



ACRO FUND

Distributed by Calvin Bullock, Ltd.

ANNUAL REPORT 1977



Left to right,
Robert Bengough,
Treasurer; Blaikie Purvis,
President; and Carl
MacCallum, Vice-President.

To the Shareholders,

During 1977 the net asset value per share of Acrofund rose by 19.5%, or 22.4% total return including dividends paid. The Toronto Stock Exchange Composite Index rose 4.5% and the U.S. Dow Jones Industrial Index declined by 17.3%. In the three years since the trough of the market at the end of 1974 your investment, including dividends paid, has appreciated over 80%, while the Toronto Index rose 26.8%.

Once again in 1977 the Alberta based stocks tended to outperform those in other geographical regions of this country. As you may know your Fund must be invested at least 90% in Canada in order to provide the benefits of an RRSP tax shelter. Generally speaking the oil stocks performed extremely well due to gradually increasing crude oil prices but also because of significant new oil finds attributed to West Pembina. Other stocks associated with the oil boom — real estate and consumer services in the area — also performed extremely well.

Canada entered 1977 under conditions of declining interest rates and reduced inflation. As we move into 1978 interest rates have risen moderately here and much more rapidly in the U.S.. If U.S. interest rates continue to rise, rates in Canada will probably rise also to protect the relative value of the Canadian dollar. The rate of inflation in Canada as measured by the Consumer Price Index, is almost back to

where it was when the AIB controls were imposed. Consequently a meaningful reduction in interest rates is unlikely to occur during the next few months.

The foregoing is not as positive a scene for Canadian equities in general as a year ago. Your management has taken action to protect the value of your investment in the circumstances which will be alluded to in the first quarter report.

On the other hand our stock market contains little in the way of speculative excess and significant declines in stock prices from present levels are not envisaged. By the latter part of the year equities should be moving upward again supported by a down-turn in interest rates and moderating inflation. It therefore appears that a carefully selected equity portfolio should continue to be able to produce a superior rate of return to other forms of investment.

President

February 27, 1978
Montreal, Canada

ACROFUND LTD.

PORTFOLIO OF INVESTMENTS AS AT DECEMBER 31, 1977

COMMON STOCKS

Banks and Finance

	Shares held	Quoted market value	% of total net assets
The Bank of Nova Scotia	15,000	292,500	4.21
La Banque Provinciale du Canada	15,000	206,250	2.97
The Mercantile Bank of Canada	10,000	123,750	1.78

622,500 8.96

Manufacturing

Atco Industries Ltd.	10,000	138,750	2.00
*Bic Pen Corporation	3,000	29,115	0.42
*The Cessna Aircraft Company	5,000	174,960	2.52
Ford Motor Company of Canada, Limited	5,000	405,000	5.83
Genstar Limited	5,000	138,750	2.00
Imasco Limited "A"	12,000	366,000	5.27
Moore Corporation Limited	5,000	153,125	2.20
Northern Telecom Limited — Warrants	6,000	51,750	0.74
*Sullair Corporation	7,000	147,349	2.12
*Tracor, Inc.	10,000	176,326	2.54
Hiram Walker-Gooderham & Worts Limited "A"	5,000	148,750	2.14

1,929,875 27.78

Natural Resources

Alberta Energy Company Ltd.	15,000	264,375	3.80
Brenda Mines Ltd.	15,000	181,875	2.62
Chieftain Development Co. Ltd.	15,000	326,250	4.69
Coseka Resources Limited	30,000	247,500	3.56
Cyprus Anvil Mining Corporation	5,000	45,000	0.65
The Great Lakes Paper Company, Limited	8,000	180,000	2.59
*Moore McCormack Resources, Inc.	5,000	161,291	2.32
Pembina Pipe Line Ltd.	25,000	171,876	2.47
Placer Development Limited	10,000	228,750	3.29
Sceptre Resources Limited (1)	15,000	153,750	2.21
Shell Canada Limited "A"	25,000	443,750	6.39

2,404,417 34.59

Services

Allarco Developments Ltd.	10,000	190,000	2.73
Nu-West Development Corporation Ltd. "A" (2)	22,500	270,000	3.89
Reed Shaw Osler Limited "A"	15,000	146,250	2.10
Reitman's (Canada) Limited "A"	15,000	206,250	2.97
Westburne International Industries Ltd.	10,000	233,750	3.36

1,046,250 15.05

Public Utilities

Inland Natural Gas Co. Ltd.	10,000	108,750	1.57
Newfoundland Light & Power Co. Limited "A"	9,000	144,000	2.07

252,750 3.64

TOTAL PORTFOLIO OF INVESTMENTS

6,255,792 90.02

NET CASH AND RECEIVABLES

693,568 9.98

TOTAL NET ASSETS

6,949,360 100.00

* Denotes U.S. security expressed in Canadian currency (note 1)

PORTFOLIO CHANGES DECEMBER 31, 1976 — DECEMBER 31, 1977

PURCHASES

Common Stocks

	Net Increase	New Total
	Shares	Shares
Atco Industries Ltd.	10,000	10,000
Bic Pen Corporation	3,000	3,000
Brenda Mines Ltd.	15,000	15,000
Chieftain Development Co. Ltd.	15,000	15,000
Coseka Resources Limited	30,000	30,000
Cyprus Anvil Mining Corporation	5,000	5,000
The Great Lakes Paper Company, Limited	1,000	8,000
The Mercantile Bank of Canada	10,000	10,000
Moore McCormack Resources, Inc.	2,000	5,000
Newfoundland Light & Power Co. Limited "A"	9,000	9,000
Northern Telecom Limited — Warrants	6,000	6,000
Nu-West Development Corporation Ltd. "A" (2)	10,500	22,500
Pembina Pipe Line Ltd.	25,000	25,000
Reed Shaw Osler Limited "A"	15,000	15,000
Reitman's (Canada) Limited "A"	15,000	15,000
Sceptre Resources Limited (1)	15,000	15,000
Tracor, Inc.	10,000	10,000

SALES

Common Stocks

	Net Decrease	New Total
	Shares	Shares
Allarco Developments Ltd.	2,000	10,000
The Bank of Nova Scotia	5,000	15,000
Burns Foods Limited	20,000	—
Campbell Red Lakes Mines Limited	5,000	—
Canadian Export Gas & Oil Ltd.	70,000	—
The Cessna Aircraft Company	3,000	5,000
Dome Petroleum Limited	8,000	—
General Instrument Corporation	7,000	—
Genstar Limited	4,000	5,000
Intermetco Limited	11,000	—
Interprovincial Steel and Pipe Corporation Ltd.	10,500	—
Provigo Inc.	35,000	—
Total Petroleum (North America) Ltd.	10,000	—
Wajax Limited "A"	8,000	—
Westburne International Industries Ltd.	16,000	10,000

(1) Formerly Decca Resources Limited.

(2) Three for two stock split in 1977.

ACROFUND LTD.

(incorporated under Canada Corporations Act)

STATEMENT OF NET ASSETS AS AT DECEMBER 31, 1977

ASSETS	1977 \$	1976 \$
Investments in securities at quoted market value (average cost — 1977 — \$5,450,971; 1976 — \$5,794,345) (note 1)	6,255,792	5,900,824
Cash on deposit — demand	820,991	920,117
Dividends and interest receivable	40,447	56,762
Receivable in respect of securities sold		401,450
Due by subscriber to capital stock	326	1,353
Income taxes recoverable	550	
Total assets	<u>7,118,106</u>	<u>7,280,506</u>
LIABILITIES		
Payable in respect of securities purchased	153,679	435,975
Management compensation payable	9,862	9,865
Accrued expenses and sundry accounts payable	3,050	2,586
Payable in respect of capital stock redeemed	2,155	1,198
Income taxes payable		34
Total liabilities	<u>168,746</u>	<u>449,658</u>
Net assets at market value	<u>6,949,360</u>	<u>6,830,848</u>
Net asset value per share	<u>1.43</u>	<u>1.20</u>
SHAREHOLDERS' EQUITY		
Capital stock —		
Authorized —		
25,000,000 mutual fund shares of the par value of \$0.20 each, of which		
8,093,041 shares (1976 — 7,010,438 shares) have been redeemed		
from inception		
Outstanding —		
4,836,061 shares (1976 — 5,681,453 shares) (note 2)	<u>967,212</u>	<u>1,136,291</u>
Surplus —		
Paid-in surplus	4,788,590	5,670,503
Earned surplus (deficit)	<u>388,737</u>	<u>(82,425)</u>
Total surplus	<u>5,177,327</u>	<u>5,588,078</u>
Unrealized appreciation of investments	<u>804,821</u>	<u>106,479</u>
Shareholders' equity as per net assets above	<u>6,949,360</u>	<u>6,830,848</u>

SIGNED ON BEHALF OF THE BOARD

A. Blaikie Purvis, Director

J.L. McPherson, Director

STATEMENT OF SURPLUS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1977	1977	1976
	\$	\$
PAID-IN SURPLUS		
Balance — beginning of year	5,670,503	6,304,176
Less: Included in beginning balance of distribution account	588	304
	<u>5,669,915</u>	<u>6,303,872</u>
Proceeds from mutual fund shares subscribed for during year, excluding portion of subscription price credited to distribution account	293,495	481,016
Less: Par value thereof	47,442	85,049
	<u>246,053</u>	<u>395,967</u>
	<u>5,915,968</u>	<u>6,699,839</u>
Deduct: Consideration paid on redemption of mutual fund shares during the year, excluding amount charged to distribution account	1,343,952	1,249,937
Less: Par value thereof	216,521	220,013
	<u>1,127,431</u>	<u>1,029,924</u>
	<u>4,788,537</u>	<u>5,669,915</u>
Portion of subscription price included in balance of distribution account	53	588
Balance of paid-in surplus — end of year	<u>4,788,590</u>	<u>5,670,503</u>
EARNED SURPLUS (DEFICIT)		
Net realized profits (losses) from sales of securities —		
Balance — beginning of year	(142,080)	(201,260)
Net realized profits during year (note 3)	484,560	59,180
Balance — end of year	<u>342,480</u>	<u>(142,080)</u>
Portion of balance of distribution account — end of year	46,257	59,655
Balance of earned surplus (deficit) — end of year	<u>388,737</u>	<u>(82,425)</u>
TOTAL SURPLUS — END OF YEAR	<u><u>5,177,327</u></u>	<u><u>5,588,078</u></u>

STATEMENT OF INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1977	1977	1976
	\$	\$
INCOME		
Dividends	226,713	259,059
Bond interest		4,068
Interest on cash deposits	56,977	74,806
	<u>283,690</u>	<u>337,933</u>
EXPENSES		
Management	39,905	41,832
Transfer, dividend paying agent's and custodian's fees	15,927	14,624
General expenses and auditors' fees	33,173	31,623
Taxes, other than income taxes	2,168	2,168
Legal fees and expenses	8,968	8,916
Directors' compensation	4,400	4,800
	<u>104,541</u>	<u>103,963</u>
INCOME BEFORE TAXES	<u>179,149</u>	<u>233,970</u>
U.S. WITHHOLDING TAXES PAID	3,189	2,583
NET INCOME FOR THE YEAR	<u><u>175,960</u></u>	<u><u>231,387</u></u>
NET INCOME PER SHARE — (based on the average number of shares outstanding during the year)	<u>3 3/10¢</u>	<u>3 8/10¢</u>

ACROFUND LTD.

STATEMENT OF DISTRIBUTION ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1977

	1977 \$	1976 \$
Balance of distribution account — beginning of year	60,243	44,464
Net income for the year	175,960	231,387
Received on subscriptions to capital stock to equalize the per share amount available for distribution on the then outstanding shares	2,941	6,194
	<u>239,144</u>	<u>282,045</u>
<i>Deduct:</i> Dividend paid	171,511	200,918
Amounts included in prices of mutual fund shares redeemed, equal to the per share portion of income and distribution accounts	21,323	20,884
	<u>192,834</u>	<u>221,802</u>
Balance of distribution account — end of year	<u>46,310</u>	<u>60,243</u>
Included in paid-in surplus	53	588
Included in earned surplus	<u>46,257</u>	<u>59,655</u>
	<u>46,310</u>	<u>60,243</u>

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 1977

	1977 \$	1976 \$
NET ASSETS — BEGINNING OF YEAR	<u>6,830,848</u>	<u>6,540,113</u>
<i>Add (deduct):</i> Changes during year —		
Net investment income	175,960	231,387
Net realized profits from sales of securities (note 3)	484,560	59,180
Increase in unrealized appreciation of investments	698,342	984,697
Proceeds from issue of mutual fund shares	296,436	487,210
Consideration paid on redemption of mutual fund shares	(1,365,275)	(1,270,821)
Dividend paid	(171,511)	(200,918)
	<u>118,512</u>	<u>290,735</u>
NET ASSETS — END OF YEAR	<u>6,949,360</u>	<u>6,830,848</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1977

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of determining market value —

The market value of investments is based on the published last sales prices on national securities exchanges at December 31, 1977, and at the close of each business day throughout the year, or, in the absence of recorded sales, at the average of readily available closing bid and asked prices on such exchanges or over-the-counter.

Income recognition —

Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis. Realized profits and losses from sales of securities and unrealized appreciation and depreciation of investments are calculated on an average cost basis.

Foreign exchange —

The market value of investments quoted in U.S. funds has been converted to Canadian funds at the rate of exchange prevailing on December 31, 1977 9.35% premium on U.S. funds and at exchange rates prevailing at the close of each business day throughout the year. 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.

Issues and redemptions of capital stock —

For each mutual fund 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 \$0.20 is allocated to capital stock. The remainder, except for an amount equal to the per share portion of income, is allocated to paid-in surplus. 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.

2. CAPITAL STOCK TRANSACTIONS

The number of shares issued and redeemed is as follows:

	1977	1976
Outstanding — beginning of year	5,681,453	6,356,273
Changes during the year —		
Issued	237,211	425,245
Redeemed	1,082,603	1,100,065
Net decrease	845,392	674,820
Outstanding — end of year	<u>4,836,061</u>	<u>5,681,453</u>

3. REALIZED PROFITS AND LOSSES FROM SALES OF SECURITIES

A summary of the net realized profits and losses from sales of securities follows:

	1977 \$	1976 \$
Proceeds from sales of securities	4,617,239	7,220,278
Investments at average cost —		
beginning of year	5,794,345	7,174,504
Cost of securities purchased	3,789,305	5,780,939
	<u>9,583,650</u>	<u>12,955,443</u>
Investments at average cost —		
end of year	5,450,971	5,794,345
Cost of securities sold	<u>4,132,679</u>	<u>7,161,098</u>
Net realized profits from sales of securities	<u>484,560</u>	<u>59,180</u>

4. INCOME TAXES

The company qualifies as an investment corporation and a mutual fund corporation for income tax purposes. Income taxes otherwise payable on taxable capital gains have been eliminated on application of capital and non-capital losses in the amount of approximately \$102,000 during the current year.

The company has net capital losses of approximately \$215,000 which are available to reduce for tax purposes the amount of future capital gains.

5. STATUTORY INFORMATION

There are five directors (1976 — five) and four officers (1976 — four) of the company. Two (1976 — two) of the officers are directors. The directors who are remunerated received a total of \$4,400 (1976 — \$4,800). None of the officers received remuneration in their capacity as officers of the company.

6. STOCK OPTION

The company has granted to Calvin Bullock, Ltd. an option to purchase not more than 24,900,000 mutual fund shares at their net asset value at the time of the exercise of such option and, in any event, at not less than par value of such shares. The option expires December 31, 1978 and is renewed automatically for successive annual periods until terminated by either party giving six months written notice.

AUDITORS' REPORT

To the shareholders of
Acrofund Ltd.

We have examined the statement of net assets and the portfolio of investments of Acrofund Ltd. — Acrofonds Ltée as at December 31, 1977 and the statements of surplus, income and distribution accounts 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 December 31, 1977 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, January 10, 1978

COOPERS & LYBRAND
Chartered Accountants

BOARD OF DIRECTORS

A. Blaikie Purvis, Chairman
Jean Des Rosiers, C.A.
Carl J.S. MacCallum
James L. McPherson, F.C.A.
Alastair H. Ross

OFFICERS

A. Blaikie Purvis, Chairman and President
Carl J.S. MacCallum, Vice-President and Secretary
Robert A. Bengough, Treasurer
Pauline Butkus, Assistant-Secretary

CUSTODIAN AND TRANSFER AGENT

The Royal Trust Company, Montreal, Toronto,
Winnipeg, Regina, Calgary and Vancouver

AUDITORS

Coopers & Lybrand, Montreal

ACROFUND LTD.,

630 Dorchester Blvd. West,
Montreal, Canada, H3B 1X1.

ACROPLAN

This Plan is designed for anyone who wishes to make regular periodic contributions in order to build up his investment in ACRO and to reinvest dividends in new shares. The Royal Trust Company, who act as Custodians of the Plan, will invest any amount over \$25 on a weekly, monthly or quarterly basis. After each investment a complete statement is mailed to the planholder showing details of the transaction. The trust company makes no charge to the owner for the services offered under this voluntary, no-penalty Plan.

TWO-FUND RETIREMENT SAVINGS PLAN

Those who wish to take advantage of the provisions of the Income Tax Act for building retirement savings and reinvesting tax-free dividends can use this Plan. The maximum yearly contribution which may be deducted for tax purposes is \$5,500 for self-employed persons and \$3,500 for employees benefitting from a company pension plan, or 20% of earned income whichever is the lesser, in both instances.

The Two-Fund RRSP gives you the flexibility to decide what combination of funds suits your own investment needs. You can direct your contributions in just the proportion desired into Acrofund and/or Canadian Investment Fund.

