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INVESTMENT CORPORATION LIMITED

**Annual Report
1986**

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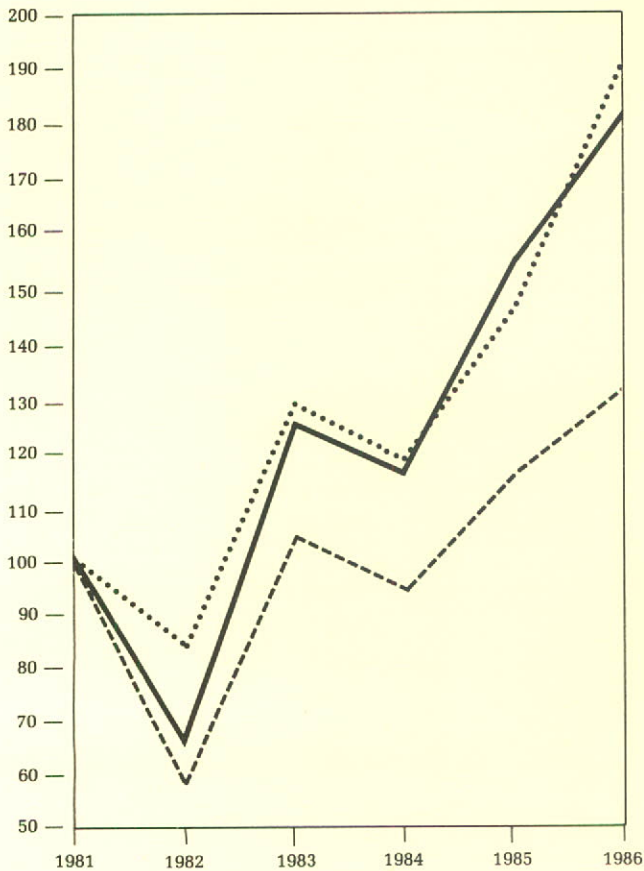
FINANCIAL HIGHLIGHTS

	<u>June 30</u> <u>1986</u>	<u>June 30</u> <u>1985</u>	<u>Change</u>
NAV per common share	\$18.16	\$15.52	+17.0%
TSE 300	3085.50	2712.50	+13.8%
S&P 500	250.84	191.85	+30.7%
Gross Assets	\$48.1M	\$35.2M	+36.7%

Five Year Performance

(BASE YEAR JUNE 30, 1981 = 100)

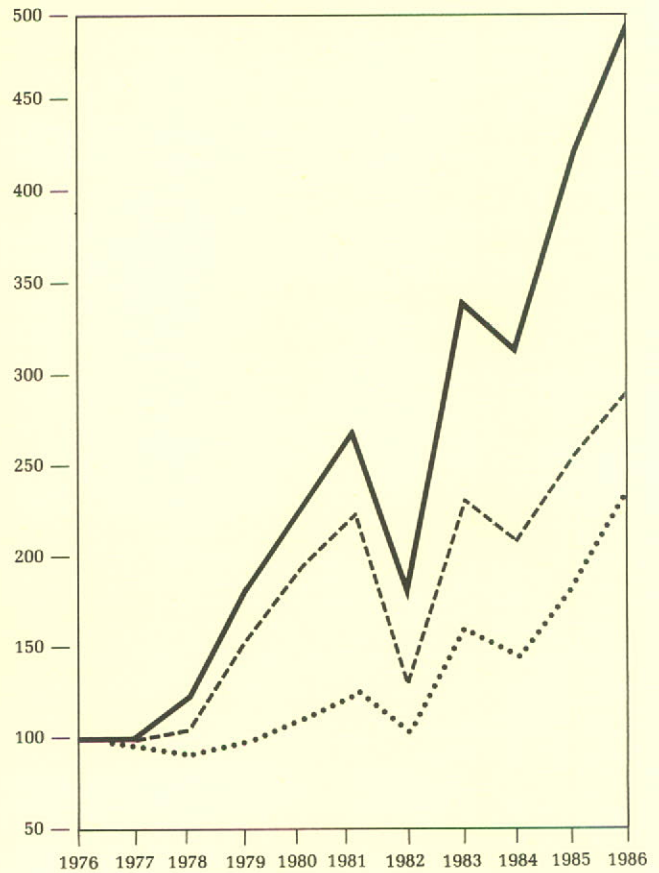
——— MPG NET ASSET VALUE PER COMMON SHARE
 - - - TSE 300 COMPOSITE INDEX
 STANDARD & POOR'S 500 STOCK AVERAGE



Ten Year Performance

(BASE YEAR JUNE 30, 1976 = 100)

——— MPG NET ASSET VALUE PER COMMON SHARE
 - - - TSE 300 COMPOSITE INDEX
 STANDARD & POOR'S 500 STOCK AVERAGE



HOWARD ROSS LIBRARY
 OF MANAGEMENT
 SEP 29 1986
 MCGILL UNIVERSITY

MPG

INVESTMENT CORPORATION LIMITED

To the Shareholders of
MPG Investment
Corporation Limited

The Board of Directors takes pleasure in presenting the Annual Report of your Company for the year ended June 30, 1986 to be submitted at the fifty-eighth Annual Meeting of Shareholders on October 27, 1986.

Review of Operations

While the year under review did not match the excellent results of the previous year, the Company performed well under more challenging conditions. The main features of the Company's progress during the year follow:

- The net asset value per common share increased by 17.0% from \$15.52 at June 30, 1985 to \$18.16 at June 30, 1986. This increase exceeded the increase of 13.8% in the Toronto Stock Exchange 300 Index but fell short of the 30.7% increase recorded by the Standard & Poor's 500 Stock Average, which reflected the more buoyant conditions in Wall Street.

Graphs comparing performance of the Company's net asset value with indices for the five and ten-year periods ended June 30, 1986 are shown on page 1.

During the five-year period the Company's net asset value per common share advanced 81.1%, the TSE Index 30.7%, and the S & P 500 91.1%. These numbers demonstrate the better performance in recent years of U.S. equities compared with Canadian equities. Over the ten-year period the Company's NAV appreciated by 394.8%, the TSE Index 192.3% and the S & P 500 140.5%.

- Net income after taxes was \$1,314,041 (1985 — \$1,007,728). After the payment of dividends on the preferred and Class B shares, earnings available for common shareholders amounted to \$755,085 (1985 — \$732,202). Net income per common share, based on the weighted average number of shares outstanding during the year, was 37.7 cents compared with 36.6 cents for the previous year.
- Gross revenues, which benefited from the investment of funds from the issue of 1985 Series Class B Shares and 1985 Common Share Warrants, increased by 31.3%. Total expenses, excluding income taxes, increased by 41% or \$127,102; however, \$43,852 of the increase was due to the

amortization of deferred charges relating to the cost of the new issue noted above.

- The higher net income permitted a modest increase in dividends paid to common shareholders which amounted to 30 cents against 29 cents.
- Total assets less liabilities, as shown on the balance sheet, reached \$47 million at June 30, 1986, an increase of \$12 million from the previous year. Approximately \$5.6 million of the increase came from the proceeds of issue of the 1985 Series Class B Shares and 1985 Warrants and \$6 million was due to an increase in realized gains and unrealized appreciation of investments.

Investment Review

In February 1986, when the Directors issued the semi-annual Report to Shareholders, we noted an underperformance of the Company's NAV relative to the indices during the first six months of the year under review. One of the causes was the large inflow of funds at the end of November 1985 from the sale of the 1985 Class B Shares and 1985 Warrants. We are pleased that this new money has now contributed positively to the portfolio's superior

performance compared with the TSE Index for the year under review. This comparison was particularly favourable in the second half as the NAV advanced by 12.6% against the TSE Index's increase of 6.4%.

Equities in Canada and the United States benefitted considerably from a declining trend in interest rates. Notwithstanding a temporary strengthening of rates in Canada during the first quarter of 1986, interest rates were lower by a small margin at June 30, 1986 than at the start of the year under review. In the United States the favourable trend to lower rates proceeded with few interruptions. Low levels of inflation contributed to strong bond and equity markets.

We continued to emphasize the selection and retention of high quality issues in the portfolio; this remains the overall policy although the names of some less well-known companies will be seen in the list of securities on page 11.

Outlook

After almost four years of rising stock markets, which recently included an upward move of approximately 40%

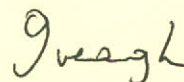
on the New York Stock Exchange in only ten months, a correction seemed inevitable although few were able to pinpoint the moment precisely. A correction of modest proportions has indeed taken place and further retrenchment would not be surprising. The U.S. economy has slowed to a crawl and this prompted a further easing of interest rates. There is some concern, however, that U.S. debt issues may have become only marginally attractive to foreign buyers partly because they have lost money on prior purchases due to the declining U.S. dollar.

Unfortunately, the resolution of the budget deficit problem suffered a setback when a key provision of the Balanced Budget and Emergency Control Deficit Act (popularly known as the Gramm-Rudman-Hollings law) was ruled unconstitutional by the Supreme Court. The authors talk of introducing "Gramm-Rudman-Hollings II" without the defects of the original legislation. We wish them a speedy and successful passage of the new legislation as it is our belief that the bond market expects the discipline inherent in

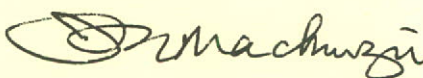
this law. Without it, or some other assurances of deficit reduction, bond buyers could become very chary.

Against a background of price earnings multiples that have increased in anticipation of strongly rising earnings which have yet to materialize, it is difficult to be very enthusiastic about the near-term prospects for either the Canadian or U.S. markets. The Canadian market has the advantage of not having moved up so far or so fast but this undoubtedly reflects the poor trading environment for many of Canada's basic industries. We believe that it is appropriate at this time to be even more selective in our investment choices as we focus on companies that can continue to sustain growth in a slow economy.

Submitted on behalf of the Board



Chairman



President

August 27, 1986

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INVESTMENT CORPORATION LIMITED

(Incorporated under the Canada Business Corporations Act)

Balance Sheet

June 30, 1986

ASSETS

	1986	1985
Cash	\$ 54,575	\$ 20,177
Interest bearing demand deposits	337,283	688,959
Accrued interest and accounts receivable	248,577	186,219
Investments at market value (note 2)	46,963,824	34,119,684
Deferred charges	407,455	80,812
Loans to officers (note 3)	87,248	145,848
	<u>\$48,098,962</u>	<u>\$35,241,699</u>

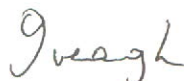
LIABILITIES AND SHAREHOLDERS' EQUITY

Accounts payable	\$ 77,260	\$ 62,701
Dividend payable	26,000	26,000
Income taxes payable	741,417	110,220
Deferred income taxes	195,194	26,929
	<u>1,039,871</u>	<u>225,850</u>

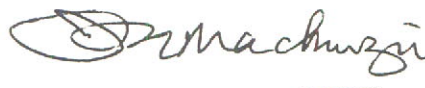
Shareholders' equity:

Capital stock issued (notes 5 and 6) —		
80,000 1964 Series Preferred shares	2,000,000	2,000,000
187,500 1980 Series Class B shares (1985 — 200,000)	1,875,000	2,000,000
240,000 1985 Series Class B shares	5,760,000	—
2,002,304 Common shares (1985 — 2,002,194)	9,913,590	9,912,169
400,324 1984 Common share warrants (1985 — 400,434)	—	—
240,000 1985 Common share warrants	240,000	—
Contributed surplus	—	5,600
Retained earnings	1,275,900	1,115,902
Realized gains on disposals of investments	12,060,399	7,933,826
Unrealized appreciation of investments	13,934,202	12,048,352
	<u>47,059,091</u>	<u>35,015,849</u>
	<u>\$48,098,962</u>	<u>\$35,241,699</u>

On behalf of the Board:



Earl of Iveagh, Director



J. D. H. Mackenzie, Director

See accompanying notes

AUDITORS' REPORT

To the Shareholders of
MPG Investment Corporation Limited:

We have examined the balance sheet of MPG Investment Corporation Limited as at June 30, 1986 and the statements of income and expenses, retained earnings, realized gains on disposals of investments, unrealized appreciation of investments 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 June 30, 1986 and the results of its operations and the changes in its 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,
July 16, 1986.

CLARKSON GORDON
Chartered Accountants

Statement of Income and Expenses

for the year ended June 30, 1986

	<u>1986</u>	<u>1985</u>
Income:		
Dividends from taxable Canadian corporations	\$1,304,271	\$ 939,185
Interest on investments	242,871	242,438
Dividends from United States corporations	149,012	86,785
Miscellaneous interest earned	55,473	66,085
	<u>1,751,627</u>	<u>1,334,493</u>
Expenses:		
Management Fee	246,813	190,194
Trust company fees and charges	47,578	35,123
Legal, audit and professional fees	21,228	25,104
Directors' fees	39,400	23,400
Capital tax	3,714	7,610
Amortization of deferred charges	49,240	5,388
Printing and stationery	7,409	7,074
General	21,925	16,312
	<u>437,307</u>	<u>310,205</u>
Income before income taxes	<u>1,314,320</u>	<u>1,024,288</u>
Income taxes (note 4) — current	24,411	18,357
— deferred	(24,132)	(1,797)
	<u>279</u>	<u>16,560</u>
Net income for the year	<u>\$1,314,041</u>	<u>\$1,007,728</u>
Net income per common share (after 1964 Series Preferred and Class B dividends) based on the weighted average number of shares outstanding during the year (2,002,269; 1985 — 2,002,192). The exercise of the warrants would not dilute the earnings per common share.	<u>37.7¢</u>	<u>36.6¢</u>

See accompanying notes

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INVESTMENT CORPORATION LIMITED

Statement of Retained Earnings for the year ended June 30, 1986

	<u>1986</u>	<u>1985</u>
Retained earnings, beginning of year	\$ 1,115,902	\$ 1,009,336
Net income for the year	<u>1,314,041</u>	<u>1,007,728</u>
	<u>2,429,943</u>	<u>2,017,064</u>
Dividends paid or accrued:		
1964 Series Preferred shares (\$1.30 per share)	104,000	104,000
1980 Series Class B shares (\$0.7610 per share; 1985 — \$0.8311 per share)	147,528	171,526
1985 Series Class B shares (\$1.28095 per share)	307,428	—
Common shares (\$0.30 per share; 1985 — \$0.29 per share)	<u>600,687</u>	<u>580,636</u>
	<u>1,159,643</u>	<u>856,162</u>
Add: Transfer from contributed surplus	5,600	—
Deduct: Warrant issue expenses (net of taxes recovered of \$29,741)	—	45,000
Retained earnings, end of year	<u>\$ 1,275,900</u>	<u>\$ 1,115,902</u>

Statement of Realized Gains on Disposals of Investments for the year ended June 30, 1986

Balance, beginning of year	\$ 7,933,826	\$ 6,419,978
Realized profit on sale of investments	5,557,575	2,054,551
Refundable capital gains tax including deferred taxes of \$192,397 related to 1985 Series Class B share costs (note 4)	<u>(1,431,002)</u>	<u>(540,703)</u>
Balance, end of year	<u>\$12,060,399</u>	<u>\$ 7,933,826</u>

Statement of Unrealized Appreciation of Investments for the year ended June 30, 1986

Balance, beginning of year	\$12,048,352	\$ 5,337,442
Increase during the year	<u>1,885,850</u>	<u>6,710,910</u>
Balance, end of year	<u>\$13,934,202</u>	<u>\$12,048,352</u>

See accompanying notes

Statement of Changes in Net Assets

for the year ended June 30, 1986

	<u>1986</u>	<u>1985</u>
Net assets, beginning of year	\$35,015,849	\$26,809,473
Add (deduct) changes during the year —		
Net income for the year	1,314,041	1,007,728
Realized profit on sale of investments (note)	5,557,575	2,054,551
Refundable capital gains tax	(1,431,002)	(540,703)
Proceeds of common share issue	1,421	52
Proceeds of Class B shares and warrant issue	6,000,000	—
Appreciation in value of investments	1,885,850	6,710,910
Redemption of Class B shares	(125,000)	(125,000)
Dividends out of investment income	(1,159,643)	(856,162)
Expenses of warrant issue (net of taxes recoverable \$29,741)	—	(45,000)
Net assets, end of year	<u>47,059,091</u>	<u>35,015,849</u>
Redemption value of 1964 Series Preferred shares	(2,100,000)	(2,100,000)
Redemption value of 1980 Class B shares	(1,954,688)	(2,100,000)
Redemption value of 1985 Class B shares	(6,240,000)	—
Deferred charges, less applicable taxes	(212,261)	(53,883)
Refundable capital gains tax	2,582,363	1,343,872
Warrant proceeds assuming all 1984 Warrants are exercised at \$12.92 per share	5,172,186	5,173,607
Warrant proceeds assuming all 1985 Warrants are exercised at \$15.35 per share	<u>3,684,000</u>	<u>—</u>
Net assets, applicable to common shares	<u>47,990,691</u>	<u>37,279,445</u>
Net asset value per common share (1986 — 2,642,628 shares, 1985 — 2,402,628 shares) (note 7)	<u>\$ 18.16</u>	<u>\$ 15.52</u>
Note:		
Realized profit on sale of investments —		
Proceeds from sale of investments	<u>\$20,674,337</u>	<u>\$ 9,636,167</u>
Cost of investments, beginning of year	21,121,332	19,168,380
Add: cost of investments purchased	24,935,052	9,534,568
Deduct: cost of investments, end of year	<u>(30,939,622)</u>	<u>(21,121,332)</u>
Cost of investments sold	<u>15,116,762</u>	<u>7,581,616</u>
Realized profit on sale of investments	<u>\$ 5,557,575</u>	<u>\$ 2,054,551</u>
Proceeds from redemption of short-term deposits	<u>\$10,942,902</u>	<u>\$ 9,650,000</u>
Cost of short-term deposit, beginning of year	950,000	1,500,000
Add: cost of short-term deposits purchased	12,082,902	9,100,000
Deduct: cost of short-term deposits, end of year	<u>(2,090,000)</u>	<u>(950,000)</u>
Cost of short-term deposits redeemed	<u>10,942,902</u>	<u>9,650,000</u>
Realized profit on redemption of short-term deposits	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes

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INVESTMENT CORPORATION LIMITED

Notes to Financial Statements

June 30, 1986

1. Accounting policies

a) Basis of accounting —

The financial statements are prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards.

b) Recognition of revenue —

Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

c) Investment transactions —

Investment transactions are accounted for on the trade date. Realized gains and losses from investment transactions and unrealized appreciation or depreciation of investments are calculated on an average cost basis.

d) Foreign exchange —

Investment transactions in United States currency are translated at the exchange rate in effect on the transaction date. United States investments and cash balances are translated at the year-end exchange rate. The gains or losses on exchange are included in the profit or loss on sale of investments or in the unrealized appreciation of investments as applicable.

e) Deferred charges —

Deferred charges represent the costs associated with the issue of Class B shares. The costs of issuing the 1980 Series Class B shares are being amortized to income proportionately as the 1980 Class B shares are redeemed. The costs of issuing the 1985 Series Class B shares (\$375,883) are being amortized to income proportionately to the retraction date of the 1985 Series Class B shares on November 30, 1990.

2. Investments (attached schedule)

	1986		1985	
	Cost	Market value	Cost	Market value
Canadian stocks	<u>\$25,925,087</u>	<u>\$38,661,000</u>	18,471,229	29,511,425
United States stocks	<u>3,203,785</u>	<u>4,348,808</u>	2,171,353	3,143,259
	<u>29,128,872</u>	<u>43,009,808</u>	20,642,582	32,654,684
Canadian bonds	<u>1,520,250</u>	<u>1,529,500</u>	478,750	515,000
United States corporate debentures	<u>290,500</u>	<u>334,516</u>	—	—
Short-term deposits	<u>2,090,000</u>	<u>2,090,000</u>	950,000	950,000
	<u>\$33,029,622</u>	<u>\$46,963,824</u>	<u>\$22,071,332</u>	<u>\$34,119,684</u>

3. Loans to officers

The outstanding loans to officers under the Executive Share Purchase Plan have been reduced from \$145,848 at June 30, 1985 to \$87,248 at June 30, 1986.

4. Income taxes

During the year, the Company met the requirements of Section 130 of the Income Tax Act and thus continued to qualify as an investment corporation. An investment corporation is not taxed on dividends received from taxable Canadian corporations while other investment income is taxed at reduced rates. Taxes on capital gains are refundable to the Company if such gains are distributed to shareholders by way of capital gains dividends at the rate of \$1 for each \$4 of dividends paid. The amount of refundable taxes available to the Company at June 30, 1986 is \$2,582,363.

If the Company incurs net capital losses, these may be carried back three years and any balance may then be carried forward indefinitely, against taxable capital gains.

If the investments had been sold at their market value, approximately \$6,967,000 (being the taxable portion of the capital gains thereby realized) would have been subject to tax, refundable as described above.

5. Capital stock

The authorized capital stock of the Company consists of the following:

- a) 80,000 — 1964 Series Preferred non-voting shares, having \$1.30 cumulative dividend rights, redeemable at \$26.25 per share.
- b) Unlimited number of Class B non-voting shares, ranking junior to the 1964 Series Preferred shares, redeemable as set out below.
- c) Unlimited number of common shares.
- d) 400,438 — 1984 Warrants entitling the holder to purchase one common share of the Company at a price of \$12.92 per share prior to December 5, 1989.
- e) 240,000 — 1985 Warrants entitling the holder to purchase one common share of the Company at a price of \$15.35 per share prior to November 30, 1990.

The changes in the outstanding capital stock since June 30, 1985 are tabled below:

	1964 Series Preferred	1980 Series Class B	1985 Series Class B	Common shares	1984 Warrants	1985 Warrants
Number						
Outstanding June 30, 1985	80,000	200,000	—	2,002,194	400,434	—
1980 Series Class B shares redeemed		(12,500)				
1985 Series Class B shares issued			240,000			
1985 Warrants issued						240,000
Common shares issued on exercise of:						
1984 Warrants				110	(110)	
1985 Warrants				—		—
Outstanding June 30, 1986	<u>80,000</u>	<u>187,500</u>	<u>240,000</u>	<u>2,002,304</u>	<u>400,324</u>	<u>240,000</u>
Stated value						
Outstanding June 30, 1985	\$2,000,000	\$2,000,000	\$ —	\$9,912,169	\$ —	\$ —
1980 Series Class B shares redeemed		(125,000)				
1985 Series Class B shares issued			5,760,000			
1985 Warrants issued						240,000
Common shares issued on exercise of:						
1984 Warrants				1,421	—	
1985 Warrants				—		—
Outstanding June 30, 1986	<u>\$2,000,000</u>	<u>\$1,875,000</u>	<u>\$5,760,000</u>	<u>\$9,913,590</u>	<u>\$ —</u>	<u>\$ 240,000</u>

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INVESTMENT CORPORATION LIMITED

The 1980 Series Class B shares have cumulative dividend rights of one-half the average prime rate plus 2.25%. The Company is required to redeem 12,500 shares annually for ten years at the paid-up value of \$125,000. The fifth redemption requirement took place on December 31, 1985. On December 31, 1990 the Company will redeem at the holder's option any of the remaining shares at their paid-up value. On December 31, 2000, the Company is obliged to redeem all the remaining shares then outstanding at their paid-up value.

In addition to the above redemption requirements, the Company may, at its option, redeem at least 10,000 additional shares per annum, at 104.25% of the paid-up value with the premium declining in each subsequent year until December 31, 1991 at which time the redemption price will be the paid-up value. Accordingly, the redemption value of the Class B shares presented in the statement of changes in net assets includes a premium of \$79,688 representing 4.25% of the paid-up value of the outstanding Class B shares.

The 1985 Series Class B shares have cumulative dividend rights of \$2.125 per share, redeemable not before November 30, 1988. On and after December 1, 1988, the shares will be redeemable at the option of the Company at \$26.00 per share declining annually by 50 cents to \$25.00 per share for redemption effected on or after December 1, 1990. The shares are retractable at the option of the holder on November 30, 1990 at a price of \$25.00 per share.

During each three-month period commencing January 1, 1991, the Company will make all reasonable efforts to purchase at a price not exceeding \$25.00 per share plus accrued and unpaid dividends and costs of purchase, 1% (4% per annum) of the number of 1985 Series Class B shares outstanding at the close of business on November 30, 1990.

Each 1985 Series Class B share was issued with one 1985 Warrant which entitled the holder to purchase one common share at any time prior to the close of business on November 30, 1990 at a price of \$15.35.

6. Company's common shares

The issued common shares of the Company (which are traded on major Canadian stock exchanges) are eligible investments for Registered Retirement Savings Plans and similar plans.

7. Net asset value per common share

The net asset values per common share as at June 30, 1986 and as at the end of the four immediately preceding years are as follows:

1986	\$18.16
1985	\$15.52
1984	\$11.60
1983	\$12.49
1982	\$ 6.64

Net asset value per common share at June 30, 1986 is based on 2,642,628 shares, being the shares outstanding plus those to be issued assuming that all 1984 Warrants and 1985 Warrants outstanding would be exercised at \$12.92 and \$15.35, respectively.

Portfolio of Investments

June 30, 1986

Number of shares or face value of bonds or guaranteed investment receipts		Market value	Percentage of total portfolio	Number of shares or face value of bonds or guaranteed investment receipts		Market value	Percentage of total portfolio
STOCKS							
AEROSPACE							
15,000	Spar Aerospace	\$ 386,250	0.8	OIL AND GAS			
BUSINESS EQUIPMENT				25,000	Imperial Oil, Class A	950,000	
* 5,000	International Business Machines	1,012,535	2.2	* 9,000	Occidental Petroleum	332,793	
BUSINESS FORMS						1,282,793	2.7
40,000	Moore Corp.	1,425,000	3.0	PHARMACEUTICAL			
COMMUNICATIONS AND MEDIA				* 5,500	Bristol Myers	653,829	1.4
80,000	Maclean Hunter, Class Y	1,450,000		PRINTING			
100,000	G.T.C. Transcontinental Group	1,300,000		10,000	Toronto Sun Publishing	278,750	0.6
		2,750,000	5.9	TRANSPORTATION			
CONSUMER PRODUCTS				60,000	Canadian Pacific	1,012,500	
40,000	George Weston	1,360,000		40,000	Laidlaw Transportation, Class A	855,000	
40,000	Redpath Industries	1,060,000				1,867,500	4.0
		2,420,000	5.1	UTILITIES			
FINANCIAL SERVICES				50,000	B.C. Telephone	1,343,750	
90,000	Royal Trustco, Class A	2,823,750		30,000	Bell Canada Enterprises	1,155,000	
120,000	Bank of Nova Scotia	1,920,000		40,000	Consumers Gas	1,025,000	
65,000	Toronto-Dominion Bank	1,527,500		* 15,000	Central Maine Power	373,215	
55,000	Canadian Imperial Bank of Commerce	990,000				3,896,965	8.3
20,000	Montreal City & District Savings	585,000		PREFERRED STOCKS (NON-CONVERTIBLE)			
* 4,500	J.P. Morgan	546,615		15,000	TransAlta Utilities, 12%	393,750	0.8
		8,392,865	17.9	PREFERRED STOCKS (CONVERTIBLE)			
GOLDS				45,000	Crownx \$2.00 Pfd., Series 1	1,693,125	
50,000	Glamis Gold	475,000	1.0	20,000	Torstar \$1.70 1st Pfd., Series 3	1,282,500	
INDUSTRIAL PRODUCTS				20,000	Ivaco, 2nd Pfd., Series 1 August 15, 1990	637,500	
30,000	Consumers Glass	727,500		25,500	Hudson's Bay 7½% Redeemable Pfd., H	631,125	
20,000	Magna International, Class A	675,000		20,000	Inter City Gas \$2.125 3rd Pfd., Series 85	605,000	
60,000	Bay Mills	600,000		20,000	MacMillan Bloedel \$2.00 Pfd., B	580,000	
20,000	Lake Ontario Cement	500,000				5,429,250	11.6
10,000	Northern Telecom	412,500		Total stocks			
20,000	Linamar Machine	387,500				\$43,009,808	91.6
20,000	American Can Canada	305,000		BONDS AND DEBENTURES			
12,000	Samuel Manu-Tech	288,000		\$1,000,000	Government of Canada, 10.00% November 15, 1988	\$ 1,021,000	
		3,895,500	8.3	500,000	Government of Canada, 9.75% December 15, 1988	508,500	
INSURANCE				* 200,000	Loral Corp. Sub. Deb. Cv. 7.25%, September 30, 2010	334,516	
* 5,000	Continental Corp.	332,615	0.7			1,864,016	4.0
MANAGEMENT COMPANIES				GUARANTEED INVESTMENT RECEIPTS			
80,000	CAE Industries	960,000		\$1,250,000	Royal Trust, 8.30% August 21, 1986	\$ 1,250,000	
30,000	Innopac	577,500		500,000	Royal Trust, 9.20% July 11, 1986	500,000	
		1,537,500	3.3	200,000	Royal Trust, 9.75% July 7, 1986	200,000	
MERCHANDISING				140,000	Bank of Nova Scotia, 7.25% August 15, 1986	140,000	
40,000	Scott's Hospitality	1,545,000				2,090,000	4.4
60,000	Dylex, Preferred Class A	1,147,500				\$46,963,824	100.0%
70,000	Sears Canada	1,023,750					
		3,716,250	7.9				
METALS AND MINING							
20,000	Alcan Aluminium	845,000					
25,000	Rio Algom	606,250					
15,000	Falconbridge	315,000					
		1,766,250	3.8				
MISCELLANEOUS CONSUMER SERVICES							
* 22,000	Beverly Enterprises	665,236					
* 5,000	American Express	431,970					
		1,097,206	2.3				

*United States securities are translated into Canadian dollars at \$1.3823, the rate of exchange prevailing at June 30, 1986.

MPG

INVESTMENT CORPORATION LIMITED

Changes in Investment Portfolio

year to June 30, 1986

	Number of Shares or Face Value of Bonds		Number of Shares or Face Value of Bonds	
	Additions	Deletions	Additions	Deletions
STOCKS				
AEROSPACE				
Spar Aerospace		15,000		
*United Technologies		7,000		
BUSINESS FORMS				
Moore Corp.	40,000			
COMMUNICATIONS AND MEDIA				
American Broadcasting		3,000		
G.T.C. Transcontinental Group	50,000			
G.T.C. Transcontinental Group	50,000(1)			
Maclean Hunter, Class Y		30,000		
CONSUMER PRODUCTS				
Redpath Industries	40,000			
George Weston	30,000(1)	5,000		
FINANCIAL SERVICES				
Canadian Imperial Bank of Commerce ...	10,000	25,000		
Canadian Imperial Bank of Commerce ...	40,000(1)			
Crownx		45,000		
*Household International		8,000		
Montreal City & District Savings	20,000			
*J. P. Morgan	4,500			
Royal Trustco, Class A	10,000			
Trilon Financial, Class A		37,500		
Trilon Financial, Warrants	20,000	50,000		
GOLDS				
Glamis Gold	20,000			
Glamis Gold, Warrants	10,000	10,000		
INDUSTRIAL PRODUCTS				
American Can Canada	20,000			
Bay Mills	20,000			
Bay Mills	40,000(1)			
Circo Craft	20,000	20,000		
Consumers Glass		20,000		
Genstar	20,000(1)	20,000		
Lake Ontario Cement	20,000			
Linamar Machine	20,000			
Lumonics		15,000		
Northern Telecom		5,000		
Samuel Manu-Tech	12,000			
INSURANCE				
*Continental Corp.	5,000			
MANAGEMENT COMPANIES				
CAE Industries	40,000(1)	20,000		
Canadian Pacific Enterprises		40,000(1)		
Innopac	20,000	20,000		
MISCELLANEOUS CONSUMER SERVICES				
*American Express	5,000			
*Beverly Enterprises	11,000			
*Beverly Enterprises	11,000(1)			
MERCHANDISING				
*Bergen Brunswig, Class A		10,000		
Dylex, Preferred Class A	15,000			
Dylex, Preferred Class A	30,000(1)			
Sears Canada	70,000			
*Sears Roebuck	3,000	8,000		
METALS AND MINING				
Alcan Aluminium		10,000		
Falconbridge		15,000		
Noranda			20,000	
Rio Algom		25,000		
OIL AND GAS				
Asamera			30,000	
Consumers Gas		40,000	40,000	
Imperial Oil, Class A		5,000		
*Occidental Petroleum		9,000		
PanCanadian Petroleum			17,200	
OIL AND GAS SUPPLIERS				
TransCanada PipeLines			30,000	
PAPER AND FOREST PRODUCTS				
Donohue			50,000	
PHARMACEUTICALS				
*Bristol Myers		5,500		
PRINTING				
Toronto Sun Publishing			10,000	
TRANSPORTATION				
Canadian Pacific		33,500(1)	33,500	
Laidlaw Transportation, Class A			60,000	
UTILITIES				
B.C. Telephone		50,000		
Bell Canada Enterprises			30,000	
*Central Maine Power		15,000		
Inter-City Gas		70,000	70,000	
*Southern New England Telephone and Telegraph			7,000	
PREFERRED SHARES (CONVERTIBLE)				
Crownx \$2.00 Pfd., Series 1		45,000		
Genstar \$2.35 2nd Pfd.		20,000	20,000	
Hudson's Bay 7½% Redeemable Pfd., H ..		25,500		
Inter City Gas \$2.125 3rd Pfd., Series 85 ..		20,000		
Ivaco, \$2.00 Pfd., Series 1		5,000		
MacMillan Bloedel \$2.00 Pfd., B		20,000		
Torstar \$1.70 1st Pfd., Series 3		20,000		
Walker (Hiram) Resources 7.50% Pfd., D ..		30,000	30,000	
BONDS				
Government of Canada, 11.25%, December 15, 1989				\$500,000
Government of Canada, 10.00%, November 15, 1988			\$1,000,000	
Government of Canada, 9.75%, December 15, 1988			\$ 500,000	
*Loral Corp. Sub. Deb. Cv. 7.25%, September 30, 2010			\$ 200,000	

(1) The above transactions include shares received through stock splits, stock dividends or exchange of rights issued. Changes in short-term deposits are excluded.

* United States securities.

Corporate Information

Comparative Financial Summary — (for years ended June 30)

	1986	1985	1984	1983	1982
Gross Investment Income	\$ 1,751,627	\$ 1,334,493	\$ 1,140,981	\$ 1,205,604	\$ 1,145,691
Net Income, after taxes	\$ 1,314,041	\$ 1,007,728	\$ 849,117	\$ 916,573	\$ 890,585
Expenses as a percentage of average net assets	1.03%	.97%	.98%	1.09%	1.22%
Earnings per Common Share (1)	37.7¢	36.6¢	28.8¢	29.5¢	25.2¢
Dividends per Common Share	30¢	29¢	26¢	24¢	20¢
Gross Assets	\$48,098,962	\$35,241,699	\$27,063,854	\$29,325,316	\$17,648,614
Net Asset Value per Common Share (2)	\$ 18.16	\$ 15.52	\$ 11.60	\$ 12.49	\$ 6.64

(1) Earnings per common share are based on the weighted average number of shares outstanding.

(2) Net asset value per common share figures have been calculated as follows:

- the figure for June 30, 1985 is based on the assumption that all 1984 Warrants outstanding were exercised at \$12.92;
- the figure for June 30, 1986 is based on the assumption that all 1984 and 1985 Warrants outstanding were exercised at \$12.92 and \$15.35 respectively;

Price Range of Common Stock on the Toronto Stock Exchange

1985/86	High	Low	Close
First Quarter	\$13½	\$11¼	\$12¼
Second Quarter	13½	12½	13
Third Quarter	13	11¼	12½
Fourth Quarter	14	13½	13½
Year	14	11¼	13½
1984/85	12	9	11¼

Common shares, 1984 Warrants, 1985 Warrants, 1964 Series Preferred shares and 1985 Series Class B shares are listed for trading on the Toronto, Montreal and Vancouver Stock Exchanges.

Stock symbols	— Common shares	— MPG
	— 1984 Warrants	— MPG.WT
	— 1985 Warrants	— MPG.WT.A
	— 1964 Series Preferred shares	— MPG.PR.A
	— 1985 Series Class B shares	— MPG.PR.B

Valuation Day (December 22, 1971 share prices)

Common	\$ 2.10 (previously \$4.20)
1964 Series Preferred	\$15.00

Net Asset Value per Common Share

In order to provide shareholders and investors with a regular flow of corporate information, the Company issues press releases disclosing the month-end NAV figures to the stock exchanges and newspapers. If shareholders or other interested parties wish to know the latest NAV figures, they are invited to telephone our Executive Office at (613) 932-0183.

MPG

INVESTMENT CORPORATION LIMITED

MPG Investment Corporation Limited is an investment corporation which invests its assets in the common shares of Canadian companies listed on the recognized stock exchanges; to a lesser extent (approximately 10% of its total portfolio) MPG also invests in the shares of foreign companies and, from time to time, it will hold reserve funds in bonds, certificates of deposit or cash.

MPG's Investment Objective has been and remains one of providing shareholders with long-term growth of assets.

MPG's Dividend Policy — As a closed-end investment corporation under the Income Tax Act, MPG is required to meet certain distribution requirements; in practical terms, this means total annual distributions on the common shares of about three-quarters of the net income available to common shareholders.

Head Office

220-42nd Avenue S.E.
Calgary, Alberta
T2G 1Y4

Executive Office

215 Sydney Street
Cornwall, Ontario
K6H 3H3

Transfer Agents & Registrar

The Royal Trust Company
Calgary, Montreal,
Toronto, Vancouver

Bankers

The Bank of Nova Scotia

Counsel

Blake, Cassels & Graydon

Annual Meeting

of Shareholders will be held at the Company's Executive Office, 215 Sydney Street, Cornwall, Ontario on October 27, 1986 at 11:00 o'clock a.m.

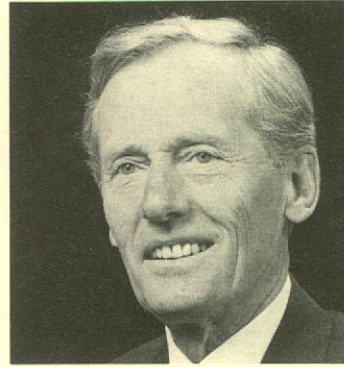
Directors and Officers

Directors



The Earl of Iveagh

Chairman and Director since 1961. Director, Guinness PLC (Brewers, Distillers, Retailers, Publishers). He is also a Director of The Bank of Nova Scotia.



T. A. Foss

Director since 1983. President of Jones Heward Investment Management Inc. and a Director of Burns Fry Limited.



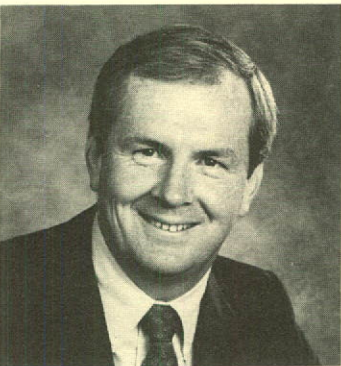
D. C. Cameron

Director since 1972. Retired Chairman of Jones Heward & Company Ltd. He is a Director of de Vegh Mutual Fund, Inc., Worldwide Equities Limited and Jones Heward Fund Ltd.



J. D. H. Mackenzie, C.A.

President since 1972 and Director since 1966. President of Elgistan Management Limited. He is also a Director of Morguard Group Limited, Jones Heward Fund Ltd. and a trustee of Bullock American Fund.



J. R. Collins

Director since 1983. Is a Partner of Duncan Collins, Calgary (Lawyers). His other directorships include Morguard Mortgage Investment Company of Canada and Windsor Raceway Inc.



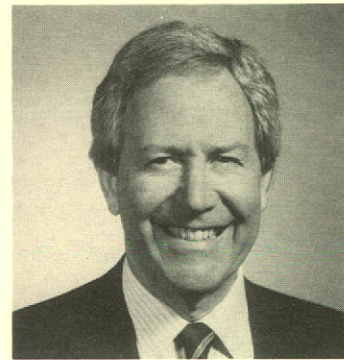
R. J. Shirley

Director since 1972. Is a business executive. His directorships include Bonar Inc. (Packaging) and other Canadian corporations.



I. S. S. Ferris, F.C.A. (ENGLAND)

Director since 1968. Managing Director, The Iveagh Trustees Limited (Management Company). He is also a Director of several companies in Canada and the United Kingdom.



R. D. Spooner, C.A.

Director since 1970. President of Duke Seabridge Limited and a Director of Guardian Trustco Inc.

Officers

The Earl of Iveagh
Chairman of the Board
J. D. H. Mackenzie
President

J. K. McBride
Assistant-Secretary
Chief Financial Officer
J. R. Collins
Secretary

Mrs. D. C. Acheson
Assistant-Treasurer
Mrs. S. A. Duncan
Assistant-Secretary

N. L. Scott
Assistant-Secretary

NOTES

