

1981



HOWARD ROSS LIBRARY
MANAGEMENT
MAY 18 1982
UNIVERSITY

**Canadian Investment Fund
49th Annual Report**

**Canadian
Investment Fund, Ltd.**

**Canada's First
Mutual Fund**

Annual Report
for the year ended
December 31, 1981

Directors

G. Arnold Hart, M.B.E., C.M., *Chairman*
David W. Barr
Hugh Bullock, G.B.E.
Alan Chippindale
Eric L. Hamilton
Howard J. Lang
Paul Paré
Lucien G. Rolland
Ian D. Sinclair
John N. Turner, P.C., Q.C.

Officers

Hugh Bullock, *President*
A. Blaikie Purvis, *Vice-President and Secretary*
Carl J. S. MacCallum, *Vice-President*
Thomas C. Camp, *Vice-President*
Robert A. Bengough, *Treasurer*
Priscilla M. Beaulieu, *Assistant-Secretary*
Karen Vanderzweep, *Assistant-Secretary*

Custodian

The Royal Trust Company, *Toronto*

Transfer Agents

The Royal Trust Company
Vancouver, Calgary, Regina, Winnipeg,
Toronto, Montreal, Charlottetown
The Trust Company of New Jersey
Jersey City

Auditors

Price Waterhouse
Montreal



Supervised by:
Calvin Bullock, Ltd.
Established 1894

Executive Offices

630 Dorchester Blvd. West
Montreal, Canada H3B 1X1

To the Shareholders:

It is a pleasure to present to you the 49th annual report of Canada's first mutual fund now in its 50th successful year of operations. It has experienced depressions, wars, booms and recessions with commendable investment results for its many shareholders.

After a solid six year period of growth in Canadian equity markets, prices turned down in 1981. The broadly based Toronto Stock Exchange Composite Index declined 13.9% during the year. The net asset value per CIF share declined from \$6.61 to \$5.80 or 12.3%. Dividends of 50¢ were paid during the year, comprised of 30¢ from income sources and 20¢ from capital gains. When these dividends are taken into account, the net decline was a more modest 4.7% per CIF share.

Over the past five years total return to shareholders has been 75.8% or 11.9% per annum. This compares favourably with returns on fixed income securities or term deposits during the period, despite the high-water mark reached in interest rates last autumn from which yields have since declined.

During 1981 all components of the T.S.E. declined except real estate, which came up with a modest gain of 1.2%. The largest drop was in the gold sub-index, down a substantial 38.2%. Such startling reversals in individual stocks or stock groups demonstrated the advantage of protecting one's savings through diversification in a managed portfolio of high quality dividend paying stocks.

The range of investment savings plans, tax shelters and other services CIF provides to shareholders may be found on page 4. Also submitted are audited financial statements, as well as an economic review and outlook. We would be pleased to answer any inquiries shareholders may have concerning their Corporation.

By order of the Board of Directors



President

January 11, 1982

Directors

Your Corporation's Directors are elected by and represent its shareholders. They receive frequent reports showing portfolio changes, sales and redemptions of shares and other pertinent operating figures. In addition they review portfolio transactions at regular quarterly meetings, and contribute to the establishment of investment policy and to portfolio supervision. They also provide useful information and opinion to the discussions of world and North American developments which influence economic and financial affairs.

Individual directors are available to the Investment Supervisor at almost any time to hold discussions and provide opinions concerning their own particular fields of business endeavour.

Investment Supervision

Your Corporation's investments are continuously supervised by Calvin Bullock, Ltd., founded in 1894, the oldest organization in North America specializing in the management of investment companies.

10 Largest Common Stock Holdings

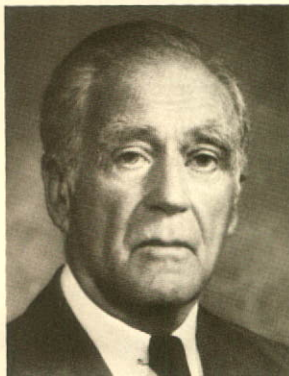
The continuing policy of CIF is to seek a balance between reasonable income and capital growth. Shown below in order of size are the ten largest common stock holdings with their per share average costs and market values as at December 31, 1981. All quotes are in Canadian Funds.

| | Average Cost | Market Value |
|---------------------------|--------------|--------------|
| | \$ | \$ |
| Canadian Pacific | 14.88 | 41.88 |
| Hiram Walker | 3.56 | 23.25 |
| Moore Corporation | 11.15 | 39.13 |
| Royal Bank of Canada | 6.65 | 26.88 |
| Imasco Limited | 12.05 | 42.00 |
| Canadian Bank of Commerce | 21.35 | 29.00 |
| Bank of Montreal | 12.07 | 24.50 |
| Bell Canada | 20.73 | 19.25 |
| Interprovincial Pipe Line | 13.24 | 15.00 |
| Bank of Nova Scotia | 12.33 | 28.25 |

The Board of Directors



Chairman
G. Arnold Hart, M.B.E., C.M.,
Director and former Chairman and
Chief Executive Officer,
Bank of Montreal



President
Hugh Bullock, G.B.E.,
Chairman and Chief
Executive Officer,
Calvin Bullock, Ltd., New York



David W. Barr,
Chairman of the Board,
Moore Corporation
Limited



Alan Chippindale,
Former President,
Calvin Bullock, Ltd.,
Montreal, Founding
past president of CMFA



*Chairman-Audit
Committee*
Eric L. Hamilton,
Former Chairman and
Chief Executive
Officer, C-I-L Inc.



Howard J. Lang,
Chairman of the
Executive Committee
of the Board,
Canron Inc.



Paul Paré,
Chairman and Chief
Executive Officer,
Imasco Limited



Lucien G. Rolland,
President,
Rolland inc.



Ian D. Sinclair,
Chairman and Chief
Executive Officer,
Canadian Pacific
Enterprises Limited



John N. Turner,
P.C., Q.C.,
Partner, McMillan,
Binch

Shareholder Services Designed to Meet Your Investment Objectives

For almost 50 years CIF has been an industry leader in providing various services for its shareholders. One or more of the services described below are being utilized by a great many shareholders.

Growth Plan

A plan designed for those who wish to make regular periodic contributions in order to build up an investment in CIF and to reinvest dividends. There are no penalties involved if the shareholder does not meet any proposed schedule of payments.

Automatic Reinvestment of Dividends

Shareholders in Canada may instruct CIF to arrange for all dividends declared by the Fund to be reinvested in additional shares at net asset value, without charge.

Registered Retirement Savings Plan

Those who wish to take advantage of the provisions of the Income Tax Act for their personal savings programme can use our RRSP in which both the contributions and dividends are exempt from current tax. The Plan allows individuals in Canada to utilize these current tax savings to provide improved retirement income.

Retirement Income Fund

Under the amended Income Tax Act governing RRSPs the retirement income options available have been broadened to encompass the transfer of the proceeds of an RRSP into a Registered Retirement Income Fund (RRIF) in addition to the previous options of the purchase of a Life Annuity, or the purchase of a Fixed Term Annuity. Any of these options may be exercised by the RRSP member after attaining age 60 and before the end of the year in which age 71 is attained. Payments received from a RRIF, which are available on a monthly or other periodic basis, become taxable income in the year

received, subject to the pension income deduction of up to \$1,000 annually.

Calvin Bullock Deferred Profit Sharing Plan

This flexible Plan utilizes the provisions of Section 147 of the Income Tax Act. This Section permits companies incorporated in Canada to make contributions to this Trusteed Plan, on a voluntary basis. Yearly contributions of up to \$3,500 per employee are considered a corporate expense for tax purposes and are not added to the individual employee's income. There is still an opportunity to combine contributions to a Deferred Profit Sharing Plan with contributions to a Retirement Savings Plan resulting in increased taxsheltered savings to the individual.

Systematic Withdrawal Plan

This Plan is designed for the investor who wishes to make a lump sum purchase of shares and later withdraw fixed amounts at monthly or quarterly intervals. The amounts withdrawn are derived from dividend income to the extent this source is sufficient; where it is not enough, some shares are sold to make up the difference.

Reduced Sales Charges

There are several ways in which sales charges to investors may be reduced. For instance, you can sign a letter of intent indicating that, over a period of a year, you wish to invest a substantial sum in CIF. In addition, your current investment in the Corporation as well as in other Funds distributed by Calvin Bullock, may qualify you for lower sales charges.

Exchange Privilege

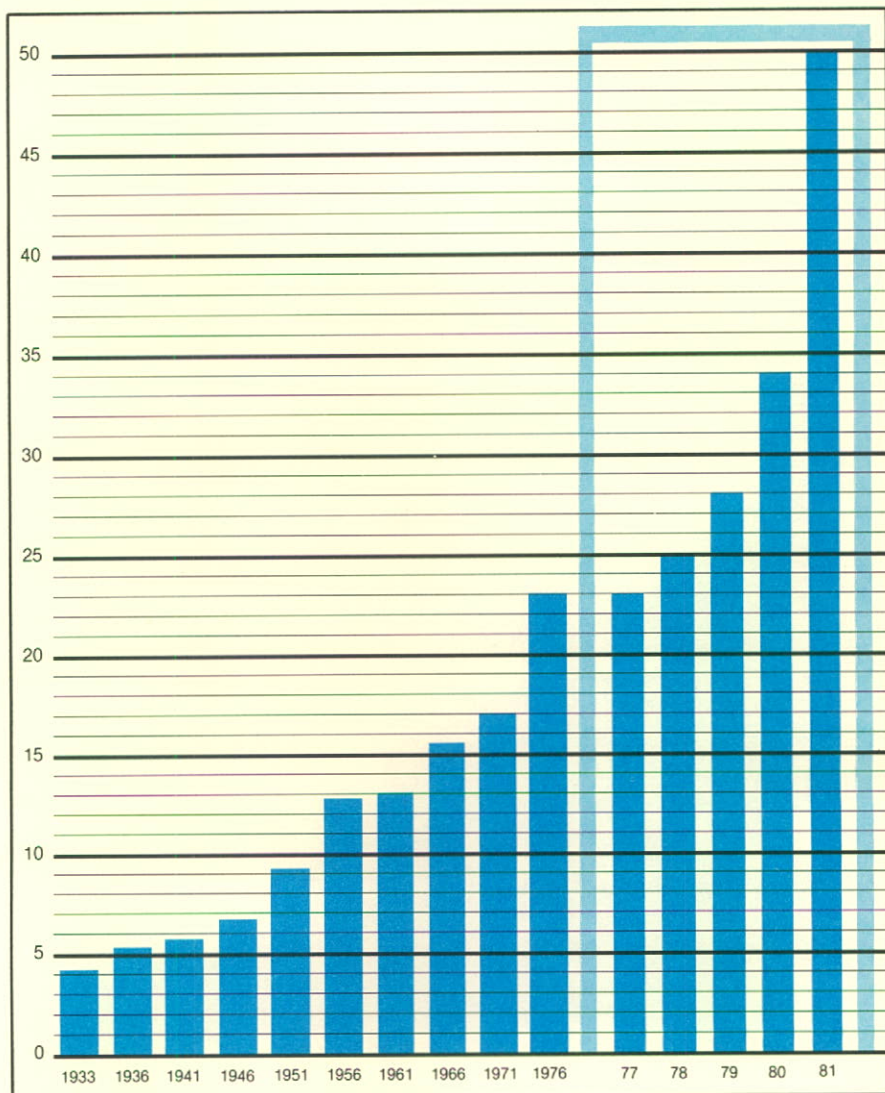
Exchanges between the Funds in the Bullock group in Canada may be made by contacting your investment dealer/broker, or Calvin Bullock, Ltd.

Dividend Growth

Dividends paid in 1981 totalled an all time record 50 cents per share. Details of the make-up and Canadian tax status of this 50 cents are given on page 16. The chart below shows the substantial growth in dividends paid by the Fund since its inception.

By the end of 1981 total dividends paid by CIF since inception in 1932 exceeded \$179 million.

Dividends in cents per share



1981 in Review

The past year, which started out with fairly strong growth in national output, ended up with the worst economic performance on record in the post-war period.

During the third quarter continued inventory building to some extent masked a decline in final sales. Meanwhile Canada's international balance of payments position was negatively affected by a worsening merchandise trade balance and higher interest and dividend outflows, bringing the current account deficit to a record. While fourth quarter statistics are not available at the time of writing little change is expected from the third quarter.

In spite of a high unemployment rate of 8.2% in November, the Consumer Price Index was up by an annualized rate of 12.2%. The Canadian CPI has shown little change in the past year, running between 12% and 13%. In the U.S., CPI dropped from over 13% to under 9%.

Canada's economic difficulties are shared in varying degrees by the U.S., Britain and Europe. This is not surprising in view of Canada's dependence on foreign trade and investment. However, our problems cannot be attributed solely to external events. Continued financial deficits of substantial proportions both by the federal and some provincial governments are also to blame. While high interest rates persisted last autumn private borrowers were forced to the sidelines but the federal government raised a record \$12.8 billion in Canada Savings Bonds, paying peak rates to do so.

In the midst of a recession, the federal government introduced a budget which reached deep into the pockets of ordinary Canadians in a way that suggests a governmental desire to change our traditional economic structure so as to provide more government control over individual economic initiative. Some of these budget provisions have subsequently been changed.

Much of the federal initiatives, such as the budget and the national energy policy, apparently have at their core a desire to retain central control which has been diminished in recent years by strong provincial action.

Altogether 1981, which saw the patriation of the constitution amidst some significant disagreement, offered little else to save it from being one of the most unmemorable years in a generation.

THE INVESTMENT RESULT (Five Years)

| | Dec. 31 1976 | Dec. 31 1981 | Percent Change |
|---|-----------------|-----------------|-------------------|
| CIF — net asset value | \$4.21 | \$5.80 | + 37.8% |
| Increase in net asset value | | \$1.59 | |
| Add: Dividends paid | | | |
| — from Capital Gains | | \$0.38 | + 9.0% |
| — from Income | | \$1.22 | + 29.0% |
| Total return — (increase in net asset value plus dividends paid) | | \$3.19 | + 75.8% |
| Toronto Stock Exchange Composite Index | 1,011.52 | 1,954.24 | + 93.2% |
| Dow Jones Industrial Averages | 1,004.66 | 875.00 | - 12.9% |

Outlook

The Canadian economy in 1982 could present a mirror image of 1981. Last year strong economic growth switched abruptly to what was recently termed a "free fall" by the chief executive officer of a major diversified Canadian corporation. Selected companies have continued to fare well, producing solid increases in earnings, but these are often eclipsed by the many firms reporting reduced earnings and layoffs.

During the 1960s, the annual growth in Canada's Gross National Product over and above the rate of inflation averaged 6.7%. From 1970 to 1980 this GNP real growth rate declined to an annual average of 4.7%. From 1975 to 1980 the number dropped to 3.0% (4.0% for the U.S.), while in the past two years real growth has been negligible. During this twenty year period increasing demand for funds from corporations, wage earners and governments at all levels, have been more than the economy could provide. The result has been higher inflation with devastating effects on prospects for real growth.

Looking ahead for 1982, the average weighted Canadian oil and gas price will rise toward world levels. Food price increases are abating. Federal government demands for funds are being partly satisfied by CSB sales and additional oil and gas revenues. Unions will demand big wage increases but a weak economy will result in strikes and lockouts rather than quick easy settlements. Altogether it is expected that inflation will continue at about the same rate as 1981, or some 12%.

At the time of writing several well publicized U.S. economists are predicting new interest rate highs in late 1982. This is based on an increased federal deficit and higher corporate demands for long term funds. However with lower operating rates the demand for funds for expansion ought to be down, not up. There is ample capacity in most industries, in both the U.S. and Canada, to allow for significant production volume increases. Improvement in productivity in Canada should occur in the last half of 1982, with unit costs declining and profits rising.

Currently investors are concentrating on a number of negative conditions such as lower output, rising unemployment and reduced profits. Once this psychology has run its course, institutional and individual investors will most probably turn their attention to a potentially solid autumn recovery and markets will react accordingly.

In Canada considerable potential exists for growth through exports of natural gas surpluses and construction of the Alaska Highway gas pipeline and synthetic oil plants, which would also benefit suppliers.

Following a period of market setbacks early in 1982 we expect a recovery which will raise equity prices above current levels by year-end.

Auditors' Report



1200, avenue McGill College
Montréal (Québec) H3B 2G4
(514) 879-9050 Téléc: 05-268714

January 8, 1982

To the Shareholders of
Canadian Investment Fund, Ltd.:

We have examined the statements of net assets and of investments of Canadian Investment Fund, Ltd. as at December 31, 1981 and the statements of income, changes in net assets 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 of the Corporation as at December 31, 1981 and the results of its operations and the changes in net assets and in investments for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in blue ink that reads "Price Waterhouse".

Price Waterhouse

Chartered Accountants

Statement of Net Assets — December 31, 1981

| Assets | 1981 | 1980 |
|--|---------------------|----------------------|
| Investments at market value (average cost 1981 — \$62,313,690; 1980 — \$63,779,242) | \$91,851,355 | \$111,102,776 |
| Cash on deposit, demand | 5,603,993 | 7,693,238 |
| Receivable in respect of securities sold | 139,192 | — |
| Interest accrued and dividends receivable | 975,994 | 975,746 |
| Income taxes recoverable | 59,986 | 50,033 |
| Due by subscriber to special shares | 15,480 | 31,966 |
| Bond interest paid on purchase | — | 23,671 |
| Total assets | 98,646,000 | 119,877,430 |
| Liabilities | | |
| Payable in respect of securities purchased | 320,401 | 1,644,033 |
| Payable for special shares of capital stock redeemed or purchased for cancellation | 104,670 | 1,665,916 |
| Management and directors' compensation payable | 200,739 | 231,017 |
| Accrued expenses and sundry accounts payable | 12,375 | 17,798 |
| United States withholding tax | 1,022 | 1,829 |
| Total liabilities | 639,207 | 3,560,593 |
| Net assets at market value, representing shareholders' equity | \$98,006,793 | \$116,316,837 |
| Net asset value per share | \$5.80 | \$6.61 |

Approved by the Board:

 Director

 Director

Canadian Investment Fund, Ltd.
Statement of Income for the Year Ended December 31, 1981

| | 1981 | 1980 |
|---|-------------|-------------|
| Income | | |
| Dividends | \$5,586,499 | \$5,110,813 |
| Interest on cash deposits | 1,064,324 | 1,388,727 |
| Bond interest | 224,897 | 191,884 |
| | 6,875,720 | 6,691,424 |
| Expenses | | |
| Management fees | 778,558 | 821,992 |
| Transfer and dividend paying agent's fees | 118,576 | 112,737 |
| Custodian's fees | 17,691 | 19,048 |
| General expenses | 147,215 | 123,473 |
| Audit fees | 12,250 | 11,500 |
| Taxes, other than income taxes | 26,906 | 36,419 |
| Legal fees and expenses | 18,240 | 24,334 |
| Directors' compensation | 87,500 | 86,500 |
| | 1,206,936 | 1,236,003 |
| Income before income and withholding taxes | 5,668,784 | 5,455,421 |
| United States withholding and Canadian income taxes paid and provided for | 147,528 | 269,585 |
| Net income, exclusive of profit or loss from sales of securities | \$5,521,256 | \$5,185,836 |
| Net income per share based on the average number of shares outstanding during the year | 32.1¢ | 28.2¢ |

Statement of Changes in Investments for the Year Ended December 31, 1981

| | 1981 | 1980 |
|--|--------------|--------------|
| Investments at average cost, at beginning of year | \$63,779,242 | \$56,917,357 |
| Add: Cost of securities purchased | 20,422,813 | 30,237,508 |
| | 84,202,055 | 87,154,865 |
| Deduct: | | |
| Proceeds from sales of securities | 28,787,517 | 34,773,679 |
| Less: Profit from sales of securities | 6,899,152 | 11,398,056 |
| Cost of securities sold | 21,888,365 | 23,375,623 |
| Investments at average cost, at end of year | \$62,313,690 | \$63,779,242 |

Canadian Investment Fund, Ltd.
Statement of Changes in Net Assets for the Year Ended December 31, 1981

| | 1981 | 1980 |
|--|---------------|---------------|
| Net assets at market value, representing shareholders' equity — at beginning of year | \$116,316,837 | \$110,566,354 |
| Add (deduct) changes during year: | | |
| Net income | 5,521,256 | 5,185,836 |
| Realized profits from sales of securities | 6,899,152 | 11,398,056 |
| Increase (decrease) in unrealized appreciation of investments | (17,785,869) | 6,177,232 |
| Proceeds from subscriptions to special shares | 6,278,082 | 4,272,445 |
| Consideration paid on redemption or purchase for cancellation of special shares | (10,613,316) | (14,995,029) |
| Dividends declared on capital stock: | | |
| From net investment income | (5,146,756) | (5,145,329) |
| From realized profits from sales of securities | (3,462,593) | (1,142,728) |
| Increase (decrease) for the year | (18,310,044) | 5,750,483 |
| Net assets at market value, representing shareholders' equity — at end of year | \$ 98,006,793 | \$116,316,837 |

Statement of Investments as at December 31, 1981

| COMMON STOCKS | Number of Shares | Average Cost | Quoted Market Value | Approx. Percent.* |
|--|------------------|--------------|---------------------|-------------------|
| Banks | | | | |
| Bank of Montreal | 150,000 | \$ 1,810,755 | \$ 3,675,000 | 3.75% |
| The Bank of Nova Scotia | 85,000 | 1,047,723 | 2,401,250 | 2.45 |
| Canadian Imperial Bank of Commerce | 135,000 | 2,882,692 | 3,915,000 | 3.99 |
| Canadian Imperial Bank of Commerce Warrants | 20,000 | — | 180,000 | .18 |
| The Royal Bank of Canada | 200,000 | 1,329,289 | 5,375,000 | 5.48 |
| The Toronto-Dominion Bank | 60,000 | 1,122,706 | 1,905,000 | 1.94 |
| | | 8,193,165 | 17,451,250 | 17.79 |
| Business Equipment and Supplies | | | | |
| *International Business Machines Corporation | 20,000 | 1,186,251 | 1,351,578 | 1.38 |
| Moore Corporation Limited | 140,000 | 1,561,686 | 5,477,500 | 5.59 |
| | | 2,747,937 | 6,829,078 | 6.97 |
| Chemicals | | | | |
| C-I-L Inc. | 23,000 | 583,366 | 741,750 | .76 |
| Food and Beverage | | | | |
| Hiram Walker Resources Ltd. (1) | 250,000 | 890,499 | 5,812,500 | 5.93 |
| Heavy Industry | | | | |
| Alcan Aluminium Limited | 40,000 | 1,227,179 | 1,095,000 | 1.12 |
| Canron Inc. "A" | 50,000 | 568,514 | 737,500 | .75 |
| | | 1,795,693 | 1,832,500 | 1.87 |

Canadian Investment Fund, Ltd.
Statement of Investments as at December 31, 1981 (Continued)

| COMMON STOCKS (Continued) | Number of Shares | Average Cost | Quoted Market Value | Approx. Percent.* |
|---|------------------|--------------|---------------------|-------------------|
| Mining | | | | |
| Dome Mines Limited | 40,000 | 1,347,437 | 730,000 | .74 |
| Pine Point Mines Limited | 16,400 | 806,521 | 742,100 | .76 |
| Placer Development Limited | 80,000 | 601,986 | 1,230,000 | 1.25 |
| | | 2,755,944 | 2,702,100 | 2.75 |
| Oil and Gas | | | | |
| Bralorne Resources Limited | 40,000 | 629,139 | 545,000 | .56 |
| Canada Northwest Land Limited | 25,000 | 912,453 | 875,000 | .89 |
| Dome Petroleum Limited | 100,000 | 1,917,494 | 1,500,000 | 1.53 |
| *Exxon Corporation | 20,000 | 229,018 | 742,625 | .76 |
| Gulf Canada Limited | 100,000 | 2,836,393 | 1,850,000 | 1.89 |
| Husky Oil Limited | 25,000 | 383,115 | 265,625 | .27 |
| Imperial Oil Limited "A" | 25,000 | 368,281 | 637,500 | .65 |
| Interprovincial Pipe Line Limited "A" | 200,000 | 2,648,070 | 3,000,000 | 3.06 |
| *Mobil Corporation | 25,000 | 839,733 | 716,633 | .73 |
| PanCanadian Petroleum Limited | 30,000 | 653,139 | 2,085,000 | 2.13 |
| Shell Canada Limited | 30,000 | 531,672 | 577,500 | .59 |
| Texaco Canada Inc. | 30,000 | 344,179 | 1,080,000 | 1.10 |
| *Texaco Inc. | 20,000 | 575,713 | 787,183 | .80 |
| | | 12,868,399 | 14,662,066 | 14.96 |
| Public Utilities | | | | |
| Bell Canada | 160,000 | 3,316,824 | 3,080,000 | 3.14 |
| British Columbia Telephone Company | 100,000 | 1,281,971 | 1,525,000 | 1.56 |
| Gaz Métropolitain, inc. | 20,000 | 117,500 | 92,000 | .09 |
| Inland Natural Gas Co. Ltd. | 82,500 | 852,034 | 1,278,750 | 1.30 |
| Maritime Telegraph and Telephone Company, Limited | 50,000 | 1,189,969 | 1,100,000 | 1.12 |
| The New Brunswick Telephone Company, Limited | 75,000 | 1,460,242 | 1,340,625 | 1.37 |
| Newfoundland Telephone Company Limited | 75,000 | 839,916 | 675,000 | .69 |
| Nova, an Alberta Corporation | 140,000 | 1,510,692 | 1,330,000 | 1.36 |
| TransAlta Utilities Corporation "A" (2) | 80,000 | 896,663 | 1,390,000 | 1.42 |
| TransCanada PipeLines Limited | 80,000 | 1,458,818 | 1,940,000 | 1.98 |
| Westcoast Transmission Company Limited | 40,000 | 554,422 | 530,000 | .54 |
| | | 13,479,051 | 14,281,375 | 14.57 |
| Pulp and Paper | | | | |
| Consolidated-Bathurst Limited "A" | 99,300 | 1,849,722 | 1,799,812 | 1.84 |
| *Crown Zellerbach Corporation | 10,000 | 30,904 | 344,578 | .35 |
| MacMillan Bloedel Limited | 10,000 | 221,477 | 250,000 | .26 |
| | | 2,102,103 | 2,394,390 | 2.45 |
| Retail Trade | | | | |
| Canadian Tire Corporation, Limited "A" | 35,000 | 1,268,594 | 1,277,500 | 1.30 |
| Woodward Stores Limited "A" | 60,000 | 471,560 | 832,500 | .85 |
| | | 1,740,154 | 2,110,000 | 2.15 |
| Miscellaneous | | | | |
| Canadian Pacific Limited | 175,000 | 2,604,378 | 7,328,125 | 7.48 |
| *Chesebrough Pond's Inc. | 12,000 | 513,827 | 481,221 | .49 |
| Imasco Limited | 100,000 | 1,205,298 | 4,200,000 | 4.29 |
| Maclean-Hunter Limited "X" | 45,000 | 556,655 | 540,000 | .55 |
| Trimac Limited | 75,000 | 930,721 | 890,625 | .91 |
| | | 5,810,879 | 13,439,971 | 13.72 |
| Total common stocks | | 52,967,190 | 82,256,980 | 83.92 |

Canadian Investment Fund, Ltd.
Statement of Investments as at December 31, 1981 (Continued)

| | Number of Shares | Average Cost | Quoted Market Value | Approx. Percent.* |
|---|-----------------------------|-----------------|---------------------------|----------------------|
| PREFERRED STOCKS | | | | |
| Banks | | | | |
| Canadian Imperial Bank of Commerce Class "A" Series "1" Cumulative Redeemable Preferred | 20,000 | 500,000 | 420,000 | .43 |
| Canadian Imperial Bank of Commerce Class "B" Series "1" Convertible Preferred 8.20% | 20,000 | 500,000 | 465,000 | .48 |
| Bank of Montreal Class "A" Series "2" Preferred | 40,000 | 1,000,000 | 1,045,000 | 1.07 |
| | | 2,000,000 | 1,930,000 | 1.98 |
| Mining | | | | |
| Westmin Resources Limited Class "B" Convertible Preferred 8-1/2% | 30,000 | 750,000 | 600,000 | .61 |
| Public Utilities | | | | |
| Bell Canada Class "E" Series "H" Convertible Preferred 10-1/4% | 25,000 | 500,000 | 487,500 | .50 |
| Gaz Métropolitain, inc. 15% Preferred | 10,000 | 250,000 | 250,000 | .26 |
| TransAlta Utilities Corporation \$1.40 Convertible Second Preferred (2) | 15,000 | 285,000 | 275,625 | .28 |
| | | 1,035,000 | 1,013,125 | 1.04 |
| Miscellaneous | | | | |
| Imasco Limited Series "B" Convertible Preferred 8.27% | 40,000 | 1,480,000 | 1,720,000 | 1.75 |
| Total preferred stocks | | 5,265,000 | 5,263,125 | 5.38 |
| BONDS | | | | |
| | Principal amount | | | |
| Government of Canada, 4-1/2% September 1, 1983 | \$ 5,000,000 | 4,081,500 | 4,331,250 | 4.42 |
| Total bonds | | 4,081,500 | 4,331,250 | 4.42 |
| Total investments | | \$62,313,690 | 91,851,355 | 93.72 |
| CASH AND OTHER ASSETS, NET | | | 6,155,438 | 6.28 |
| Total net assets | | | \$98,006,793 | 100.00% |

(1) Formerly Hiram Walker — Consumers Home Ltd.

(2) Formerly Calgary Power Ltd.

* Market values of United States securities in U.S. funds are expressed in Canadian funds at the rate of exchange prevailing at December 31, 1981, 18.82% premium on U.S. funds.

* Approximate percentage of total net assets of \$98,006,793 with investments valued at market quotations.

Notes to the Financial Statements December 31, 1981

1. Significant accounting policies:

Investments —

Investments are recorded at market values established by the published last sales prices on national securities exchanges at the year-end or, in the absence of recorded sales, at the average of available closing bid and asked prices on such exchanges or over-the-counter.

Investment transactions are accounted for on the trade date, and realized gains and losses resulting from such transactions are calculated on an average cost basis.

Income recognition —

Dividend income is recognized on the ex-dividend date and interest income is recognized on the accrual basis.

Foreign exchange —

The market value of investments and other assets and liabilities expressed in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the year-end. Purchases and sales of foreign securities and the related income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions.

2. Under the Income Tax Act of Canada, the Corporation is classified as a mutual fund corporation; it also qualifies as an investment corporation and, as such, enjoys the preferential tax treatment afforded such corporations. The Corporation receives dividends from taxable Canadian corporations tax free. Income taxes of \$897,863 otherwise payable in respect of capital gains have been eliminated by an available capital gains refund arising from capital gains redemptions during the year, together with a capital gains dividend to be paid subsequent to December 31, 1981. The tax on all other income of the Corporation, excluding dividends from taxable Canadian corporations, is not refundable.

3. The Corporation's capital stock consists of an unlimited number of special shares without nominal or par value which are redeemable on demand by holders at their net asset value.

The number of special shares issued and redeemed or purchased for cancellation is as follows:

| | 1981 | 1980 |
|--|-------------|-------------|
| Outstanding at beginning of year | 17,573,493 | 19,288,546 |
| Increase (decrease) during the year: | | |
| Issued | 1,028,230 | 696,186 |
| Redeemed or purchased for cancellation | (1,706,159) | (2,414,239) |
| Ordinary shares reclassified as special shares under Articles of Continuance | — | 3,000 |
| Outstanding at end of year | 16,895,564 | 17,573,493 |

Notes to the Financial Statements December 31, 1981 (Continued)

4. The total commission paid to dealers in connection with investment portfolio transactions for the year ended December 31, 1981 amounted to \$227,248 (1980 — \$268,913).
5. Calvin Bullock, Ltd. New York supervises and assists in the management of the investing and reinvesting of the capital of the Corporation in accordance with the terms of an investment supervision agreement. In consideration for such services, the agreement provides that Calvin Bullock, Ltd. New York is entitled to receive quarterly on the last day of March, June, September and December in each year a fee based on the average net assets under administration during the quarterly periods ended on such dates and calculated as follows: (i) 0.75% per annum on net assets up to \$100,000,000; and (ii) 0.50% per annum on net assets in excess of \$100,000,000.
6. Management fees and other expenses, excluding taxes, expressed as a percentage of average net assets (determined on the basis of the average of the net assets at the end of each month in the relevant financial year) for each of the last five years are as follows:

| | Average Net Assets | Management Fees and Other Expenses | Management Expense Ratio |
|------|-----------------------|---------------------------------------|-----------------------------|
| 1977 | \$107,063,620 | \$ 958,960 | 0.90% |
| 1978 | \$108,618,412 | \$ 937,474 | 0.86% |
| 1979 | \$111,542,114 | \$1,146,649 | 1.03% |
| 1980 | \$114,533,637 | \$1,199,584 | 1.05% |
| 1981 | \$105,161,400 | \$1,180,031 | 1.12% |

7. The net asset value representing shareholders' equity and dividends paid for each of the last five years are as follows:

| | 1981 | 1980 | 1979 | 1978 | 1977 |
|---|--------|--------|--------|--------|--------|
| Net asset value representing shareholders' equity per share — | | | | | |
| At end of year | \$5.80 | \$6.61 | \$5.73 | \$4.97 | \$4.34 |
| At beginning of year | \$6.61 | \$5.73 | \$4.97 | \$4.34 | \$4.21 |
| Distribution per share out of — | | | | | |
| Net investment income | \$0.30 | \$0.28 | \$0.23 | \$0.21 | \$0.20 |
| Realized profits from sales of securities — | | | | | |
| "Capital gains dividend" | \$0.20 | \$0.06 | \$0.05 | — | \$0.03 |
| "1971 capital surplus dividend" | — | — | — | \$0.04 | — |

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

*Canadian Investment Fund, Ltd.
630 Dorchester Boulevard West
Suite 2960
Montréal, Québec
H3B 1X1*

Canadian Federal Income Tax Information

The Corporation has already sent to each shareholder a Federal income tax form T-5 (NR-4 in the case of non-resident shareholders) which sets forth the total amount of taxable dividends. The table below shows the treatment for Canadian federal income tax purposes of the per share dividends received from the Corporation during the calendar year 1981.

| Dividend Payment Date | Taxable as | | |
|--------------------------|------------|-----------------------------|---------------------------|
| | Total | Canadian Dividend Income | Canadian Capital Gains |
| February 2 | 5¢ | 5¢ | |
| February 25 | 20¢ | | 20¢ |
| May 1 | 5¢ | 5¢ | |
| August 1 | 6¢ | 6¢ | |
| November 2 | 14¢ | 14¢ | |
| | 50¢ | 30¢ | 20¢ |

Capital Gains Dividend

The dividend of 20¢ per share paid on February 25, 1981 was a capital gains dividend payable in cash or invested in additional shares at net asset value at the option of shareholders. Regardless of whether this February 25 dividend was paid in cash or invested in additional shares, Canadian taxpayers should include only half of the amount received in their income as a taxable capital gain. Shareholders who elected to invest this capital gains dividend in shares of the Corporation should use \$6.271501 as the basis of cost for each share received.

Other Taxable Dividends

The other dividends paid in 1981 totalling 30¢ per share represent income from ordinary dividends as shown in the table above and these are to be treated as Dividends from Taxable Canadian Corporations. The "actual amount" of these dividends is clearly shown on the Canadian Federal income tax form T-5 as sent to shareholders resident in Canada. The next amount shown is the "taxable amount" which is the actual amount received "grossed up" by 50%. This is the amount that should be reported by Canadian taxpayers as income from this Corporation. Finally, the Federal tax credit is shown and this amount can be used as a credit against Canadian income tax otherwise payable. Non-residents continue to receive Federal tax form NR-4 which shows gross amount of dividends and non-resident tax withheld. The Capital Gains dividend is not shown on the NR-4 as no non-resident tax was withheld from that dividend which is not necessarily to be considered income, depending on the country in which the non-resident's tax return is filed.

Valuation Day

The official value of your Corporation's shares for Valuation Day purposes is \$4.70 per share which was the net asset value per share at the close of business December 31, 1971.

In cases of non-residents of Canada an appropriate deduction has been made from the amount of the dividend in accordance with the provisions of the Income Tax Act of Canada.

We Recommend That Shareholders Preserve This Notice Carefully.

Long-Term Record

An Assumed Investment of \$10,000

Shareholders may find it interesting to review this chart which reflects the growth of an investment of \$10,000 made at CIF's initial offering price in December 1932. These figures make no provision for income taxes, if any, payable by the investor on dividends. Anyone interested in the long-term benefit accruing from an investment in a mutual fund such as CIF, will note both the steady growth in the value of the original investment, as well as the minor amount of any fluctuations, over the 49 year period.

