brokerage fees and all taxes, are to be 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 net asset value of the company.

5. DIRECTORS AND OFFICERS

During the year, the seventeen directors and nine officers (including two former officers) received no remuneration as directors or officers. Three of the officers also served as directors.

6. NAME CHANGE

On April 16, 1974, the company changed its name from Commonwealth International Corporation Limited to Eaton Commonwealth Fund Ltd.

7. COMPARATIVE AMOUNTS

Certain of the 1973 comparative amounts have been reclassified to conform with the presentation adopted in 1974.

officers

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

directors

CHARLES W. BRAZIER, Q.C.	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.
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, Q.C.	Toronto, Ont.

business office

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

**investment manager and
distributor**

Eaton Fund Management Limited
Toronto, Ontario, and
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.