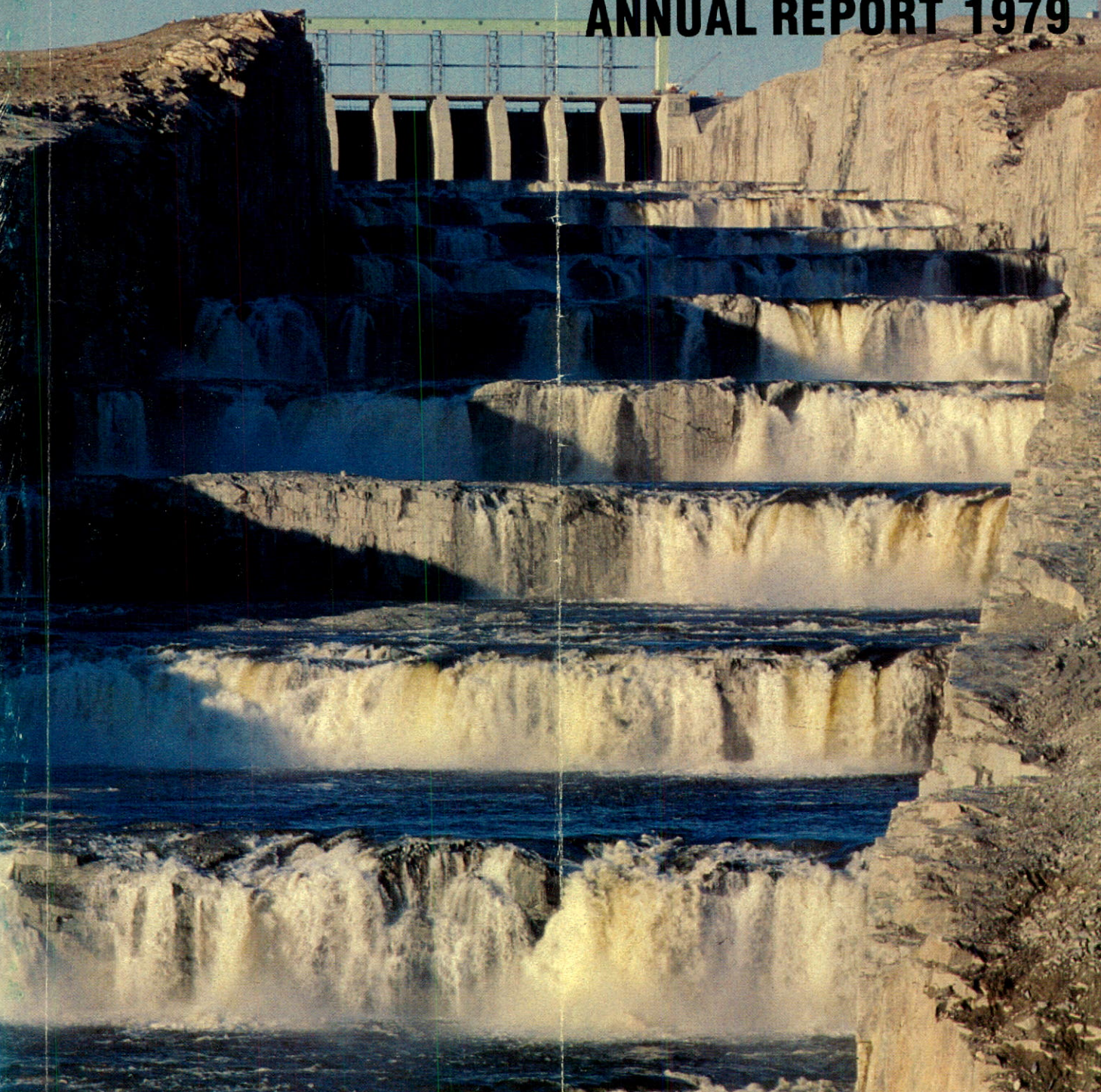


ACRO FUND

Distributed by Calvin Bullock, Ltd.

ANNUAL REPORT 1979





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

To the Shareholders,

This is the tenth annual report of your Company and covers the year 1979. Acrofund's net asset value per share rose from \$1.54 on December 31, 1978 to \$2.12 on December 31, 1979, an increase of 37.7%. Total return to shareholders including the largest cash dividend paid to date of 6¢ a share, was 41.6% for the year. In recognition of this performance and to reduce the company's 1979 income taxes otherwise payable of \$126,000 or 3.4¢ a share, a capital gains dividend of 20¢ a share was declared on January 11, to shareholders of record February 4, 1980.

Canadian equity markets in 1979, as measured by the Toronto Stock Exchange Composite Index, rose 38.4% and the U.S. Dow Jones Industrial Average rose 4.2%. In the five years since the bottom of the market cycle at the end of 1974, the Toronto Index rose by 104.7%. In the same five year period your investment in Acrofund, including dividends paid, has appreciated by 176.9%.

Once again in 1979 oil and gas equity issues led the advance, doubling as a group during the year, followed closely by gold. Real estate issues, which had doubled, fell back in the October market correction in the face of sharply higher interest rates. Except for a decline in utilities and an unchanged financial services index, all index groups were up. Because of a sharp increase in corporate profits, the price to earnings ratio of stocks on the Toronto Exchange was slightly down, at 8.72 times, from the 8.87 figure a year earlier, suggesting that the market as a whole has not become significantly overvalued. However it is important to distinguish between groups of stocks substantially discounting future earnings and those trading well below the average multiple.

Since inception your Fund has been invested partially in the more volatile high-potential resource stocks, particularly junior oils. Because of high petroleum prices caused by O.P.E.C. and an agreement between Ottawa and Alberta as to revenue sharing, stocks of these companies have generally performed very well. At the time of writing early in the New Year it appears the risk, at least in the short term, is beginning to outweigh the potential rewards and some profits have been taken, starting before the year end.

World oil pricing has become chaotic. At a time when industrialized countries' inventories are higher than normal, OPEC pro-

ducers are raising asking prices rapidly and independently of each other. Here at home the possibility of less favourable taxation and pricing surrounding oil and gas producers is causing a certain amount of investor concern. How quickly will Canadian oil prices be allowed to rise to world levels, and what incremental portion will accrue to producers, are the type of question being asked. Oil and gas producers are not equally vulnerable; some have large U.S. or overseas production, or potential production, while others are selling at prices which are reasonable in relation to asset values and current earnings. The same applies elsewhere in the market. Certain high technology companies have order backlogs in hand to see them through a recession, some paper companies have high protective dividend yields as do some mines, although speculation has spread from gold to base metals.

We think it will be more difficult to generate as high a rate of return this year as in 1979. Nevertheless there appears to be opportunities for capital gains provided one is nimble.

Canada, as a resource rich country, is high on a short list of suitable countries in which to invest during a time of international unrest.

Thank you for your confidence in us, especially the considerable number who have been shareholders for most of the 1970s. We'd like to have you attend our annual meeting in April, but in the meantime, please drop in to our office if you happen to be in Montreal. We enjoy talking to our shareholders.

By order of the Board of Directors,

President

February 15, 1980
Montreal, Canada

Cover: A view of LG2 — part of the James Bay power project.

ACROFUND LTD.

PORTFOLIO OF INVESTMENTS AS AT DECEMBER 31, 1979

COMMON STOCKS

	Shares held	Average cost	Quoted market value	% of total net assets
Manufacturing				
Acklands Limited	10,000	\$ 154,035	\$ 167,500	2.12
T.G. Bright & Co., Limited	6,000	101,862	87,000	1.10
CAE Industries Ltd.	8,000	111,784	116,000	1.47
Imasco Limited	12,000	373,168	516,000	6.54
Jannock Limited (Warrants)	20,000	113,988	115,000	1.46
Peerless Rug Limited	15,000	108,475	93,750	1.19
Spar Aerospace Limited	15,000	162,822	146,250	1.85
*Spectra-Physics, Inc.	3,000	88,610	141,766	1.80
*Sullair Corporation	8,000	48,081	157,518	2.00
*Tracor, Inc.	5,000	69,874	151,684	1.92
*Valtec Corporation	10,000	98,955	211,483	2.68
		<u>1,431,654</u>	<u>1,903,951</u>	<u>24.13</u>
Natural Resources				
Alberta Energy Company Ltd.	7,000	84,932	283,500	3.59
Bralorne Resources Limited	8,000	153,364	172,000	2.18
Brenda Mines Ltd.	10,000	263,936	285,000	3.61
British Columbia Resources Investment Corporation	20,000	128,061	142,500	1.80
Canada Northwest Land Limited	15,000	221,040	262,500	3.33
Canadian Reserve Oil and Gas Ltd.	8,000	107,399	192,000	2.43
CanDel Oil Ltd.	2,600	120,338	153,725	1.95
Chieftain Development Co. Ltd.	9,000	130,432	292,500	3.71
Husky Oil Ltd.	3,000	215,920	216,000	2.74
Merland Explorations Limited	9,000	129,169	184,500	2.34
OPI Ltd.	12,000	238,829	444,000	5.63
Placer Development Limited	5,000	87,081	268,750	3.40
Strand Oil & Gas Ltd.	20,000	117,999	73,000	.93
Trans-Canada Resources Ltd.	25,000	118,206	134,375	1.70
Western Mines Limited	25,000	191,520	350,000	4.44
		<u>2,308,226</u>	<u>3,454,350</u>	<u>43.78</u>
Services				
Consumers Distributing Company Limited	10,000	99,503	106,250	1.35
MDS Health Group Limited	15,000	153,488	146,250	1.85
Monenco Limited "A"	14,000	180,093	162,750	2.06
Nu-West Development Corporation Ltd. "A"	10,000	130,891	143,750	1.82
Reitman's (Canada) Limited "A"	5,000	93,733	76,250	.97
Taro Industries Limited	23,000	84,141	93,725	1.19
The Toronto Sun Publishing Corporation	15,000	206,861	198,750	2.52
Trimac Limited	10,500	285,271	532,875	6.75
Villacentres Limited	2,000	13,551	14,000	.18
		<u>1,247,532</u>	<u>1,474,600</u>	<u>18.69</u>
Public Utilities				
Inland Natural Gas Co. Ltd.	10,000	92,353	128,750	1.63
TOTAL PORTFOLIO INVESTMENTS		<u>\$5,079,765</u>	<u>6,961,651</u>	<u>88.23</u>
CASH AND OTHER ASSETS, NET			<u>929,037</u>	<u>11.77</u>
TOTAL NET ASSETS			<u>\$7,890,688</u>	<u>100.00%</u>

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

STATEMENT OF CHANGES IN INVESTMENTS FOR THE YEAR ENDED DECEMBER 31, 1979

	1979	1978
	\$	\$
INVESTMENTS AT AVERAGE COST — BEGINNING OF YEAR	4,442,251	5,450,971
Add: Cost of securities purchased	7,214,254	8,657,161
	<u>11,656,505</u>	<u>14,108,132</u>
Deduct: Proceeds from sales of securities	7,758,204	10,200,529
Less: Profits from sales of securities	1,181,464	534,648
Cost of securities sold	6,576,740	9,665,881
INVESTMENTS AT AVERAGE COST — END OF YEAR	<u>5,079,765</u>	<u>4,442,251</u>

ACROFUND LTD.

(incorporated under Canada Corporations Act)

STATEMENT OF NET ASSETS AS AT DECEMBER 31, 1979

ASSETS	1979 \$	1978 \$
Investments in securities at quoted market value (average cost — 1979 — \$5,079,765; 1978 — \$4,442,251) (note 1)	6,961,651	5,173,050
Cash on deposit — demand	1,201,283	1,511,351
Dividends and interest receivable	10,210	29,761
Due by subscriber to capital stock	247	17,524
Income taxes recoverable	550	550
Total assets	<u>8,173,941</u>	<u>6,732,236</u>
LIABILITIES		
Payable in respect of securities purchased	266,000	44,393
Management compensation payable	13,489	9,919
Accrued expenses and sundry accounts payable	3,551	2,856
Payable in respect of capital stock redeemed	213	14,947
Total liabilities	<u>283,253</u>	<u>72,115</u>
Net assets at market value	<u>7,890,688</u>	<u>6,660,121</u>
Net asset value per share	<u>2.12</u>	<u>1.54</u>
SHAREHOLDERS' EQUITY		
Capital stock —		
Authorized —		
25,000,000 mutual fund shares of the par value of \$0.20 each, of which		
9,601,312 shares (1978 — 8,833,920 shares) have been redeemed		
from inception		
Outstanding —		
shares (1979 — 3,706,570 shares)		
shares (1978 — 4,323,919 shares) (note 2)	741,314	864,784
Surplus —		
Paid-in surplus	3,197,648	4,146,867
Earned surplus	2,069,840	917,671
Total surplus	<u>5,267,488</u>	<u>5,064,538</u>
Unrealized appreciation of investments	<u>1,881,886</u>	<u>730,799</u>
Shareholders' equity as per net assets above	<u>7,890,688</u>	<u>6,660,121</u>

SIGNED ON BEHALF OF THE BOARD

A. Blaikie Purvis, Director

A. H. Ross, Director

ACROFUND LTD.

STATEMENT OF SURPLUS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1979

PAID-IN SURPLUS

	1979 \$	1978 \$
Balance — beginning of year	4,146,867	4,788,590
Less: Included in beginning balance of distribution account	156	53
	<u>4,146,711</u>	<u>4,788,537</u>
Proceeds from mutual fund shares subscribed for during year, excluding portion of subscription price credited to distribution account	268,197	321,801
Less: Par value thereof	30,009	45,748
	<u>238,188</u>	<u>276,053</u>
	<u>4,384,899</u>	<u>5,064,590</u>
Deduct: Consideration paid on redemption of mutual fund shares during the year, excluding amount charged to distribution account	1,340,734	1,066,055
Less: Par value thereof	153,479	148,176
	<u>1,187,255</u>	<u>917,879</u>
	<u>3,197,644</u>	<u>4,146,711</u>
Portion of subscription price included in balance of distribution account	4	156
Balance of paid-in surplus — end of year	<u>3,197,648</u>	<u>4,146,867</u>

EARNED SURPLUS

Net realized profits from sales of securities —		
Balance — beginning of year	877,128	342,480
Net realized profits during year	<u>1,181,464</u>	<u>534,648</u>
Balance — end of year	<u>2,058,592</u>	<u>877,128</u>
Portion of balance of distribution account — end of year	11,248	40,543
Balance of earned surplus — end of year	<u>2,069,840</u>	<u>917,671</u>
TOTAL SURPLUS — END OF YEAR	<u>5,267,488</u>	<u>5,064,538</u>

STATEMENT OF INCOME ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1979

INCOME

Dividends	254,581	244,314
Interest on cash deposits	<u>78,781</u>	<u>66,904</u>
	<u>333,362</u>	<u>311,218</u>

EXPENSES

Management fees	53,416	40,332
Transfer costs	5,604	5,267
Custodian fees	8,770	8,530
Stationery and printing supplies	10,863	9,270
General and sundry	13,336	13,938
Rent	6,000	5,893
Audit fees	5,600	4,200
Legal fees and expenses	10,166	8,831
Directors' compensation	4,400	4,800
Taxes other than income taxes	<u>2,650</u>	<u>2,168</u>
	<u>120,895</u>	<u>103,229</u>

INCOME BEFORE TAXES	<u>212,557</u>	<u>207,989</u>
U.S. WITHHOLDING TAXES PAID	<u>2,528</u>	<u>2,764</u>
NET INCOME FOR THE YEAR	<u><u>210,029</u></u>	<u><u>205,225</u></u>
NET INCOME PER SHARE — based on the weighted average number of shares outstanding during the year	<u>5.3¢</u>	<u>4.4¢</u>

ACROFUND LTD.

STATEMENT OF DISTRIBUTION ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1979

	1979 \$	1978 \$
Balance of distribution account — beginning of year	40,699	46,310
Net income for the year	210,029	205,225
Received on subscriptions to capital stock to equalize the per share amount available for distribution on the then outstanding shares	1,955	3,028
	<u>252,683</u>	<u>254,563</u>
Deduct: Dividend paid	221,381	196,568
Amounts included in prices of mutual fund shares redeemed, equal to the per share portion of income and distribution accounts	20,050	17,296
	<u>241,431</u>	<u>213,864</u>
Balance of distribution account — end of year	11,252	40,699
Included in paid-in surplus	4	156
Included in earned surplus	11,248	40,543
	<u>11,252</u>	<u>40,699</u>

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 1979

	1979 \$	1978 \$
NET ASSETS — BEGINNING OF YEAR	6,660,121	6,949,360
Add (deduct): Changes during year —		
Net investment income	210,029	205,225
Net realized profits from sales of securities	1,181,464	534,648
Increase (decrease) in unrealized appreciation of investments	1,151,087	(74,022)
Proceeds from issue of mutual fund shares	270,152	324,829
Consideration paid on redemption of mutual fund shares	(1,360,784)	(1,083,351)
Dividend paid out of net investment income	(221,381)	(196,568)
	<u>1,230,567</u>	<u>(289,239)</u>
NET ASSETS — END OF YEAR	<u>7,890,688</u>	<u>6,660,121</u>

Per share

NET ASSET VALUE — BEGINNING OF YEAR	<u>\$1.54</u>	<u>\$1.43</u>
NET ASSET VALUE — END OF YEAR	<u>\$2.12</u>	<u>\$1.54</u>
DISTRIBUTION OUT OF NET INVESTMENT INCOME	<u>6.0¢</u>	<u>4.5¢</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1979

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 the year-end 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 translated into Canadian dollars at the rate of exchange prevailing at December 31, 1979 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 into 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:

	1979	1978
Outstanding — beginning of year	4,323,919	4,836,061
Changes during the year —		
Issued	150,043	228,737
Redeemed	767,392	740,879
Net decrease	617,349	512,142
Outstanding — end of year	<u>3,706,570</u>	<u>4,323,919</u>

3. MANAGEMENT FEES

Calvin Bullock Investment Advisers Ltd. has been engaged to supervise the investments and to furnish investment advice pursuant to an agreement which is renewable annually. The agreement provides a fee for services based on the average net assets of the company during the quarterly periods ending on the last day of March, June, September and December in each year of 3/16ths of 1%, being equivalent to 3/4ths of 1% per annum (1978 - 3/20ths of 1%, being equivalent to 3/8ths of 1% per annum).

4. COMMISSIONS PAID

Commissions paid to security dealers during the year with respect to portfolio transactions amounted to \$170,317 (1978 - \$122,975).

5. INCOME TAXES

The company qualifies as an investment corporation and a mutual fund corporation for income tax purposes.

Income taxes for the year otherwise payable of \$126,000 have been eliminated by an available capital gains refund arising from capital gains redemptions during the year, together with the payment of a capital gains dividend subsequent to December 31, 1979 (note 7).

Notes to Financial Statements (continued)

6. STATUTORY INFORMATION

There are five directors (1978 - five) and four officers (1978 - four) of the company. Two (1978 - two) of the officers are directors. The directors who are remunerated received a total of \$4,400 (1978 - \$4,800). None of the officers received remuneration in their capacity as officers of the company.

7. SUBSEQUENT EVENT

Subsequent to December 31, 1979 the company declared a capital gains dividend of 20 cents per share payable to shareholders of record as at February 4, 1980.

8. 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, 1980 and is renewed automatically for successive annual periods until terminated by either party giving six months written notice.

9. STATEMENT OF PORTFOLIO TRANSACTIONS

A statement of portfolio transactions (unaudited) for the year ended December 31, 1979 may be obtained without charge by writing to:

Acrofund Ltd.
630 Dorchester Blvd. W.
Suite 2960
Montreal, Quebec
H3B 1X1

10. COMPARATIVE FIGURES

Certain changes in the form and content of the financial statements have been made to conform with The Securities Act, 1978 (Ontario), which came into effect on September 15, 1979.

AUDITORS' REPORT

To the shareholders of
Acrofund Ltd. — Acrofonds Ltée

We have examined the statement of net assets and the portfolio of investments of Acrofund Ltd. — Acrofonds Ltée as at December 31, 1979 and the statements of surplus, income and distribution accounts and changes in net assets and in investments 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, 1979 and the results of its operations and the changes in its net assets and in its investments 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 11, 1980

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
Priscilla M. Beaulieu, Assistant-Secretary
Karen Vanderzweep, 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.



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