



# *Investors Mutual of Canada*

**ANNUAL REPORT 1985**

*“ Investors Mutual enables its shareholders both to participate in capital appreciation in common stocks and to receive dividend income . . . ”*



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## ***Corporate Profile***

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The Investors Group is the largest company of its kind in Canada.

It has assets in excess of 18 billion dollars under the management or administration of its various subsidiaries. The major operating subsidiaries of The Investors Group provide a full range of financial services and products to individuals and corporations. They are:

- Investors Syndicate Limited
- Investors Syndicate Realty Limited
- Investors Group Trust Co. Ltd.
- Investors Securities Management Ltd.
- Investors Services Limited
- The Great-West Life Assurance Company
- Montreal Trust Company

*Cover: The Parliament Buildings, Ottawa*

Canadian Chartered banks are a key growth sector in our economy. Carefully selected stocks from this growth sector form an important component of the Mutual of Canada portfolio. The portfolio is balanced to include fixed income and equity securities which provide the flexibility to meet the investment objectives of stability and long-term capital growth.

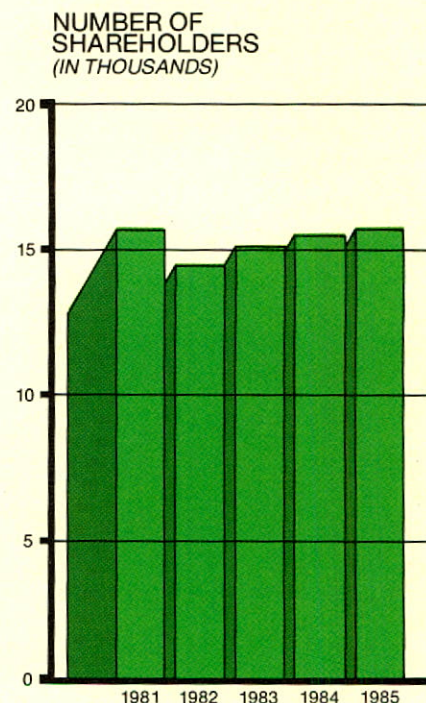
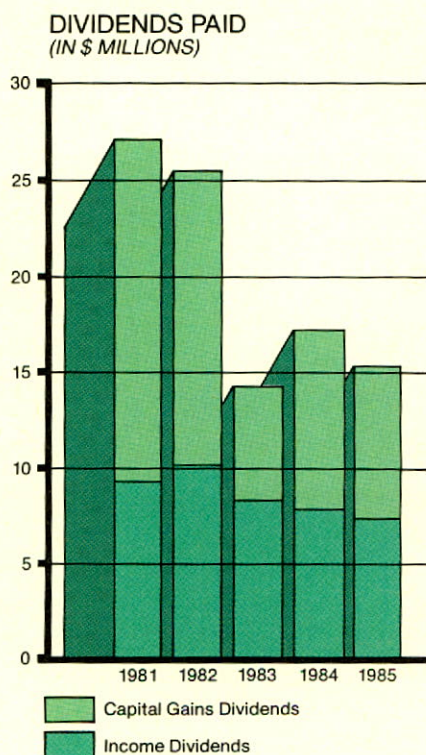
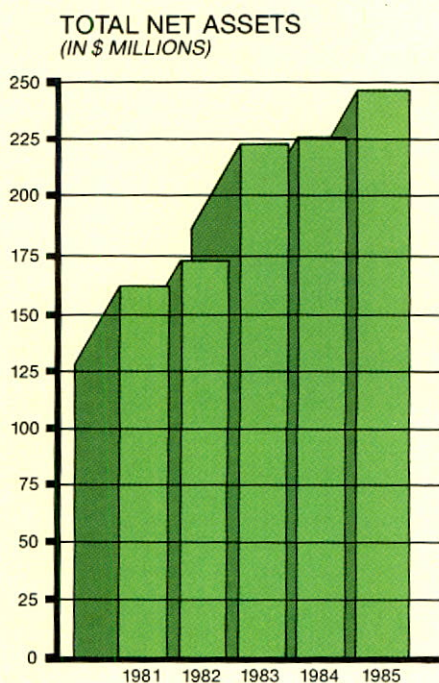
Si vous préférez recevoir ce rapport annuel en français, veuillez vous adresser au secrétaire: B.S. TONI, Le groupe Investors, 280 Broadway, Winnipeg, Manitoba, R3C 3B6

# Investors Mutual of Canada Ltd.

## Financial Overview

	1985
Total Net Assets .....	\$245,095,489
Number of Shareholders .....	15,767
Asset Value per Share:	
High .....	\$ 8.013
Low .....	\$ 6.964
Close .....	\$ 7.640
Dividends Paid .....	\$ 15,310,106
Dividends per Share .....	\$ .490

## Highlights



# President's Report to Shareholders

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On behalf of the Board of Directors, I am pleased to present the Annual Report and financial statements for the fiscal year ended October 31, 1985.

Total net assets of your Fund increased by 10.1% during the period under review, totalling \$245,095,000 at year-end. Over that same 12-month period the net asset value per share increased from \$7.17 to \$7.64, a gain of 6.5%. In addition, the Fund distributed a regular income dividend of 24¢ per share and a capital gains dividend of 25¢ per share.

The total rate of return for the year ended October 31, 1985 was 13.8%, a satisfying performance in light of the steady but gradual recovery of the Canadian economy from the severe business recession of 1981-82. The rate-of-return performance compared favourably with the 4% inflation rate Canada experienced during the year, as measured by the Consumer Price Index.

An outstanding feature of the year was the notable decrease in inflationary pressures, coupled with an accommodative monetary policy. These two factors have permitted interest rates to continue their downward trend. During the year ended October 31, 1985 the prime rate charged by Canadian chartered banks declined from 12½% to 10%. Yields on long-term Canadian bonds declined from 12¼% to 10½%. Mortgage interest rates dropped by a similar percentage.

Canada's real economic growth in 1985 is expected to exceed 3½%, with much of the gain attributable to greater consumer spending, a higher level of housing starts and increased capital investment by business. The strength of these sectors of the economy is encouraging, since they have a higher multiplier effect at lower social costs than expenditures by governments. Within this overall environment, corporate profits have improved moderately.

Looking to the future, we do not agree with many commentators who appear to be losing confidence in further economic progress being achieved in 1986. Certainly we recognize there are a number of problems to be overcome, such as the unacceptably high level of unemployment in Canada with its attendant social costs and lost production, and intolerably high government deficits.



Arthur V. Mauro, Q.C., President

*“ . . . we do not agree with commentators who appear to be losing confidence in further economic progress . . . ”*


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Nonetheless, there exist sufficient fundamental strengths to justify a positive economic outlook. The average Canadian consumer is in a reasonably strong financial position, with a high level of personal savings and consumer debt at a manageable level. The federal governments in both Canada and the United States have at least come to recognize the seriousness of budgetary deficits, and are taking some steps to cope with the problem by cutting spending and increasing taxes. Moderate wage increases have become the norm and, coupled with a world-wide excess productive capacity in major industries, will serve to limit inflation growth in 1986. In summary, we forecast that Canada's Gross National Product will rise by approximately 3% in 1986, while the Consumer Price Index will increase by less than 5%.

Consequently, there is a general consensus that equity markets have a good performance potential for 1986 and interest rates are expected to remain stable or decline slightly during the course of the year.

Through its balanced portfolio, Investors Mutual enables its shareholders both to participate in capital appreciation in common stocks and to receive dividend income through its holdings of bonds, debentures and preferred shares. To achieve this dual target, the Fund's asset mix at the fiscal year-end consisted of 68% in common stocks and 32% in fixed income and convertible securities. This has positioned the Fund to benefit from the continued economic recovery we see occurring in the year ahead.

*"An outstanding feature of the year was the notable decrease in inflationary pressures . . ."*



Arthur V. Mauro, Q.C.  
*President*

Winnipeg, Canada  
December 3, 1985

# Comments From Your Portfolio Manager

## **What are your objectives in managing this portfolio?**

There are three principal objectives, all of equal value. First, the portfolio is managed to achieve long-term capital appreciation; second, investments are made with preservation of capital in mind; and third, the portfolio of investments must provide a reasonable rate of return.

## **How wide a decision-making mandate do you have?**

A broad mandate allows us to consider investments in the bond, preferred and equity markets. Within these asset classes further latitude is offered through industry, company and geographical diversification.

## **What are the key elements in successful management of a Fund such as this one?**

Continual evaluation and interpretation of the many factors which have effect on the capital markets in which we participate is essential. In interpreting these factors it is crucial to exercise judgment which will not place the portfolio's objectives in jeopardy.

## **When you are considering buying a stock, what do you look for?**

Most important, the stock must have the potential of meeting the portfolio's objectives. Factors considered include industry dynamics, the company's position within the industry, earnings growth, financial quality, strength in management and a proven track record.

## **What are the things you consider when deciding to sell a stock?**

Stocks are sold when the objectives of the purchase are met. As well, selling occurs when there are fundamental changes in any of the factors considered when the purchase was initiated. Undue risk within portfolio holdings is unacceptable.

## **Where do you find reliable information on which to base your decisions?**

Communication of information is vital to effective portfolio management. Sources of information include the financial press, investment house research, corporate and industry publications along with daily communication with analysts, strategists, brokers and traders. Contact with company managements is also maintained.

## **Can you describe the type of company which you think should belong in the Fund?**

The investment must possess the potential to achieve the portfolio's return requirements. More particularly, the investment must have long-term capital appreciation potential and must satisfactorily meet factors such as industry and company dynamics, earnings growth, good track record, sound management, etc. The potential investment must also fit in with the existing holdings in the portfolio so that proper diversification is maintained.

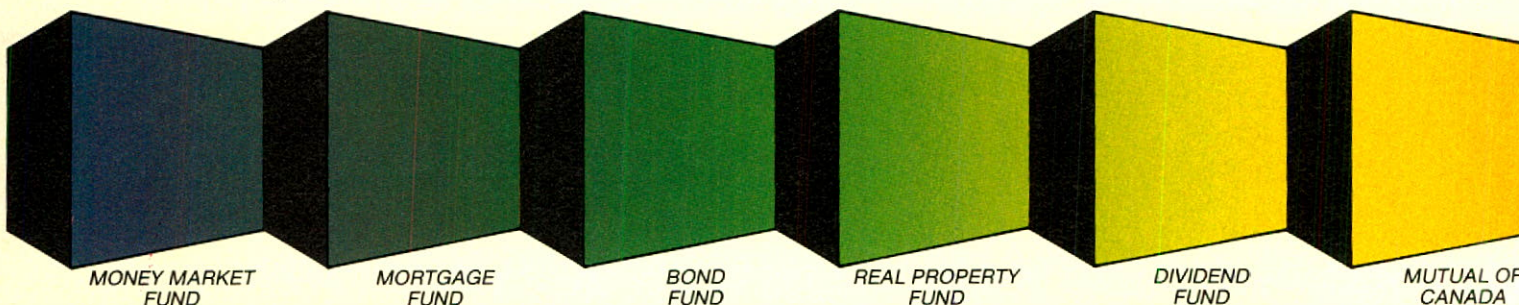
## **What is your view of the immediate economic outlook?**

The economy is on track for continued moderate growth. Encouraging signs remain, with corporate profits expected to grow in an environment of stable interest rates and low inflation.



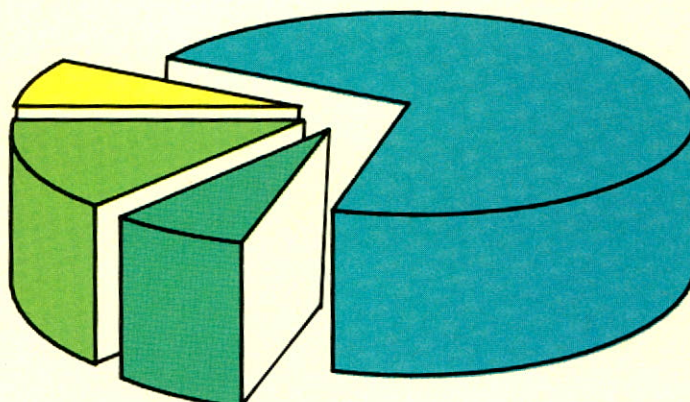
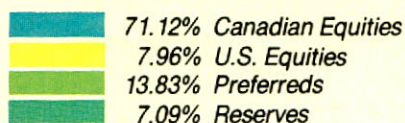
Leading companies in the telecommunications industry make a valuable contribution to the Mutual Fund's assets. In evaluating one such company for possible inclusion in the Fund, Portfolio Manager Scott Penman (right) discusses industry prospects with a company executive.

## **Income/Low Variability**



# Investors Mutual of Canada Ltd. Highlights

An illustration of where Investors Mutual of Canada's \$245,095,489 of net assets (at market value) were invested on October 31, 1985.



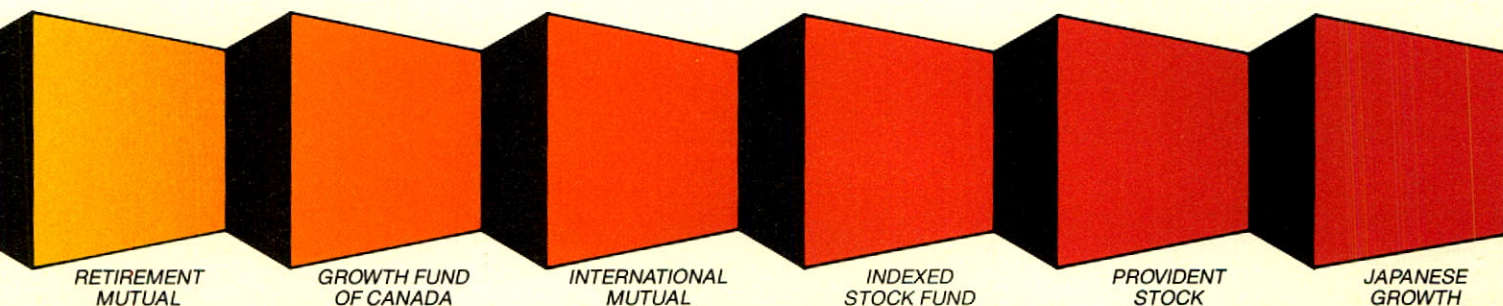
## The Top Ten Equity Holdings\*

A brief description of each of the top ten companies in your Fund portfolio is indicated below. The percentage each holding forms of the entire portfolio is shown at left, with the market value shown at right.

% Net Assets	Company	Market Value
5.63%	<b>Canadian Imperial Bank of Commerce</b> — Canada's third largest chartered bank.	\$13,780,763
4.66	<b>Hiram Walker Resources Ltd.</b> — Engaged in the manufacture and sale of distilled spirits and the exploration, production and distribution of natural gas and oil.	11,407,925
3.92	<b>Bell Canada Enterprises Inc.</b> — Is a holding company, which through subsidiaries, is the largest Canadian supplier of telecommunication services and equipment.	9,602,103
3.80	<b>Canadian Pacific Limited</b> — Carries on transportation and related operations throughout the world.	9,314,919
3.70	<b>The Royal Bank of Canada</b> — Canada's largest chartered bank.	9,060,825
2.97	<b>Alcan Aluminium Limited</b> — Is one of the largest producers of aluminium ingots in the world.	7,268,275
2.95	<b>Grafton Group Limited</b> — Engaged in the retailing of clothing and shoes.	7,225,350
2.80	<b>Imperial Oil Limited</b> — Is the largest marketer and refiner of petroleum products and producer of crude oil in Canada.	6,852,850
2.53	<b>The Seagram Company Ltd.</b> — Is primarily engaged in the production and marketing of distilled spirits and wines.	6,204,275
2.31	<b>AMCA International Limited</b> — Engaged in the design, manufacture and marketing of a broad range of industrial products.	5,667,630
<b>35.27%</b>	<b>OF TOTAL NET ASSETS WITH A MARKET VALUE OF</b>	<b>\$86,384,915</b>

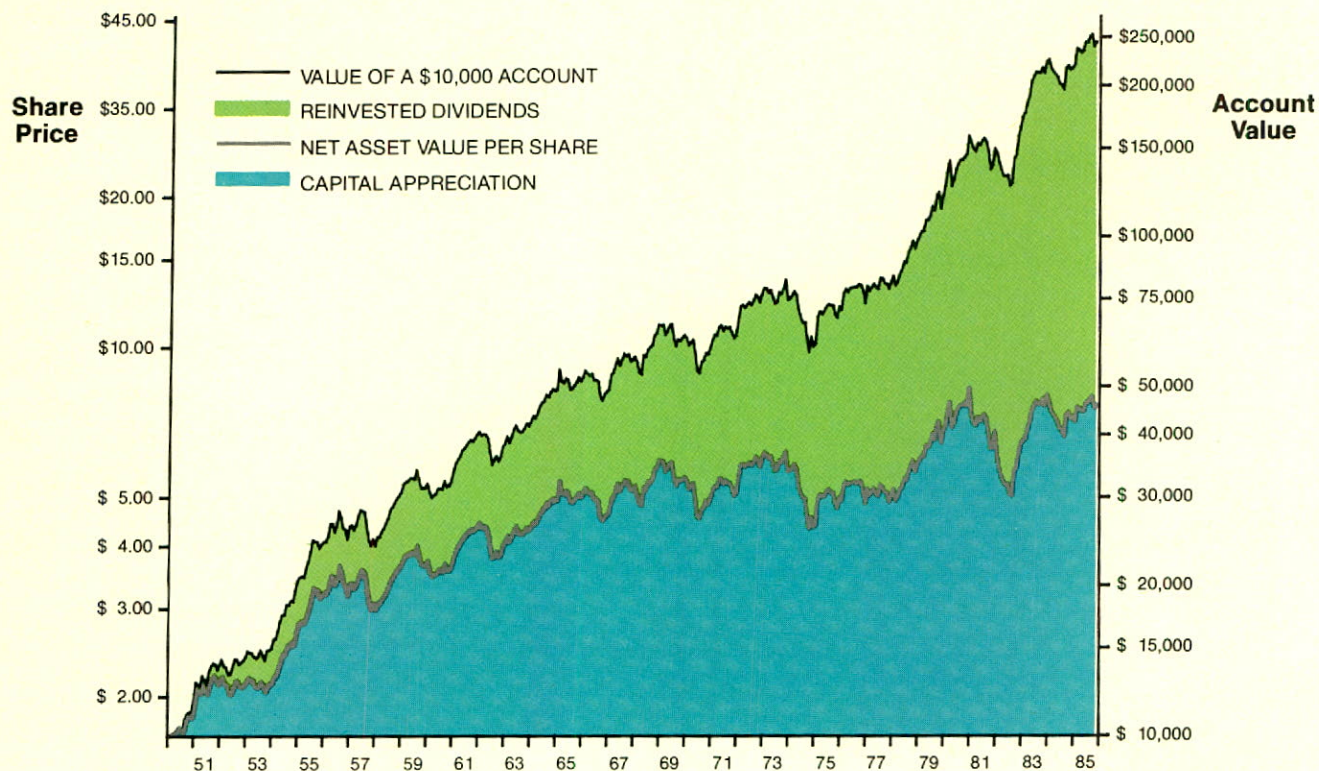
\* Equity holdings include common stocks, convertible preferred shares, convertible debentures and warrants.

## Capital Growth/High Variability



# Investors Mutual of Canada Ltd.

## Historical Growth Pattern



### Investors Mutual of Canada Ltd.

10 Year History October 31, 1975 to 1985

Year Ending Oct. 31	High	Share Prices Low	Close	Income Dividends Per Share	Capital Gains Dividends Per Share	Annual Rate of Return
1976	\$ 5.451	\$ 4.751	\$ 5.134	\$0.240	\$ —	+ 13.02%
1977	5.394	4.853	4.893	0.250	0.040	+ 0.96
1978	6.103	4.857	5.624	0.250	—	+20.36
1979	7.252	5.608	6.426	0.330	—	+20.33
1980	8.142	6.455	7.614	0.440	0.165	+28.51
1981	8.284	6.092	6.279	0.355	0.675	- 5.02
1982	6.786	4.992	6.138	0.360	0.580	+ 14.18
1983	8.112	6.194	7.624	0.290	0.215	+33.67
1984	8.057	6.487	7.175	0.265	0.300	+ 1.50
1985	8.013	6.964	7.640	0.240	0.250	+13.76

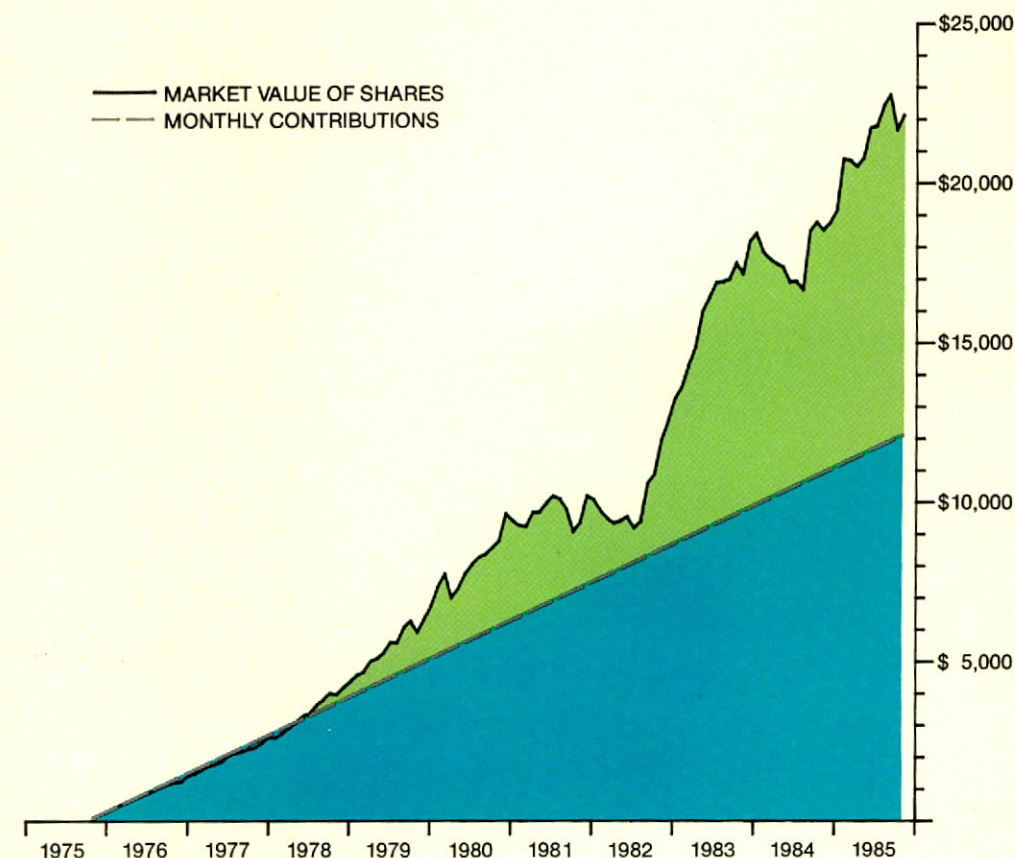
Cumulative Rates of Return Including Reinvested Dividends

Last 5 Years Oct. 31 1980-1985	Last 10 Years Oct. 31 1975-1985
10.85% per year	13.52% per year



## Dollar Cost Averaging

10 Year Illustration — \$100 per month



8.5% Acquisition Fee deducted from contributions — Free Dividend Reinvestment

Year Ending Oct. 31	Cumulative Contributions	Cumulative Dividends Reinvested	Number of Shares Owned	Closing Share Price	Closing Market Valuation
1976	\$ 1,200	\$ 35	217.139	\$ 5.134	\$ 1,115
1977	2,400	139	452.574	4.893	2,214
1978	3,600	292	688.684	5.624	3,873
1979	4,800	567	906.784	6.426	5,827
1980	6,000	1,190	1,142.680	7.614	8,700
1981	7,200	2,465	1,477.118	6.279	9,275
1982	8,400	3,983	1,931.973	6.138	11,858
1983	9,600	5,021	2,238.965	7.624	17,070
1984	10,800	6,351	2,570.266	7.175	18,442
1985	12,000	7,669	2,895.825	7.640	22,124

Effective annual rate of return on \$100 monthly Contribution: 11.76% per annum

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

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

Dollar cost averaging is simply the buying of equal dollar amounts of a given investment at specified time intervals. The advantages of this concept are twofold: it reduces timing risks and improves returns.

How does dollar cost averaging work?

A regular sum of money is collected automatically from the shareholder's bank account each month and invested at the Fund's current market price.

The shareholder acquires many more shares at the low points and reaps the reward through a reduced average cost and enhanced values when prices recover.

The above chart demonstrates how, over a 10-year period, an investment of \$100 per month grew by following this concept.

# Investors Mutual of Canada Ltd.

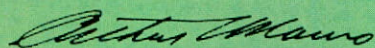
## Statement of Net Assets

October 31, 1985 with comparative figures for 1984

<b>Assets:</b>	<b>1985</b>	<b>1984</b>
Investments, at market value in Canadian funds:		
Canadian corporation bonds	\$ 3,165,000	1,590,000
Canadian preferred stocks	56,194,774	41,593,835
Canadian common stocks	148,856,383	148,220,640
United States common stocks	19,508,829	26,417,393
	<u>227,724,986</u>	<u>217,821,868</u>
<p>The average cost of the investments as at October 31, 1985 was \$195,901,504 (1984 — \$190,196,580)</p>		
<b>Other Assets:</b>		
Demand notes	17,354,808	4,945,256
Accrued interest and dividends receivable	593,828	686,732
Due from brokers	334,020	—
Income taxes receivable	106,850	243,971
	<u>18,389,506</u>	<u>5,875,959</u>
<b>Total Assets</b>	<u>246,114,492</u>	<u>223,697,827</u>
<b>Liabilities:</b>		
Outstanding cheques less bank deposits and cash in transit	808,190	884,791
Due to brokers	—	99,360
Accrued expense	46,086	53,503
Accounts payable	164,727	144,300
	<u>1,019,003</u>	<u>1,181,954</u>
<b>Total Liabilities</b>	<u>1,019,003</u>	<u>1,181,954</u>
<b>NET ASSETS APPLICABLE TO OUTSTANDING SHARES</b>	<u>\$ 245,095,489</u>	<u>222,515,873</u>
Represented by:		
Contributed capital	\$ 45,148,487	37,606,898
Undistributed net investment income	385,200	292,950
Undistributed net realized gains from investments	167,738,320	156,990,737
Unrealized appreciation of investments	31,823,482	27,625,288
<b>TOTAL — representing net assets applicable to outstanding shares (note 3)</b>	<u>\$ 245,095,489</u>	<u>222,515,873</u>

See accompanying notes to financial statements.

On Behalf of the Board:



Director



Director

## Statement of Changes in Net Assets

Year Ended October 31, 1985 with comparative figures for 1984

	<b>1985</b>	<b>1984</b>
<b>Net assets, beginning of year</b>	\$ 222,515,873	221,651,548
<b>Add:</b>		
Net investment income	7,647,713	8,074,234
Profit from sale of investments and foreign exchange — net	18,459,804	8,198,991
Unrealized appreciation (depreciation) of investments for the period — net	4,198,194	(12,882,104)
Proceeds from sale of Mutual Fund shares less commission paid	40,806,888	39,011,779
	<u>293,628,472</u>	<u>264,054,448</u>
<b>Deduct:</b>		
Payments on redemption of Mutual Fund shares	33,222,877	24,692,213
Dividends paid from: (note 2)		
Net investment income	7,597,884	8,089,332
Profit from sale of investments	7,712,222	8,757,030
	<u>48,532,983</u>	<u>41,538,575</u>
<b>Net assets, end of year</b>	<u>\$ 245,095,489</u>	<u>222,515,873</u>

See accompanying notes to financial statements.

## Statement of Operations

Year Ended October 31, 1985 with comparative figures for 1984

	1985	1984
<b>Investment Income</b>		
<b>Income:</b>		
Dividends	\$ 9,808,975	10,414,857
Interest	626,416	718,294
Other	—	13,532
	<u>10,435,391</u>	<u>11,146,683</u>
<b>Expense: (note 4)</b>		
Management fees	2,984,144	2,769,584
Audit fees	9,735	10,620
Directors fees and expense	9,429	9,792
Custodian fees	12,854	10,218
Postage	48,535	46,770
Printing and stationery	23,155	36,523
Other expense	13,429	20,605
	<u>3,101,281</u>	<u>2,904,112</u>
Income before taxes	7,334,110	8,242,571
Income taxes (note 1)	(313,603)	168,337
<b>Net investment income (note 2)</b>	<u>\$ 7,647,713</u>	<u>8,074,234</u>
<b>Realized and unrealized gains from investments: (note 1)</b>		
Realized gains from investment transactions		
Profit from sale of investments		
Proceeds from sales	\$ 51,387,726	32,073,941
Cost of investments sold	32,959,276	23,863,015
Net realized profit	18,428,450	8,210,926
Profit (loss) from foreign exchange	31,354	(11,935)
Total realized gains from investments	<u>\$ 18,459,804</u>	<u>8,198,991</u>
Unrealized appreciation of investments:		
Balance, beginning of year	\$ 27,625,288	40,507,392
Unrealized appreciation (depreciation) for the period — net	4,198,194	(12,882,104)
Balance, end of year	<u>\$ 31,823,482</u>	<u>27,625,288</u>

See accompanying notes to financial statements.

## Statement of Changes in Investments

Year Ended October 31, 1985 with comparative figures for 1984

	1985	1984
<b>Investments at average cost, beginning of year</b>	\$ 190,196,580	173,065,614
<b>Add:</b>		
Cost of investments purchased	38,664,200	40,993,981
	<u>228,860,780</u>	<u>214,059,595</u>
<b>Deduct:</b>		
Proceeds from sale of investments	51,387,726	32,073,941
Less profit from sale of investments	18,428,450	8,210,926
Cost of investments sold	32,959,276	23,863,015
<b>Investments at average cost, end of year</b>	<u>\$ 195,901,504</u>	<u>190,196,580</u>

See accompanying notes to financial statements.

# Investors Mutual of Canada Ltd.

## Statement of Investments

as at October 31, 1985

	Par Value	Average Cost	Market Value
<b>CORPORATION BONDS</b>			
GEAC Computer Corporation Limited Conv. Deb. 9.0% 10-1-95	\$1,500,000	\$ 1,500,000	\$ 1,500,000
The Royal Bank of Canada 11.25% Conv. Deb. 12-9-91	1,500,000	1,755,000	1,665,000
<b>TOTAL BONDS</b>		<u>\$ 3,255,000</u>	<u>\$ 3,165,000</u>
<b>PREFERRED STOCK - FIXED</b>			
	No. of shares		
Anglo-Canadian Telephone Company \$2.65 Cum. Red. \$50 p.v.	20,000	\$ 1,000,000	\$ 630,000
British Columbia Telephone Company 5.15% Cum. Red. \$100 p.v.	29,815	3,012,255	1,792,627
British Columbia Telephone Company 7.40% Cum. Red. \$25 p.v.	60,000	1,500,000	1,350,000
Carling O'Keefe Limited \$2.65 Cum. Red. Series B \$50 p.v.	121,995	6,197,023	3,743,660
Celanese Canada Inc. \$1.75 Cum. Red. \$25 p.v.	20,573	740,729	401,173
Dome Petroleum Limited 7.76% Cum. Red. Series A \$25 p.v.	50,000	1,175,000	812,500
George Weston Limited 6.0% Cum. Red. 2nd Series \$100 p.v.	2,800	278,872	202,650
Grafton Group Limited Series A \$3.00 n.p.v.	49,250	1,814,114	1,711,437
Hudson's Bay Company \$1.80 Cum. Red. Series A \$22.50 p.v.	61,279	1,388,185	1,118,344
Inter-City Gas Corporation 8.25% 1st Pfd. Series B Cum. Red. \$20 p.v.	10,633	212,660	186,077
Minorco Canada Limited 6% Cum. Red. Series A \$100 p.v.	47,000	4,700,000	2,966,875
Minorco Canada Limited 6.25% Cum. Red. Series B \$100 p.v.	2,500	246,250	138,750
Power Corporation of Canada Limited 4.75% Cum. Red. 1st Pfd. Shares 1965 Series \$50 p.v.	90,750	4,310,625	3,425,812
Quebec-Telephone 4.75% Cum. Red. 1965 Series \$20 p.v.	90,500	1,728,550	995,500
The Toronto Dominion Bank \$1.835 First Pfd. Class A Cum. Red. \$25 p.v.	175,400	4,385,000	4,253,450
United Corporations Limited Cum. Red. \$1.50 2nd Pfd. 1963 Series n.p.v.	25,225	752,381	403,600
		<u>33,441,644</u>	<u>24,132,455</u>
<b>PREFERRED STOCK - EQUITY</b>			
Canada Development Corporation 8% Conv. Class B Ret. 10-2-1985 to 10-1-1986	27,850	3,194,841	3,004,319
Dofasco Inc. \$2.60 Conv. Preferred \$32.50 p.v.	130,000	4,225,000	4,517,500
Hiram Walker Resources Ltd. 7.5% Cum. Red. Conv. Class D First Series \$25. p.v.	278,500	7,306,196	8,076,500
Nova, An Alberta Corporation 6.5% Cum. Red. Conv. 2nd Pfd. \$25. p.v.	53,300	1,332,500	1,125,963
Torstar Corporation \$1.70 Conv. 1st Pfd. 3rd Series \$22.50 p.v.	102,000	2,295,000	3,404,250
Westmin Resources Limited 8.5% Conv. Class B Series 1 \$25 p.v.	80,000	2,000,000	2,170,000
		<u>20,353,537</u>	<u>22,298,532</u>
<b>PREFERRED STOCK - RETRACTABLES</b>			
Stelco Inc. Series D 10% \$25 p.v. Cum. Red. Retractable on 11-01-85 & 11-01-90	57,500	1,437,500	1,523,750
TransAlta Utilities Corporation 8.40% 1st Preferred \$25 p.v. Retractable 3-27-92	200,000	4,922,000	5,475,000
Union Gas Limited 9.875% \$20 p.v. Class B Cum. Red. Series 4 Retractable on 08-30-90	120,219	2,404,380	2,765,037
		<u>8,763,880</u>	<u>9,763,787</u>
<b>TOTAL PREFERRED STOCK</b>		<u>\$ 62,559,061</u>	<u>\$ 56,194,774</u>
<b>COMMON STOCK</b>			
<b>Metals and Minerals</b>			
Alcan Aluminium Limited	213,800	\$ 8,982,482	\$ 6,868,325
Alcan Aluminium Limited Warrants	105,250	965,798	399,950
Echo Bay Mines Ltd.	78,400	678,042	1,381,800
Echo Bay Mines Ltd. Gold Purchase Warrants C 1988	40,000	250,000	240,000
Echo Bay Mines Ltd. Gold Purchase Warrants D 1989	40,000	250,000	240,000
Placer Development Limited	154,000	3,587,775	3,349,500
Placer Development Limited Warrants	64,500	384,113	67,725
Westmin Resources Limited	172,300	2,464,636	2,089,137
		<u>17,562,846</u>	<u>14,636,437</u>
<b>Integrated Oils</b>			
Gulf Canada Limited	137,000	542,537	2,774,250
Imperial Oil Limited Class A	135,700	6,986,273	6,852,850
Shell Canada Limited Class A	94,175	544,852	2,154,253
		<u>8,073,662</u>	<u>11,781,353</u>
<b>Oil and Gas Producers</b>			
Bow Valley Industries Ltd.	227,400	1,970,798	3,268,875
*Kerr-McGee Corporation	40,000	1,909,730	1,824,960
Norcen Energy Resources Limited Voting Ordinary	87,100	595,325	1,284,725
Norcen Energy Resources Limited Non-voting Ordinary	87,100	595,325	1,219,400
Precambrian Shield Resources Limited	181,600	1,191,189	853,520
		<u>6,262,367</u>	<u>8,451,480</u>
<b>Oil Well Equipment and Services</b>			
*Schlumberger Limited	33,750	2,010,926	1,539,810
<b>Transportation</b>			
Canadian Pacific Limited	568,850	6,286,715	9,314,919
<b>Natural Resource - Other</b>			
Canada Development Corporation	14,900	193,864	139,687

## Statement of Investments (continued)

as at October 31, 1985

	No. of Shares	Average Cost	Market Value
<b>COMMON STOCK (continued)</b>			
Distilleries			
Hiram Walker Resources Ltd.	103,300	\$ 3,161,029	\$ 3,331,425
The Seagram Company Ltd.	102,550	2,340,238	6,204,275
		<u>5,501,267</u>	<u>9,535,700</u>
Consumer Products — Misc.			
Magna International Inc. Class A sub voting	130,000	1,438,125	2,470,000
Rothmans of Pall Mall Canada Limited	70,000	2,502,500	2,240,000
		<u>3,940,625</u>	<u>4,710,000</u>
Communication and Media			
International Thomson Organisation Limited	410,000	3,197,061	3,587,500
Maclean Hunter Limited Class X	254,000	1,005,125	3,365,500
Maclean Hunter Limited Class Y	147,104	962,292	1,802,024
		<u>5,164,478</u>	<u>8,755,024</u>
Merchandising			
Canadian Tire Corporation, Limited Class A Non-voting	163,500	1,725,639	1,553,250
Grafton Group Limited Class A	498,300	3,307,529	7,225,350
		<u>5,033,168</u>	<u>8,778,600</u>
Banks			
Bank of British Columbia	338,250	1,980,000	1,657,425
Bank of Montreal	100,000	2,331,545	3,075,000
Canadian Imperial Bank of Commerce	339,700	6,767,868	13,290,763
Canadian Imperial Bank of Commerce A — Warrants	70,000	227,000	490,000
The Royal Bank of Canada	216,150	3,794,114	6,808,725
The Royal Bank of Canada Warrants	154,500	1,110,961	587,100
The Toronto-Dominion Bank	222,338	786,257	5,363,904
		<u>16,997,745</u>	<u>31,272,917</u>
Utilities			
British Columbia Telephone Company	160,000	3,159,325	3,980,000
Bell Canada Enterprises Inc.	232,075	4,846,305	9,602,103
		<u>8,005,630</u>	<u>13,582,103</u>
Steel			
AMCA International Limited	423,748	8,297,526	5,667,630
Stelco Inc. Series A	150,000	3,852,500	3,075,000
Stelco Inc. Warrants	79,100	601,034	71,190
		<u>12,751,060</u>	<u>8,813,820</u>
Electrical			
*General Electric Company	90,000	5,496,059	7,089,570
Chemicals			
Dupont Canada Inc. Class A	231,950	5,943,800	5,334,850
Real Estate			
Nu-West Group Limited Class B	525,000	3,562,199	170,625
Electronics			
Leigh Instruments Limited	276,923	900,000	830,769
Telecommunications			
Mitel Corporation	145,000	2,188,848	1,214,375
Northern Telecom Limited	115,000	2,433,757	5,060,000
		<u>4,622,605</u>	<u>6,274,375</u>
Computer and Related			
Computer Innovations Distribution Inc.	375,880	1,270,438	1,090,052
GEAC Computer Corporation Limited	86,400	1,613,998	793,757
*International Business Machines Corporation	51,000	3,161,342	9,054,489
SHL Systemhouse Inc.	89,500	2,556,367	827,875
		<u>8,602,145</u>	<u>11,766,173</u>
Growth — Other			
Lumonics Inc.	296,000	3,176,282	5,587,000
<b>TOTAL COMMON STOCK</b>		<u>\$ 130,087,443</u>	<u>\$ 168,365,212</u>
<b>TOTAL INVESTMENTS</b>		<u>\$ 195,901,504</u>	<u>\$ 227,724,986</u>
<b>Total Net Assets:</b>			
Total investments			\$ 227,724,986
Investment rated demand notes			8,918,602
Federal Business Development Bank			
8.65/8.15% 11-06-85			4,394,827
8.50/7.50% 11-14-85			598,197
8.52/8.02% 11-20-85			1,543,182
Petro-Canada 8.62/7.62% 11-01-85			1,900,000
Cash and other net assets			15,695
<b>TOTAL NET ASSETS</b>			<u>\$ 245,095,489</u>
*United States Investments			

See accompanying notes to financial statements.

# Investors Mutual of Canada Ltd.

## Notes to Financial Statements

October 31, 1985

### Auditors' Report to the Shareholders

We have examined the statement of net assets of Investors Mutual of Canada Ltd. as at October 31, 1985 and 1984 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, 1985. 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, 1985 and 1984, the investments of the company as at October 31, 1985 and the results of its operations and the changes in its net assets and investments for the two years ended October 31, 1985 in accordance with generally accepted accounting principles applied on a consistent basis.

Peat Marwick  
Mitchell & Co.

Chartered  
Accountants

Winnipeg, Canada  
December 3, 1985

#### 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 statements.

#### 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:	1985	1984	1983	1982	1981
The net asset value per share at October 31	\$ 7.64	7.18	7.62	6.14	6.28
The average net income per share	\$ .242	.266	.283	.362	.348
The source of dividends paid per share:					
Net income	\$ .240	.265	.290	.360	.355
Profit from sale of investments	.250	.300	.215	.580	.675
Total dividends per share	\$ .490	.565	.505	.940	1.030
The average percentage of management fees and other expense to average net assets:					
Management fees	% 1.25	1.25	1.13	.91	.88
Other expense	.05	.06	.07	.10	.05
	% 1.30	1.31	1.20	1.01	.93

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:

	1985	1984
Mutual Fund shares outstanding, beginning of year	31,012,659	29,083,505
Add (deduct): Mutual Fund shares sold in year	5,462,059	5,312,057
Mutual Fund shares redeemed in year	(4,411,685)	(3,382,903)
Mutual Fund shares outstanding, end of year	32,063,033	31,012,659
Common shares outstanding, end of year	3,000	3,000
Total shares outstanding, end of year	32,066,033	31,015,659

#### 4. Management fees and other expense:

- Investors Securities 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.
- Other expense comprises bank charges and miscellaneous.
- 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, 1985 amounted to \$229,703 (1984 — \$211,262).

During the year ended October 31, 1985, the Manager acted as an agent in connection with sales of \$233,550 (1984 - \$6,832,250) and purchases of \$1,347,000 (1984 - \$1,429,525) 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, 1985 will be provided, without charge, by writing to:

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

#### Dividend reinvestment:

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

#### Current prospectus:

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

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## **Directors and Officers**

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### **Board of Directors**

J.A. Beliveau Longueuil	N.F. Elsey Calgary	R.O.A. Hunter Winnipeg	R.H. Jones Winnipeg
D.S. Kaufman Winnipeg	A.V. Mauro, Q.C. Winnipeg	J.A.K. MacDonnell, M.D. Victoria	S.R. Lyon, Q.C. Winnipeg
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
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## **Investors Financial Planning Centres**

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### **BRITISH COLUMBIA**

**Abbotsford**  
101-33119 South Fraser Way

**Kamloops**  
101 125-4th Avenue

**Kelowna**  
100-565 Bernard Avenue

**Nanaimo**  
204-96 Cavan Street

**New Westminster**  
300-403 Sixth Street

**Penticton**  
201-246 Martin Street

**Prince George**  
696 Brunswick Street

**Vancouver**  
789 West Pender Street

**Vancouver**  
310-1755 West Broadway

**Vernon**  
103 2802-30th Street

**Victoria**  
707 Fort Street

### **ALBERTA**

**Calgary**  
7015 MacLeod Trail, South

**Calgary**  
1003-1333 8th Street S.W.

**Edmonton**  
4445 Calgary Trail, South

**Edmonton**  
9109-82nd Avenue

**Red Deer**  
502 5010-43rd Street

### **SASKATCHEWAN**

**Regina**  
1570-2002 Victoria Avenue

**Saskatoon**  
406-21st Street, East

### **MANITOBA**

**Brandon**  
151-8th Street

**Winnipeg**  
204-1120 Grant Avenue

**Winnipeg**  
600-310 Broadway

### **ONTARIO**

**Barrie**  
105 Collier Street

**Hamilton**  
310-25 Main Street, West

**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

**Peterborough**  
197 George Street, North

### **Sarnia**

155 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

### **QUÉBEC**

**Montréal**  
240-1 place du Commerce  
île-des-Soeurs

**Montréal**  
202-1303 avenue Greene, Westmount

**Montréal**  
920-1080 Côte du Beaver Hall

**Montréal**  
105-1303 avenue Greene, Westmount

**Québec**  
1301, chemin Ste-Foy

**Sherbrooke**  
3-2355 rue King, Ouest

### **NEW BRUNSWICK**

**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**  
136 Crosbie Road



**HEAD OFFICE:**  
280 Broadway, Winnipeg, Manitoba  
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*The Investors Group is a member of the  
Power Financial Corporation group of companies.*

