

L Eaton Commonwealth Fund Ltd. C

EATON FINANCIAL SERVICES

COMMONWEALTH INTERNATIONAL CORPORATION LIMITED

annual report
december 31st, 1973

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To the shareholders:

With this publication of the 1973 annual report, we are pleased to announce a proposed change in name from Commonwealth International Corporation Limited to Eaton Commonwealth Limited. We are confident that this association with the Eaton name will be beneficial to your Fund in light of the reputation enjoyed by other mutual funds managed by Eaton Fund Distributors Limited. The change in name, which we recommend, is to be submitted at our annual meeting on April 15 and as in the past we are asking for your proxy if you are unable to attend.

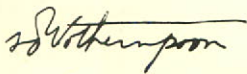
The past year has had its share of disappointment for equity investors. Rampant inflation, unusual shortages for oil and other key commodities, wide fluctuations in exchange rates—all have been subjects of concern to the investor and have contributed to a depression of stock prices generally. The decline in The Toronto Stock Exchange Industrials of 3.6 per cent was minimal in comparison with most of the other major exchange indices around the world.

However, there are some indications that this year will see a restoration of investor confidence. The expected resumption of normal flow of oil from the Middle East and lessening of the extraordinarily high consumer demand for scarce commodities should have a restraining influence on prices. Monetary and fiscal measures in countries like Japan and the United States will, we expect, help to slow the rate of inflation, and the growth in the rate of consumer saving in the United States seems to indicate an improved liquidity position.

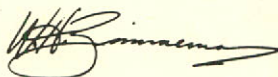
It should be mentioned that, with our existing economy, ownership of companies that are producing real goods and services has advantages over other assets currently fashionable as inflation hedges. We firmly believe that common stocks are under-valued at this time. In this belief, your Fund Manager continues to seek opportunities to strengthen the Fund's portfolio of stocks which will benefit from a market recovery.

Shareholders requiring information regarding their mutual fund investment should feel free to call or visit the Fund's distributor at Eaton Financial Centres located in major cities across Canada, or write to Eaton Fund Distributors Limited, Suite 3023, Place Victoria, Montreal, Quebec, H4Z 1B8.

On behalf of the Board,



Chairman



President

Montreal, Canada
March 14, 1974

statement of financial position

December 31, 1973

	1973	1972
ASSETS:		
Cash	\$ —	\$ 670,455
Short-term notes	987,639	2,972,860
Accrued income	439,186	485,930
Due from brokers	114,886	359,035
Subscriptions receivable	102,106	330,385
Refundable taxes (note 3)	205,347	—
Other	425	6,036
	<u>1,849,589</u>	<u>4,824,701</u>
Investments, at quoted value:		
Canadian stocks	23,208,625	25,546,088
Canadian bonds	6,106,000	5,905,750
Foreign stocks (note 1)	16,877,734	26,348,061
(Average cost 1973 — \$39,479,939; 1972 — \$38,914,081)	<u>46,192,359</u>	<u>57,799,899</u>
	<u>48,041,948</u>	<u>62,624,600</u>
LIABILITIES:		
Due to trust company	191,437	—
Accounts payable	18,392	61,050
Redemptions payable	355,867	650,087
Income taxes payable (note 3)	327,272	122,414
	<u>892,968</u>	<u>833,551</u>
NET ASSETS REPRESENTING SHAREHOLDERS' EQUITY	<u><u>\$47,148,980</u></u>	<u><u>\$61,791,049</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 13,249,205 shares redeemed (1972— 12,607,008 shares redeemed)		
Issued and outstanding—		
3,548,981 common shares (1972—3,891,405 shares) ...	\$ 3,548,981	\$ 3,891,405
Surplus:		
Retained earnings	36,887,579	38,395,229
Contributed surplus (note 2)	—	618,597
Unrealized appreciation of investments	<u>6,712,420</u>	<u>18,885,818</u>
TOTAL SHAREHOLDERS' EQUITY	<u><u>\$47,148,980</u></u>	<u><u>\$61,791,049</u></u>

On behalf of the Board:

G. D. de S. Wotherspoon, Director.

W. H. Zimmerman, Director.

(See accompanying notes)

statement of earnings

for the year ended December 31, 1973

	1973	1972
INVESTMENT INCOME:		
Dividends.....	\$ 1,923,539	\$ 1,692,866
Interest.....	539,418	546,098
	<u>2,462,957</u>	<u>2,238,964</u>
EXPENSE:		
Management fee and administrative expenses (note 4)	601,950	542,757
EARNINGS BEFORE PROVISION FOR INCOME TAXES.....	1,861,007	1,696,207
PROVISION FOR INCOME TAXES (note 3)	270,800	239,575
NET EARNINGS FOR THE YEAR.....	\$ 1,590,207	\$ 1,456,632
NET EARNINGS PER SHARE —		
Based on average number of shares outstanding during year.....	<u>42.8¢</u>	<u>36.0¢</u>

statement of surplus

for the year ended December 31, 1973

	1973	1972
RETAINED EARNINGS:		
Balance, beginning of year	\$38,395,229	\$33,665,304
Net earnings	1,590,207	1,456,632
Net gain on sales of securities	2,480,302	4,730,400
	<u>42,465,738</u>	<u>39,852,336</u>
Dividends.....	1,390,310	1,457,107
Excess of amounts paid over par value of shares redeemed (note 2)	4,187,849	—
Balance, end of year.....	<u>\$36,887,579</u>	<u>\$38,395,229</u>
CONTRIBUTED SURPLUS (note 2):		
Balance, beginning of year	\$ 618,597	\$ 7,832,903
Excess of amounts received over par value of shares issued	4,176,898	5,830,276
	<u>4,795,495</u>	<u>13,663,179</u>
Excess of amounts paid over par value of shares redeemed	4,795,495	13,044,582
Balance, end of year.....	<u>\$ —</u>	<u>\$ 618,597</u>
UNREALIZED APPRECIATION OF INVESTMENTS:		
Balance, beginning of year	\$18,885,818	\$13,043,892
Increase (decrease) in unrealized appreciation of investments	(12,173,398)	5,841,926
Balance, end of year.....	<u>\$ 6,712,420</u>	<u>\$18,885,818</u>

(See accompanying notes)

statement of changes in net assets

for the year ended December 31, 1973

	1973	1972
NET ASSETS, BEGINNING OF YEAR.....	<u>\$61,791,049</u>	<u>\$58,961,121</u>
ADDITIONS TO NET ASSETS:		
Net gain on sales of securities —		
Proceeds from sales of securities	<u>19,781,417</u>	<u>32,746,537</u>
Cost of securities sold:		
Securities at cost, beginning of year.....	41,886,941	44,556,854
Purchases.....	<u>15,881,752</u>	<u>25,346,224</u>
	<u>57,768,693</u>	<u>69,903,078</u>
Securities at cost, end of year.....	<u>40,467,578</u>	<u>41,886,941</u>
Cost of securities sold	<u>17,301,115</u>	<u>28,016,137</u>
Net gain on sales of securities.....	2,480,302	4,730,400
Increase in unrealized appreciation of investments.....	—	5,841,926
Net earnings	1,590,207	1,456,632
Proceeds from issue of common shares.....	<u>4,476,671</u>	<u>6,256,810</u>
	<u>8,547,180</u>	<u>18,285,768</u>
DEDUCTIONS FROM NET ASSETS:		
Dividends —		
Out of net earnings—35¢ per share (1972—36¢ per share)	1,284,659	1,456,632
Out of net gain on sales of securities—3¢ per share	105,651	—
Out of retained earnings	—	475
Payment on redemption of common shares.....	<u>1,390,310</u>	<u>1,457,107</u>
Decrease in unrealized appreciation of investments.....	<u>9,625,541</u>	<u>13,998,733</u>
	<u>12,173,398</u>	<u>—</u>
	<u>23,189,249</u>	<u>15,455,840</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(14,642,069)</u>	<u>2,829,928</u>
NET ASSETS, END OF YEAR.....	<u>\$47,148,980</u>	<u>\$61,791,049</u>
NET ASSET VALUE PER SHARE:		
Beginning of year.....	<u>\$ 15.88</u>	<u>\$ 13.34</u>
End of year	<u>\$ 13.29</u>	<u>\$ 15.88</u>

(See accompanying notes)

schedule of investments and net liabilities

December 31, 1973

COMMON STOCKS — 76.00%

BANKS AND FINANCE COMPANIES — 10.81%

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

ELECTRICAL AND ELECTRONICS — 9.29%

*Hitachi Ltd.....
*International Telephone & Telegraph Corporation.....
*Matsushita Electrical Industrial Co. Limited.....

LEISURE — 5.31%

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

MERCHANDISING — 3.66%

*United Merchants & Manufacturers, Inc.....
*F. W. Woolworth Company.....

METALS AND MINING — 8.84%

Alcan Aluminium Limited.....
Noranda Mines Limited "A".....

OFFICE SYSTEMS AND EQUIPMENT — 8.54%

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

PUBLIC UTILITIES — 11.50%

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

STEEL AND HEAVY INDUSTRIES — 5.41%

Canon Limited.....
*Komatsu Ltd.....

TRANSPORTATION — 4.93%

Canadian Pacific Limited.....

MISCELLANEOUS — 7.71%

Anglo-Canadian Pulp & Paper Mills Limited.....
*Campbell Soup Company.....
Crown Cork and Seal Company Limited.....
*Interco Incorporated.....

TOTAL COMMON STOCKS

PREFERRED STOCKS — 9.02%

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

TOTAL PREFERRED STOCKS.....

BONDS — 12.95%

GOVERNMENT AND GOVERNMENT GUARANTEED — 3.82%

Canadian National Railways 4% February 1, 1981.....
Government of Canada 5¼% May 1, 1990.....

PROVINCIAL AND PROVINCIAL GUARANTEED — 2.71%

Province of Ontario 4¼% May 15, 1974.....
Province of Ontario 5¼% May 1, 1987.....

CORPORATE — 6.42%

Bell Canada 6¾% February 1, 1990.....
The T. Eaton Acceptance Co. Limited 6¼% April 1, 1980.....
The T. Eaton Acceptance Co. Limited 5¼% April 15, 1984.....
The T. Eaton Acceptance Co. Limited 5¼% May 1, 1985.....
Hudson's Bay Company 6% July 15, 1993.....
Roynat Limited 6% January 15, 1979.....

TOTAL BONDS.....

TOTAL INVESTMENT PORTFOLIO — 97.97%

Short-term notes — 2.09%.....

Net liabilities — (0.06%).....

TOTAL NET ASSETS — 100.00%.....

*Foreign Stocks

Number of shares or par value	Quoted value	Diversification of \$10,000 of net assets
35,000	\$ 1,277,500	\$ 271
40,000	1,120,000	238
80,000	1,420,000	301
35,000	1,277,500	271
2,400,000	1,360,479	289
35,000	919,663	195
1,265,000	2,098,327	445
2,550,500	2,505,363	531
70,000	1,176,820	250
30,000	549,183	116
55,000	2,158,750	458
40,000	2,010,000	426
8,750	2,150,966	456
250,000	1,875,000	398
50,000	2,012,500	427
30,000	1,470,000	312
45,000	1,120,781	238
75,000	815,625	173
73,000	1,350,500	286
1,400,000	1,200,880	255
150,000	2,325,000	493
30,000	525,000	111
40,000	1,195,500	254
4,000	1,192,000	253
30,000	724,772	153
	<u>35,832,109</u>	<u>7,600</u>
3,500	234,500	50
70,000	1,828,750	387
59,200	1,036,000	220
15,000	1,155,000	245
	<u>4,254,250</u>	<u>902</u>
\$1,300,000	1,036,750	220
1,000,000	765,000	162
500,000	491,250	104
1,000,000	787,500	167
750,000	596,250	126
450,000	405,000	86
500,000	397,500	84
1,000,000	777,500	165
400,000	408,000	87
500,000	441,250	94
	<u>6,106,000</u>	<u>1,295</u>
	46,192,359	9,797
	987,639	209
	(31,018)	(6)
	<u>\$47,148,980</u>	<u>\$10,000</u>

auditors' report

To the Shareholders of
Commonwealth International Corporation Limited:

We have examined the statement of financial position and the schedule of investments and net liabilities of Commonwealth International Corporation Limited as at December 31, 1973 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, 1973 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.

The financial statements for the previous year were examined by other Chartered Accountants.

Montreal, Canada,
March 18, 1974.

Clarkson, Gordon & Co.
Chartered Accountants

notes to financial statements

December 31, 1973

1. ACCOUNTING POLICIES

The significant accounting policies of the company are as follows:

Investments are recorded in the accounts at their quoted value, with the difference between this amount and average cost being shown as unrealized appreciation 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 the disposal 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.

Accounting policies for capital stock transactions are contained in note 2.

2. CAPITAL STOCK TRANSACTIONS

For each common share sold the company receives an amount equal to the net asset value per share at the date of sale. One dollar of this amount is allocated to capital stock and the remainder to contributed surplus. A corresponding allocation is made of the net asset value paid on redemption of each common share unless there is insufficient contributed surplus available, in which case the excess over par value is charged to retained earnings.

During the year, 299,773 common shares were issued for a cash consideration of \$4,476,671 (1972—426,533 shares for \$6,256,810) and 642,197 common shares were redeemed for a cash payment of \$9,625,541 (1972—954,151 shares for \$13,998,733). For shares redeemed during the year an amount of \$4,795,495 was charged to contributed surplus and \$4,187,849 was charged to retained earnings.

3. INCOME TAXES

The company is classified as a mutual fund corporation for income tax purposes. The provision for income taxes includes foreign taxes withheld at source, and federal and Quebec income taxes on all forms of income, less refundable taxes on dividends and capital gains. The provision also includes income taxes of \$48,000 on foreign stock dividends which, for accounting purposes, are excluded from income.

4. MANAGEMENT FEE

Effective March 15, 1973, the company entered into a five-year contract with Eaton Fund Distributors Limited whereby all expenses incurred in the ordinary course of business, other than brokerage fees and all taxes, are to be paid by Eaton Fund Distributors Limited. In return for this and other investment management and administrative services, Eaton Fund Distributors Limited receives a management fee based on the net asset value of the company. For comparative purposes, expenses previously disclosed separately have been included under the heading management fee and administrative expenses in the accompanying statement of earnings.

5. DIRECTORS AND OFFICERS

	1973	1972
Number of directors	22	12
Aggregate remuneration as directors	\$3,290	\$17,290
Number of officers	9	5
Aggregate remuneration as officers	\$5,746	\$20,532
Number of officers who are also directors	4	2

Remuneration for 1973 was incurred prior to the date on which the company entered into the contract referred to in note 4.

6. COMPARATIVE AMOUNTS

Certain of the 1972 comparative amounts have been restated to conform with the presentation adopted in 1973.

7. PROPOSED NAME CHANGE

On March 14, 1974, the directors approved a resolution, subject to shareholder approval, authorizing the company to apply for supplementary letters patent changing its name to Eaton Commonwealth Fund Ltd.

officers

GORDON D. de S. WOTHERSPOON ...	Chairman of the Board
WILLIAM H. ZIMMERMAN, Q.C.	President
ARTHUR G. WEAVER	Vice-president
C. VERNER CHRISTENSEN, C.A.	Secretary-Treasurer
LIONEL W. BROOKES	Assistant Treasurer
RUDI MUELLER.....	Assistant Secretary
ROGER J. McGRAW.....	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.
FREDERIK 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. de S. WOTHERSPOON.....	Toronto, Ont.
WILLIAM H. ZIMMERMAN, Q.C.	Toronto, Ont.

business office

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

investment manager and distributor

Eaton Fund Distributors Limited
Toronto, Ontario

custodian of investments

International Trust Company
Toronto, Ontario

transfer agent, registrar and program custodian

Canada Permanent Trust Company

auditors

Clarkson, Gordon & Co.
Toronto, Ontario

fund highlights

- A New Investment Concept with 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.