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**Third
Quarter Report
Diversified
Investment Funds
July 1 to
September 30, 1974**



The Diversified Investment Funds

The Diversified Investment Funds were established January 1, 1967 and are operated for the collective investment and reinvestment of non-taxable monies. The Funds are fully managed by International Trust Company and consist of four separate investment portfolios: the Canadian Equity Fund; the International Equity Fund; the Fixed Income Fund; and the Mortgage Fund.

Additions to, or withdrawals from, each Fund, or inter-Fund transactions, are effected on monthly valuation dates at net asset value. Income earned is distributed monthly.

This Report is concerned primarily with investment composition and performance.



ON THE FLOOR
THE TORONTO STOCK EXCHANGE—1917

The 1974 Slowdown

After running at concert pitch in 1973, the Canadian economy has slowed down in 1974. The great debate raging now is over the seriousness of the economic decline, with some contending that we face a disaster of unknown proportions, others arguing that we are in a slump which may last for a year or more, and finally a sprinkling of optimists who believe the economy will be moving back up by early 1975.

The decline is a direct result of government policies here and abroad to slow down the rate of inflation. Thus far, government authorities seem determined to continue restrained policies until there are positive signs that the rate of inflation is not only declining, but that it will stay down.

There is gathering evidence that this is already happening, and it seems reasonable to anticipate a decline in the level of inflation in 1975.

It is also apparent, although little commented upon, that the authorities are not out to crunch the system, or if they can help it, to precipitate a major economic decline. It is also to be hoped that when they start on a more expansionary track, they will do so in a modest way and not produce the incredible monetary growth we saw in 1972 and 1973.

The Effect of Oil on Inflation

It is interesting to observe that it is now a year ago that the Middle East war broke out, and the western world was treated to a series of planned cutbacks in production of oil by the Arab States. It is also a year now that the first rapid escalation in the price of oil occurred. International prices for gasoline, home heating and industrial oil actually peaked early in 1974. Thus the effects of the higher oil price on the annual rate of inflation will soon become less since we will be operating from a new, albeit higher base.

It seems necessary to keep reminding oneself that when one talks of inflation, it is a rate that is meant. A fourfold increase in oil prices has now almost all been taken into the assumption, so that the price of oil does not have to decline to lower the rate of inflation. It merely has to rise at a less rapid rate, and that seems to be precisely what has been happening.

Those Loose International Dollars

It does not really seem to be proper terminology to talk of an international currency crisis since what is causing the trouble has been existing for some long time. A crisis, properly defined, should mean a turning point and not a series of events continuing indefinitely. The danger that the middle eastern nations might recall their huge and growing capital from short term money markets, and leave the intermediaries who have lent those funds out on somewhat longer term sitting without any means of support, has been widely broadcast as the big bust theory.

The recycling of the petrodollars has been all the gossip, and has obviously created an unusual degree of fear in security markets.

The official U.S. view, as expressed by Treasury Secretary Simon seems now to be that the private banking system, and existing channels of finance have handled this unusual problem well, and that no new mechanism is necessary. European countries seem more anxious to find new solutions to moving the rapidly growing capital of the Arab States into and through world money markets.

At the International Monetary Fund Meeting in October, Canada's Minister of Finance, John Turner, was appointed Chairman of a Committee delegated to find some answers to this question. Few problems have ever received such widespread publicity as this one, and it is difficult to believe it is of such magnitude as to defy the ingenuity of the massive brainpower directed toward it.

Domestic Economy

Business in Canada is still good, although running at a lower rate of gain than last year. We are in a somewhat uncertain period at the moment. The most pessimistic view yet seen for Canada for 1975 is that recently published by the Conference Board. Real growth of GNP is forecast by them at 1.2% for next year, and inflation, as measured by the Consumer Price Index, at 12%. Most forecasts call for a happier outcome to 1975, but even the lower expectations are not all that bad.

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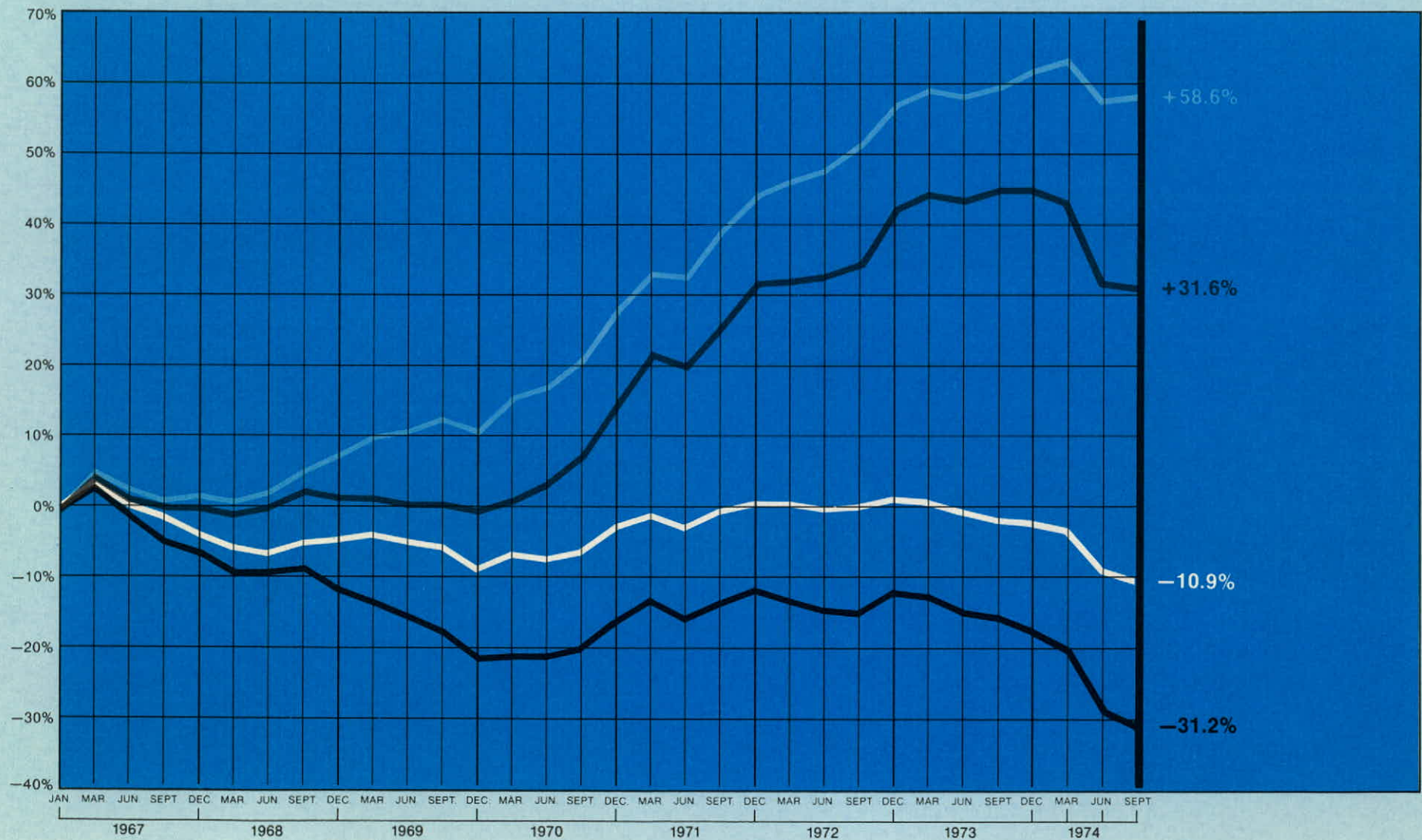
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Fixed Income Fund

Comparisons between	GRAPH COLOUR	VALUE SEPT. 30/74	VALUE JUNE 30/74	PERCENT CHANGE OVER QUARTER	PERCENT CHANGE SINCE INCEPTION
Fixed Income Fund	□	\$ 8.91	\$ 9.07	-1.8%	-10.9%
Fixed Income Fund (Incl. Income)	■	\$ 15.86	\$ 15.77	+0.6%	+58.6%
40-Bond Index	■	45.72	47.37	-3.5%	-31.2%
40-Bond Index (Incl. Income)	■	215.98	217.77	-0.8%	+31.6%

Average Yield to Maturity:
 Jun. 30, 1974 10.26%
 Sept. 30, 1974 10.59%



Bonds/Convertible Bonds 78% Par Value

Market Value Sept. 30, 1974

\$150,000	Man. Hydro 9% Apr. 1/90 Prepay Apr. 1/75	\$ 148,500
250,000	Hydro Elec. Pwr. Comm. of Ont. 9¼% Aug. 15/81	250,000
225,000	Hydro Elec. Pwr. Comm. of Ont. 9% Apr. 1/94	202,500
325,000	Prov. of Quebec 8½% Mar. 1/99	273,000
200,000	Prov. of Sask. 8¼% Dec. 1/90	180,500
250,000	Prov. of Sask. 8¼% Dec. 3/98	208,750
200,000	Algoma Steel 10½% Jun. 1/94	193,000
400,000	Alum. Co. of Canada 9½% Jan. 2/91	354,000
300,000	Ashland Oil Can. Conv. 5% Jan. 15/93	189,000
600,000	BM-RT 6¼% Apr. 1/78 Cum. Wts.	533,700
500,000	Bank of Montreal 7% Apr. 1/78—7½% Apr. 1/92	451,250
400,000	Bank of Nova Scotia 6¼% Jul. 1/78—7% Jan. 1/92	356,000
375,000	Bank of Nova Scotia 7½% Jan. 1/88 Prepay Jul. 1/79	333,750
200,000	Bell Canada 8% May 1/77 Ext. 8¼% May 1/90	190,000
250,000	Bell Canada 9¼% Jun. 3/79	248,750
300,000	Bell Canada 9½% Aug. 14/90	271,500
400,000	Bell Canada 8½% Aug. 1/93	326,000
300,000	Beneficial Fin. of Canada 9% Jan. 2/91 Prepay Jan. 2/76	291,000
200,000	B.C. Telephone 8¼% Jan. 15/81	189,000
250,000	B.C. Telephone 9¼% Apr. 15/98	215,000
400,000	Calgary Power Ltd. 11½% Sept. 16/79	404,000
500,000	Canadian Imperial Bank of Commerce 7¼% Dec. 15/92 Prepay Dec. 15/78	450,000
120,000	Consumers Gas Conv. 5½% Feb. 1/89	81,600
200,000	Distillers Corp.—Seagrams 7% Dec. 15/78	180,000
300,000	Dominion Foundries and Steel 9% Feb. 1/91	259,500
200,000	Gulf Oil 8½% Sept. 15/75 Ext. 8½% Sept. 15/90	195,000
300,000	Hudson's Bay Company 9¼% May 1/79	297,000
200,000	Hudson Bay Mining and Smelting 9% Jun. 15/91	167,000
300,000	Interprovincial Pipe Line 9½% Dec. 1/90	268,500
300,000	John Labatt 9¼% Sept. 1/90	264,000

Bonds/Convertible Bonds 78% Par Value

Market Value Sept. 30, 1974

\$200,000	John Labatt 9% Mar. 15/94	\$ 171,000
200,000	Maritime Tel. & Tel. 8¼% Jun. 15/77 Ext. Jun. 15/90	192,000
300,000	Molson Industries 8¼% Nov. 1/91	235,500
100,000	N.B. Tel. 9¼% Jun. 1/90 Prepay Jun. 1/75	99,125
200,000	Noranda Mines 9¼% Oct. 15/90	176,000
400,000	Pacific Petroleum Conv. 5% May 1/92	257,000
350,000	Royal Bank of Canada 7% Apr. 15/91 Prepay Apr. 15/77	326,375
250,000	Simpsons-Sears Acc. 10¼% Aug. 15/79	250,000
400,000	Steel Co. of Canada 9¼% Nov. 1/90	354,000
200,000	TDRI Conv. 5½% Feb. 15/93	182,000
225,000	TransCanada Pipe 10% Jun. 20/90	207,000
400,000	TransCanada Pipe 9¼% Sept. 20/90	358,000
		<u>\$10,779,800</u>

Reserve 22%

Cash & Short-Term Notes	\$ 2,997,016
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Total Assets at Market Sept. 30, 1974

\$13,776,816

The unit value of the Fixed Income Fund was \$8.91 at the end of the third quarter as compared to \$9.07 at the end of the second quarter. This is a 1.8% decline in the Fund which compares favourably to the 3.5% decline in the McLeod, Young, Weir 40-Bond Index. Including income, the Fund rose 0.6% during the quarter which also compares favourably to the Index's decline of 0.8%.

During the quarter long term interest rates remained at their historically high levels. The rates at the close of the quarter were slightly different than at the end of the second quarter although they did fluctuate within a range of 25 to 50 basis points during the quarter. At the end of the quarter, the bellwether Canada 4½% September 1, 1983 was yielding 8.75%, a 35 basis point decline, while the provincial and corporate sectors ended the quarter up about 10 basis points.

There was no change in the yield curve as short term and mid term rates remained high giving an almost flat yield curve from 30 days to 20 years. This yield curve enabled the Fund to remain invested in short term notes without paying any penalty and to selectively purchase mid term issues when they became available.

Corporate borrowers preferred to use their bank lines of credit and the money market for funds and refrained from issuing long term bonds where possible. Consequently the corporate calendar was not too large although it did include some of the best quality names. As witnessed during the previous period of high interest rates, many of the new bond issues had prepayment options, a feature investors have started to demand as protection against continually rising long term interest rates.

Short term interest rates remained at the 11% plus rate for most of the quarter although they did begin to decline ¼% to ¾% in the last few weeks of the quarter. Lender resistance seemed to appear whenever the rate approached 10½%. There is little likelihood of short term rates coming down as long as the Prime Rate remains at 11½% and banks are paying up to 10½% for their deposits.

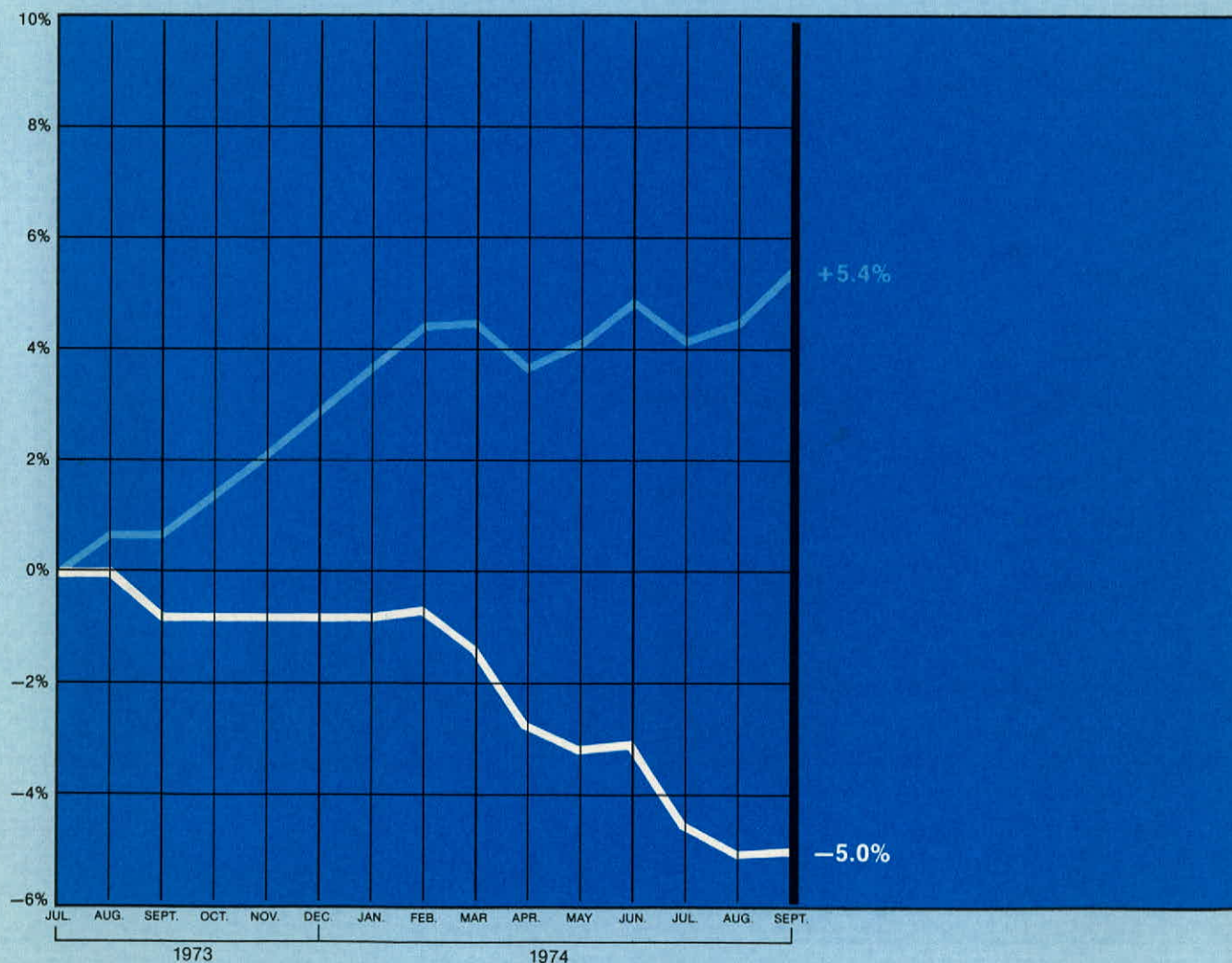
Until there is some indication that the inflation rate is beginning to decline, long term rates are likely to remain at their current high levels. Given the above and that there is no indication that the government policy is firmly committed to reduce inflation, the policy of the Fixed Income Fund remains as it has been, that is, the Fund maintains a large cash reserve. It increased from 21% to 22% during the quarter. With continuing high short term rates, this policy has not caused the Fund to

incur a yield penalty. This policy will continue to be maintained until we feel it is an opportune time to move our cash reserves into the bond market. During the quarter we have made selective purchases of mid term and prepayment option bonds when we have felt they represented good value. The mid term market and bonds with prepayment options are marketable with little or no penalty as compared to the long term market. These issues provide good protection against capital loss and give the opportunity for capital gains when a more normal yield curve is established.

Portfolio Composition:

	Jun. 30, 1974	Sept. 30, 1974
Reserve	21%	22%
Canadas	0%	0%
Provincials	9%	9%
Corporates	63%	64%
Conv. Debs.	7%	5%
	<u>100%</u>	<u>100%</u>

Comparisons between	GRAPH COLOUR	VALUE SEPT. 30/74	VALUE JUNE 30/74	PERCENT CHANGE OVER QUARTER	PERCENT CHANGE SINCE INCEPTION
Mortgage Fund	□	\$ 9.50	\$ 9.69	-2.0%	-5.0%
Mortgage Fund (Incl. Income)	□	\$10.54	\$10.49	+ 0.5%	+ 5.4%



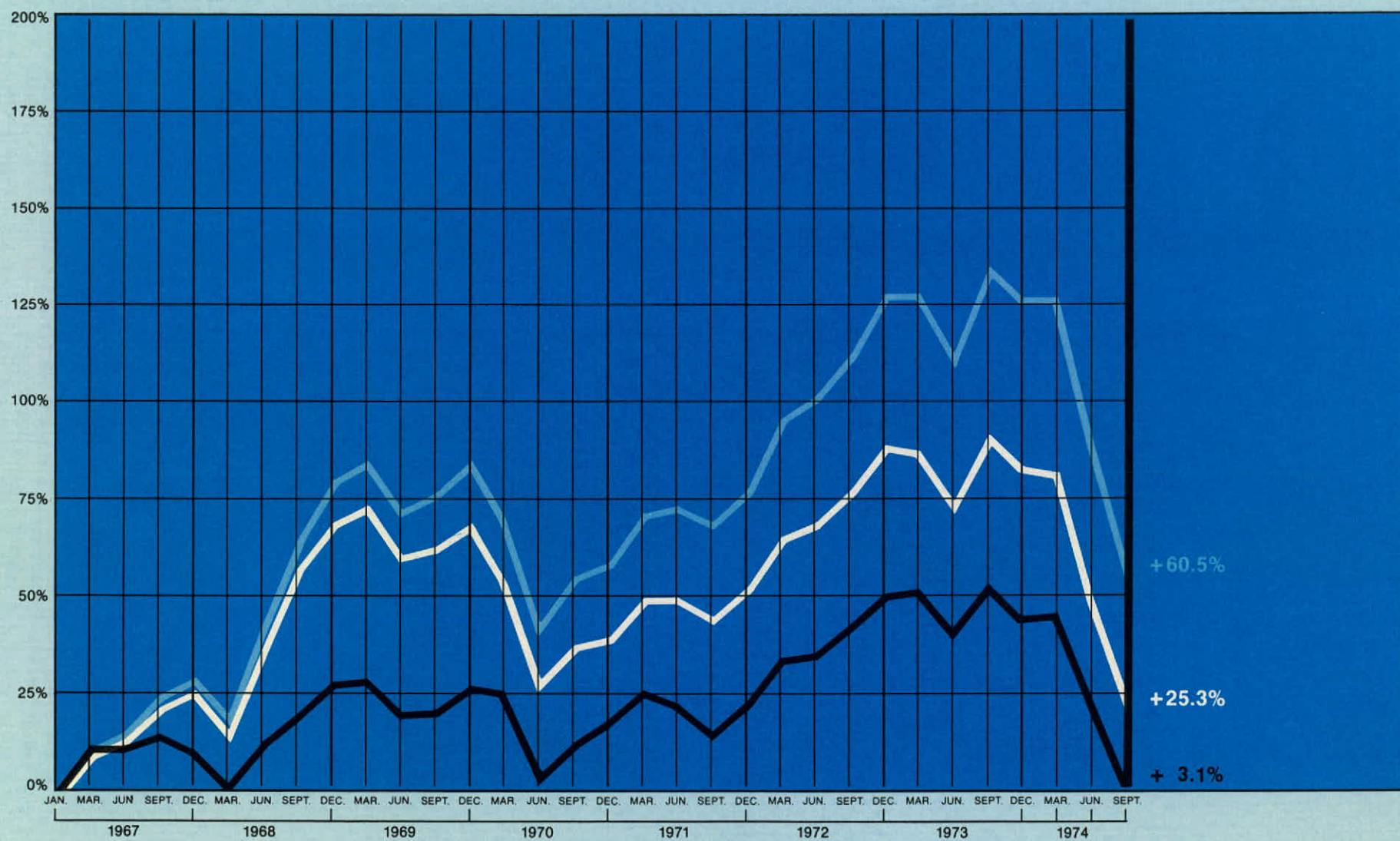
The unit value of the Mortgage Fund declined from \$9.69 to \$9.50 during the third quarter of 1974, a drop of 2.0%. Including income, the mortgage units increased from \$10.49 to \$10.54, an increase of 0.5%.

Mortgage rates continued to increase during the third quarter of the year. The short average life of our current mortgage holdings helped to minimize the erosion of the unit value. The 25% cash reserve was profitably invested in short term notes during the quarter and was a contributing factor to the performance of the Fund. Commitments which have been made for the Fund will be fulfilled in the next quarter and should provide a rate of better than 11¼% after servicing.

We have continued our policy to invest solely in NHA government insured mortgages. At the current high level of mortgage rates, the spread between NHA and conventional mortgages is quite narrow. We do not feel justified in assuming the additional risk of a conventional mortgage for a relatively small increase in yield.

Canadian Equity Fund

<i>Comparisons between</i>	GRAPH COLOUR	VALUE SEPT. 30/74	VALUE JUNE 30/74	PERCENT CHANGE OVER QUARTER	PERCENT CHANGE SINCE INCEPTION
Canadian Equity Fund	■	\$ 12.53	\$ 15.18	-17.5%	+ 25.3%
Canadian Equity Fund (Incl. Income)	■	16.05	19.19	-16.4%	+ 60.5%
T.S.E. Industrial Index	■	152.19	183.39	-17.0%	+ 3.1%



Canadian Equity Fund

Par Value Shares	Convertible Securities or Common Stocks	Market Price	Market Value Sept. 30, 1974	Par Value Shares	Convertible Securities or Common Stocks	Market Price	Market Value Sept. 30, 1974
	Banks—15.9%						
26,000	Bank of Nova Scotia	32¾	\$ 851,500	18,300	Cominco	24	439,200
47,500	Canadian Imperial Bank of Commerce	22	1,045,000	17,000	Hudson Bay Mining & Smelting	16⅞	286,875
28,500	Royal Bank of Canada	26⅞	765,937	18,800	International Nickel Class A	21½	404,200
22,500	Toronto Dominion Bank	33½	753,750	13,500	McIntyre Mines	21½	290,250
			<u>\$3,416,187</u>	34,000	Mattagami Lake Mines	11½	391,000
				14,200	Noranda Mines Class A	29⅞	413,575
				26,500	Placer Developments	17¼	457,125
				25,500	Rio Algom Mines	21	535,500
				28,000	Sheritt-Gordon Mines	7	196,000
							<u>\$ 4,575,475</u>
	Beverages—3.8%				Office Equipment—1.4%		
20,000	Brights, T. G. Class A	8½	\$ 170,000	9,000	Moore Corp	34¼	\$ 308,250
15,200	Distillers Corp. Seagrams	26¾	406,600				
6,900	H. Walker Gooderham & Worts	36	248,400				
			<u>\$ 825,000</u>				
					Oil & Gas—11.0%		
	Communications—3.3%			14,000	Aquitaine Co. of Canada	15⅞	\$ 222,250
7,800	Southam Press Ltd.	21¼	\$ 165,750	6,000	Bow Valley Industries	11¾	70,500
35,000	Standard Broadcasting Corp.	5¾	201,250	14,300	Canadian Superior Oil	28¼	403,975
38,500	Toronto Star Class B	9	346,500	10,000	Gulf Oil Canada	22½	222,500
			<u>\$ 713,500</u>	9,300	Home Oil Class A	18⅞	175,538
				15,000	Hudson Bay Oil & Gas	23½	352,500
	Construction & Materials—1.5%			20,500	Husky Oil	13½	276,750
23,800	Genstar	14	\$ 333,200	19,000	Pacific Petroleums	14¼	270,750
				24,000	Shell Canada Class A	11	264,000
	Forest Products—11.3%			15,000	Siebens Oil & Gas	6⅞	95,625
65,000	Abitibi Paper Company	9⅞	\$ 593,125				<u>\$ 2,354,388</u>
25,000	British Columbia Forest Products	11½	287,500				
31,000	Domtar	20½	635,500		Real Estate—0.6%		
30,000	MacMillan Bloedel	21¾	641,250	34,000	Commonwealth Holiday Inns	3.90	\$ 132,600
23,000	Price Company	11½	264,500				
			<u>\$2,421,875</u>				
					Steel—5.8%		
	Insurance—6.8%			14,800	Algoma Steel Corp.	23	\$ 340,400
12,500	Crown Life Insurance	42	\$ 525,000	15,000	Dominion Foundries & Steel	22¼	333,750
11,500	Great West Life	44	506,000	24,000	Steel Co. of Canada	23½	564,000
58,000	MICC Investments	7¼	420,500				<u>\$ 1,238,150</u>
			<u>\$1,451,500</u>				
					Trust & Loan—1.2%		
	Merchandising—2.8%			14,000	Huron & Erie Mortgage	17⅞	\$ 250,250
3,300	Canadian Tire Corp. Class A	30¼	\$ 99,825				
20,000	Simpsons-Sears Class A	8	160,000				
19,300	Woodward Stores Class A	17⅞	335,337		Reserve—13.3%		
			<u>\$ 595,162</u>		Cash and Short Term Notes		<u>\$ 2,866,913</u>
	Mines & Metals—21.3%						
38,000	Alcan Aluminium	22⅞	\$ 869,250				
30,000	Bethlehem Copper	9¾	292,500				

Portfolio Balance

	Sept. 30/73	June 30/74	Sept. 30/74
Common Stocks & Equivalents	94.5%	91.4%	86.7%
Reserve	5.5	8.6	13.3
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Portfolio Compositions

	Sept. 30/73	June 30/74	Sept. 30/74
Consumer Products & Services	41.8%	36.7%	34.4%
Cyclical	31.8	40.6	39.9
Energy	15.4	12.4	11.0
Regulated	—	—	—
Technology	5.5	1.7	1.4
Reserve	5.5	8.6	13.3
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Largest Common Stock Holdings as at Sept. 30/74 (By Market)

	Percent of Total Portfolio
Canadian Imperial Bank of Commerce	4.9%
Alcan Aluminium	4.0
Bank of Nova Scotia	4.0
Royal Bank of Canada	3.6
Toronto Dominion Bank	3.5

The Canadian stock market continued to decline sharply during the quarter, with relief coming in mid September in the form of a short lived rally.

The Toronto Stock Exchange Industrial Index moved from a 30 June 1974 level of 183.39 to 151.43 at 30 September 1974. For the quarter the Index was down 17.43%. For twelve months ending 30 September 1974, it was off 32.79%.

The utilities held up well in the quarter, being down only 1.88%. The next best performance was by the banks which were down 7.32% followed by the food processing group which was down 11.26%, and the trust and loan group, down 13.17%.

The weakest groups were the western oils, down 29.79% on the quarter followed by real estate down 27.31%, construction and material down 24.55% and beverages down 24.53%.

The natural resource companies continue to be negatively affected by proposed government legislation on taxation. The oils had a bad third quarter in anticipation of the Federal Budget which will be introduced into the House of Commons during the early portion of the session of parliament.

High mortgage rates and increased costs of material and labour have led to a reduction in the number of housing starts. The effect of this can be seen in the poor performance of the real estate and construction and material stocks.

The price earnings ratio declined again during the third quarter and maintained a pattern which has been in effect all year. Earnings continued to rise slightly and prices declined. This left the market selling at less than seven times earnings.

Price Earnings Ratio T.S.E. Industrial Index

31 Dec. 1973	31 Mar. 1974	30 June 1974	30 Sept. 1974
12.6	11.4	8.9	6.9

Dividend returns continued to improve again during the third quarter. The yield on the Toronto Industrial Index was about 5.6% during the last month of the quarter. This compares with a yield of about 4.5% at the end of the second quarter and 3% a year ago.

One of the two changes which took place in the portfolio during the quarter was the addition of Algoma Steel. The other change was the reduction of Southam Press.

The fund was 34% invested in the Consumer Products and Services category at 30 September 1974. This is a decrease from 41% at year end 31 December 1973. The cyclical sector remained at 40%, up from 33% at year end.

The cash reserve was 13.3% at quarter end, up from 4.3% at year end, 31 December 1973.

International Equity Fund

Comparisons Between	GRAPH COLOUR	VALUE SEPT. 30/74	VALUE JUNE 30/74	PERCENT CHANGE OVER QUARTER	PERCENT CHANGE SINCE INCEPTION
International Equity Fund	□	\$ 6.68	\$ 10.22	-34.6%	-33.2%
International Equity Fund (Incl. Income)	■	\$ 7.96	\$ 12.10	-34.2%	-20.4%
Dow Jones Industrial Average	■	607.87	802.41	-24.2%	-22.6%



Par Value Shares	Convertible Securities or Common Stocks	(U.S.) Market Price	(Cdn.) Market Value Sept. 30/74	Par Value Shares	Convertible Securities or Common Stocks	(U.S.) Market Price	(Cdn.) Market Value Sept. 30/74
Banks—9.9%				Office Equipment—16.5%			
22,000	First Chicago	17½	\$ 379,533	4,000	Automatic Data Processing	22¼	\$ 87,736
5,164	First International Bank Shares	27½	139,993	2,000	Honeywell	28½	56,191
11,000	J. P. Morgan & Co.	41¼	447,307	5,918	I.B.M.	159	927,600
8,000	North Carolina National Bank	7¾	61,120	10,000	Xerox	64¾	638,305
			\$ 1,027,953				\$ 1,709,832
Drugs—8.6%				Personal Care—0.6%			
8,765	Merck	50¼	\$ 429,729	2,000	Chesebrough-Pond's	30¼	\$ 59,641
7,000	Syntex	29¼	201,843	Photography—3.5%			
6,000	Upjohn	44½	263,209	5,625	Eastman Kodak	65¾	\$ 364,592
			\$ 894,781	Retail Trade—13.7%			
Electrical Equipment—1.8%				23,000	S. S. Kresge Co.	19¾	\$ 433,629
6,200	General Electric	31¼	\$ 190,999	13,000	Marcor	15½	198,639
Electronics—7.7%				9,000	J. C. Penny & Co.	42	372,632
11,000	A.M.P. Inc.	22¼	\$ 241,275	10,000	Rubbermaid	11¼	110,902
17,000	Perkin-Elmer	16¾	282,801	6,000	Sears Roebuck	51%	305,352
50,000	Sony	5%	277,256				\$ 1,421,154
			\$ 801,332	Service—2.3%			
Foods & Beverages—3.7%				13,000	American Express	18¾	\$ 240,289
3,700	Coca Cola	51¼	\$ 186,932	Utilities—2.6%			
8,000	McDonald's	24¾	194,203	6,000	Continental Telephone	9¾	\$ 57,669
			\$ 381,135	8,000	Southern New England Telephone	26%	208,004
Hospital Supply—8.3%							\$ 265,673
14,000	Baxter Laboratories	24¾	\$ 336,404	Reserve—10.2%			
7,000	Johnson & Johnson	75½	520,995	Cash & Short Term Notes			
			\$ 857,399				\$ 1,054,220
Insurance—1.3%				Total Assets at Market, Sept. 30, 1974			
10,000	Colonial Penn Group	13¼	\$ 130,618				\$10,362,005
Miscellaneous—9.3%							
7,000	Caterpillar Tractor	41¼	\$ 284,650				
20,000	Huyck	14	276,024				
3,000	Masco	21½	63,584				
7,000	Minnesota Mining & Manufacturing	49	338,129				
			\$ 962,387				

Portfolio Balance

	Sept. 30/73	June 30/74	Sept. 30/74
Common Stock & Equivalents	93.2%	93.9%	89.8%
Reserve	6.8	6.1	10.2
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Portfolio Composition

	Sept. 30/73	June 30/74	Sept. 30/74
Consumer Products & Services	47.7%	51.8%	48.4%
Cyclical	6.4	9.7	7.8
Energy	2.2	—	—
Regulated	5.0	2.5	2.6
Technology	31.9	29.9	31.0
Reserve	6.8	6.1	10.2
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Largest Common Stock Holdings as at Sept. 30, 1974 (By Market)

	Percent of Total Portfolio
International Business Machines	9.0%
Xerox	6.2
Johnson & Johnson	5.0
J. P. Morgan & Co.	4.3
S. S. Kresge Co.	4.2

The U.S. market declined severely during August and went through a short rally during the later part of September. The degree of the decline can be seen in the table below.

Performance of Major Indexes

	30 Sept. 1974	Third Quarter Change	Change Last 12 Months
Dow Jones Industrials	607.87	-24.24%	-35.82%
Standard & Poor 425	71.01	-27.09	-41.59
Standard & Poor 500	63.55	-26.11	-41.40
NYSE Composite	33.45	-25.50	-42.83

During the past quarter the biggest losses were recorded among the premium growth stocks. Weakness was also seen in the large basic industrial stocks such as General Motors and U.S. Steel.

Price-earnings ratios continue to decline as we see on the following table.

	30 Sept. Close	Latest 12 Months Earnings	Price Earnings Ratio
Standard & Poor 425	71.01	9.19	7.7
Dow Jones Industrials	607.87	86.16	7.1

During the quarter, Citizens and Southern National Bank of Georgia, Farinon Electric, House of Fabrics and Medtronic were eliminated from the portfolio.

Positions in Southern New England Telephone, Continental Telephone and Marcor were reduced.

One new stock, MacDonald's was added to the portfolio.

The top five stocks account for 28.7% of the portfolio. I.B.M., Xerox and Johnson and Johnson are the three largest holdings. J. P. Morgan has replaced S. S. Kresge as the fourth largest and S. S. Kresge has replaced Merck in the fifth position.

Consumer products and services is now 48% of the fund and the technology sector is 31% at 30 September 1974.

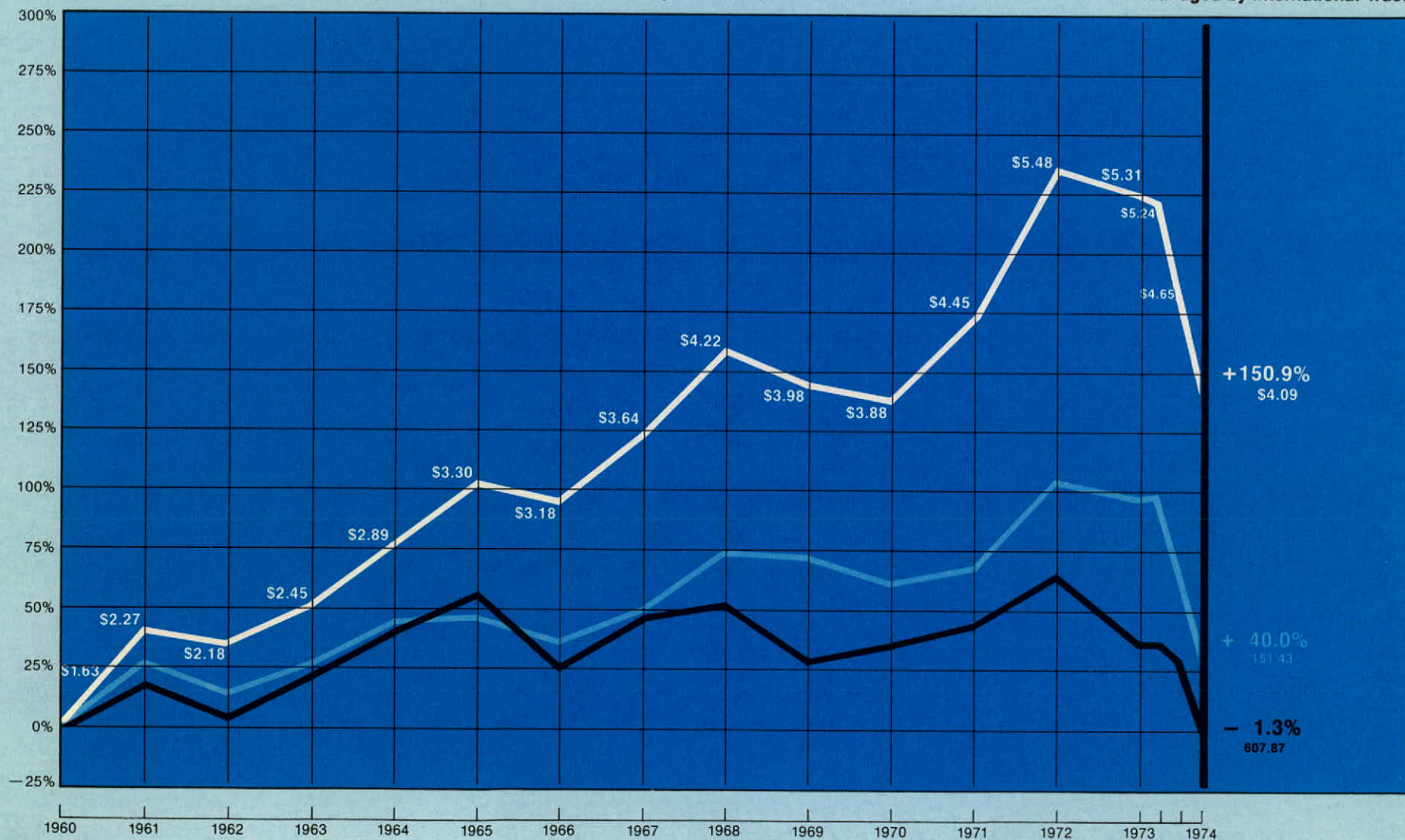
The cash reserve was 10.2% at the end of the quarter up from 6% at year end 1973.

Andreae Equity Investment Fund Limited

Comparisons Between	GRAPH COLOUR	VALUE SEPT. 30/74	VALUE DEC. 31/60	PERCENTAGE CHANGE SINCE DEC. 31/60
Andreae Equity Fund (Excl. Div.)	□	\$ 4.09	\$ 1.63	+ 150.9%
T.S.E. Industrial Index	■	151.43	108.20	+ 40.0%
Dow Jones Industrial Average	■	607.87	615.89	- 1.3%

These comparisons are based upon changes from December 31, 1960 to September 30, 1974.

The Andreae Equity Investment Fund is an open-end mutual Fund managed by International Trust.



Unit Values of Diversified Investment Funds Since Inception

	Fixed Income Fund			Mortgage Fund			Canadian Equity Fund			International Equity Fund		
	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.
1966 Dec. 31	\$10.00		\$10.00				\$10.00		\$10.00	\$10.00		\$10.00
1967 Mar. 31	10.35	\$.15250	10.50				11.02	\$.08496	11.11	11.34	\$.07453	11.42
Jun. 30	9.93	.15802	10.24				11.45	.06572	11.61	11.55	.03725	11.67
Sept. 30	9.64	.15580	10.10				12.25	.08703	12.51	12.60	.05288	12.79
Dec. 31	9.52	.15734	10.14				12.65	.09396	13.02	13.28	.05561	13.54
1968 Mar. 31	9.31	.15230	10.08				11.70	.04903	12.09	11.70	.08460	12.01
Jun. 30	9.27	.15638	10.20				13.82	.11686	14.41	13.01	.08619	13.44
Sept. 30	9.40	.14994	10.51				15.80	.08629	16.57	13.05	.04973	13.54
Dec. 31	9.45	.14652	10.73				17.06	.11004	18.00	13.67	.05368	14.24
1969 Mar. 31	9.52	.16292	11.00				17.43	.15656	18.56	12.43	.06699	13.02
June 30	9.42	.16498	11.07				16.17	.15326	17.37	11.90	.06998	12.53
Sept. 30	9.37	.18507	11.23				16.39	.16343	17.79	11.62	.12530	12.37
Dec. 31	9.05	.20602	11.09				16.99	.11949	18.57	11.40	.12480	12.27
1970 Mar. 31	9.26	.17651	11.57				15.54	.15469	17.15	10.72	.12092	11.66
June 30	9.18	.18571	11.70				12.93	.13116	14.40	8.76	.11073	9.64
Sept. 30	9.30	.19003	12.10				13.82	.17910	15.60	9.83	.06254	10.89
Dec. 31	9.64	.19492	12.80				14.03	.13295	15.98	10.62	.04831	11.82
1971 Mar. 31	9.82	.19593	13.33				15.03	.12995	17.28	11.84	.05244	13.24
June 30	9.64	.18892	13.31				15.04	.12842	17.44	12.30	.04849	13.81
Sept. 30	9.90	.20070	13.96				14.59	.11095	17.05	11.79	.05142	13.30
Dec. 31	10.06	.19743	14.46				15.19	.10311	17.87	12.32	.05237	13.96
1972 Mar. 31	10.00	.18497	14.64				16.60	.11675	19.67	13.30	.04940	15.14
June 30	9.93	.18826	14.81				16.95	.11314	20.21	13.46	.04650	15.37
Sept. 30	9.97	.18887	15.16				17.78	.09474	21.32	13.92	.05572	15.96
Dec. 31	10.16	.18626	15.73				18.95	.12469	22.88	14.87	.04958	17.11
1973 Mar. 31	10.13	.18029	15.96				18.87	.09384	22.90	13.94	.06410	16.11
Jun. 30	9.88	.17908	15.85				17.50	.12377	21.38	13.22	.05627	15.36
Sept. 30	9.77	.19265	15.99	9.92	.13906	10.07	19.24	.10939	23.64	13.98	.06974	16.32
Dec. 31	9.71	.19317	16.21	9.92	.20852	10.28	18.32	.16836	22.73	12.11	.05223	14.19
1974 Jan. 31	9.74	.06616	16.38	9.92	.07992	10.37	18.32	.02153	22.75	11.45	.01196	13.44
Feb. 28	9.73	.06128	16.46	9.93	.07038	10.44	18.91	.04352	23.53	11.26	.01289	13.23
Mar. 31	9.61	.06593	16.36	9.86	.07408	10.45	18.24	.06004	22.77	11.14	.02506	13.11
Apr. 30	9.32	.06527	15.98	9.72	.06721	10.37	16.56	.03075	20.71	10.67	.01689	12.58
May 31	9.18	.06526	15.86	9.68	.07343	10.41	15.61	.06901	19.61	10.57	.01532	12.48
June 30	9.07	.06448	15.77	9.69	.07077	10.49	15.18	.09744	19.19	10.22	.02185	12.10
July 31	8.92	.06817	15.63	9.54	.07950	10.41	15.27	.02174	19.33	8.93	.00953	10.58
Aug. 31	8.75	.06957	15.46	9.49	.07501	10.45	13.57	.05909	17.26	8.14	.02664	9.67
Sept. 30	8.91	.06945	15.86	9.50	.07635	10.54	12.53	.08515	16.05	6.68	.01888	7.96

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INTERNATIONAL TRUST COMPANY

AFFILIATED WITH

FIRST NATIONAL CITY BANK

TORONTO

101 RICHMOND STREET WEST

MONTREAL

625 DORCHESTER BLVD. WEST