

INVESTMENT FOUNDATION LIMITED

ANNUAL REPORT

March 31st, 1977

DIRECTORS

A. SCOTT FRASER, President IAN B. CAMPBELL, C.A., Vice-President J.D. HOPKINS, Secretary-Treasurer
H.C. FLOOD NEIL B. IVORY TED TILDEN
SÉVÈRE GODIN MOSTYN LEWIS KENNETH A. WILSON, Q.C.
A. KEITH HAM

MISS MURIEL M. HAY, Assistant Secretary-Treasurer

The Class A and Class B Shares are listed and traded on the Montreal Stock Exchange, Montreal.
Transfer and Registry Agents — Canada Permanent Trust Company, Montreal.

TO THE SHAREHOLDERS:

April 12th, 1977

Your Directors are pleased to present the 48th Annual Report of your Company together with the Balance Sheet as at March 31st, 1977 and statements of Earnings, Retained Earnings and Net Realized Gain on Investments Sold for the year ended on that date, with the auditor's report thereon.

Net earnings for the year were \$391,905. or \$4.90 per share against \$279,473. or \$3.49 per share during the preceding year. Regular quarterly dividends of \$0.80 per share plus two extras of \$0.20 per share and two extras of \$0.30 per share for a total of \$4.20 were declared on the Class A shares. On the Class B shares the total declared for the fiscal year after deduction of the 15% Federal tax where necessary and including extras amounted to \$3.9796 per share. The net increase in retained earnings was \$56,119. as a result of the special non-recurring dividend referred to in the President's letter of June 9th, 1976.

Our earnings for the past year were materially improved by this non-recurring dividend. It now appears we will receive another large non-recurring dividend in the current year. Your Directors hope that dividend levels can be maintained until dividend controls are removed from Anti Inflation Board regulations.

The liquidating value of your shares, after provision for capital gains tax, improved from \$63.68 per share to \$66.01 per share at year end. Security transactions during the year were designed to increase the overall return on equity while maintaining dividend income. Stocks with a high return on equity appear to give the greatest opportunity for increases in dividend income. Should this be the case, if dividend controls are eased or removed, increased income for Investment Foundation will result in increased dividends paid by your Company.

We suggest that shareholders examine the list of securities held. Many of them are clearly undervalued by any traditional yardstick.

All common and preferred stocks are listed on regular stock exchanges. For Canadian capital gains tax purposes, the value of the common shares of Investment Foundation Limited on Valuation Day, December 22nd, 1971 was \$41.50 per share.

I regret that I must report the death last fall of James L. Davis, one of our Directors. We will all miss his cheerfulness and good advice. Neil B. Ivory was elected to the Board of Directors to replace him.

Respectfully submitted on behalf of the Directors,

A. SCOTT FRASER,
President.

SECURITY HOLDINGS AS AT MARCH 31st, 1977

		<u>BONDS</u>			<u>MARKET VALUE</u>	
\$10,000.	Asbestos Corporation 9-3/4% July 15/90		\$ 9,450.			
10,000.	T. Eaton Acceptance 5-3/4% April 15/84		8,000.			
25,000.	Royal Trust Company Mortgage Corporation 6% October 1/85		20,000.			
25,000.	RoyNat 6 1/4% December 15/80		22,625.	\$ 60,075.	1.2%	
SHARES						
		<u>PREFERRED STOCKS</u>				
5,500	Canada Cement Lafarge 6 1/2% Pfd		\$ 79,750.			
12,000	Canadian International Power Company Limited Pfd		231,000.			
4,000	G.B.C. Capital Ltd. Pfd.		94,000.			
2,400	Jannock Corporation Limited "A"		33,000.			
3,600	Metropolitan Stores of Canada Limited \$1.30 Pfd. '61		48,600.			
1,700	Metropolitan Stores of Canada Limited \$1.30 Pfd. '67		22,950.	\$ 509,300.	9.8%	
<u>COMMON STOCKS</u>						
<u>BANK</u>						
8,000	Bank of Nova Scotia		\$157,000.	\$ 157,000.	3.0%	
<u>COMMUNICATIONS</u>						
10,000	Reader's Digest Association (Canada) Ltd		\$122,500.			
9,000	Tele-Capital "A"		45,000.			
2,200	Torstar Corporation "B"		32,450.	\$ 199,950.	3.8%	
<u>FINANCE</u>						
2,000	Canada Trustco Mortgage Company "A"		\$ 46,750.			
9,000	IAC Limited		142,875.			
11,000	MICC Investments		97,625.			
8,000	TD Realty Investments		196,000.	\$ 483,250.	9.3%	
<u>FOODS</u>						
16,000	Dominion Stores Limited		\$234,000.			
2,600	Redpath Industries Limited "A"		33,800.			
15,000	Scott's Restaurants Co. Limited		125,625.	\$ 393,425.	7.5%	
<u>FOREST PRODUCTS</u>						
8,000	Maclaren Power & Paper Company "A"		\$256,000.			
7,084	The Price Company Limited		74,382.	\$ 330,382.	6.3%	
<u>MINES</u>						
5,000	Asbestos Corporation Limited		\$112,500.			
5,300	Hollinger Mines Limited "A"		169,600.			
8,300	Hudson Bay Mining and Smelting Co. Limited "A"		156,663.			
4,000	INCO Limited "A"		132,500.			
2,500	Labrador Mining and Exploration Company Limited		85,000.	\$ 656,263.	12.5%	
<u>MISCELLANEOUS</u>						
5,000	Canadian Industries Limited		\$ 93,750.			
10,000	The Canadian Salt Company Limited "A"		155,000.			
20,000	Harlequin Enterprises Limited		290,000.			
9,860	Ivaco Industries Limited "A"		64,090.			
4,000	Northern Telecom Warrants		53,500.			
8,000	St. Lawrence Cement Co. "A"		114,000.	\$ 770,340.	14.8%	
<u>OILS</u>						
20,000	Murphy Oil		\$160,000.	\$ 160,000.	3.1%	
<u>PIPELINES</u>						
8,000	Interprovincial Pipe Line Company "A"		\$109,000.			
10,000	Pembina Pipe Line Ltd		42,500.			
13,800	Trans Canada Pipe Lines		196,650.	\$ 348,150.	6.7%	
<u>TRANSPORTATION</u>						
600	The Canada Southern Railway Company		\$ 20,700.			
9,000	Greyhound Lines Canada Ltd		145,125.			
7,000	Trimac Limited "A"		56,000.	\$ 221,825.	4.3%	
<u>UTILITIES</u>						
7,500	Bell Canada		\$369,375.			
8,000	Canadian International Power Company Limited "A"		170,000.			
10,000	Maritime Telegraph & Telephone Company Limited		192,500.	\$ 731,875.	14.0%	
<u>U.S. COMPANIES</u>						
1,500	Olin Corporation		\$ 64,223.			
1,000	R.J. Reynolds Industries, Inc.		67,186.			
5,000	Simplicity Pattern Co. Inc.		62,575.	\$ 193,984.	3.7%	
				TOTAL PORTFOLIO	\$5,215,819.	100.0%

INVESTMENT FOUNDATION LIMITED

[Incorporated under the Quebec Companies Act]

BALANCE SHEET AS AT MARCH 31, 1977

ASSETS

	1977	1976
CURRENT		
Cash	\$ 17,115	\$ 98,266
Short-term deposits	—	200,000
Accrued dividends and interest	35,349	36,470
Income taxes recoverable	12,113	—
	<u>64,577</u>	<u>334,736</u>
Investments (note 1)	5,215,819	4,815,580
Furniture and fixtures - at depreciated value	1	1
	<u>\$5,280,397</u>	<u>\$5,150,317</u>

LIABILITIES

CURRENT		
Accounts payable	\$ 1,375	\$ 1,750
Dividends payable	—	79,949
	<u>1,375</u>	<u>81,699</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 2)		
Authorized		
100,000 class A common shares of no par value		
100,000 class B common shares of no par value		
Issued		
32,157 class A common shares (1976 - 34,057)	622,414	659,190
47,792 class B common shares (1976 - 45,892)	925,036	888,260
	<u>1,547,450</u>	<u>1,547,450</u>
Retained earnings	575,842	519,723
Net realized gain on investments sold	3,145,810	3,241,445
Unrealized gain (loss) on investments (note 1)	9,920	(240,000)
	<u>5,279,022</u>	<u>5,068,618</u>
Approved by the Board of Directors	<u>\$5,280,397</u>	<u>\$ 5,150,317</u>
A. SCOTT FRASER, Director		
IAN B. CAMPBELL, Director		

AUDITORS' REPORT

To the Shareholders,
Investment Foundation Limited

We have examined the balance sheet of Investment Foundation Limited as at March 31, 1977 and the statements of earnings, retained earnings and net realized gain on investments sold for the year then ended and have obtained all the information and explanations we have required. 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 and according to the best of our information, the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as at March 31, 1977 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Quebec
April 7, 1977

HYDE, HOUGHTON & CO.
Chartered Accountants

INVESTMENT FOUNDATION LIMITED

STATEMENT OF EARNINGS YEAR ENDED MARCH 31, 1977

	1977	1976
REVENUE		
Dividends	\$ 427,115	\$ 306,101
Interest	9,382	15,254
	436,497	321,355
EXPENSES		
Directors' fees	4,533	4,675
General	39,218	36,824
	43,751	41,499
Earnings before income taxes	392,746	279,856
Income taxes	841	383
	391,905	279,473
Net earnings for the year	\$ 391,905	\$ 279,473
Earnings per Class A and Class B common share	\$ 4.90	\$ 3.49

STATEMENT OF RETAINED EARNINGS YEAR ENDED MARCH 31, 1977

Balance at beginning of year	\$ 519,723	\$ 512,076
Net earnings for the year	391,905	279,473
	911,628	791,549
Dividends	335,786	271,826
	575,842	519,723
Balance at end of year	\$ 575,842	\$ 519,723

STATEMENT OF NET REALIZED GAIN ON INVESTMENTS SOLD YEAR ENDED MARCH 31, 1977

Net gain (loss) on investments sold before income taxes	\$ (105,246)	\$ 40,852
Income taxes (recoverable)	(9,611)	5,876
	(95,635)	34,976
Balance at beginning of year	3,241,445	3,206,469
	3,145,810	3,241,445
Balance at end of year	\$ 3,145,810	\$ 3,241,445

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 1977

1. INVESTMENTS

Investments are carried at market value for financial statement purposes, and the difference between cost and market value is shown as "Unrealized gain (loss) on investments" included in the shareholders' equity section of the balance sheet.

2. CAPITAL STOCK

The class A and class B shares are inter-convertible on a one for one basis. The rights of the class A and class B shares are identical except that dividends on class B shares may be paid out of "tax-paid undistributed surplus on hand" or out of "1971 capital surplus on hand", provided that a dividend is paid on the class A shares in an amount equal to the dividend on the class B shares plus any tax applicable thereto.

3. EARNINGS PER SHARE

	1977	1976
Statement of net realized gain (loss) on investments sold	\$(1.19)	\$ 0.43

**INVESTMENT FOUNDATION
LIMITED**

ANNUAL REPORT

**For the Fiscal Year
Ended March 31, 1977**

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