



**EATON  
GROWTH FUND LTD.**

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**semi-annual report**  
**june 30th, 1986**

## to the shareholders:

The Toronto Stock Exchange Composite gained 6.4%, the Dow Jones Industrials 22.4%, and the Standard & Poor's 400 Industrials 19.3% in the first half of 1986. The U.S. dollar declined 1.0% while the Japanese yen gained 22.3% relative to the Canadian dollar. The net asset value per share of your Fund increased 26.4%.

Economic growth in North America in 1986 has continued at a subdued level. In the U.S., strong consumer spending and buoyant residential construction have been offset by sluggish business capital investment and the persistence of the large trade deficit, which has yet to respond to the drop in the exchange value of the U.S. dollar. The Canadian economy, following a good second-half performance in 1985, is feeling the effects of slower U.S. growth and of a significant curtailment of capital spending in the petroleum industry induced by the collapse of the oil price. At the same time, however, low inflation, coupled with an accommodative monetary policy in the U.S., has allowed interest rates to decline further, benefiting both equity and fixed income security values.

We expect economic growth in North America to pick up in the second half of 1986 as business capital spending and foreign trade recover. The U.S. economic advance for 1986 as a whole will probably not exceed that of 1985. Canada, while likely to achieve better economic growth than the U.S. again this year, is not expected to match last year's advance; lower capital spending and slower growth in consumer outlays are the principal reasons.

With the economies continuing to operate below capacity, the prospects for price stability and interest rates continue favourable. We believe that your Fund, with its international diversification, will continue to be a rewarding investment.

On behalf of the Board



Chairman



President

Toronto, Canada  
July 18, 1986

## statement of earnings

for the six months ended June 30, 1986

	1986	1985
<b>INVESTMENT INCOME:</b>		
Dividends .....	\$ 1,163,504	\$ 1,040,997
Interest .....	229,075	295,995
Premium earned on expired options .....	27,710	—
	1,420,289	1,336,992
<b>EXPENSE:</b>		
Management fee .....	818,677	607,389
Earnings before provision for income taxes .....	601,612	729,603
Provision for income taxes .....	85,330	194,465
<b>NET EARNINGS FOR THE PERIOD</b> .....	<b>\$ 516,282</b>	<b>\$ 535,138</b>
<b>NET EARNINGS PER SHARE —</b>		
Based on average number of shares outstanding during the period .....	<u>8.2¢</u>	<u>9.2¢</u>

## statement of changes in net assets

for the six months ended June 30, 1986

	1986	1985
<b>NET ASSETS, BEGINNING OF PERIOD</b>	<b>\$ 82,304,963</b>	<b>\$64,971,992</b>
<b>ADDITIONS TO NET ASSETS:</b>		
Net earnings for the period .....	516,282	535,138
Proceeds from issue of mutual fund shares .....	10,608,494	2,259,026
Unrealized appreciation of investments	16,971,417	6,066,435
Net gain on sales of securities* .....	4,708,313	2,533,226
	<u>32,804,506</u>	<u>11,393,825</u>
<b>DEDUCTIONS FROM NET ASSETS:</b>		
Payment on redemption of mutual fund shares .....	7,390,819	4,515,584
<b>INCREASE IN NET ASSETS</b> .....	<b>25,413,687</b>	<b>6,878,241</b>
<b>NET ASSETS, END OF PERIOD</b> .....	<b>\$107,718,650</b>	<b>\$71,850,233</b>
<b>NET ASSET VALUE PER SHARE:</b>		
Beginning of period .....	<u>\$13.50</u>	<u>\$10.72</u>
End of period .....	<u>\$17.06</u>	<u>\$12.25</u>
<b>*NET GAIN ON SALES OF SECURITIES:</b>		
Proceeds from sales of securities .....	\$ 11,486,098	\$ 3,572,123
Cost of securities sold —		
Securities at cost, beginning of period .....	32,099,894	29,387,070
Purchases .....	17,768,006	800,447
Securities at cost, end of period .....	49,867,900	30,187,517
Cost of securities sold .....	43,090,115	29,148,620
Net gain on sales of securities .....	6,777,785	1,038,897
	<u>\$ 4,708,313</u>	<u>\$ 2,533,226</u>

(Unaudited)

Number of shares	Average cost	Quoted value	Diversification of \$10,000 of net assets
293,437	\$ 1,541,186	\$ 4,694,992	\$ 436
93,703	1,581,497	3,021,922	281
130,000	2,866,500	3,055,000	284
90,000	214,996	2,902,500	269
900,000	310,865	6,636,366	616
30,000	436,963	1,423,088	132
67,015	2,456,559	4,896,032	455
100,000	1,198,113	2,750,000	255
129,800	693,824	2,239,050	208
190,000	862,823	3,040,000	282
400,000	960,442	6,200,000	576
30,000	1,422,738	2,435,869	226
247,500	175,796	6,209,253	576
30,000	379,614	2,981,213	277
49,400	478,267	5,199,844	483
52,988	1,442,692	2,238,743	208
55,663	1,118,785	1,168,923	109
40,000	785,391	740,000	69
11,000	1,652,523	2,231,928	207
79,644	1,094,556	2,837,318	263
40,000	2,681,708	3,961,100	368
60,000	920,610	1,320,000	123
75,996	2,490,837	2,157,716	200
36,000	1,296,485	1,227,803	114
22,000	745,424	1,748,216	162
200,000	2,610,000	3,225,000	299
20,000	248,594	1,575,438	146
120,000	3,343,356	4,612,050	428
25,000	580,225	3,267,734	303
40,000	1,518,058	4,480,475	416
76,000	706,072	4,302,503	399
105,000	3,744,899	4,253,681	395
65,000	529,717	1,105,000	103
	<u>43,090,115</u>	<u>104,138,757</u>	<u>9,668</u>
	<u>43,090,115</u>	<u>104,138,757</u>	<u>9,668</u>
	<u>3,280,470</u>	<u>3,280,470</u>	<u>304</u>
	<u>299,423</u>	<u>299,423</u>	<u>28</u>
	<u>\$46,670,008</u>	<u>\$107,718,650</u>	<u>\$10,000</u>

# statement of investments and other net assets

June 30, 1986

## COMMON STOCKS — 96.68%

### BANKS — 10.01%

The Bank of Nova Scotia	.....
The Royal Bank of Canada	.....
The Toronto-Dominion Bank	.....

### COMMUNICATIONS — 2.69%

Thomson Newspapers Limited	.....
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### ELECTRICAL AND ELECTRONICS — 7.48%

*Hitachi Ltd.	.....
*Schlumberger Limited	.....

### FOOD, BEVERAGES AND TOBACCO — 4.55%

*R.J.R. Nabisco, Inc.	.....
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### HOLDING COMPANIES — 4.63%

Jannock Limited	.....
Federal Industries Ltd. "A"	.....

### INDUSTRIAL PRODUCTS — 8.58%

Indal Limited	.....
Noma Industries Limited "A"	.....

### LEISURE — 15.62%

*Eastman Kodak Company	.....
*Fuji Photo Film Co., Ltd.	.....
*Hilton Hotels Corporation	.....
*Meredith Corporation	.....

### METALS AND MINING — 3.86%

Alcan Aluminium Limited	.....
Falconbridge Limited	.....
Noranda Inc.	.....

### OFFICE SYSTEMS AND EQUIPMENT — 8.38%

*International Business Machines Corporation	.....
Moore Corporation Limited	.....
*Pfizer Inc.	.....

### OIL AND GAS — 3.23%

Shell Canada Limited "A"	.....
*U.S. Steel Corporation	.....

### PAPER AND FOREST PRODUCTS — 1.14%

*Champion International Corporation	.....
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### TRANSPORTATION — 6.07%

*PACCAR Inc.	.....
Pacific Western Airlines Corporation	.....
*Union Pacific Corporation	.....

### MISCELLANEOUS — 20.44%

*Gibson Greetings, Inc.	.....
*Interco Incorporated	.....
*Eli Lilly and Company	.....
*Pioneer Hi-Bred International, Inc.	.....
*Ryder System, Inc.	.....
Westburne International Industries Ltd.	.....

### TOTAL COMMON STOCKS

### TOTAL INVESTMENT PORTFOLIO — 96.68%

Short-term notes — 3.04%	.....
Other assets less liabilities — 0.28%	.....

### TOTAL NET ASSETS — 100.00%

\*Foreign Securities

## directors

Allan L. Beattie	Charles W. Brazier
Edmond J. Courtois	J. V. Raymond Cyr
George R. Eaton	John C. Eaton
The Honorable Douglas D. Everett	Murray J. Howe
David Kinnear	William R. Livingston
	Peter W. Wood
	Gordon D. deS. Wotherspoon

## business office

595 Bay Street,  
Toronto, Ontario M5G 2C6

## manager and distributor

Eaton Funds Management Limited  
Toronto, Ontario

## custodian

A Canadian Chartered Bank  
Toronto, Ontario

## transfer agent and registrar

Eaton Trust Company

For further information, please contact  
your nearest Eaton Financial Centre.



THE INVESTMENT FUNDS INSTITUTE OF CANADA