

Investors
MUTUAL OF CANADA LTD.
Annual Report 1981

C



HOWARD ROSS LIBRARY
OF MANAGEMENT
FEB 16 1982
MCGILL UNIVERSITY

INVESTORS MUTUAL
OF CANADA LTD.

BOARD OF DIRECTORS

Investors Mutual is a balanced fund: that is one which invests in both equity and fixed income type securities.

The investment portfolio consists of a diversified list of common stocks in Canadian and United States companies selected for long term capital growth plus preferred stocks chosen for their high level of income plus long term stability.

C. E. Atchison
WINNIPEG
J. A. Beliveau
MONTREAL
H. A. Benham
WINNIPEG
E. A. Galvin
CALGARY
R. O. A. Hunter
WINNIPEG
D. S. Kaufman
WINNIPEG
R. H. Jones
WINNIPEG
A. V. Mauro, Q.C.
WINNIPEG
J. A. K. MacDonell
WINNIPEG
D. J. McDonald
TORONTO
P. E. Newman
WINNIPEG

EXECUTIVE OFFICERS

R. H. Jones
CHAIRMAN OF THE BOARD
A. V. Mauro, Q.C.
PRESIDENT
B. S. Toni
SECRETARY
C. G. Turnbull
TREASURER

1981 HIGHLIGHTS

| | |
|------------------------------------|---------------|
| Total Net Assets | \$165,501,898 |
| Number of Shareholders | 15,800 |
| Asset Value Per Share | |
| High | \$ 8.28 |
| Low | \$ 6.09 |
| Close | \$ 6.28 |
| Dividends Paid | \$ 26,501,701 |
| Dividends Paid Per Share | \$ 1.03 |



PRESIDENT'S REPORT

On behalf of the Board of Directors I am pleased to enclose the Report to the Shareholders for the year ended October 31, 1981.

During the past year your Fund distributed its regular dividend of 35½¢ per share plus a capital gains dividend of 67½¢ per share. Including this distribution, the net asset value of the Fund declined by 4%. Over the same period the Toronto Stock Exchange 300 Composite Index declined by 17.7%.

As indicated, the year was difficult for both stock and bond markets. Record high interest rates coupled with high inflation rates and a weak Canadian dollar caused erosion in the value of both fixed income and common shares.

The volatility over the past twelve months is reflected in the levels of the Toronto Stock Exchange 300 Composite Index. At October 31, 1980, the index stood at 2240. At the end of May 1981, it was 2371, while at October 31, 1981, it had declined to 1843. At the time of writing this report, the market has recovered to 2012. The perform-

ance of your Fund under these circumstances is noteworthy.

Relative to inflation, the longer term record remains impressive. Over the four year period from October 31, 1977, the Consumer Price Index has increased at an average annual rate of 10.4%. Over the same period, your Fund has increased at an average annual rate of 15.3%. In short, the purchasing power of your investment continues to grow.

Two major events will impact the direction of our financial markets over the ensuing year:

1. The oil agreements between the producing provinces and the federal government.

2. The federal budget.

The oil agreements provide a framework for co-operation between the two levels of governments which, in turn, will have far-reaching effects upon both the political and economic future of Canada.

Increased revenue from these agreements and the recent federal budget will contribute to a reduced federal deficit — a factor which has


weighed heavily upon the long-term bond market.

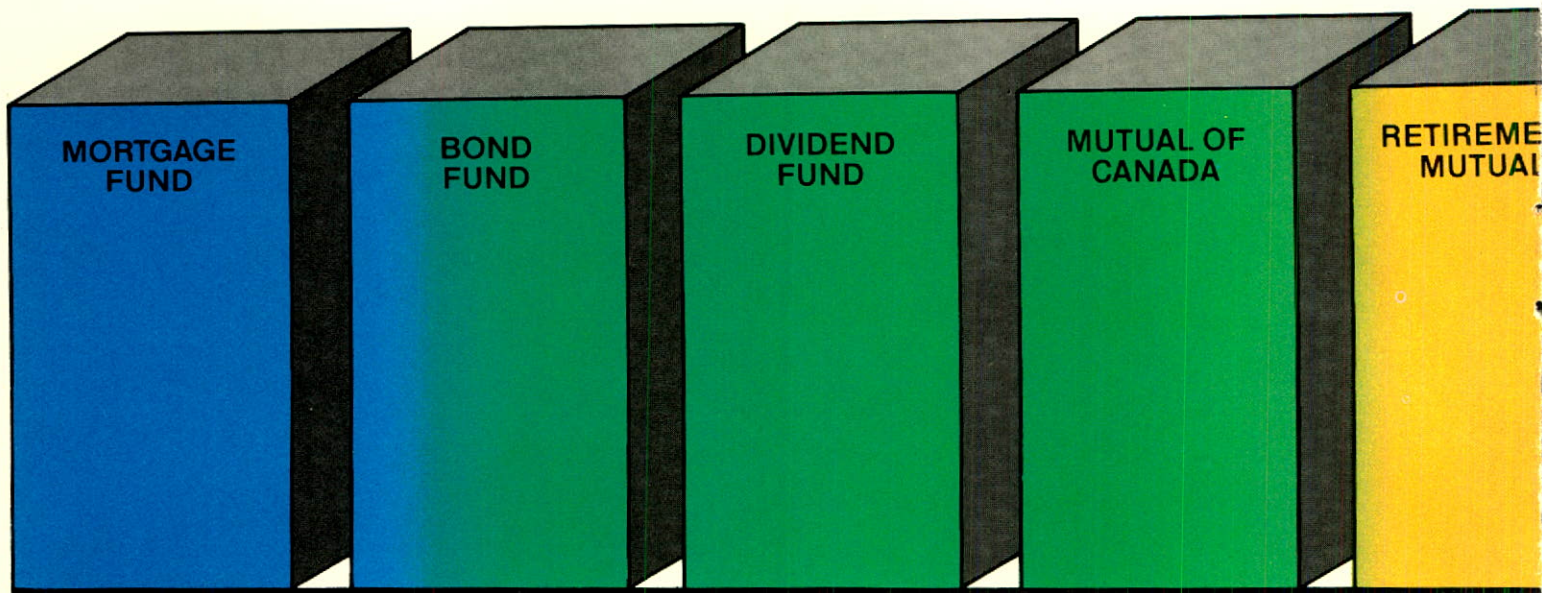
In addition we should see reduced pressure on the Canadian dollar with a corresponding drop in short-term interest rates. Capital spending plans which must form the basis of economic expansion in the 1980's may now be revived. Short-term interest rates have already reacted and long-term rates have also declined. A continued downward movement in interest rates will have a positive effect upon such depressed areas of our economy as housing and retail sales.

If this trend is accompanied by a reduction in the rate of inflation, we should see improved markets for both fixed income securities and equities.

Since your Fund is a "balanced fund" with both fixed income and common shares, it is well positioned to benefit from such improvement.

Winnipeg, Canada
November 27, 1981


Arthur V. Mauro, Q.C. PRESIDENT



INCOME/LOW VARIABILITY ←

MANAGING FOR CAPITAL GROWTH

Most Canadians are seriously concerned about the impact inflation and taxation will have on the future purchasing power of their savings and investments.

Today, more than ever before, it is important to find sound ways to increase investment returns.

Investors can show you nine distinctly different ways to make your dollars work harder for you.

Our experience has shown that no single investment choice is best all the time. Economic conditions and investment opportunities change so rapidly that few individuals have the time, the know-how, or the resources to stay ahead consistently.

Our Investment Concept, "Managing for Capital Growth" provides a sound way of maximizing investment returns

by creating a portfolio of investment funds with clearly defined objectives and the flexibility to adapt to economic changes. This can be accomplished easily with the full range of Investors nine professionally managed Funds.

The number and choices of funds which the investor will want to use at any one time will depend upon personal objectives and the extent to which they change over the years. Important factors influencing selections will include: need for current investment income; desire to seek inflation protection of income, or capital or both; control tax exposure; the time horizon available to accomplish objectives; requirement for liquidity in the meantime, and perhaps most important, tolerance of investment risk which we might express as your personal "comfort zone" with respect to future capital and income variability.

Investors Family

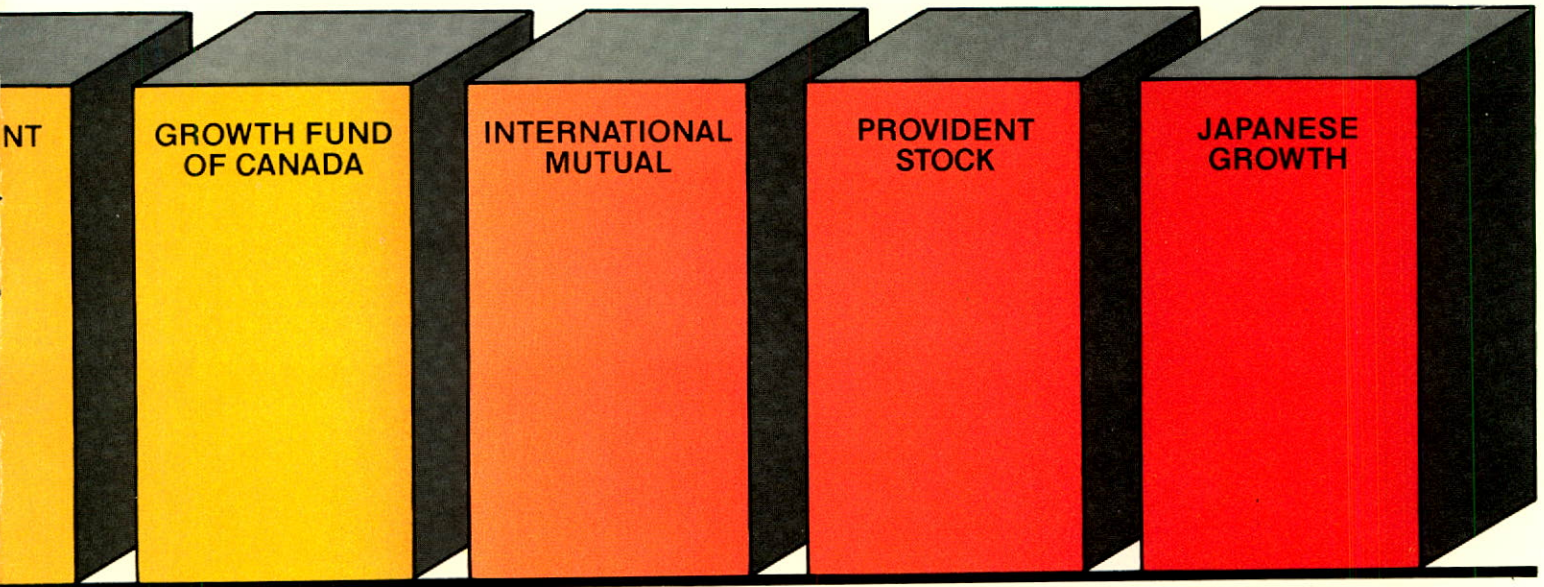
MORTGAGE FUND provides a good income yield and long-term capital stability. Available for RRSP, RRIF & RHOSP plans.

BOND FUND provides a high level of current income from top grade bonds. Available for RRSP, RRIF & RHOSP plans.

DIVIDEND FUND seeks an above average level of dividend income which "grows," plus capital protection from inflation.

MUTUAL OF CANADA is a balanced fund seeking long-term growth from equities plus stability in fixed income securities.

RETIREMENT MUTUAL seeks long-term capital growth from common stocks (90% Canadian content) for RRSP, RRIF and RHOSP plans.



→ CAPITAL GROWTH/HIGH VARIABILITY

of Funds

GROWTH FUND OF CANADA seeks long-term capital growth from a diversified list of primarily Canadian and some U.S. "growth" companies.

INTERNATIONAL MUTUAL seeks long-term capital appreciation through ownership of common stocks in United States "growth" companies.

PROVIDENT STOCK seeks above average appreciation from a concentrated list of dynamic Canadian & U.S. stocks selected for superior future growth potential.

JAPANESE GROWTH provides an opportunity for long-term growth in common stocks of major Japanese corporations operating in one of the world's strongest economies.

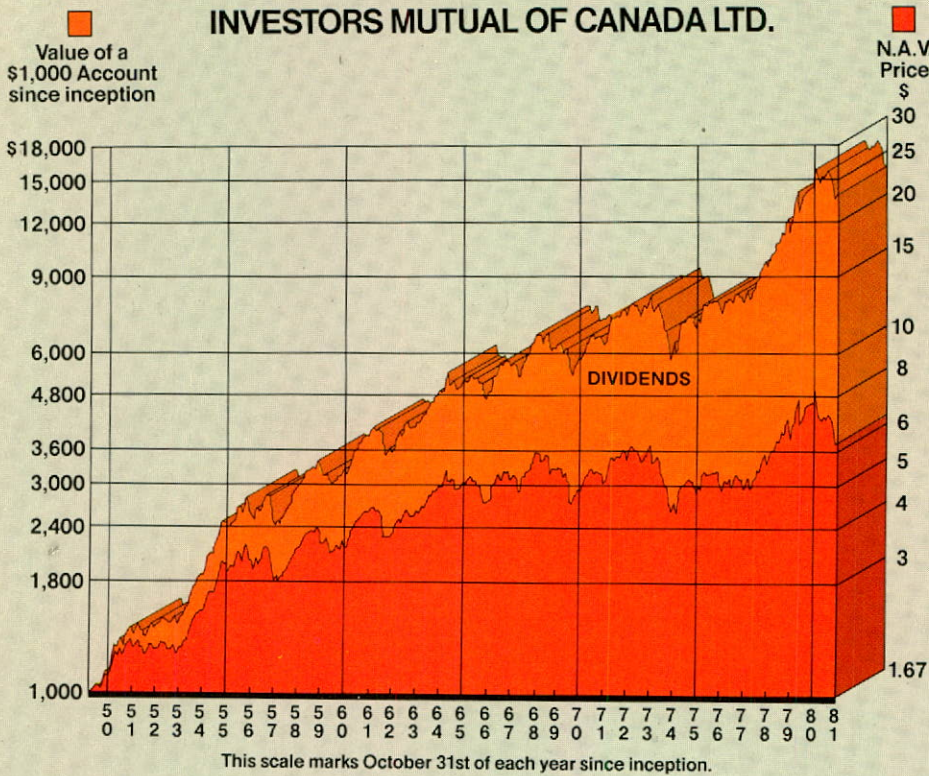
Investors' nine Funds each have their own variability characteristics relative to each other as indicated in the color spectrum above. High variability funds on the right normally experience greatest price advances/declines over the short to medium term, while also generating smaller investment income returns than the lower variability/higher income funds to the left. However, over the longer term, our experience has been that high variability funds have generally provided the greatest overall returns after inflation and taxation.

The choice depends on objectives.

If your own objectives are to obtain maximum long term capital growth with little need for investment income now, and if your comfort zone will accommodate higher short term variability of returns, then you might select your portfolio from the right of our

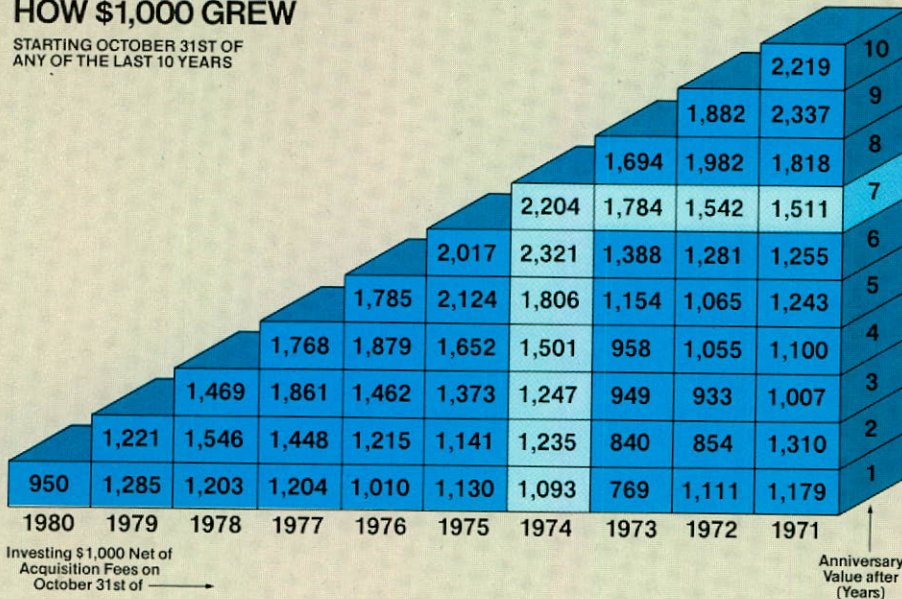
spectrum. On the other hand, if you require maximum investment income now and feel comfortable with a more stable low variability portfolio, then you can select from the spectrum's left side. A moderate variability portfolio seeking some income with stability, plus some capital appreciation potential as well, may be constructed simply by selecting from both sides of the spectrum to achieve balance between fixed income and equity securities, plus high quality diversification within each group.

INVESTORS MUTUAL OF CANADA LTD.



HOW \$1,000 GREW

STARTING OCTOBER 31ST OF ANY OF THE LAST 10 YEARS



PERFORMANCE RECORD

Investors Mutual's record in achieving its objective of capital appreciation over the long term is illustrated at left.

The lower line tracks month-end prices since inception (right scale) adjusted for the 3 for 1 stock split in 1965.

The shaded area represents the contribution to performance from income and capital gains dividends per share, reinvested since inception.

The upper line can be read two ways. Using the right scale, it represents the value of one split \$1.67 share including dividends since 1950. On the left scale this upper line reflects the changing value of a \$1,000 account from inception.

Reasonable long-term returns and fluctuating short-term results are normal characteristics of a moderate variability 'balanced' fund which invests in both equity and fixed income securities.

RECENT RESULTS

This table shows how a \$1,000 investment grew on a yearly basis.

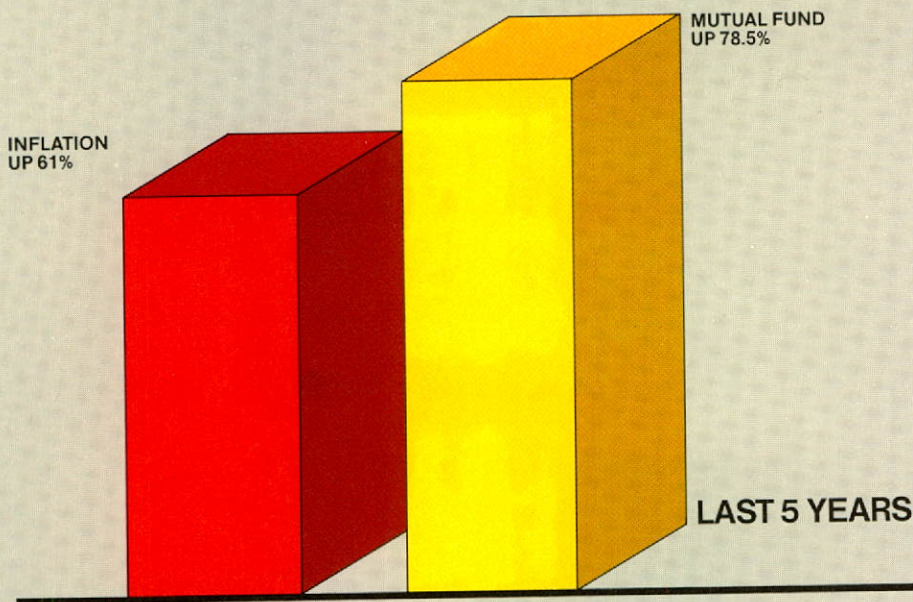
Select October 31 of any year (e.g. 1974) and glance up the column to see the anniversary values of this hypothetical investment with dividends reinvested.

The figures at the top of each column show the value of each such investment at October 31, 1981 after the account was opened at the date indicated below and after the number of elapsed years as shown on the right hand scale.

INVESTORS MUTUAL OF CANADA VS. INFLATION

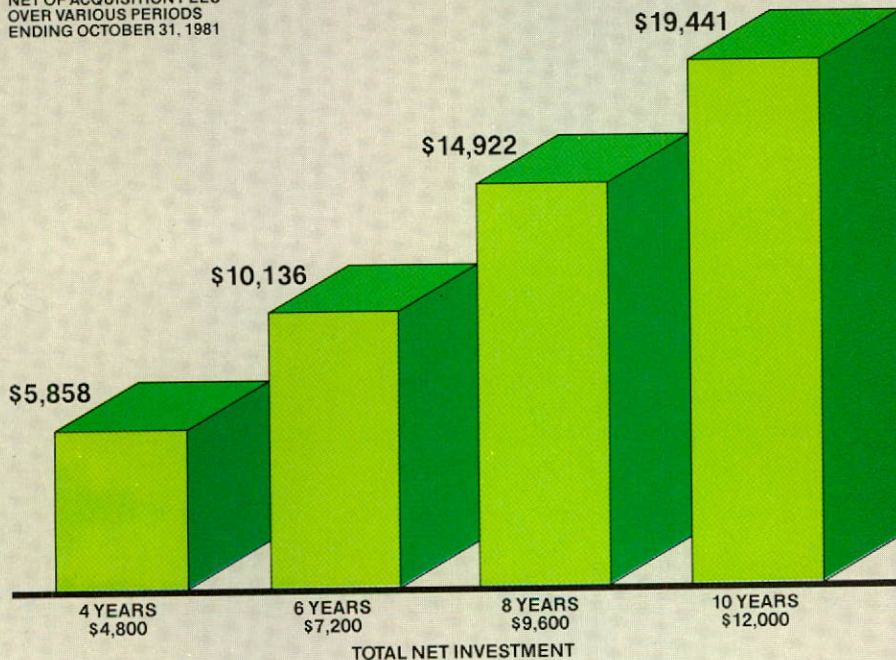
Keeping ahead of inflation is one key objective shared by all of Investors Mutual's shareholders. Clearly, this goal was achieved comfortably in the last five years — but it is not always as easy to stay ahead with just a single purchase of shares. Some periods are better buying opportunities than others. However, this is never really evident until after the event.

Shareholders who have enjoyed the most consistent success with Investors Mutual over the years have increased returns on their major capital purchases by investing regular monthly amounts as well. Their dollars have been working harder through systematic "Dollar Averaging."



EXAMPLES OF DOLLAR AVERAGING AT WORK

\$100 PER MONTH
NET OF ACQUISITION FEES
OVER VARIOUS PERIODS
ENDING OCTOBER 31, 1981



DOLLAR AVERAGING

This simple and convenient concept reduces timing risks and improves returns. A regular sum of money is invested automatically each month at the current market price. One acquires many more shares at the low points and reaps the reward through a reduced average cost and enhanced values when prices recover. The operating principle is simple.

Investors collects the contributions from your bank each month. All income and capital gains dividends are reinvested automatically to buy more shares and your paperwork is kept to a minimum.

PORTFOLIO HIGHLIGHTS

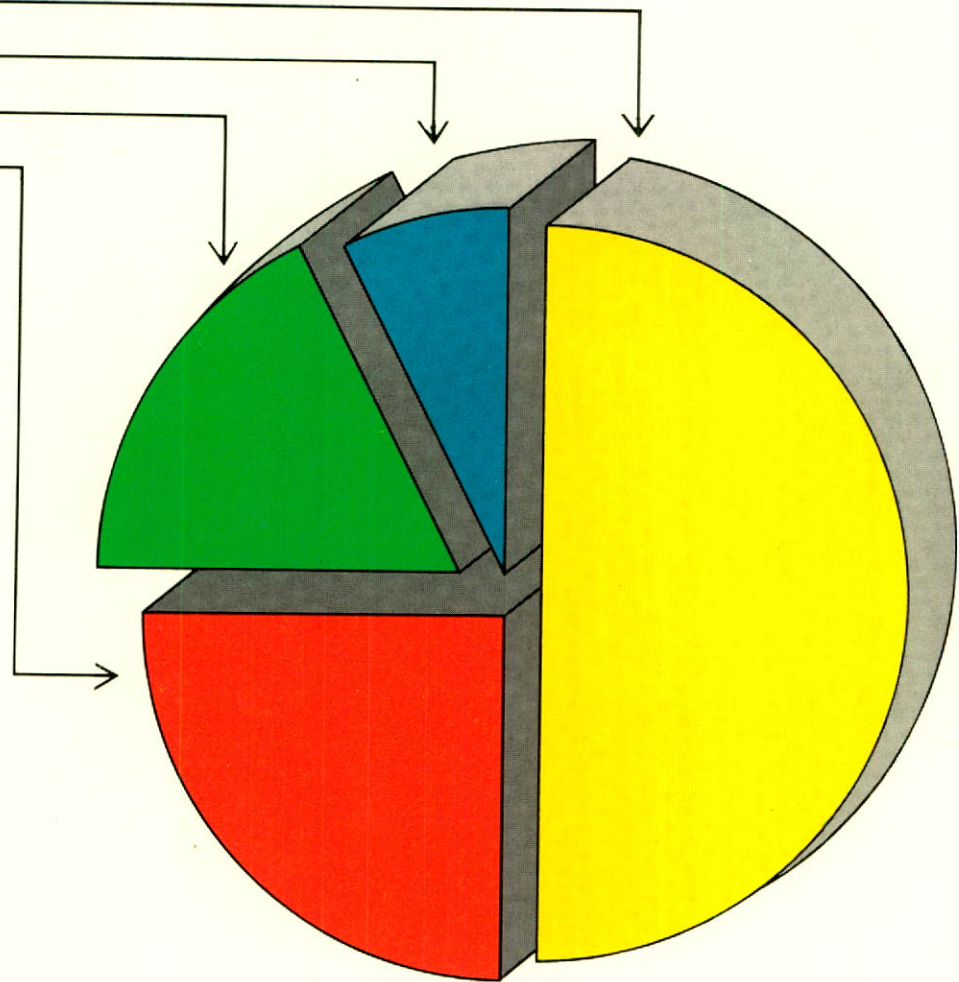
* Canadian Equities 50.2%

Reserves 7.2%

Preferreds 17.2%

* United States Equities 25.4%

THIS IS WHERE INVESTORS
MUTUAL'S \$165,501,898 OF
NET ASSETS AT MARKET
VALUE WERE INVESTED ON
OCTOBER 31, 1981.



| % of Net Assets | Investors Mutual's Top Ten Equity Holdings | Market Value |
|-----------------|--|---------------------|
| 4.17% | BELL CANADA is Canada's largest supplier of telecommunications services and related equipment. | \$ 6,897,150 |
| 3.43% | TORONTO DOMINION BANK provides a wide range of financial services to individuals, corporations and governments throughout Canada and internationally. | \$ 5,675,249 |
| 3.41% | HIRAM WALKER RESOURCES are engaged in distribution of natural gas, production of beverage and industrial alcohols, plus exploration and production of oil and gas. | \$ 5,639,625 |
| 3.05% | HOSPITAL CORPORATION OF AMERICA is one of the world's largest hospital management companies. | \$ 5,042,254 |
| 2.83% | CANADIAN IMPERIAL BANK OF COMMERCE is also a major Canadian Chartered Bank with international interests. | \$ 4,693,950 |
| 2.23% | BOW VALLEY INDUSTRIES is a Canadian based multi-national oil and gas company with coal and uranium holdings. This is one of Canada's leading onshore drillers. | \$ 3,695,250 |
| 2.22% | DIGITAL EQUIPMENT CORPORATION is one of North America's largest manufacturers of Data Processing equipment. | \$ 3,672,267 |
| 2.10% | ALCAN ALUMINUM is one of the world's largest producers of ingot and fabricated aluminum products. | \$ 3,482,500 |
| 2.10% | MARATHON OIL COMPANY is a medium-sized integrated oil company with production in the United States and overseas. | \$ 3,479,198 |
| 1.96% | THE MOLSON COMPANIES have diversified interests including breweries, retail through Beaver Lumber, warehousing and cartage operations and the manufacture of chemicals and petroleum marketing products. | \$ 3,236,508 |
| 27.50% | OF TOTAL NET ASSETS WITH A MARKET VALUE OF | <u>\$45,513,951</u> |

*Equity holdings include common stocks, convertible preferred stocks and convertible bonds.

PROFESSIONAL MANAGEMENT

Confidence and convenience

Your portfolio is in the hands of one of Canada's top investment management teams with years of experience and a sound record of achievement. Thus you do not need to develop the skills or resources necessary to determine what to buy, when to buy or when to sell. Investors' portfolio managers and analysts do the job for you.

Professional management therefore means convenience and confidence that your investments are being well looked after on a day to day basis by individuals well qualified to ensure that your dollars work as hard for you as you did for them.

ADMINISTRATIVE SERVICES

Minimum of paperwork

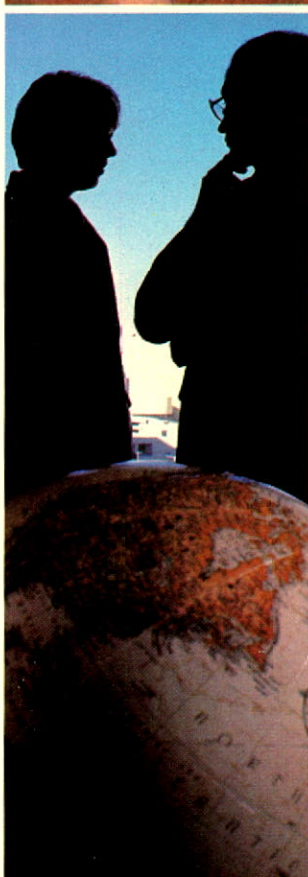
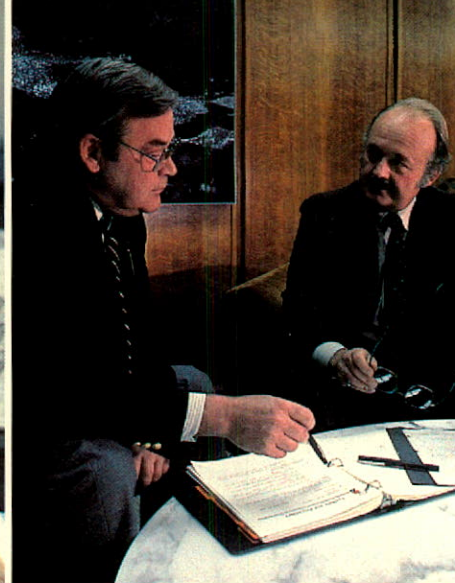
Investors' administrative staff handle all the routine paperwork associated with a well diversified portfolio of securities to keep your record keeping tasks at a minimum.

All purchase and redemption transactions initiated by you, plus any income or capital gains distributions earned by your account are promptly confirmed as they occur. These are summarized in a convenient year end "Accounting Advice." At income tax time, you simply transfer this information onto your tax form and add the appropriate tax reporting slips supplied. Efficient, worry-free record keeping designed for your benefit.

DIVIDENDS

Cash or Reinvest Option

Investors Mutual declares and distributes regular income dividends every 3 months in the final week of January, April, July and October. These dividends may be taken in cash, or reinvested automatically (free of sales charges) to purchase more shares for your account.



INVESTORS MUTUAL OF CANADA LTD.

STATEMENT OF NET ASSETS AND SHAREHOLDERS' EQUITY

October 31, 1981 with comparative figures for 1980

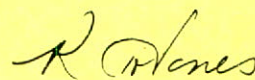
| | 1981 | 1980 |
|---|----------------------|--------------------|
| ASSETS: | | |
| Investments, at market value in Canadian funds: | | |
| Canadian Government bonds | \$ 3,312,500 | 12,326,250 |
| Canadian corporation bonds | 3,796,250 | 2,724,607 |
| United States corporation bonds | 1,349,780 | 1,185,512 |
| Canadian preferred stocks | 40,867,108 | 46,489,683 |
| Canadian common stocks | 66,907,848 | 83,578,276 |
| United States common stocks | 40,634,020 | 44,503,426 |
| | <u>156,867,506</u> | <u>190,807,754</u> |
| The average cost of the investments as at October 31, 1981 was \$158,200,262 (1980 — \$155,840,956) | | |
| OTHER ASSETS: | | |
| Demand notes | 8,585,053 | — |
| Accrued interest and dividends receivable | 666,967 | 1,175,164 |
| Due from brokers | — | 4,815,313 |
| Income taxes receivable | 161,689 | — |
| | <u>9,413,709</u> | <u>5,990,477</u> |
| Total assets | <u>166,281,215</u> | <u>196,798,231</u> |
| LIABILITIES: | | |
| Outstanding cheques less bank deposits and cash in transit | 235,345 | 750,767 |
| Due to brokers | 456,064 | 1,156,243 |
| Accrued expense | 22,843 | 34,380 |
| Accounts payable | 65,065 | 45,809 |
| Income taxes payable | — | 223,340 |
| Total liabilities | <u>779,317</u> | <u>2,210,539</u> |
| NET ASSETS AND SHAREHOLDERS' EQUITY | <u>\$165,501,898</u> | <u>194,587,692</u> |

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

STATEMENT OF CHANGES IN NET ASSETS

Year ended October 31, 1981 with comparative figures for 1980

| | 1981 | 1980 |
|--|----------------------|--------------------|
| Net assets, beginning of year | \$194,587,692 | 177,475,993 |
| Add: | | |
| Net income | 9,280,036 | 11,275,651 |
| Profit from sale of investments and from foreign exchange | 18,663,505 | 28,739,257 |
| Proceeds from sale of Mutual Fund shares less commission paid | 30,493,582 | 16,494,213 |
| | <u>253,024,815</u> | <u>233,985,114</u> |
| Deduct: | | |
| Unrealized depreciation (appreciation) of investments for the year — net | 36,299,554 | (6,614,996) |
| Payments on redemption of Mutual Fund shares | 24,721,662 | 30,444,788 |
| Dividends paid from: (note 2) | | |
| Net income | 9,441,753 | 11,171,250 |
| Profit from sale of investments | 17,059,948 | 4,396,380 |
| | <u>87,522,917</u> | <u>39,397,422</u> |
| Net assets, end of year (note 2) | <u>\$165,501,898</u> | <u>194,587,692</u> |

See accompanying notes to financial statements.

STATEMENT OF SURPLUS AND SHAREHOLDERS' EQUITY

Year ended October 31, 1981 with comparative figures for 1980

| | 1981 | 1980 |
|---|-----------------------|--------------------|
| RETAINED EARNINGS | | |
| Balance, beginning of year | \$159,620,894 | 149,124,191 |
| Net income | 9,280,036 | 11,275,651 |
| Profit from foreign exchange | 52,164 | 35,599 |
| Profit from sale of investments | 18,611,341 | 28,703,658 |
| Transfer from (to) contributed capital | 13,653 | (342,565) |
| Payments on redemption of Mutual Fund shares in excess of amount charged to contributed capital | — | (13,608,010) |
| Dividends paid (note 2) | (26,501,701) | (15,567,630) |
| Balance, end of year | <u>\$161,076,387</u> | <u>159,620,894</u> |
| CONTRIBUTED CAPITAL | | |
| Balance, beginning of year | \$ — | — |
| Proceeds from sale of Mutual Fund shares | 30,493,582 | 16,494,213 |
| Transfer (to) from retained earnings to equalize the equity per share in the amount available for dividends in respect of Mutual Fund shares sold or redeemed during the year | (13,653) | 342,565 |
| Payments on redemption of Mutual Fund shares less amount charged to retained earnings | (24,721,662) | (16,836,778) |
| Balance, end of year | <u>\$ 5,758,267</u> | <u>—</u> |
| UNREALIZED (DEPRECIATION) APPRECIATION OF INVESTMENTS | | |
| Balance, beginning of year | \$ 34,966,798 | 28,351,802 |
| Unrealized (depreciation) appreciation for the year— net | (36,299,554) | 6,614,996 |
| Balance, end of year | <u>\$ (1,332,756)</u> | <u>34,966,798</u> |
| TOTAL SURPLUS AND SHAREHOLDERS' EQUITY, end of year (note 2) | <u>\$165,501,898</u> | <u>194,587,692</u> |

See accompanying notes to financial statements.

STATEMENT OF INCOME

Year ended October 31, 1981 with comparative figures for 1980

| | 1981 | 1980 |
|-----------------------------|---------------------|-------------------|
| Income: | | |
| Dividends | \$ 9,661,935 | 10,900,325 |
| Interest | 1,884,791 | 3,018,775 |
| | <u>11,546,726</u> | <u>13,919,100</u> |
| Expense: (note 5) | | |
| Management fees | 1,678,370 | 1,686,650 |
| Audit fees | 8,870 | 5,550 |
| Directors' fees and expense | 20,163 | 14,646 |
| Custodian fees | 20,857 | 12,119 |
| Other expense | 35,425 | 35,558 |
| | <u>1,763,685</u> | <u>1,754,523</u> |
| Income before taxes | 9,783,041 | 12,164,577 |
| Income taxes | 503,005 | 888,926 |
| Net income (note 2) | <u>\$ 9,280,036</u> | <u>11,275,651</u> |

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN INVESTMENTS

Year ended October 31, 1981 with comparative figures for 1980

| | 1981 | 1980 |
|---|----------------------|--------------------|
| Investments at average cost, beginning of year | \$155,840,956 | 132,024,369 |
| Add: Cost of investments purchased | 35,944,554 | 97,965,800 |
| | <u>191,785,510</u> | <u>229,990,169</u> |
| Deduct: | | |
| Proceeds from sale of investments | 52,196,589 | 102,852,871 |
| Less profit from sale of investments | 18,611,341 | 28,703,658 |
| Cost of investments sold | 33,585,248 | 74,149,213 |
| Investments at average cost, end of year | <u>\$158,200,262</u> | <u>155,840,956</u> |

See accompanying notes to financial statements.

STATEMENT OF INVESTMENTS—October 31, 1981

| | Par Value | Average Cost | Market Value |
|---|---------------|--------------|--------------|
| BONDS | | | |
| Government of Canada 10.5% 10-01-2004 | \$5,000,000 | \$ 4,655,630 | \$ 3,312,500 |
| CORPORATION BONDS | | | |
| The Bank of Nova Scotia 10% conv. red. debts. 04-01-2001 | 1,500,000 | 1,462,500 | 1,245,000 |
| Hudson's Bay Company 6.0% exchangeable sub. debts. 7-15-93 | 785,000 | 1,217,361 | 2,551,250 |
| *Hospital Corporation of America conv. debts. 8.75% 02-15-2006 | 1,000,000 | 1,198,000 | 1,349,780 |
| Total corporation bonds | | 3,877,861 | 5,146,030 |
| Total bonds | | \$ 8,533,491 | \$ 8,458,530 |
| PREFERRED STOCKS | | | |
| | No. of Shares | | |
| Anglo-Canadian Telephone Company \$2.65 cum. red. | 20,000 | \$ 1,000,000 | \$ 385,000 |
| Brascade Resources Inc. conv. red. | 20,209 | 119,718 | 560,800 |
| British Columbia Telephone Company 5.15% cum. red. \$100 p.v. | 29,815 | 3,012,255 | 1,088,248 |
| 7.40% cum. red. \$25 p.v. | 60,000 | 1,500,000 | 780,000 |
| 8.75% \$25 p.v. | 24,000 | 600,000 | 384,000 |
| Canada Development Corporation 8.0% conv. Class "B" | 14,900 | 1,938,691 | 1,527,250 |
| Canadian Imperial Bank of Commerce \$2.50 cum. red. Class "A" series "1" cum-warrants | 80,000 | 2,000,000 | 2,080,000 |
| Canadian Utilities Limited cum. red. 2nd pfd. series "D" 10.24% \$25 p.v. | 49,750 | 1,243,750 | 1,057,188 |
| Carling O'Keefe Limited \$2.65 cum. red. series "B" | 121,995 | 6,197,024 | 2,165,411 |
| Celanese Canada Inc. \$1.75 cum. red. | 20,573 | 740,729 | 257,162 |
| Dofasco Inc. \$2.35 cum. red. | 47,800 | 1,195,000 | 812,600 |
| Dome Petroleum Limited 7.76% \$25 p.v. series "A" | 50,000 | 1,175,000 | 600,000 |
| Echo Bay Mines Ltd. \$3.00 cum. red. voting pfd. | 40,000 | 1,000,000 | 615,000 |
| Echo Bay Mines Ltd. gold purchase warrants 1986 | 40,000 | 250,000 | 156,000 |
| 1987 | 40,000 | 250,000 | 130,000 |
| 1988 | 40,000 | 250,000 | 132,000 |
| 1989 | 40,000 | 250,000 | 134,000 |
| George Weston Limited 6.0% cum. red. 2nd series \$100 p.v. | 2,800 | 278,872 | 134,400 |
| Grafton Group Limited series "A" \$3.00 | 43,750 | 1,654,871 | 869,531 |
| Hiram Walker Resources Ltd. 7.5% cum. red. conv. 1st. series \$25 p.v. | 278,500 | 7,306,196 | 5,639,625 |
| Hudson's Bay Company \$1.80 cum. red. series "A" | 61,279 | 1,388,185 | 735,348 |
| Inter-City Gas Corporation 8.25% 1st. pfd. cum. red. series "B" \$20 p.v. | 67,255 | 1,345,100 | 773,433 |
| Minorco Canada Limited 6.0% red. non-voting special \$100 p.v. | 10,179 | 1,017,900 | 1,017,900 |
| 6% series "A" \$100 p.v. | 47,000 | 4,700,000 | 2,091,500 |
| 6.25% series "B" \$100 p.v. | 2,500 | 246,250 | 100,000 |
| Nova, an Alberta Corporation 6.5% conv. \$25 p.v. | 53,300 | 1,332,500 | 1,192,588 |
| Nu-West Group Limited 8% cum. red. conv. 2nd pfd. series "A" \$20 p.v. | 175,000 | 3,562,199 | 2,187,500 |
| Power Corporation of Canada Limited 4.75% cum. red. 1st. pfd. 1965 series \$50 p.v. | 100,250 | 4,761,875 | 2,431,062 |
| Quebec-Telephone 4.75% cum. red. 1965 series \$20 p.v. | 90,500 | 1,728,550 | 588,250 |
| Seco-Cemp Limited \$2.25 cum. red. series "A" | 108,500 | 2,592,617 | 1,844,500 |
| Stelco Inc. series "D" 10.0% \$25 p.v. cum. red. | 57,500 | 1,437,500 | 1,236,250 |

PREFERRED STOCKS, continued

| | No. of Shares | Average Cost | Market Value |
|--|---------------|----------------------|----------------------|
| The Shipping Corporation of New Zealand (Canada) Limited \$2.19 series "A" | 43,400 | \$ 1,085,000 | \$ 781,200 |
| The Toronto-Dominion Bank \$1.835 series "A" cum. red. | 175,400 | 4,385,000 | 2,324,050 |
| Union Gas Limited 9.875% \$20 p.v. Class "B" series "4" | 150,000 | 3,000,000 | 2,400,000 |
| United Corporations Limited cum. red. \$1.50 2nd. pfd. 1963 series | 25,225 | 752,381 | 315,312 |
| Westmin Resources Limited 8.5% conv. pfd. Class "B" series "1" \$25 p.v. | 80,000 | 2,000,000 | 1,340,000 |
| Total preferred stocks | | \$ 67,297,163 | \$ 40,867,108 |

COMMON STOCKS

| | | | |
|---|---------|------------------|-------------------|
| Metals and Minerals | | | |
| Alcan Aluminium Limited | 140,000 | \$ 5,572,598 | \$ 3,482,500 |
| Noranda Mines Limited | 161,197 | 954,846 | 3,183,641 |
| | | <u>6,527,444</u> | <u>6,666,141</u> |
| Integrated Oils | | | |
| *Atlantic Richfield Company | 26,000 | 1,318,574 | 1,501,240 |
| Gulf Canada Limited | 137,000 | 542,537 | 2,620,125 |
| *Marathon Oil Company | 43,200 | 1,905,469 | 3,479,198 |
| *Mobil Corporation | 99,000 | 3,986,955 | 3,088,305 |
| Shell Canada Limited Class "A" | 94,175 | 544,852 | 1,977,675 |
| *Standard Oil Company of California | 34,000 | 1,332,602 | 1,743,894 |
| | | <u>9,630,989</u> | <u>14,410,437</u> |
| Oil and Gas Producers | | | |
| Bow Valley Industries Ltd. | 227,400 | 1,970,798 | 3,695,250 |
| *Felmont Oil Corporation | 35,000 | 2,067,141 | 923,860 |
| *Kerr-McGee Corporation | 30,000 | 2,965,696 | 2,681,550 |
| Norcen Energy Resources Limited | 87,100 | 1,190,650 | 2,264,600 |
| | | <u>8,194,285</u> | <u>9,565,260</u> |
| Oil Well Equipment and Services | | | |
| *NL Industries, Inc. | 40,000 | 673,233 | 2,099,640 |
| *Schlumberger Limited | 33,750 | 2,010,926 | 2,308,129 |
| | | <u>2,684,159</u> | <u>4,407,769</u> |
| Transportation | | | |
| *Burlington Northern Inc. | 40,000 | 1,677,029 | 2,573,560 |
| Canadian Pacific Limited | 77,950 | 984,945 | 3,001,075 |
| | | <u>2,661,974</u> | <u>5,574,635</u> |
| Natural Resources— Other | | | |
| Canada Development Corporation | 14,900 | 193,864 | 149,000 |
| Distilleries | | | |
| The Seagram Company Ltd. | 22,750 | 466,026 | 1,456,000 |
| Breweries | | | |
| The Molson Companies Limited Class "A" | 130,768 | 1,194,446 | 3,236,508 |
| Consumer Products— Misc. | | | |
| Rothmans of Pall Mall Canada Limited | 40,000 | 1,025,000 | 800,000 |
| Optical and Photographic | | | |
| *Eastman Kodak Company | 26,000 | 2,507,903 | 2,043,262 |
| Communication and Media | | | |
| MacLean Hunter Ltd. Class "X" | 177,000 | 1,400,825 | 1,703,625 |
| Class "Y" | 73,552 | 962,292 | 707,938 |
| | | <u>2,363,117</u> | <u>2,411,563</u> |
| Merchandising | | | |
| Canadian Tire Corporation, Limited Class "A" | 4,600 | 122,815 | 152,950 |
| Grafton Group Limited Class "A" | 122,400 | 1,843,579 | 1,713,600 |
| | | <u>1,966,394</u> | <u>1,866,550</u> |

COMMON STOCKS, continued

| | No. of Shares | Average Cost | Market Value |
|--|---------------|----------------------|----------------------|
| Health Care | | | |
| *Hospital Corporation of America | 73,275 | \$ 2,319,616 | \$ 3,692,474 |
| *Merck & Co., Inc. | 30,000 | 2,555,769 | 2,875,020 |
| | | <u>4,875,385</u> | <u>6,567,494</u> |
| Banks | | | |
| Canadian Imperial Bank of Commerce | 164,700 | 1,496,864 | 4,693,950 |
| The Royal Bank of Canada | 72,150 | 645,413 | 1,857,862 |
| The Toronto-Dominion Bank | 188,390 | 1,103,326 | 5,675,249 |
| | | <u>3,245,603</u> | <u>12,227,061</u> |
| Utilities | | | |
| Bell Canada | 383,175 | 6,728,339 | 6,897,150 |
| Union Gas Limited | 242,455 | 2,233,303 | 2,030,561 |
| | | <u>8,961,642</u> | <u>8,927,711</u> |
| Pipelines | | | |
| TransCanada Pipelines Limited | 165,343 | 1,902,191 | 3,224,188 |
| Westcoast Transmission Company Limited | 91,500 | 1,317,458 | 1,063,688 |
| | | <u>3,219,649</u> | <u>4,287,876</u> |
| Steel | | | |
| AMCA International Ltd. | 57,000 | 883,500 | 1,140,000 |
| Dofasco Inc. Class "A" | 37,252 | 526,282 | 1,443,515 |
| | | <u>1,409,782</u> | <u>2,583,515</u> |
| Chemicals | | | |
| Du Pont of Canada Inc. Class "A" | 115,975 | 5,943,800 | 2,957,362 |
| *Union Carbide Corporation | 38,100 | 1,772,319 | 2,182,749 |
| | | <u>7,716,119</u> | <u>5,140,111</u> |
| Telecommunications | | | |
| Northern Telecom Limited | 40,000 | 1,524,582 | 2,160,000 |
| *Rohm Corporation | 62,000 | 2,738,675 | 2,594,266 |
| | | <u>4,263,257</u> | <u>4,754,266</u> |
| Computer and Related | | | |
| *Digital Equipment Corporation | 31,113 | 2,927,503 | 3,672,267 |
| *International Business Machines Corporation | 51,628 | 2,829,247 | 3,174,606 |
| Systemhouse Ltd. Class "A" | 170,000 | 2,022,041 | 1,530,000 |
| | | <u>7,778,791</u> | <u>8,376,873</u> |
| Growth—Other | | | |
| Lumonics Inc. | 53,400 | 737,969 | 680,850 |
| Moore Corporation, Limited | 39,830 | 745,810 | 1,408,986 |
| | | <u>1,483,779</u> | <u>2,089,836</u> |
| Total Common Stock | | <u>\$ 82,369,608</u> | <u>\$107,541,868</u> |
| Total Investments | | <u>\$158,200,262</u> | <u>\$156,867,506</u> |
| NET ASSETS: | | | |
| Total Investments | | | \$156,867,506 |
| Public rated demand notes | | | 8,585,053 |
| Cash and other net assets | | | 49,339 |
| TOTAL NET ASSETS | | | <u>\$165,501,898</u> |

*United States Investments—see note 1(c).

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS October 31, 1981

1. Summary of Significant Accounting Policies:

The accounting policies of the company conform with generally accepted accounting principles appropriate to the mutual fund industry. The significant policies are summarized below:

- (a) Investments are recorded at market value which is substantially established by the closing sale price for trading on the Toronto Stock Exchange or alternatively the recognized exchange on which the security is listed or principally traded.
- (b) Demand notes are not considered to be portfolio investments and are therefore excluded from the statement of changes in investments.
- (c) Foreign currency amounts included in the financial statements have been expressed in Canadian dollars on the following basis:
 - (i) investments, other assets and liabilities at the rate of exchange at the fiscal year end
 - (ii) income, expense, purchases and sales of investments at the rate of exchange prevailing on the respective dates of such transactions.
- (d) Dividend income is recognized at the time the security trades on an ex-dividend basis.
- (e) The company is a mutual fund corporation which qualifies as an investment corporation as defined in the Income Tax Act (Canada). Income taxes are calculated on the "taxes payable" basis. Taxes payable on realized net capital gains are recoverable because of capital gains redemptions of Mutual Fund shares or by the payment of capital gains dividends. Such taxes and their recovery have no effect on net income or net assets and accordingly are netted in the accompanying financial statements.

2. Per share information:

Net asset value, average net income, source of dividends per share and average management fees and other expense information is given below:

| | 1981 | 1980 | 1979 | 1978 | 1977 |
|---|---------|------|------|------|------|
| The net asset value per share at October 31 | \$6.28 | 7.62 | 6.46 | 5.62 | 4.89 |
| The average net income per share | \$.348 | .432 | .329 | .249 | .247 |
| The source of dividends paid per share: | | | | | |
| Net income | \$.355 | .440 | .330 | .250 | .250 |
| Profit from sale of investments | .675 | .165 | — | — | .040 |
| Total dividends | \$1.030 | .605 | .330 | .250 | .290 |
| The average percentage of management fees and other expense to average net assets | .93 % | .92 | .89 | .89 | .87 |

Per share calculations were made as undernoted:

- (a) NET ASSET VALUE— on the number of shares outstanding at the end of the fiscal year.
- (b) NET INCOME— on the average of the number of shares outstanding at each month end during the fiscal year.
- (c) SOURCE OF DIVIDENDS— on the number of shares outstanding at the date of record for the dividends paid during the fiscal year.
- (d) AVERAGE MANAGEMENT FEES AND OTHER EXPENSE— on the average of the net asset value determined at the end of each business day in the fiscal year.

3. Brokers commissions:

Total commissions paid to brokers in connection with the portfolio transactions for the year ended October 31, 1981 amounted to \$177,915. The Manager may act as an agent in connection with the sale or purchase of portfolio securities between the company and other Investors Mutual Funds or Pooled Trusts of which it is the Manager. No commission is paid on such transactions.

4. Shares outstanding:

| | 1981 | 1980 |
|---|-------------|-------------|
| Mutual Fund shares outstanding, beginning of year | 25,536,590 | 27,485,276 |
| Mutual Fund shares sold in year | 4,295,628 | 2,240,081 |
| Mutual Fund shares redeemed in year | (3,475,607) | (4,188,767) |
| Mutual Fund shares outstanding, end of year | 26,356,611 | 25,536,590 |
| Common shares outstanding | 3,000 | 3,000 |
| Total shares outstanding | 26,359,611 | 25,539,590 |

5. Management fees and other expense:

- (a) Investors Securities Management Ltd. is the investment manager. In consideration of the management fee investment, advisory and administration services are provided.
- (b) The Investment Management and Service Agreement was amended effective February 14, 1980 which provides for certain expenses to be paid by the company.
- (c) Other expense comprises postage, printing, stationery and miscellaneous.
- (d) The management fees and other expense ratio may vary from mutual fund to mutual fund.

6. Portfolio transactions:

A statement of portfolio transactions (unaudited) for the year ended October 31, 1981 will be provided, without charge, by writing to:

Investors Mutual of Canada Ltd.
280 Broadway, Winnipeg, Manitoba
R3C 3B6

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the statement of net assets and shareholders' equity and statement of investments of Investors Mutual of Canada Ltd. as at October 31, 1981 and the statements of changes in net assets, surplus and shareholders' equity, income and changes 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 and investments of the company as at October 31, 1981 and the results of its operations and the changes in its net assets and investments for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

WINNIPEG, CANADA
November 27, 1981

Peat, Marwick,
Mitchell & Co.
Chartered
Accountants

THE INVESTORS GROUP

The Investors Group, with assets in excess of eight billion dollars under the management or administration of its various subsidiaries, is one of Canada's largest financial institutions. The major operating subsidiaries of the Company, named here, provide a full range of financial services and planning to individuals and corporations.

INVESTORS SYNDICATE LIMITED

- Investment contract issuer and distributor
- Distributor of investment funds, pension services, life and disability income insurance, and annuities.
- Personal financial planning.

INVESTORS SECURITIES MANAGEMENT LTD.

- Investment management and administration for securities-based Investors investment funds.
- Advisory services for pension fund portfolios.

INVESTORS SYNDICATE REALTY LIMITED

- Mortgage funding and servicing.
- Investment management for Investors Mortgage Fund.

INVESTORS GROUP TRUST CO. LTD.

- Pension plan consulting, design and administration.
- Trustee and custodianship services for tax sheltered investment plans.

THE GREAT-WEST LIFE ASSURANCE COMPANY

- Individual life insurance, health insurance and annuities.
- Group employee benefit plans.

MONTREAL TRUST COMPANY

- Savings depository, investment and estate and agency operations for individuals.
- Stock transfer, bond trustee, pension trust and depository services for corporations.