



american  
growth  
fund  
limited

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HOWARD ROSS LIBRARY  
OF MANAGEMENT  
JUL 16 1979  
MCGILL UNIVERSITY

# SEVENTEENTH ANNUAL REPORT

DECEMBER 31, 1973



### **Executive Officers and Directors**

W. ALLAN MANFORD, President and Director  
Chairman of the Board, A.G.F. Management Limited

C. WARREN GOLDRING, Vice-President and Director  
President, A.G.F. Management Limited

ROBERT LAW, Q.C., Secretary & Director  
Barrister & Solicitor

PHILIPPE CASGRAIN, Q.C., Director  
Barrister & Solicitor

FLOYD S. CHALMERS, Q.C., L.L.D., Litt.D., Director  
Chairman, Floyd S. Chalmers Foundation

SAMUEL T. PATON, Director  
Deputy Chairman and Director, The Toronto-Dominion Bank

HAROLD M. TURNER, Director  
Retired Business Executive

WILLIAM D. CAMERON,  
Vice-President and Portfolio Manager

GORDON D. LINKLATER,  
Vice-President and Assistant Portfolio Manager

RICHARD J. WHITING,  
Vice-President and Assistant Portfolio Manager

### **Custodian of Securities**

A Canadian Chartered Bank

### **Auditors**

Price Waterhouse & Co., Toronto

### **Registrar and Transfer Agent**

A.G.F. Management Ltd., Toronto

### **Branch Registrar and Branch Transfer Agent**

Montreal Trust Company  
Montreal, Winnipeg, Calgary, Vancouver, Halifax, Regina

Managed by



50th Floor, Toronto-Dominion Bank Tower, Toronto, Canada M5K 1E9



## Report to Shareholders

for the year ended December 31, 1973

A year of crises is perhaps the best description of 1973 from the standpoint of the U.S. investment scene. First we had runaway food and commodity prices, then the continuing trauma of Watergate and finally, the Arab oil embargo. These severe shocks to investor confidence produced the lowest stock prices in relation to earnings of the past twenty years, and thus a truly frustrating year for owners of U.S. equities, in spite of sharply increasing corporate profits during this period.

Following is the Fund's investment performance for the year in comparison with two widely used market indices and the Lipper Growth Fund Index, an average of the results of the 30 largest U.S. growth funds with some \$14 billion in assets.

### 1973 Net Change in Per Share Value

Dow-Jones Industrials (30 stocks)	— 17%
American Growth Fund	— 24%
Lipper Growth Fund Index	— 27%
Value Line Composite (1400 stocks)	— 35%

You will note that your Fund's investment results were shared by other U.S. invested growth funds. These funds experienced the same real life problems which we encountered during the year, including the tremendous difficulty of buying and selling large volumes of securities in thin and often violent markets and the equal difficulty of maintaining the desired cash position in periods of market decline.

Over a longer term — the period from the lows of 1970 through the highs of 1971-1972 and back to the lows of year-end 1973 — your Fund's performance compares favourably with other U.S. growth funds and the averages. It is useful to make this comparison since the period covered portrays a "round trip" in the market (low to high to low).

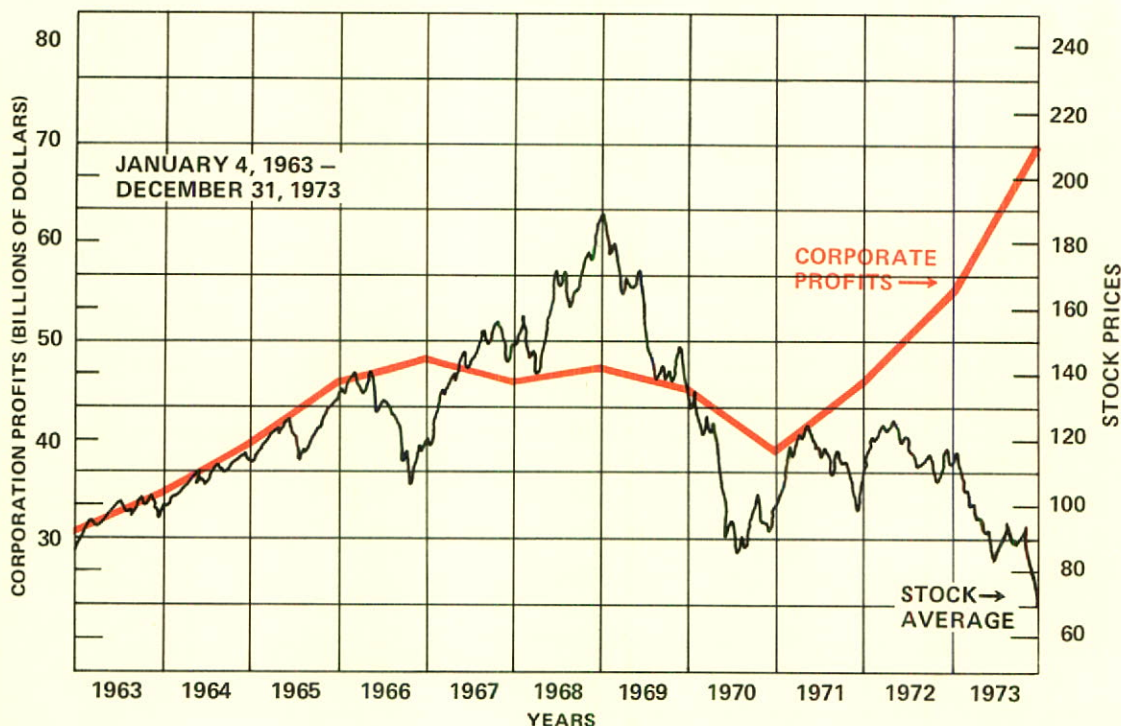
American Growth Fund	+ 31%
Lipper Growth Fund Index	+ 28%
Dow-Jones Industrials	+ 34%
Value Line Composite	— 14%

While your Fund has thus "kept up" during the past few years of violently fluctuating markets, it remains the primary goal of the Manager to do substantially better than the averages in the much improved markets we see for the years ahead.

Turning to the future then, our research indicates the longest bear market in history (1969-1974) should finally be in process of termination. To be sure, some reactionary phases may well lie ahead as we work our way through the peaks of inflationary and political pressures. But as these pressures abate we look forward to a turn upward in the major trend of the U.S. markets for the first time in over five years.

Furthermore, as the chart below clearly portrays the combination of severely depressed stock prices together with the rising corporate profits of recent years has created an exceptional long-term capital gain opportunity for investors in U.S. securities.

WEEKLY CHART – VALUE LINE COMPOSITE



We have recently made additions to the research officers of the Fund. To assist Mr. William Cameron, Vice-President and Portfolio Manager of the Fund, we have appointed two further Vice-Presidents — Mr. Richard Whiting, who analyzes the smaller emerging growth companies of the U.S. scene, and Mr. Gordon Linklater, who deals with computerized quantitative analysis of the over 500 U.S. stocks we keep under continuous supervision.

#### ANNUAL MEETING

The Notice and Information Circular for the annual meeting of shareholders which is to be held at the offices of the Company, 50th Floor, Toronto-Dominion Centre, Toronto, on May 14, 1974 is enclosed. If you do not plan to attend the meeting, we would ask you please to complete and sign the enclosed form of proxy and to mail it to us in the self-addressed envelope which we have provided for this purpose.

Submitted on behalf of the board of directors

Toronto, Ontario  
March 25, 1974

W. A. MANFORD  
President

## American Growth Fund Limited

### Statement of Assets and Liabilities

	December 31	
	1973	1972
<b>Assets</b>		
Investments at market value (average cost — 1973 — \$107,385,758; 1972 — \$162,024,721) .....	\$116,756,805	\$214,332,373
Cash and bank deposit receipts .....	20,270,406	10,765,990
Short-term note .....	2,000,000	—
Receivable for shares of the Fund subscribed for but unissued .....	1,368,759	1,448,748
Dividends and interest receivable .....	282,630	263,159
Receivable from investment dealers and brokers for security sales .....	466,993	177,368
	<u>141,145,593</u>	<u>226,987,638</u>
<b>Liabilities</b>		
Payable to investment dealers and brokers for security purchases .....	1,916,551	821,439
Accounts payable and accrued liabilities .....	178,253	265,467
Income and other taxes payable .....	837,810	313,525
Payable for shares of the Fund redeemed .....	666,152	699,428
	<u>3,598,766</u>	<u>2,099,859</u>
Net assets at market value .....	<u>\$137,546,827</u>	<u>\$224,887,779</u>
Net asset value per share .....	<u>\$5.15</u>	<u>\$6.76</u>

### Shareholders' Equity

Capital stock (Notes 1 and 4):

Mutual Fund share of a par value of 20 cents each —		
Authorized —		
200,000,000 share of which 122,300,032 shares have been issued and subsequently redeemed		
Outstanding —		
Issued and fully paid —		
26,462,484 shares (1972 — 33,061,189 shares) .....	\$ 5,292,497	\$ 6,612,237
Subscribed for but unissued —		
271,353 shares (1972 — 213,850 shares) .....	54,270	42,770
Deferred shares of a par value of 20 cents each —		
Authorized —		
12,500 shares		
Issued and fully paid —		
35 shares .....	7	7
	<u>5,346,774</u>	<u>6,655,014</u>
Surplus:		
Paid-in .....	99,120,729	137,003,287
Earned .....	373,167	82,927
Realized gain on investments .....	23,335,110	28,838,899
Unrealized appreciation of investments .....	9,371,047	52,307,652
	<u>\$137,546,827</u>	<u>\$224,887,779</u>

APPROVED ON BEHALF OF THE BOARD:

W. A. Manford, Director

H. M. Turner, Director

## American Growth Fund Limited

### Statement of Income and Earned Surplus

	Year ended December 31	
	1973	1972
Income:		
Dividends .....	\$2,460,230	\$2,321,949
Stock dividends and rights .....	150,386	781,444
Interest .....	1,902,375	488,722
	4,512,991	3,592,115
Expenses (Note 8):		
Management fee .....	1,474,078	1,640,029
Transfer agents' fees .....	—	75,334
Audit fees .....	—	1,700
Legal fees .....	—	100
Directors' fees (Note 9) .....	—	900
Association fees .....	—	2,332
Custodian fee and bank charges .....	—	1,769
Shareholders' information costs .....	—	25,691
Provincial capital tax .....	32,000	13,000
	1,506,078	1,760,855
Income before provision for income taxes .....	3,006,913	1,831,260
Foreign withholding taxes .....	360,899	344,665
Provision for Canadian income taxes .....	780,714	592,304
	1,141,613	936,969
Net income for the year .....	1,865,300	894,291
Earned surplus at beginning of year .....	82,927	215,915
	1,948,227	1,110,206
Deduct:		
Portion of consideration on share redemptions deemed applicable to current earnings less \$338,955 (1972 — \$72,781) in respect of shares sold during the year .....	240,658	73,806
Dividends (Note 7) .....	1,334,402	953,473
	1,575,060	1,027,279
Earned surplus at end of year .....	\$ 373,167	\$ 82,927

American Growth Fund Limited

Statements of Paid-in Surplus, Realized Gain on Investments,  
Unrealized Appreciation of Investments and Change in Net Assets

	Year ended December 31	
	1973	1972
<b>Paid-in Surplus</b>		
Balance at beginning of year .....	\$137,003,287	\$164,337,969
Paid-in on shares issued during the year .....	71,300,795	71,548,891
	208,304,082	235,886,860
Paid-out on shares redeemed during the year .....	109,183,353	98,883,573
Balance at end of year .....	<u>\$ 99,120,729</u>	<u>\$137,003,287</u>
 <b>Realized Gain on Investments</b>		
Balance at beginning of year .....	\$ 28,838,899	\$ 5,761,040
Net gain (loss) on sale of investments during the year (Note 5) .....	(5,503,789)	23,077,859
Balance at end of year .....	<u>\$ 23,335,110</u>	<u>\$ 28,838,899</u>
 <b>Unrealized Appreciation of Investments</b>		
Balance at beginning of year .....	\$ 52,307,652	\$ 59,773,761
Unrealized depreciation during the year .....	42,936,605	7,466,109
Balance at end of year .....	<u>\$ 9,371,047</u>	<u>\$ 52,307,652</u>

American Growth Fund Limited

Change in Net Assets

	Year ended December 31	
	1973	1972
Net assets at beginning of year .....	\$224,887,779	\$237,593,839
Proceeds from sale of shares (Note 4) .....	74,354,279	73,843,598
Net income .....	1,865,300	894,291
Realized gain on investments (Note 5) .....	—	23,077,859
	301,107,358	335,409,587
Less:		
Cost of shares redeemed (Note 4) .....	113,785,735	102,102,226
Dividends .....	1,334,402	953,473
Realized loss on investments (Note 5) .....	5,503,789	—
Unrealized depreciation of investments .....	42,936,605	7,466,109
	163,560,531	110,521,808
Net assets at end of year .....	<u>\$137,546,827</u>	<u>\$224,887,779</u>

## American Growth Fund Limited

### Notes to Financial Statements

December 31, 1973

#### 1. Redemption privilege:

Mutual fund shares are redeemable at the option of the holder in accordance with the provisions of the Company's charter.

#### 2. Translation of foreign currency:

Foreign currency amounts included in the financial statements have been expressed in Canadian dollars on the following basis:

- (a) Market value of investments, other assets and liabilities at the rate of exchange at the end of the year;
- (b) Purchases and sales of investments, income and expenses at the rate of exchange prevailing on the respective dates of such transactions.

#### 3. Taxation:

During the year ended December 31, 1973 the Company qualified as a mutual fund corporation under the Income Tax Act.

The Company incurred net capital losses for income tax purposes during the year ended December 31, 1973 amounting to approximately \$15,000,000 which are available for carry-forward against net capital gains of future years.

#### 4. Sales and redemptions of share capital:

The following shares of the Company's capital stock were sold and redeemed during the years indicated:

	Year ended December 31	
	1973	1972
Shares sold (including shares subscribed for but unissued at end of year):		
Mutual fund shares .....	13,572,646	11,109,631
Allocation of consideration —		
Share capital .....	\$ 2,714,529	\$ 2,221,926
Paid-in surplus .....	71,300,795	71,548,891
Earned surplus .....	338,955	72,781
	<u>\$ 74,354,279</u>	<u>\$ 73,843,598</u>
Shares redeemed:		
Mutual fund shares .....	20,113,848	15,360,328
Allocation of redemption cost —		
Share capital .....	\$ 4,022,769	\$ 3,072,066
Paid-in surplus .....	109,183,353	98,883,573
Earned surplus .....	579,613	146,587
	<u>\$113,785,735</u>	<u>\$102,102,226</u>



## 5. Net gain (loss) on sale of investments:

The following are the details of the net gain (loss) on investments sold during the years indicated:

	Year ended December 31	
	1973	1972
Proceeds from sale of investments .....	\$132,963,577	\$117,580,295
Cost of investments at beginning of year .....	162,024,721	163,050,262
Cost of investments purchased during year .....	85,678,017	92,695,461
Value assigned to stock dividends received and rights exercised .....	150,386	781,434
	<u>247,853,124</u>	<u>256,527,157</u>
Cost of investments and short-term notes at end of year .....	109,385,758	162,024,721
Cost of investments sold during year .....	138,467,366	94,502,436
Net gain (loss) on sale of investments .....	<u>\$ (5,503,789)</u>	<u>\$ 23,077,859</u>

## 6. Net income per share:

Net income per share for the year ended December 31, 1973 was 6.28 cents (1972 — 2.66 cents) based on the average number of shares outstanding during the year.

## 7. Dividends per share:

Dividends of 5 cents per share were declared during the year ended December 31, 1973 (1972 — 3 cents per share).

## 8. Management agreement:

Pursuant to the management agreement between the Company and its manager, A.G.F. Management Limited, which became effective May 1, 1972, the manager pays all expenses of the Company, other than brokerage on securities transactions and all taxes. The statement of income reflects the apportionment of expenses for the year ended December 31, 1972 in accordance with the terms of the said agreement. The management fee otherwise payable to A.G.F. Management Limited has been reduced by an amount equal to the net income before income taxes of AGF Securities, Inc., a subsidiary of A.G.F. Management Limited, resulting from commissions on portfolio transactions executed by AGF Securities, Inc. for the Fund less an amount equal to the United States withholding tax that would be payable if such net income of AGF Securities, Inc. were distributed to A.G.F. Management Limited by way of dividends. During the year ended December 31, 1973, this reduction in fees charged to the Fund amounted to \$32,374 (1972 — \$61,217).

## 9. Remuneration of directors and officers:

During the year ended December 31, 1973, the Company paid no remuneration to its seven directors and to its six officers, three of whom are also directors. Pursuant to the management agreement, directors' and officers' remuneration is the responsibility of the manager. Remuneration of \$2,800 was paid by the manager to the Company's directors during the year ended December 31, 1973.

## Auditors' Report

To the Shareholders of  
American Growth Fund Limited:

We have examined the statement of assets and liabilities and the statement of investment portfolio of American Growth Fund Limited as at December 31, 1973 and the statements of income and earned surplus, paid-in surplus, realized gain on investments, unrealized appreciation of investments and change 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, including obtaining confirmation from the depositaries of the cash and securities owned at December 31, 1973.

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 the change 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.

Toronto, Ontario  
February 21, 1974

Price Waterhouse & Co.  
Chartered Accountants

## American Growth Fund Limited

### Statement of Investment Portfolio

as at December 31, 1973

Number of Shares		Average Cost	Market Value
	<b>AUTOMOBILES (0.6%)</b>		
30,600	Maremont Corporation .....	\$ 854,984	\$ 799,876
		854,984	799,876
	<b>BUILDING (0.8%)</b>		
105,000	Ryan Homes Inc. ....	1,591,519	1,124,009
		1,591,519	1,124,009
	<b>BUSINESS SERVICES (0.2%)</b>		
53,500	Prudential Building Maintenance Corp. ....	1,019,590	239,739
		1,019,590	239,739
	<b>CHEMICALS (3.8%)</b>		
74,284	Air Products & Chemicals, Inc. ....	1,663,285	2,958,880
40,000	Dow Chemical Company .....	1,983,641	2,290,340
		3,646,926	5,249,220
	<b>COMMUNICATIONS MEDIA (1.3%)</b>		
40,000	Knight Newspapers, Inc. ....	1,316,213	990,821
50,000	Times-Mirror Company .....	1,175,405	796,640
		2,491,618	1,787,461
	<b>DRUGS &amp; COSMETICS (2.7%)</b>		
20,000	Pfizer, Inc. ....	1,010,208	856,388
20,000	Schering-Plough Corporation .....	1,366,000	1,414,036
20,000	Upjohn Company .....	1,146,394	1,428,973
		3,522,602	3,699,397
	<b>ENERGY (16.9%)</b>		
25,000	Atlantic Richfield Company .....	1,860,951	2,707,331
15,000	Halliburton Co. ....	2,596,091	2,886,575
20,000	Kerr-McGee Corp. ....	1,475,631	1,792,440
20,000	Marathon Oil .....	966,975	975,884
110,000	Mesa Petroleum Co. ....	2,963,185	4,189,829
40,000	Phillips Petroleum Company .....	1,757,222	2,728,492
30,000	Santa Fe International Corp. ....	1,428,785	1,419,015
50,000	Schlumberger Ltd. ....	989,500	6,566,056
		14,038,340	23,265,622
	<b>ENTERTAINMENT &amp; LEISURE (2.4%)</b>		
40,000	McDonald's Corp. ....	2,928,443	2,270,424
25,000	Ponderosa System, Inc. ....	1,851,892	1,045,590
		4,780,335	3,316,014
	<b>FINANCIAL (8.9%)</b>		
30,000	Aetna Life & Casualty Company .....	2,198,613	2,233,082
100,000	Federal National Mortgage Assoc. ....	2,021,781	1,667,965
84,000	First Charter Financial Corp. ....	1,804,200	1,212,884
20,000	First Chicago Corp. ....	1,177,708	1,401,588
40,000	First National City Corp. ....	1,476,545	1,827,293
100,000	Great Western Financial Corporation .....	2,231,396	1,904,468
30,000	Morgan (J.P.) & Co. ....	2,024,953	2,061,306
		12,935,196	12,308,586
	<b>FOOD &amp; BEVERAGE (0.2%)</b>		
20,000	Royal Crown Cola Company .....	796,124	298,740
		796,124	298,740

Number of Shares		Average Cost	Market Value
	<b>HOUSEHOLD DURABLES (0.6%)</b>		
60,000	Bath Industries, Inc. ....	1,428,000	829,003
		<u>1,428,000</u>	<u>829,003</u>
	<b>MINES &amp; MINERALS (7.2%)</b>		
40,000	Aluminum Company of America .....	2,835,381	2,897,778
20,000	American Metal Climax, Inc. ....	978,933	1,020,695
60,000	International Minerals & Chemical Corp. ....	1,677,906	2,248,019
50,000	Kennecott Copper Corp. ....	1,386,500	2,203,207
30,000	Utah International Inc. ....	1,600,054	1,478,763
		<u>8,478,774</u>	<u>9,848,462</u>
	<b>MACHINERY (9.6%)</b>		
24,000	Bucyrus Erie Company .....	950,416	1,108,325
30,000	Caterpillar Tractor Company .....	2,122,651	2,001,558
60,000	Deere & Company .....	1,859,808	3,017,274
40,000	Foster Wheeler Corporation .....	1,818,950	2,394,899
64,945	Fuqua Industries Inc. ....	1,469,795	420,369
10,000	Ingersol Rand Company .....	923,001	978,374
45,000	Pullman Inc. ....	2,070,828	3,288,007
		<u>11,215,449</u>	<u>13,208,806</u>
	<b>PAPERS (6.1%)</b>		
40,000	International Paper Company .....	2,103,125	2,071,264
50,000	Kimberly-Clark Corporation .....	1,871,320	1,605,728
40,000	Union Camp Corporation .....	2,004,321	2,360,046
60,000	Weyerhaeuser Co. ....	2,169,290	2,337,641
		<u>8,148,056</u>	<u>8,374,679</u>
	<b>RAIL &amp; TRUCKING (4.9%)</b>		
80,000	Consolidated Freightways, Inc. ....	1,986,863	1,274,624
90,000	Roadway Express Incorporated .....	965,591	3,405,636
40,000	Southern Railway Company .....	1,407,638	2,026,453
		<u>4,360,092</u>	<u>6,706,713</u>
	<b>RETAIL (4.0%)</b>		
40,000	Eckerd (Jack) Corp. ....	1,617,989	995,800
50,000	Kresge (S.S.) Company .....	2,084,084	1,630,622
80,000	Marcor Inc. ....	2,363,881	1,593,280
30,000	Rite Aid Corp. ....	1,506,823	485,453
50,000	Russell Stover Candies, Inc. ....	448,130	771,745
		<u>8,020,907</u>	<u>5,476,900</u>
	<b>TECHNOLOGY (14.7%)</b>		
4,000	Burroughs Corp. ....	983,074	829,999
30,000	Combustion Engineering, Inc. ....	2,401,031	3,136,770
15,000	Digital Equipment Corporation .....	1,413,814	1,521,707
40,000	General Electric Company .....	1,715,759	2,509,416
20,000	Hewlett-Packard Company .....	1,919,390	1,610,707
12,000	International Business Machines Corporation .....	4,073,880	2,948,564
50,000	National Cash Register Company .....	2,161,110	1,611,951
40,000	Sperry Rand Corporation .....	1,770,788	1,762,566
40,000	Texas Instruments Inc. ....	3,618,400	4,291,898
		<u>20,057,246</u>	<u>20,223,578</u>
	Total Portfolio .....	<u>\$107,385,758</u>	<u>\$116,756,805</u>

NOTE:- Percentages shown relate investments at market value to total net assets of the Fund.

