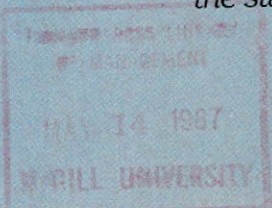


Investors Mutual of Canada Ltd.

ANNUAL REPORT 1986



*An investment portfolio
of Canadian and U.S.
securities, balancing long-
term growth potential with
the stability of fixed income.*



About Investors Group

Historically, Investors can trace its origins back to the year 1894, when it was founded in Minneapolis under the name of Investors Diversified Services. By offering individuals a guaranteed savings plan through investment certificates, the original company provided many Americans with their first real opportunity to save money.

That principle proved to be successful for both the company and its clients and by 1926 IDS had expanded into Canada. In 1940, Investors Syndicate of Canada was created with its head office in Winnipeg.

By the end of World War II, the company had demonstrated dramatic growth. In 1950, Investors established its first mutual fund which was to be followed by development of a family of 14 investment funds over the next 36 years.

In 1956 the company was purchased by a group of Canadian investors. The year 1969 was also significant in our corporate history. At that time, Power Corporation of Canada acquired a majority interest in Investors. Today, operating as the Investors Group, the company coordinates the activities of its wholly-owned subsidiary companies.

Investors Syndicate Limited is the marketing and distribution arm. It offers investment funds, guaranteed investment certificates and other financial products through its representatives based in 56 financial planning centres across Canada. In the province of Quebec, these services are provided by **Les Services Investors Limitée**.

Investors Group Trust Co. Ltd. specializes in the employee benefit planning field. This includes pension plan consulting and design, administration, custodianship and investment management functions.

I.G. Investment Management Ltd. manages the portfolios of our investment funds including the mortgage and real estate investments. It also provides a full mortgage service to clients.

Cover:

Our cover photograph, taken near Victoria, British Columbia, is one of a series depicted in our 12 annual reports for 1986. Each cover photograph represents a Canadian province or territory. This is an appropriate theme for the Investors Group — which through its coast-to-coast network of financial planners assists individual Canadians in planning their financial future.

Si vous préférez recevoir ce rapport annuel en français, veuillez vous adresser au secrétaire du Fonds: B.S. Toni, Le Groupe Investors, 280 Broadway, Winnipeg (Manitoba) R3C 3B6

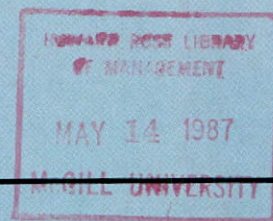
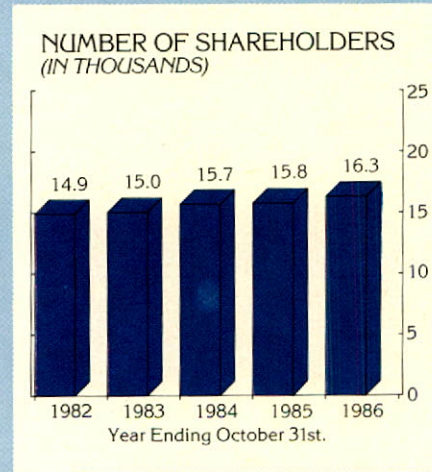
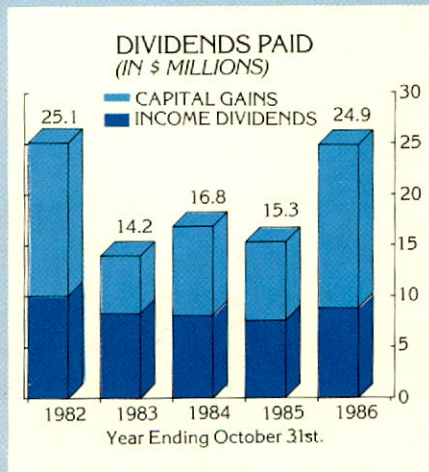
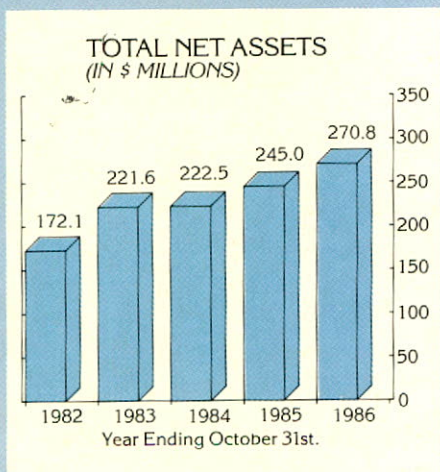
Investors Mutual of Canada Ltd.

Financial Overview

1986

Total Net Assets	\$270,787,720
Number of Shareholders	16,318
Asset Value per Share:	
High	\$ 8.191
Low	\$ 7.321
Close	\$ 7.772
Dividends Paid	\$ 24,960,433
Dividends Paid per Share	\$.760

Highlights



President's Report to Shareholders



Arthur V. Mauro, Q.C., President

On behalf of the Board of Directors, I am pleased to present the Annual Report and financial statements for the year ended October 31, 1986.

Total net assets at fiscal year-end were \$270,788,000, an increase of 10.5% from prior year-end. Net asset value per share at fiscal year-end equalled \$7.77, up from \$7.64 at fiscal year-end 1985.

During the past twelve-month period your Fund distributed \$0.26 per share in regular income dividends, as well as \$0.50 per share as capital gains dividend. Including dividend distributions, the total rate of return was 12.08%. Over the past five years, from October of 1981, your Fund has increased at an average annual rate of 14.58%, significantly higher than the Consumer Price Index average annual increase of 5.44% over the same period.

In our last Annual Report we indicated continued strength in the capital markets. Intense market activity in the first half of 1986 confirmed this outlook. The markets reacted favourably to the gradual decline in interest rates in anticipation of commensurate economic stimulative effects. Shifts within the international currency markets resulted in significant moves in selected currencies, particularly the U.S. dollar. This fostered the belief that such shifts would make North American producers more competitive in the international marketplace. In addition, inflation was contained at low levels, aided significantly by the dramatic drop in oil prices.

Despite the positive factors, the economies of Canada and the United States were weaker than expected. This was due in part to changes in the consumer sector which shifted to lower savings rates and higher personal debt levels. Further strains to the Canadian consumer segment came with the additional personal tax burdens introduced early in 1986. Other negative economic influences during 1986 included continued burdening government deficits and deteriorating trade flows.

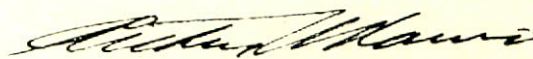
In this economic environment, investment activity in your Fund was concentrated on improving income flow. At the same time, Fund management positioned the portfolio for long-term capital appreciation without the assumption of undue risk. In this regard, a selection of Government of Canada bonds was added early in the fiscal year. As well, several small non-dividend-paying holdings were replaced with equities with potential for long-term earnings and dividend growth. The effect of this investment activity leaves Investors Mutual of Canada with a strong income flow as well as the promise of continued capital growth.

Turning to the future, the outlook is for weak to moderate growth. Capacity utilization rates in most industries are not strong enough to suggest growth in capital spending or investment by business. Inventory levels are high, resulting in little immediate need for inventory replenishment. Government spending is not expected to provide incremental growth, given the restraints required to reduce the

accumulated deficits. However, one area where potential for growth does exist is trade. The relatively large price declines of North American goods, expressed in devalued North American currencies, should help our competitiveness in the international marketplace.

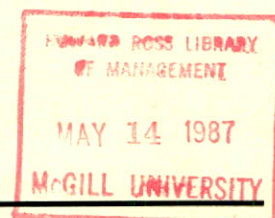
On a more positive note, we remain confident that important economic underpinnings such as low inflation and a stable interest rate structure will continue. These important factors should provide gradual signs of improving economic growth, leading to longer term gains.

As a balanced portfolio, Investors Mutual will provide its shareholders continued opportunities for capital appreciation from its common stock holdings as well as an opportunity to receive a satisfactory income flow through its holdings in bonds, debentures and preferred stocks.

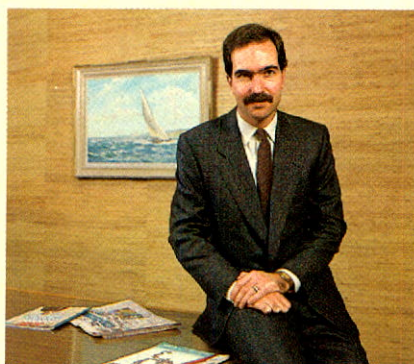


Arthur V. Mauro, Q.C.
President

Winnipeg, Canada
November 28, 1986



About Investors Mutual of Canada



Scott Penman, Portfolio Manager,
Investors Mutual of Canada Ltd.

The objective of Investors Mutual of Canada is to provide shareholders with an opportunity to mix capital gains with income returns. The Fund's assets are primarily invested in Canada, but a strong U.S. representation has been maintained to achieve diversity. The Fund's net assets are divided approximately as follows: 78% Canadian equities; 9.5% U.S. equities, 5.5% bonds and 7% reserves.

A Look At Investments:

The reasons for investing your money are as numerous as the investment options available to you.

You may want to save money for a specific goal, like paying off a mortgage or financing your children's education, planning for retirement, or saving taxes. Or, you may simply wish to achieve a better-than-average rate of return on the funds you have available.

Decisions on when, where and how to invest will reflect individual circumstances. How do you choose an investment program? What type of investments should you consider? The answers will depend on your personal objectives and how much they change over time. Your personal objectives, however, are the key.

Here are some of the factors that will influence your selection of an investment: your need for a regular income from the investment, for stability and preservation of capital, and your tax situation. Other factors include the time available to accomplish your objectives and whether you need to have ready access to your money.

The most significant of these factors is your tolerance of investment risk, or your personal "comfort zone". That is, how comfortable you are with respect to future capital and income variability.

Ten Largest Equity Holdings in Investors Mutual of Canada

One way to gain a better understanding of the nature of this fund is to summarize the ten largest investments or "equity holdings" that make up its portfolio.

The schedule at right provides you with an informed look at the companies that together comprise 28.73% of Investors Mutual of Canada Ltd. The percentage each holding forms of the portfolio's net assets is shown on the left.

% of Net Assets	Company	Overview
3.89%	Canadian Imperial Bank of Commerce	Canada's third largest bank.
3.29%	The Seagram Company Limited	Primarily a producer and marketer of distilled spirits and wine.
3.18%	Bell Canada Enterprises Inc.	A holding company, which, through its subsidiaries, is the largest Canadian supplier of telecommunication services and equipment.
2.78%	The Pagurian Corporation Limited	A high-growth corporate finance and management company.
2.68%	Canadian Pacific Limited	A major Canadian-based conglomerate involved primarily in transportation and natural resources.
2.66%	MacLean Hunter Limited	A well diversified communications company with operations in North America and Europe.
2.65%	The Royal Bank of Canada	Canada's largest chartered bank.
2.55%	Dupont Canada Inc.	A manufacturer and distributor of a wide variety of chemicals, fibres, plastics and films.
2.53%	International Business Machines Corporation	The world's largest computer manufacturer and distributor.
2.52%	Bank of Montreal	Canada's second largest chartered bank.

Getting Started On Your Financial Plan

An Investment Concept:

With its clients in mind, Investors developed an investment concept called Managing for Capital Growth. Here's how it works:

You and your Investors Financial Planner sit down to assess a number of important factors: your long-term goals, "comfort zone" and your personal understanding of investments. You will also discuss your current financial position and tax situation. All of these factors combine to dictate your investment direction. Then, together you devise a step-by-step plan to achieve your goals.

Creating an Investment Portfolio:

What you will be doing, in effect, is creating an investment portfolio. Managing for Capital Growth includes sample investment portfolios for you to review and adapt to your personal circumstances. Each sample holds true to one basic investment philosophy: the key to investment success is diversity — spreading your investment dollars among the choices or alternatives you feel comfortable with.

Making Your Plan Work:

Implementing your plan is the next step. Your Investors Financial Planner will assist you by offering you an extensive range of financial planning products — including 14 different investment funds. Each fund has a clearly defined objective so that you can select a combination of funds closest to your personal goals. In addition, your Investors

Financial Planner can offer you a range of guaranteed investments such as Guaranteed Investment Certificates (GICs) or Income Deferred Certificates (IDCs), insurance products and annuities.

Built-in Flexibility:

It is advisable to review your goals and your investment plan on a yearly basis. Even the best-laid plans will need to be updated. Just as no one investment is right for all economic times, a change in your personal situation, such as marriage, children, a new job, an inheritance or a windfall, should trigger a change in your investment plan.

Retirement is a special situation:

As you approach retirement, a whole new set of personal goals and financial challenges will confront you. The old investment rules will no longer apply and your investment objectives will change dramatically. To meet this situation, Investors has introduced a second investment concept for individuals on the verge of retirement: Managing for Retirement Income.

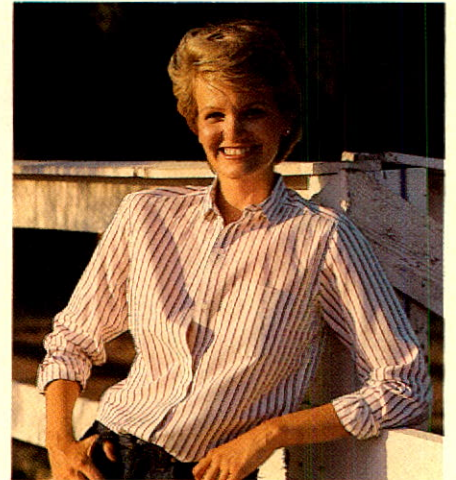
Of course, your Investors Financial Planner is available to discuss Managing for Retirement Income or Managing for Capital Growth with you at your convenience.



"Investors Mutual of Canada has been a part of my investment plan for over 20 years. It has always given me just the right mix between growth and income — and that's a comfortable feeling."



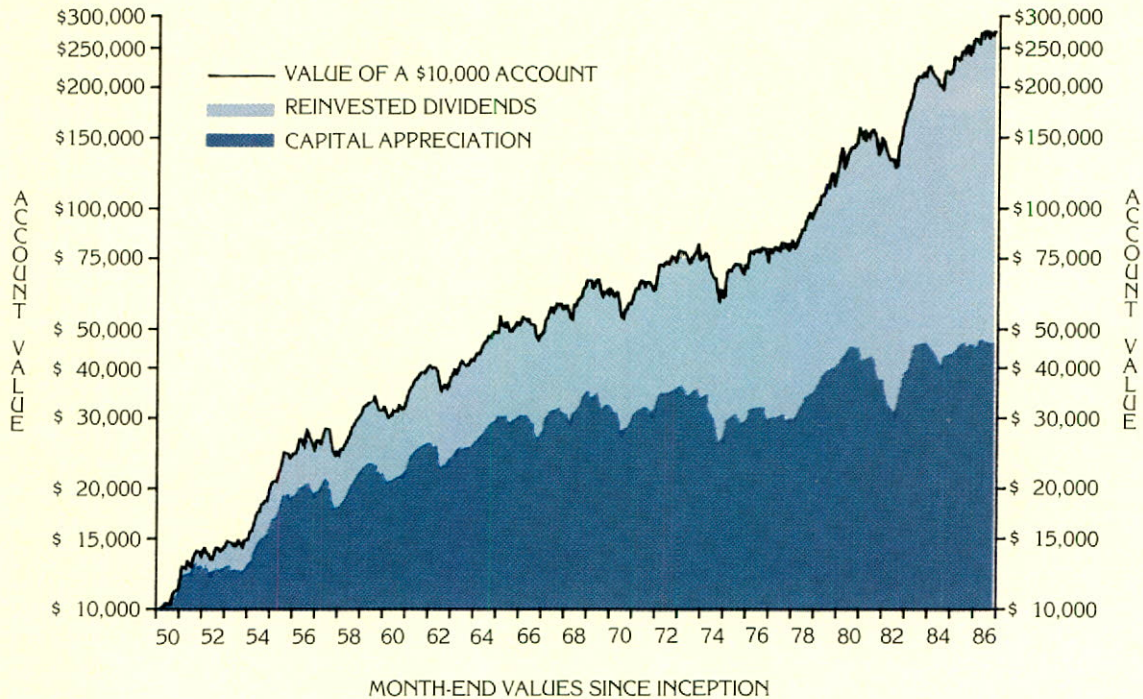
"Our Investors representative showed us how we could get a better return on our savings through a regular investment in Mutual of Canada."



"I'm really happy with the personal service my Investors Financial Planner provides — not to mention the return on the money I've invested. My Mutual of Canada investment, for example, grew by over 12% this year!"

Investors Mutual of Canada Ltd.

Historical Growth Pattern



10 Year History October 31, 1976 to October 31, 1986

If \$10,000 was invested 10 years ago on October 31, 1976 in Investors Mutual of Canada, the account would have grown as shown in the table:

ASSUMPTIONS:

- no acquisition fee
- all income and capital gains dividends reinvested in the Fund

NOTE:

Past performance of the fund is no indication of what the future performance of the fund will be.

Year Ending Oct. 31	Market Value of Account	Annual Rate of Return
1976	\$ 10,000	—
1977	10,096	1.0 %
1978	12,151	20.4 %
1979	14,621	20.3 %
1980	18,790	28.5 %
1981	17,847	(5.0)%
1982	20,378	14.2 %
1983	27,239	33.7 %
1984	27,647	1.5 %
1985	31,452	13.8 %
1986	35,252	12.1 %

The colour spectrum below illustrates the degree of variability among Investors funds, relative to each other. "Low variability" funds on the left normally experience little fluctuation in price over the long term, and generate greater investment income than the high variability/low income funds on the right.

5 year rate of return: 14.6% per annum
10 year rate of return: 13.4% per annum

INCOME/LOW VARIABILITY

MONEY MARKET FUND

MORTGAGE FUND

BOND FUND

REAL PROPERTY FUND

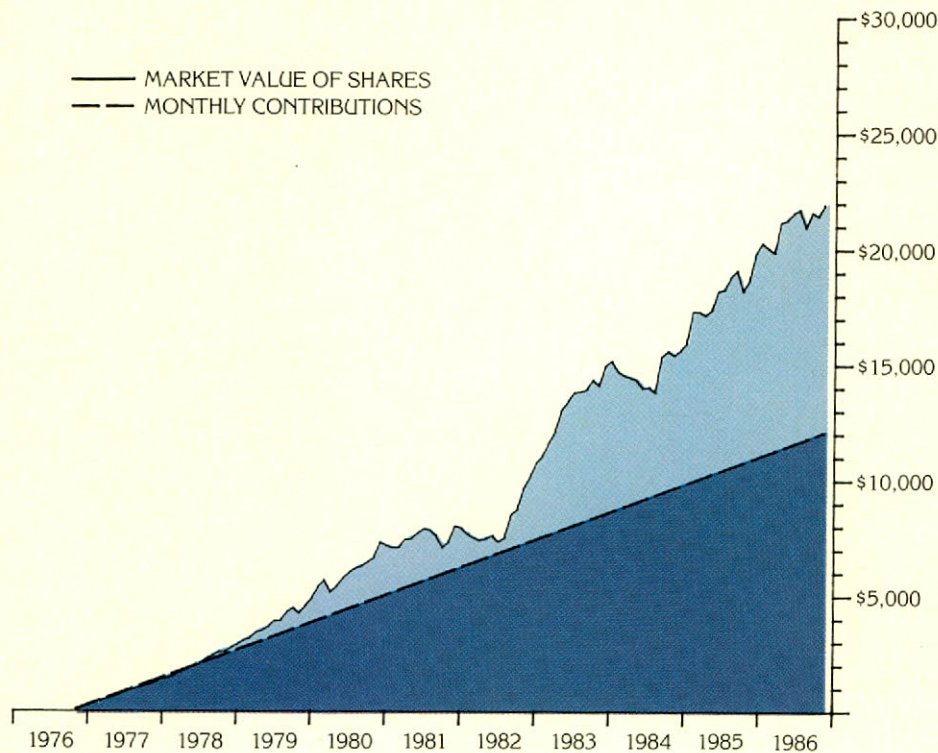
DIVIDEND FUND

MUTUAL OF CANADA

RETIREMENT MUTUAL

Dollar Cost Averaging

10 Year Illustration — \$100 per month



8.5% Acquisition Fee deducted from contributions — Free Dividend Reinvestment

Year Ending Oct. 31	Cumulative Contribution	Cumulative Dividends Reinvested	Number of Shares in Account	Closing Share Price	Closing Market Value
1977	\$ 1,200	\$ 40	222.553	\$ 4.893	\$ 1,089
1978	2,400	134	447.822	5.624	2,519
1979	3,600	327	653.134	6.426	4,197
1980	4,800	792	867.566	7.614	6,606
1981	6,000	1,773	1,160.250	6.279	7,285
1982	7,200	2,979	1,561.875	6.138	9,587
1983	8,400	3,825	1,840.675	7.624	14,033
1984	9,600	4,924	2,140.705	7.175	15,360
1985	10,800	6,027	2,436.894	7.640	18,618
1986	12,000	7,965	2,830.797	7.772	22,001

Effective Annual Rate of Return on \$100 monthly contributions: 11.7% per annum

Every investor faces the same critical problem: when is the best time to invest?

A perennial problem, but a very important one to deal with. The simplest and most convenient way to solve this dilemma of the "right time to buy" is the concept of dollar cost averaging.

Quite simply, dollar cost averaging means buying equal dollar amounts of a given investment at regularly specified time intervals.

Here's how it works:

The general principle is based on the fact that security prices continually fluctuate. Through dollar cost averaging, you'll use these price fluctuations to your advantage. Your money buys more shares when prices are down and fewer shares when prices are high. The end result is a reduction over time in the average price paid for the shares purchased.

Using the dollar cost averaging approach in combination with Investors Mutual of Canada will allow you not only to accumulate capital in a practical and convenient way, but at the same time become a shareholder in a broad, professionally managed portfolio of securities.

An example of dollar cost averaging applied to Investors Mutual of Canada is illustrated by the accompanying graph. It shows how an investment of \$100-a-month over the 10-year period from 1976 to 1986, has grown by following this concept.

CAPITAL GROWTH/HIGH VARIABILITY

SUMMA
FUND

GROWTH FUND
OF CANADA

INTERNATIONAL
MUTUAL

CANADIAN
EQUITY

PROVIDENT
STOCK

GLOBAL
FUND

JAPANESE
GROWTH

Investors Mutual of Canada Ltd.


Statement of Net Assets

October 31, 1986 with comparative figures for 1985

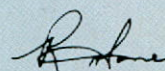
Assets:	1986	1985
Investments, at market value in Canadian funds:		
Canadian common stocks	\$154,426,565	148,856,383
United States common stocks	25,792,135	19,508,829
Canadian preferred stocks	56,733,263	56,194,774
Government of Canada bonds	13,370,000	—
Canadian corporation bonds	1,905,000	3,165,000
	<u>252,226,963</u>	<u>227,724,986</u>
<p>The average cost of the investments as at October 31, 1986 was \$204,076,306 (1985 — \$195,901,504)</p>		
Other Assets:		
Demand notes	15,416,276	17,354,808
Accrued interest and dividends receivable	678,059	593,828
Due from brokers	3,879,137	334,020
Income taxes receivable	17,407	106,850
	<u>19,990,879</u>	<u>18,389,506</u>
Total Assets	<u>272,217,842</u>	<u>246,114,492</u>
Liabilities:		
Outstanding cheques less bank deposits and cash in transit	575,392	808,190
Due to brokers	650,300	—
Accrued expense	53,867	46,086
Accounts payable	150,563	164,727
	<u>1,430,122</u>	<u>1,019,003</u>
Total Liabilities	<u>1,430,122</u>	<u>1,019,003</u>
NET ASSETS APPLICABLE TO OUTSTANDING SHARES	<u>\$ 270,787,720</u>	<u>245,095,489</u>
Represented by:		
Contributed capital	\$ 66,326,906	45,148,487
Undistributed net investment income	721,917	385,200
Undistributed net realized gains from investments	155,588,240	167,738,320
Unrealized appreciation of investments	48,150,657	31,823,482
TOTAL — representing net assets applicable to outstanding shares (note 3)	<u>\$ 270,787,720</u>	<u>245,095,489</u>

See accompanying notes to financial statements.

On Behalf of the Board:



Director



Director

Statement of Changes in Net Assets

Year Ended October 31, 1986 with comparative figures for 1985

	1986	1985
Net assets, beginning of year	\$ 245,095,489	222,515,873
Add:		
Net investment income	9,128,134	7,647,713
Profit from sale of investments and from foreign exchange — net	3,889,503	18,459,804
Unrealized appreciation of investments for the period — net	16,327,175	4,198,194
Proceeds from sale of Mutual Fund shares less commission paid	57,194,750	40,806,888
	<u>331,635,051</u>	<u>293,628,472</u>
Deduct:		
Payments on redemption of Mutual Fund shares	35,886,898	33,222,877
Dividends paid from: (note 2)		
Net investment income	8,920,850	7,597,884
Profit from sale of investments	16,039,583	7,712,222
	<u>60,847,331</u>	<u>48,532,983</u>
Net assets, end of year	<u>\$ 270,787,720</u>	<u>245,095,489</u>

See accompanying notes to financial statements.

Statement of Operations

Year Ended October 31, 1986 with comparative figures for 1985

	1986	1985
Investment Income		
Income:		
Dividends	\$ 9,758,303	9,808,975
Interest	<u>2,885,203</u>	<u>626,416</u>
	<u>12,643,506</u>	<u>10,435,391</u>
Expenses: (note 4)		
Management fees	3,300,615	2,984,144
Audit fees	11,972	9,735
Directors fees and expense	8,523	9,429
Custodian fees	9,669	12,854
Postage	57,208	48,535
Printing and stationery	37,895	23,155
Miscellaneous expense	<u>16,167</u>	<u>13,429</u>
	<u>3,442,049</u>	<u>3,101,281</u>
Income before taxes	9,201,457	7,334,110
Income taxes (note 1)	<u>73,323</u>	<u>(313,603)</u>
Net investment income (note 2)	<u>\$ 9,128,134</u>	<u>7,647,713</u>
Realized and unrealized gains from investments: (note 1)		
Realized gains from investment transactions		
Profit from sale of investments		
Proceeds from sales	\$ 88,909,113	51,387,726
Cost of investments sold	<u>85,090,002</u>	<u>32,959,276</u>
Net realized profit	3,819,111	18,428,450
Profit from foreign exchange	<u>70,392</u>	<u>31,354</u>
Total realized gains from investments	<u>\$ 3,889,503</u>	<u>18,459,804</u>
Unrealized appreciation of investments:		
Balance, beginning of year	\$ 31,823,482	27,625,288
Unrealized appreciation for the period — net	<u>16,327,175</u>	<u>4,198,194</u>
Balance, end of year	<u>\$ 48,150,657</u>	<u>31,823,482</u>

See accompanying notes to financial statements.

Statement of Changes in Investments

Year Ended October 31, 1986 with comparative figures for 1985

	1986	1985
Investments at average cost, beginning of year	\$ 195,901,504	190,196,580
Add:		
Cost of investments purchased	<u>93,264,804</u>	<u>38,664,200</u>
	<u>289,166,308</u>	<u>228,860,780</u>
Deduct:		
Proceeds from sale of investments	88,909,113	51,387,726
Less profit from sale of investments	<u>3,819,111</u>	<u>18,428,450</u>
Cost of investments sold	<u>85,090,002</u>	<u>32,959,276</u>
Investments at average cost, end of year	<u>\$ 204,076,306</u>	<u>195,901,504</u>

See accompanying notes to financial statements.

Investors Mutual of Canada Ltd.

Statement of Investments

as at October 31, 1986

	No. of Shares	Average Cost	Market Value
COMMON STOCK			
Metals and Minerals			
Alcan Aluminium Limited	125,000	\$ 5,251,691	\$ 5,375,000
Falconbridge Limited	147,500	3,153,625	2,599,687
Falconbridge Limited Deferred Payment Right	12,500	25,000	28,750
Teck Corporation Class B Sub-voting	115,000	2,858,258	2,731,250
		<u>11,288,574</u>	<u>10,734,687</u>
Gold and Silver			
Placer Development Limited	154,000	3,587,775	4,908,750
Integrated Oils			
Imperial Oil Limited Class A	100,000	5,148,330	4,650,000
Shell Canada Limited Class A	64,175	371,272	1,524,156
		<u>5,519,602</u>	<u>6,174,156</u>
Oil and Gas Producers			
Bow Valley Industries Ltd.	227,400	1,970,798	2,586,675
Norcen Energy Resources Limited Voting Ordinary	87,100	595,325	1,208,513
Norcen Energy Resources Limited Non-voting Ordinary	87,100	595,325	1,143,188
Westmin Resources Limited	172,300	2,464,636	1,356,862
		<u>5,626,084</u>	<u>6,295,238</u>
Paper and Forest Products			
Canfor Corporation	200,000	2,750,000	3,200,000
MacMillan Bloedel Limited	53,300	1,706,959	2,185,300
		<u>4,456,959</u>	<u>5,385,300</u>
Oil Well Equipment and Services			
* Schlumberger Limited	33,750	2,010,926	1,490,231
Distilleries			
The Seagram Company Limited	102,550	2,340,238	8,921,850
Consumer Products — Misc.			
Imasco Limited	134,000	4,620,175	4,673,250
Communication and Media			
International Thomson Organisation Limited	500,000	3,966,561	6,375,000
Maclean Hunter Limited Class X	204,000	807,275	3,774,000
Maclean Hunter Limited Class Y Non-voting	197,104	1,865,292	3,436,902
		<u>6,639,128</u>	<u>13,585,902</u>
Merchandising			
Canadian Tire Corporation Limited Class A Non-voting	163,500	1,725,639	2,391,188
Grafton Group Limited Class A Non-voting	315,000	2,090,834	5,197,500
* Sears, Roebuck and Co.	65,000	4,197,146	3,920,930
		<u>8,013,619</u>	<u>11,509,618</u>
Health Care			
* National Medical Enterprises, Inc.	123,200	4,041,346	4,219,107
Banks			
Bank of Montreal	200,000	5,403,645	6,825,000
The Bank of Nova Scotia	250,000	3,452,950	4,093,750
Canadian Imperial Bank of Commerce	529,400	5,273,643	10,124,775
Canadian Imperial Bank of Commerce A — Warrants	70,000	227,000	411,250
The Royal Bank of Canada	216,150	3,794,114	7,186,988
The Toronto-Dominion Bank	222,338	786,257	5,030,397
		<u>18,937,609</u>	<u>33,672,160</u>
Insurance and Financial Service			
The Pagurian Corporation Limited Class A Non-voting	510,000	6,496,942	7,522,500
Utilities			
British Columbia Telephone Company	160,000	3,159,325	4,260,000
Bell Canada Enterprises Inc.	232,075	4,846,305	8,615,784
Canadian Utilities Limited (Non-voting) Class A	75,000	1,424,500	1,453,125
Canadian Utilities Limited (Voting) Class B	75,000	1,424,000	1,453,125
TransAlta Utilities Corporation Class A	107,100	3,060,722	2,945,250
		<u>13,914,852</u>	<u>18,727,284</u>
Steel			
Harris Steel Group Inc. Class A Non-voting	157,400	1,584,157	1,731,400
Ipsco Inc.	199,000	2,638,270	1,567,125
		<u>4,222,427</u>	<u>3,298,525</u>
Electrical			
* General Electric Company	58,000	3,541,915	6,170,562
Chemicals			
Dupont Canada Inc. Class A	181,950	4,662,550	6,914,100
Electronics			
* Raytheon Company	35,000	2,893,957	3,121,265
Telecommunications			
Northern Telecom Limited	104,600	2,213,662	4,707,000

Statement of Investments

as at October 31, 1986

	No. of Shares	Average Cost	Market Value
Computer and Related *International Business Machines Corporation	40,000	2,479,485	6,870,040
Management Companies Canadian Pacific Limited The Enfield Corporation Limited	468,850 200,000	5,181,515 2,399,300	7,267,175 4,050,000
		<u>7,580,815</u>	<u>11,317,175</u>
TOTAL COMMON STOCK		<u>\$ 125,088,640</u>	<u>\$ 180,218,700</u>
PREFERRED STOCK — FIXED			
Anglo-Canadian Telephone Company \$2.65 Cum. Red. \$50 p.v.	20,000	\$ 1,000,000	\$ 635,000
British Columbia Telephone Company 5.15% Cum. Red. \$100 p.v.	29,815	3,012,255	1,848,530
British Columbia Telephone Company 7.40% Cum. Red. \$25 p.v.	60,000	1,500,000	1,387,500
Carling O'Keefe Limited \$2.65 Cum. Red. Series B \$50 p.v.	121,995	6,197,024	3,751,346
Celanese Canada Inc. \$2.16 Cum. Red. \$25 p.v.	20,573	740,729	493,752
Dome Petroleum Limited 7.76% Cum. Red. Series A \$25 p.v.	50,000	1,175,000	120,000
Grafton Group Limited \$3.00 Series A n.p.v.	49,250	1,814,114	1,849,928
Hudson's Bay Company \$1.80 Cum. Red. Series A \$22.50 p.v.	61,279	1,388,185	1,164,301
Inter-City Gas Corporation 8.25% Cum. Red. First Pfd. Series B \$20 p.v.	10,633	212,660	210,002
Minorco Canada Limited 6% Cum. Red. Series A Pfd. \$100 p.v.	47,000	4,700,000	2,608,500
Minorco Canada Limited 6.25% Cum. Red. Series B Pfd. \$100 p.v.	2,500	246,250	150,313
Power Corporation of Canada Limited 4.75% Cum. Red. First Pfd. 1965 Series \$50 p.v.	90,750	4,310,625	3,811,500
Quebec-Telephone 4.75% Cum. Red. 1965 Series \$20 p.v.	90,500	1,728,550	1,074,688
The Toronto-Dominion Bank \$1.835 Cum. Red. First Pfd. Class A \$25 p.v.	175,400	4,385,000	4,209,600
United Corporations Limited \$1.50 Cum. Red. Second Pfd. 1963 Series n.p.v.	25,225	752,381	419,366
Weston (George) Limited 6.0% Cum. Red. Second Series \$100 p.v.	2,800	278,872	214,900
		<u>33,441,645</u>	<u>23,949,226</u>
PREFERRED STOCK — EQUITY			
Canada Development Corporation 8% Cum. Red. Conv. Class B \$100 p.v. (Ret. 10-02-85 to 03-31-88)	27,850	3,194,841	2,781,519
Dofasco Inc. \$2.60 Conv. Pfd. \$32.50 p.v.	130,000	4,225,000	4,420,000
Noranda Inc. 7.75% Cum. Red. Conv. Pfd. Series C \$25 p.v.	82,000	2,050,000	2,419,000
Nova, An Alberta Corporation 6.5% Cum. Red. Conv. Second Pfd. \$25 p.v. Non-voting	53,300	1,332,500	1,079,325
Torstar Corporation \$1.70 Cum. Red. Conv. First Pfd. Third Series \$22.50 p.v.	80,000	1,800,000	4,670,000
Westmin Resources Limited 8.5% Conv. Pfd. Class B Series 1 \$25 p.v.	80,000	2,000,000	1,720,000
		<u>14,602,341</u>	<u>17,089,844</u>
PREFERRED STOCK — RETRACTABLES			
Imasco Limited 7.375% Cum. Red. Ret. First Pfd. Series C \$25 p.v. (07-17-93)	120,000	3,000,000	3,060,000
Stelco Inc. 10% Cum. Red. Ret. Series D \$25 p.v. (11-01-90)	57,500	1,437,500	1,509,375
TransAlta Utilities Corporation 8.40% Cum. Red. Ret. First Pfd. \$25 p.v. (03-27-92)	200,000	4,922,000	5,375,000
Union Gas Limited 9.875% Cum. Red. Ret. Class B Series 4 \$20 p.v. (08-30-90)	120,219	2,404,380	2,644,818
Weston (George) Limited 7.75% Cum. Red. Ret. Pfd. Series A \$25 p.v. (12-01-96)	120,000	3,000,000	3,105,000
		<u>14,763,880</u>	<u>15,694,193</u>
TOTAL PREFERRED STOCK		<u>\$ 62,807,866</u>	<u>\$ 56,733,263</u>
GOVERNMENT OF CANADA BONDS			
11.75% 10-15-93		\$ 10,843,800	\$ 11,200,000
10.75% 12-15-95	2,000,000	2,081,000	2,170,000
		<u>12,924,800</u>	<u>13,370,000</u>
CORPORATION BONDS — CONVERTIBLE			
GEAC Computer Corporation Limited Conv. Deb. 9.0% 10-01-95	1,500,000	1,500,000	255,000
The Royal Bank of Canada 11.25% Conv. Deb 12-09-91	1,500,000	1,755,000	1,650,000
		<u>3,255,000</u>	<u>1,905,000</u>
TOTAL BONDS		<u>\$ 16,179,800</u>	<u>\$ 15,275,000</u>
TOTAL INVESTMENTS		<u>\$ 204,076,306</u>	<u>\$ 252,226,963</u>
Total Net Assets:			
Total Investments			\$ 252,226,963
Investment rated demand notes			7,485,516
Farm Credit Corporation of Canada 8.32/7.82% 11-19-86			747,238
Federal Business Development Bank 8.18/7.68% 11-04-86			849,433
8.20/7.70% 11-05-86			549,541
8.17/7.67% 11-10-86			698,601
8.17/7.67% 11-12-86			997,558
8.15/7.65% 11-14-86			1,645,246
8.15/7.65% 11-17-86			348,761
8.20/7.70% 11-19-86			1,394,382
Pioneer Grain Company Limited 8.45% 12-02-86			700,000
Cash and other net assets			3,144,481
TOTAL NET ASSETS			<u>\$ 270,787,720</u>

*United States Investments

See accompanying notes to financial statements.

Investors Mutual of Canada Ltd.

Notes to Financial Statements

October 31, 1986

Auditors' Report to the Shareholders

We have examined the statement of net assets of Investors Mutual of Canada Ltd. as at October 31, 1986 and 1985 and the statements of operations, changes in net assets and changes in investments for the two years then ended. We have also examined the statement of investments as at October 31, 1986. Our examinations were 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 October 31, 1986 and 1985, the investments of the company as at October 31, 1986 and the results of its operations and the changes in its net assets and investments for the two years ended October 31, 1986 in accordance with generally accepted accounting principles applied on a consistent basis.

Peat Marwick
Mitchell & Co.
Chartered Accountants
Winnipeg, Canada
November 28, 1986

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:

- 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.
- Demand notes are not considered to be portfolio investments and are therefore excluded from the Statement of Changes in Investments.
- Foreign currency amounts included in the financial statements have been expressed in Canadian dollars on the following basis:
 - investments, other assets and liabilities at the rate of exchange at the fiscal year end.
 - income, expense, purchases and sales of investments at the rate of exchange prevailing on the respective dates of such transactions.
 - realized gains and losses on foreign exchange are reflected in the Statement of Operations. Unrealized gains and losses on foreign exchange are included in unrealized appreciation or depreciation of investments.
- Dividend income is recognized at the time the security trades on an ex-dividend basis.
- 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 statement.

2. Per share information:

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

	1986	1985	1984	1983	1982
The net asset value per share at October 31	\$ 7.77	7.64	7.18	7.62	6.14
The average net income per share	\$.371	.242	.266	.283	.362
The source of dividends paid per share:					
Net income	\$.260	.240	.265	.290	.360
Profit from sale of investments	.500	.250	.300	.215	.580
Total dividends per share	\$.760	.490	.565	.505	.940
The average percentage of management fees and other expense to average net assets:					
Management fees	% 1.25	1.25	1.25	1.13	.91
Other expense	.05	.05	.06	.07	.10
	% 1.30	1.30	1.31	1.20	1.01

Per share calculations were made as undernoted:

- Net asset value — on the number of shares outstanding at the end of the fiscal year.
- Net income — on the average of the number of shares outstanding at each month end during the fiscal year.
- Source of dividends — on the number of shares outstanding at the date of record for the dividends paid during the fiscal year.
- 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. Shares outstanding:

	1986	1985
Mutual Fund shares outstanding, beginning of year	32,063,033	31,012,659
Add (deduct): Mutual Fund shares sold in year	7,405,218	5,462,059
Mutual Fund shares redeemed in year	(4,627,918)	(4,411,685)
Mutual Fund shares outstanding, end of year	34,840,333	32,063,033
Common shares outstanding, end of year	3,000	3,000
Total shares outstanding, end of year	34,843,333	32,066,033

4. Management fees and other expense:

- I.G. Investment Management Ltd. is the investment manager and in consideration of the management fee provides investment, advisory and administrative services.
- The Investment Management and Service Agreement was amended effective February 14, 1980 and provides for certain expenses to be paid by the Company; the Agreement was further amended effective March 1, 1983 increasing the monthly fee to 5/48 of 1% of the average net assets from 1/12 of 1% of the first \$100,000,000 of the average net assets and 1/16 of 1% of the average net assets in excess of \$100,000,000.
- Miscellaneous expense comprises bank charges and other miscellaneous expenses.
- The management fees and other expense ratio may vary from mutual fund to mutual fund.

5. Brokers' commissions:

Total commissions paid to brokers in connection with portfolio transactions for the year ended October 31, 1986 amounted to \$466,224 (1985 — \$229,703).

During the year ended October 31, 1986, the Manager acted as an agent in connection with sales of \$2,523,340 (1985 — \$233,550) and purchases of \$ Nil (1985 — \$1,347,000) of portfolio securities between the Company and other Investors Mutual Funds or Pooled Trusts of which it is the Manager. The transactions were at market value with normal terms of settlement. No commission is paid on these transactions.

6. Portfolio transactions:

A statement of portfolio transactions (unaudited) for the year ended October 31, 1986 will be provided, without charge, by writing to:
Investors Mutual of Canada Ltd.
280 Broadway, Winnipeg, Manitoba R3C 3B6

7. Dividend reinvestment:

By notice to the Company a shareholder may terminate any authorization given providing for automatic reinvestment of income or capital gains dividends.

8. Current Annual Information Form:

Upon request made to the Company any shareholder is entitled to receive a copy of the Company's current annual information form.

Directors and Officers

Board of Directors

J.A. Beliveau
Longueuil

N.F. Elsey
Calgary

B.J. Wylie
Toronto

R.H. Jones
Winnipeg

D.S. Kaufman
Winnipeg

A.V. Mauro, Q.C.
Winnipeg

J.A.K. MacDonnell, M.D.
Victoria

P.E. Newman
Winnipeg

D.S. Rogers
Winnipeg

Executive Officers

R.H. Jones
Chairman of the Board

A.V. Mauro, Q.C.
President

B.S. Toni
Secretary

C.G. Turnbull
Treasurer

Investors Financial Planning Centres

BRITISH COLUMBIA

Abbotsford

101-33119 South Fraser Way

Kamloops

101 125-4th Avenue

Kelowna

100-565 Bernard Avenue

Nanaimo

256 Wallace Street

Nelson

715 Vernon Street

New Westminster

337 Sixth Street

Penticton

201-246 Martin Street

Prince George

696 Brunswick Street

Vancouver

202-5701 Granville Street

Vancouver

789 West Pender Street

Vancouver

310-1755 West Broadway

Vernon

103 2802-30th Street

Victoria

734 Broughton

ALBERTA

Calgary

1003-1333 8th Street S.W.

Calgary

7015 MacLeod Trail, South

Edmonton

4445 Calgary Trail, South

Edmonton

9109-82nd Avenue

Red Deer

502 5010-43rd Street

SASKATCHEWAN

Regina

1570-2002 Victoria Avenue

Saskatoon

402 21st Street, East

MANITOBA

Brandon

151-8th Street

Winnipeg

200-444 St. Mary Avenue

Winnipeg

600-310 Broadway

ONTARIO

Barrie

105 Collier Street

Hamilton

310-25 Main Street W.

Kingston

412-259 King Street, East

Kitchener

1001-20 Erb Street, West

London

200-401 Clarence Street

North Bay

205 Main Street, East

Oakville

610-700 Dorval Drive

Oshawa

506-40 King Street, West

Ottawa

441 MacLaren Street

Ottawa

210-1547 Merivale Road, Nepean

Peterborough

197 George Street, North

Sarnia

155 North Front Street

St. Catharines

400-55 King Street

Sudbury

128 Larch Street

Thunder Bay

581 Red River Road

Toronto

204-1210 Sheppard Avenue, East

Toronto

604-304 The East Mall

Toronto

301-40 Wynford Drive

Toronto

1502-180 Dundas Street, West

Windsor

200-660 Ouellette Avenue

QUEBEC

Montreal

240-1 place du Commerce
Ile-des-Soeurs

Montreal

202-1303 avenue Greene, Westmount

Montreal

920-1080 Cote du Beaver Hall

Montreal

105-1303 avenue Greene, Westmount

Quebec

1301 chemin Ste-Foy

Sherbrooke

3-2355 rue King, Ouest

NEW BRUNSWICK

Fredericton

204-1133 Regent Street

Moncton

250-1077 St. George Blvd.

Saint John

50 Crown Street

NOVA SCOTIA

Halifax

6960 Mumford Road

PRINCE EDWARD ISLAND

Charlottetown

51 University Avenue

NEWFOUNDLAND

Corner Brook

44 Maple Valley Road

St. John's

33 Pippy Place



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Investors Group Inc. is a member of the Power Financial Corporation group of companies.