

✓ C



THE ROYFUND GROUP OF  
MUTUAL FUNDS

1993 ANNUAL REPORT

Howard Ross Library  
of Management

APR 11 1994

Annual Report  
MCGILL UNIVERSITY

# ROYFUND MUTUAL FUNDS

## TABLE OF CONTENTS

---

### MONEY MARKET FUNDS

---

RoyFund Money Market Fund	PAGE 4
RoyFund Canadian T-Bill Fund	PAGE 6
RoyFund U.S. Dollar Money Market Fund	PAGE 7

---

### INCOME FUNDS

---

RoyFund Mortgage Fund	PAGE 8
RoyFund Bond Fund	PAGE 10
RoyFund International Income Fund	PAGE 12

---

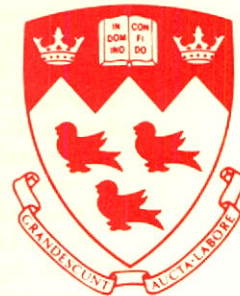
### EQUITY AND BALANCED FUNDS

---

RoyFund Dividend Fund	PAGE 14
RoyFund Balanced Fund	PAGE 17
RoyFund Equity Ltd.	PAGE 23
RoyFund Canadian Growth Fund	PAGE 28
RoyFund U.S. Equity Fund	PAGE 33
RoyFund International Equity Fund	PAGE 36
Financial Statements	PAGE 39

*Important information about the RoyFunds is contained prospectus and should be read carefully before invest available in all Royal Bank branches across Canada. Y market funds will fluctuate and there is no assurance th maintain a fixed net asset value. Unit value (share val RoyFund Equity Ltd.) and investment return (yield in th Bond Fund and RoyFund International Income Fund) of t will fluctuate. RoyFunds are not insured by the Canada .*

*Corporation, the Régie de l'assurance dépôts du Québe government deposit insurer, and are not guaranteed in u Royal Bank of Canada. RoyFund Mutual Funds are sold Mutual Fund Services Inc. (a corporate entity separate fr owned by, Royal Bank of Canada). The Lion and Globe is c mark of Royal Bank of Canada. Royal Bank Mutual Fu licensee of this trade-mark.*



**McGill  
University  
Libraries**

**Howard Ross Library  
of Management**

# Report to Investors

1993 was a great year to be an investor. Financial markets around the world produced healthy capital gains, despite continued economic sluggishness in almost all mature economies.

Here in Canada, our financial markets finally started to show the gains we had been anticipating for some time and even outperformed the U.S. markets for the first time in several years.

The TSE 300 achieved a total return of more than 30 percent, the fourth best annual showing for the TSE on record. The U.S. market also fared reasonably well with the benchmark Standard & Poor's 500 producing a total return of 10.1% (in U.S. dollars). In general, foreign markets performed better than either Canada or the U.S., especially the emerging Asian markets. Even investors in the gold and energy sectors were handsomely rewarded in 1993. Overall, it was a terrific year to be an investor almost anywhere.

As we consider the outlook for 1994 it looks like more of the same. Economic growth for the year will be a bit stronger than in 1993 but inflation will remain low. Interest rates are likely to stay at or near their low levels and corporate earnings are expected to show good growth. This is roughly the same scenario that has existed for the past 18-24 months, and suggests a good environment for further stock market advances.

Faced with this attractive economic picture what should we do? As always, we should exercise prudence and position our portfolios so that we can weather market volatility when it appears. Stock and bond markets are full of surprises but we have had far fewer than usual over the past two years. That alone should make us cautious. The horizon looks clear but we

must all manage our portfolios in a conservative and responsible way. With that word of caution behind us, how should the prudent investor approach 1994? With the stock market at record levels and interest rates at new lows, achieving good returns seems a much higher risk proposition than it has for several years.

There are no magical solutions, but here are a few suggestions. The key to good returns is to get your "asset mix" right for the environment ahead. Whether we realize it or not we are all asset allocators. Everyone seeks a mix of financial assets that is aimed at producing a satisfactory return with an acceptable level of volatility.

When you consider your asset mix don't forget that what worked for the past 10 years just won't work in this time of low interest rates. Making maximum use of compound interest built many large portfolios in the 1970s and 1980s but that is no longer an effective strategy for the 1990s.

Even the most conservative income-oriented investor needs some exposure to stocks. And the longer your time horizon the more stocks you should own. They may even be safer than you think (see page 3, bottom).

We hope you will take some time to review this report carefully. It is one of the most important communications that we send to you each year. Please read the commentary and look over the holdings of each fund that you own. We hope you will find it informative.



# REPORT TO INVESTORS

## TEN YEARS IN REVIEW

YEAR ENDED DECEMBER 31	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984
Money Market Fund*	4.1	6.4	9.0	12.7	11.5	8.5	7.3	-	-	-
Canadian T-Bill*	4.3	6.4	-	-	-	-	-	-	-	-
U.S. Dollar Money Market Fund (U.S.\$)*	2.1	2.8	-	-	-	-	-	-	-	-
Mortgage Fund	12.3	-	-	-	-	-	-	-	-	-
Bond Fund	14.9	8.1	21.8	6.5	10.9	7.2	4.4	11.4	19.2	10.3
International Income Fund	-	-	-	-	-	-	-	-	-	-
Dividend Fund	-	-	-	-	-	-	-	-	-	-
Balanced Fund	22.6	8.5	15.0	-2.5	15.8	6.7	-	-	-	-
RoyFund Equity Ltd	31.8	2.8	1.7	-14.7	20.9	7.4	-1.8	19.5	31.9	6.1
Canadian Growth Fund	-	-	-	-	-	-	-	-	-	-
U.S. Equity Fund	21.1	20.2	-	-	-	-	-	-	-	-
International Equity Fund	-	-	-	-	-	-	-	-	-	-

The indicated rates of return for these funds are the historical annual compounded total returns for the indicated periods ended December 31, 1993, including changes in unit value and reinvestment of all distributions, and do not take into account any optional charges payable by any security holder which would have reduced returns. The Manager waived a portion of its management fee of 1% of the average daily net asset value of RoyFund Money Market Fund as follows: waiver of 0.25% of such value from May 12, 1989 to May 31, 1991, 0.20% during June 1991 and 0.10% during July 1991. Past performance is not necessarily indicative of future performance. \* The following current yields for the money market funds are the annualized historical yields for the seven-day period ended December 31, 1993. Current yields for the Money Market Fund, Canadian T-Bill Fund and U.S. Dollar Money Market Fund were 3.1%, 3.4% and 2.2% respectively. U.S. Dollar Money Market Fund rates of return and current yields are expressed in \$U.S.

*The two cornerstones of successful investing are diversification and prudent asset allocation. As you review your portfolio make sure that these two principles have been considered.*

### CHOOSING THE RIGHT ASSET MIX

EVERY INVESTOR WANTS TO BE in stocks when they are going up and wants to have sold out just before they head down. Sadly, none of us are that wise. But, by following a well thought out investment strategy you can hopefully be in the right asset categories much of the time.

In its simplest form asset allocation is the division of investable assets into the three broad asset categories of stocks, bonds, and cash. There are many ways to arrive at a suitable asset

allocation but perhaps the easiest starting point is to choose a well-managed balanced fund.

In a balanced fund, the fund manager shifts between equities and fixed income securities on a regular basis depending on market conditions. In the RoyFund Balanced Fund for instance the assets of the fund as at December 31, 1993 were split: 34.9% Canadian stocks, 39.5% bonds, 17.0% foreign stocks and 8.6% cash. An investment like the RoyFund Balanced Fund can serve as a core holding in your portfolio. By holding it along with income oriented funds such as the RoyFund Mortgage Fund an investor can achieve a good conservative portfolio. On the other hand an investor seeking more growth potential can combine a RoyFund Balanced Fund holding along with pure equity funds for a more aggressive portfolio.

### DIVERSIFICATION

INTEGRAL TO THE ASSET MIX decision is the need to diversify broadly. Within the broad asset category of stocks for instance, a diversified portfolio would include large and small cap stocks, Canadian, U.S., European and Asian stocks. Many of these stock choices can be captured in one fund such as the RoyFund International Equity Fund or by investing in several individual funds.

On the income side of the asset allocation decision many investors forget the diversification possibilities offered by a mortgage fund and an international income fund combined with a traditional bond fund. Certainly anyone looking for currency diversification should consider the benefits of including an international income fund in a portfolio. By doing so, an investor protects the international purchasing power of a portfolio.

# 1993 Market Review

WE JUDGE THE PERFORMANCE of our managers on an ongoing basis against key market indices. In this report and all future reports you will see the performance of our equity funds compared to the market indices. Our objective is to beat the indices on a regular basis. In 1993 the U.S. Equity Fund successfully beat the S&P 500 Index and RoyFund Equity Ltd. narrowly missed beating the TSE 300 Index.

S&P 500 (\$Cdn)	
Total Return Index	14.5%
RoyFund	
U.S. Equity Fund	21.1%
TSE 300	
Total Return Index	32.5%
RoyFund	
Equity Ltd.	31.8%

*One of the primary responsibilities of every investor is to understand the products and services in which they invest.*

RECENT STUDIES HAVE UNCOVERED some misconceptions new mutual fund investors have about their investments.

In one study by Marketing Solutions, interviews were conducted with 125 new bond and mortgage fund investors. The results showed that 71% of mortgage fund investors and 43% of bond investors believe that their funds are insured by the federal government. **They are not.** The study also showed confusion about the impact of changes in interest rates. It is still not well understood that rising rates can reduce the unit value of bond and mortgage funds.

**Remember, mutual funds are not guaranteed investments. They are not insured by the federal government. Their value can fluctuate and rising interest rates will reduce valuations for income funds.**

WE HOPE THAT 1993 WAS A terrific year for your portfolio and we hope that will be the case again in 1994.

Late in 1994 we expect to be in a position to start bringing together the RoyFund and the Royal Trust Family of Mutual Funds. As you can imagine, this is a huge undertaking and involves several layers of regulatory approval as well as computer systems integration. Our goal is to make the process as smooth as possible and to avoid disruptions of any sort. While no final decisions have been made, we will keep you posted as events unfold.

As always, we invite your comments and questions. We see an ever increasing need for advice and we are delighted to be able to offer it. Sometimes we are harder to reach than we would like to be and for that we apologize. Our family of funds has grown dramatically over the past year and so has the volume of your calls. We encourage you to keep calling and we promise to keep answering.

Thank you for your continued support and good luck with your investments in 1994.

## Stocks May Be Safer Than You Think

BUSINESS WEEK MAGAZINE recently referenced Ibbotson Associates, a U.S. stock market measurement firm, showing stocks have generated a positive return for 47 of the last 67 years (1926-1992). That is 78% of the time. If you look at 58 different 10 year periods, stocks had positive returns 97% of the time, outpacing inflation 88% of the time, and were the best performing asset 84% of the time. This doesn't mean that

stocks are always safe, they aren't. But over long periods of time the likelihood of positive returns improves.

**Be a long-term investor. Don't let short-term disappointments in the market distract you from the long-term benefits of owning stock funds. Markets will fluctuate, that is a natural aspect of their make-up. In fact, it is a vital aspect of their appeal.**

On behalf of Royal Bank  
Mutual Fund Services Inc.



PAUL STARITA  
President



SIMON LEWIS  
Vice President



JOSEPH PETTINICCHIO  
Vice President

*Short-term rates continued to decline through 1993. However, they now appear to have stabilized, and we don't expect a fundamental trend upwards in the near term. In line with our benign outlook, we have adjusted the average term to maturity of the portfolio to be relatively neutral.*

Year Ended 31 Dec	Unit Value Close	Income Distribution Per Unit	Annual Rate of Return
1993	\$10.00	\$0.40	4.1%†
1992	10.00	0.62	6.4
1991	10.00	0.87	9.0
1990	10.00	1.20	12.7
1989	10.00	1.09	11.5
1988	10.00	0.82	8.5
1987	10.00	0.72	7.3

† CURRENT YIELD 3.1% AT 31 DEC 93

**Net Assets \$566.0 million**

#### UNIT VALUES

High	Low	Close
\$ 10.00	\$ 10.00	\$10.00

YEAR ENDED 31 DEC 93

#### ANNUAL RATES OF RETURN

1 Year	3 Year	5 Year
4.1%	6.5%	8.7%

To 31 DEC 93

#### COMMENTARY

INTEREST RATES DECLINED over the course of the year as the Bank of Canada pursued a stimulative monetary policy. In the first six months, short-term rates declined dramatically to 4.50% at mid 1993 from 7.00% at the 1992 year end. Short-term interest rates began to stabilize in the second half of the year with the yield on three-month Treasury Bills declining close to a 30 year low of 3.85% by year end.

The portfolio of the fund was adjusted during the year in response to changing market conditions. The average term to maturity of the Fund was reduced to 51 days at June 30 from 59 days at the beginning of the year. At December 31, 1993, the average term was a neutral 57 days. At year end, the Fund's portfolio was made up of 47.2% in government obligations, 7.4% in Bankers' Acceptances, and 45.1% in good quality Commercial Paper.

#### OUTLOOK

WE DO NOT ANTICIPATE ANY substantial changes in short-term interest rates in Canada over the next six to twelve months. There could be a temporary rate increase if market uncertainties develop over Canadian monetary and fiscal policies.

While subdued corporate borrowing demands have dampened the yield advantage of commercial paper over government Treasury Bills in the past year, an improving economy coupled with increased loan demand should provide better spreads in 1994. If so, the Fund would use the opportunity to increase the proportion invested in good quality Commercial Paper.

**STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)**

**31 DEC 93**

Par Value		Cost	% of Net Assets
<b>GOVERNMENT AND GOVERNMENT GUARANTEED</b>			
<b>Treasury Bills and Promissory Notes</b>			
148 100	Government of Canada Treasury Bills	\$ 145 191	
5 000	Farm Credit Corp.	4 969	
		150 160	26.5%
<b>Provincial Obligations</b>			
38 000	Province of Ontario	37 386	
28 500	Province of British Columbia	28 210	
15 000	Province of Manitoba	14 867	
5 000	Province of Newfoundland	4 959	
20 000	Province of Quebec	19 806	
12 000	Ontario Hydro	11 860	
		117 088	20.7%
<b>BANKERS' ACCEPTANCES AND BANK OBLIGATIONS</b>			
10 000	Bank of Montreal	9 905	
10 000	Canadian Imperial Bank of Commerce	9 976	
8 000	Credit Lyonnais Canada	7 954	
14 000	Societe Generale, (Canada)	13 951	
		41 786	7.4%
<b>COMMERCIAL PAPER</b>			
5 000	Consumers Gas Company	4 953	
25 000	Ford Credit Canada Ltd.	24 822	
20 100	General Electric Capital (Canada) Inc.	19 997	
25 000	General Motors Acceptance Corporation of Canada	24 780	
25 000	Goldman Sachs Canada	24 797	
10 000	Lac Minerals Ltd.	9 880	
25 000	Mobil Oil Canada, Ltd.	24 745	
25 000	Morgan Stanley Group Inc.	24 825	
8 000	Nestle Capital Canada Ltd.	7 975	
7 000	PHH Canada Inc.	6 963	
24 300	Tenneco Credit Canada Corp.	24 154	
10 000	Union Gas Limited.	9 967	
22 700	WestCoast Energy Inc.	22 614	
25 000	Weston (George) Ltd.	24 791	
		255 263	45.1%
<b>TOTAL INVESTMENTS</b>		564 297	99.7%
<b>OTHER NET ASSETS</b>		1 733	0.3%
<b>NET ASSETS</b>		<b>\$ 566 030</b>	<b>100.0%</b>

Investments, which are grouped by issuer, earn interest at rates ranging from 3.80% to 5.08% and mature between January 4, 1994 and May 19, 1994.

*We anticipate a stabilization in short-term interest rates in 1994 and will continue to adjust the portfolio as credit market conditions change.*

Year Ended 31 Dec	Unit Value Close	Income Distribution Per Unit	Annual Rate of Return
1993	\$10.00	\$0.42	4.3%†
1992	10.00	0.62	6.4
1991	10.00	0.78	N/A

† CURRENT YIELD 3.4% AT 31 DEC 93

**Net Assets \$1,804.2 million**

#### UNIT VALUES

High	Low	Close
\$ 10.00	\$ 10.00	\$10.00

YEAR ENDED 31 DEC 93

#### ANNUAL RATE OF RETURN

1 Year

4.3%

To 31 DEC 93

## COMMENTARY

IN 1993 THE TREND OF INTEREST rates was clearly downward. The impetus for the decline came from the stimulative monetary policy of the Bank of Canada, who recognized the substantial slack in the Canadian economy and depressed loan demand from the private sector, as well as reduced inflation.

However, the pace of the interest rate decline was slower in the second half. For example, the yields on three-month Treasury Bills had decreased dramatically to 4.50% at mid-1993, from 7.00% at the 1992 year end. In the second half of the year, they declined more modestly to 3.85% at the year end which brought yields close to a 30 year low.

The portfolio of the Fund was adjusted during the course of the year as credit market conditions changed. The average term to maturity was moved to 62 days at June 30, 1993 from 76 days at the previous year end. At the close of 1993, the Fund's average term to maturity remained relatively neutral at 66 days.

## OUTLOOK

AS WE HEAD INTO 1994, THE interest rate outlook looks relatively benign. Short-term interest rates appear to be stabilizing, and we do not expect much opportunity for further substantial declines. If market uncertainties develop over Canadian monetary and fiscal policies, we could experience some temporary upward spikes in rates. However, we do not foresee any fundamental trend toward higher rates over the next six to twelve months.

As the new year brings changes to our outlook for interest rates, the average term of the Canadian T-Bill Fund portfolio will be adjusted to enhance returns. However, the average term will not be extended beyond 90 days.

## STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)

31 DEC 93

### CANADA TREASURY BILLS

Par Value	Maturity Dates	Cost	% of Net Assets
1 483 047	January 4, 1994 to March 31, 1994	\$1 469 286	81.4%
360 250	April 1, 1994 to May 31, 1994	352 235	19.5%
TOTAL INVESTMENTS		1 821 521	100.9%
OTHER NET ASSETS		(17 353)	(0.9)%
NET ASSETS		\$1 804 168	100.0%

Treasury Bills earn interest at rates ranging from 3.80% to 4.97%.

## COMMENTARY

BY THE END OF 1993, U.S. monetary policy had been static for a record 16 months. As a result, we have experienced stable short-term interest rates hovering in the 3.00% range.

In this environment, the Fund was managed defensively. The average term to maturity was reduced slightly to 26 days at mid-year, and stood at 18 days at December 31, 1993.

This is the only RoyFund Mutual Fund denominated in a currency other than the Canadian dollar. The Fund's yields and performance are expressed in U.S. dollars. A relatively stronger U.S. dollar will tend to improve a unitholder's return.

During the first half of 1993, the Canadian dollar was stable at around U.S. \$0.78. But then, because of narrowing interest rate spreads between the two countries, the Canadian dollar declined significantly, and closed at U.S. \$0.75 on December 31, 1993.

Because of this decline investors in this Fund experienced a foreign exchange gain of 4.0% in Canadian-dollar terms.

## OUTLOOK

THE U.S. ECONOMIC RECOVERY continued, and by year-end 1993 there was much less slack in the U.S. economy than in Canada. As a result, there could be a modest rise in U.S. short-term interest rates in the latter part of 1994, especially if inflationary pressures develop. Because of this risk the Fund expects to maintain its defensive strategy, and keep the average term to maturity of its portfolio relatively short.

As for the Canadian dollar, there could be further bouts of weakness against the U.S. currency in 1994. However, we do not expect it to breach its all-time low of U.S. \$0.69. That could provide a base for a substantial recovery, given the right economic and political conditions.

*Investors in this Fund gained from the stronger U.S. dollar in 1993. Looking ahead, the Fund will continue to be managed defensively because of the risk that rates could rise in the U.S. during 1994.*

Year Ended 31 Dec	Unit Value Close	Income Distribution Per Unit	Annual Rate of Return
1993	\$10.00	\$0.20	2.1%†
1992	10.00	0.28	2.8
1991	10.00	0.52	N/A

† CURRENT YIELD 2.2% AT 31 DEC 93

## Net Assets \$50.5 million

### UNIT VALUES

High	Low	Close
\$ 10.00	\$ 10.00	\$10.00

YEAR ENDED 31 DEC 93

### ANNUAL RATE OF RETURN

1 Year
2.1%

To 31 DEC 93

## STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN 000s of U.S.\$)

31 DEC 93

Par Value	Cost	% of Net Assets
<b>GOVERNMENT AND GOVERNMENT GUARANTEED</b>		
<b>Provincial Obligations</b>		
9 000 Ontario Hydro	\$ 8 936	
9 000 Province of Alberta	8 932	
	17 868	35.4%
<b>BANKERS' ACCEPTANCES AND BANK OBLIGATIONS</b>		
4 000 Bank of Montreal	3 976	
2 500 Canadian Imperial Bank of Commerce	2 488	
3 500 The Toronto Dominion Bank	3 482	
	9 946	19.7%
<b>COMMERCIAL PAPER</b>		
4 100 Bell Canada	4 067	
4 500 Chevron Canada Enterprises Limited	4 475	
4 500 RTZ Canada Inc.	4 472	
4 500 Seagram Company Ltd.	4 475	
4 200 Woodbridge Finance Corp.	4 181	
	21 670	42.9%
<b>TOTAL INVESTMENTS</b>	<b>49 484</b>	<b>98.0%</b>
<b>OTHER NET ASSETS</b>	<b>975</b>	<b>2.0%</b>
<b>NET ASSETS</b>	<b>\$ 50 459</b>	<b>100.0%</b>

Investments, which are grouped by issuer, earn interest at rates ranging from 3.09% to 3.35% and mature between January 4, 1994 and March 8, 1994.

*Five-year mortgage rates have declined to a historic low. However, the market appears to be at or near the bottom, and we do not foresee major rate changes for at least the next six months. The Fund will continue investing in five-year mortgages because of their significant yield advantage.*

Year Ended 31 Dec	Unit Value Close	Income Distribution Per Unit	Annual Rate of Return
1993	\$11.21	\$0.51	12.3%
1992	10.45	0.46	N/A

**Net Assets \$1,265.9 million**

#### UNIT VALUES

High	Low	Close
\$ 11.47	\$ 10.45	\$11.21

YEAR ENDED 31 DEC 93

#### ANNUAL RATE OF RETURN

1 Year

12.3%

To 31 DEC 93

#### COMMENTARY

CANADIAN RESIDENTIAL mortgage rates continued to decline in 1993, generally following the decline in yields among one-year to five-year bonds. This stemmed from Canada's low-interest-rate monetary policy, and reduced expectations of inflation. To put the trend in perspective, by the end of 1993 the posted rates for five-year mortgages were at a record low since the five-year market developed a quarter of a century ago.

Five-year mortgages began the year at 9.50%. Including a full percentage point drop late in the year, they had declined to 7.75% at December 31, 1993.

Since its inception in January, 1992, the RoyFund Mortgage Fund has been invested in high-quality, five-year mortgages. This was in line with the view that interest rates would be declining for some time. All mortgages held by the Fund are residential, geographically diversified across Canada, and are guaranteed by the Royal Bank of Canada.

As at December 31, 1993, mortgages made up 91% of the Fund's portfolio. All of the mortgages in the Fund's portfolio mature in 1997 and 1998, giving the Fund an average term to maturity of 4.3 years. The balance of the portfolio is held in Canadian Treasury Bills and cash for liquidity purposes.

#### OUTLOOK

WE DO NOT FORESEE ANY further significant declines in mortgage rates. In fact, we expect that rates will remain relatively stable over the next six months to one year. Based on this outlook, we expect to continue investing new cash flow of the Fund into five-year mortgages. They continue to offer a significant yield advantage over short-term mortgages.

STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)

31 DEC 93

Mortgages	Number of Mortgages	Mortgage Rates (%)	Maturity		Total Principal	Cost	Market Value	% of Net Assets
			1997	1998				
Conventional Canadian Residential	615	8.250	\$ —	\$ 62 446	\$ 62 446	\$ 64 090	\$ 64 090	
	1 709	8.500	128 098	—	128 098	126 617	132 664	
	59	8.625	5 896	—	5 896	5 927	6 121	
	5 652	8.750	65 226	311 545	376 771	381 588	392 571	
	438	8.875	32 870	—	32 870	33 392	34 369	
	4 223	8.950	—	280 631	280 631	289 161	296 137	
	1 257	9.000	59 243	33 622	92 865	92 412	97 779	
	104	9.250	6 003	—	6 003	6 131	6 354	
	790	9.500	4 286	45 162	49 448	50 267	52 891	
	181	9.625	11 477	—	11 477	11 970	12 233	
	723	9.750	45 266	—	45 266	44 792	48 864	
	99	9.900	6 899	—	6 899	7 058	7 523	
<b>TOTAL MORTGAGES</b>	<b>15 850</b>		<b>\$ 365 264</b>	<b>\$733 406</b>	<b>\$1 098 670</b>	<b>1 113 405</b>	<b>1 151 596</b>	<b>91.0%</b>
<b>CANADA TREASURY BILLS</b>						<b>58 268</b>	<b>58 268</b>	<b>4.6%</b>
<b>TOTAL INVESTMENTS</b>						<b>1 171 673</b>	<b>1 209 864</b>	<b>95.6%</b>
<b>OTHER NET ASSETS</b>						<b>56 079</b>	<b>56 079</b>	<b>4.4%</b>
<b>NET ASSETS</b>						<b>\$1 227 752</b>	<b>\$1 265 943</b>	<b>100.0%</b>

PREVAILING MORTGAGE RATES AT DECEMBER 31, 1993	1 Year	6.25%
	2 Year	6.50%
	3 Year	6.90%
	4 Year	7.50%
	5 Year	7.75%

*The RoyFund Bond Fund performed well in 1993.*

*Now it appears that most of the capital gains in bonds are behind us.*

*In the new year, the Fund will be positioned to emphasize quality and take advantage of any market opportunities.*

Year Ended 31 Dec	Unit Value Close	Income Distribution Per Unit	Capital Distribution Per Unit	Annual Rate of Return
1993	\$ 5.66	\$ 0.34	\$ 0.07	14.9%
1992	5.30	0.35	0.14	8.1
1991	5.36	0.39	—	21.8
1990	4.74	0.48	—	6.5
1989	4.92	0.48	—	10.9
1988	4.87	0.45	—	7.2
1987	4.97	0.43	—	4.4
1986	5.17	0.45	—	11.4
1985	5.06	0.46	—	19.2
1984	4.64	0.49	—	10.3

**Net Assets \$762.8 million**

#### UNIT VALUES

High	Low	Close
\$ 5.92	\$ 5.26	\$ 5.66

YEAR ENDED 31 DEC 93

#### ANNUAL RATES OF RETURN

1 Year	3 Year	5 Year
14.9%	14.8%	12.3%

To 31 DEC 93

### COMMENTARY

THE BULL MARKET IN Canadian bonds continued throughout 1993. Long-term bonds enjoyed returns of over 20%.

The reasons for these generous returns were low inflation and a weak world economy. These factors more than offset the political uncertainty of an election-year in Canada and concerns about government debt.

Foreign buyers, attracted by yields that were well above inflation levels, helped to buoy the Canadian bond market. This attraction overcame international concerns about the Canadian dollar, which declined about 4% over the course of the year. The growing consensus that the decline of the Canadian dollar was over was good news, as foreign investors will have to continue buying Canadian debt because Canadians simply do not have the capital to fund their deficits by themselves.

One of the year's surprises was the strong performance of provincial government issues which outperformed Government of Canada issues by about 2.5%. At the start of the year, investors were concerned about mounting provincial deficits, worrying that the supply of provincial bonds would swamp the demand. However, demand was greater than anticipated because of the generally strong bond market, and the generous yield advantage offered by the provincial issues. By the year-end, much of this advantage had eroded.

Most of the capital gains from bonds in 1993 were achieved in the summer. By the fall, the economy was showing signs of recovery, which caused the U.S. bond market to decline. In

contrast, Canada's lower inflation rate and more anemic recovery caused the Canadian bond market to hold steady.

The Bank of Canada did its part to help bond investors. Yields on 91-day Treasury Bills dropped to 3.85% in 1993 from 7.00% at the start of the year, as the central bank tried to revive the economy through a stimulative monetary policy. This helped the bond market in two ways. It created good bond returns, because bond prices rise as interest rates fall, and because T-Bill yields were so low, bonds looked better to income-oriented investors seeking good returns.

### OUTLOOK

A POSITIVE FACTOR FOR THE Canadian market as we enter 1994 is continued low inflation. Another is the solid value of bonds in contrast to low money market rates.

While Canada's economic recovery is welcome, it probably means the end of large capital gains in bonds, because interest rates may not drop much further, if at all.

The number of new provincial issues will be a problem in 1994 and provincials will probably not significantly outperform Government of Canada bonds, as they did in 1993.

As always, the RoyFund Bond Fund will emphasize credit quality. For example, at year-end 1993 the Fund had no corporate bonds in the portfolio.

The Fund enters 1994 with a relatively neutral average term to maturity of 9.0 years. During the year, we expect little clear direction in the bond market. Given that, the Fund will be prepared to take advantage of any sell-offs in the market that do occur.

STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)

31 DEC 93

Par Value		Coupon Rate	Maturity	Cost	Market Value	% of Net Assets
<b>BONDS AND DEBENTURES</b>						
<b>Government and Government Guaranteed</b>						
31 900	Government of Canada	6.25%	15-Sep-95	\$ 32 500	\$ 32 798	
64 450	Government of Canada	9.75%	01-Oct-97	71 996	73 731	
69 200	Government of Canada	6.50%	01-Sep-98	71 258	71 414	
69 270	Government of Canada	10.50%	01-Mar-01	82 463	85 618	
38 100	Government of Canada	7.25%	01-Feb-03	37 466	39 329	
76 300	Government of Canada	7.50%	01-Dec-03	79 657	81 031	
65 470	Government of Canada	9.50%	01-Jun-10	74 265	79 382	
19 200	Government of Canada	9.75%	01-Jun-21	24 312	24 470	
36 300	Government of Canada	9.25%	01-Jun-22	40 359	44 050	
15 125	Central Mortgage & Housing Corp.	6.00%	01-Dec-98	15 099	15 223	
				529 375	547 046	71.7%
<b>Provincial and Provincial Guaranteed</b>						
71 650	Ontario Hydro	7.25%	31-Mar-98	70 657	75 136	
8 150	Ontario Hydro	9.00%	24-Jun-02	8 260	9 150	
26 920	Province of Alberta	7.75%	04-Feb-98	27 476	28 858	
20 000	Province of British Columbia	9.00%	09-Jan-02	19 729	22 735	
15 450	Province of British Columbia	7.75%	16-Jun-03	15 801	16 296	
13 000	Province of Manitoba	9.25%	21-May-97	12 968	14 502	
30 000	Province of Ontario	10.75%	01-May-96	33 175	33 757	
				188 066	200 434	26.3%
<b>TOTAL BONDS</b>				717 441	747 480	98.0%
<b>CANADA TREASURY BILLS</b>				2 850	2 850	0.4%
<b>TOTAL INVESTMENTS</b>				720 291	750 330	98.4%
<b>OTHER NET ASSETS</b>				12 487	12 487	1.6%
<b>NET ASSETS</b>				\$ 732 778	\$ 762 817	100.0%

*In its first year, the Fund benefited from the continuing pattern of interest rate declines in several major markets. For the year ahead, the most potential for gains appears to be in European bonds.*

Year Ended 31 Dec	Unit Value Close	Income Distribution Per Unit	Capital Distribution Per Unit	Annual Rate of Return
1993	\$10.84	\$ 0.28	\$ 0.09	N/A

**Net Assets \$58.5 million**

#### UNIT VALUES

High	Low	Close
\$ 11.44	\$ 10.00	\$10.84

YEAR ENDED 31 DEC 93

#### COMMENTARY

THE ROYFUND INTERNATIONAL Income Fund was launched on January 6, 1993, and had grown to \$58 million in assets by the year-end.

At June 30, the Fund's asset mix was 61% U.S. bonds, 36% European bonds (mostly France and Germany), with the remaining 3% in U.S. cash. By the calendar year-end, the asset mix was as follows: 36% in U.S. bonds; 57% in European bonds (mostly Germany and France) with the remaining 7% in short-term U.S. dollar investments.

The Fund's first year was an eventful one, as many of the world's major economies either remained mired in recession or began to emerge from it. This, of course, had a major bearing on the direction of interest rates around the globe.

The U.S. market established a low in longer-term yields in September, but since then backed up by about 45 basis points, and was showing signs of stability at the year-end.

The Japanese bond market has been bullish because of the clear need for lower interest rates to deal with the nation's sharp recession. The Japanese currency moved well away from its all-time high of 100.40 yen to the U.S. dollar, and at the year-end was trading around 110.50 to the U.S. dollar.

Meanwhile, interest rates in Continental Europe showed steady declines, with the German Bundesbank in the key driver's seat. The continuing rate decline in Europe was caused by the central bank's desire to stimulate their economies. These markets also lag behind interest rate developments in North America, as well as in Japan's fixed-income markets.

#### OUTLOOK

LOOKING AHEAD, WE EXPECT the Canadian dollar to be relatively weak in 1994. As for Japan, the risk seems to be that there will be outright deflation, which suggests one or more official discount rate cuts. However, there is little room to cut further, since the discount rate already was at a historically low 1.75% at the year-end.

The best potential, in our view, lies in Europe. European bond markets are lagging behind the bullish developments in the U.S. and Japan. There is further potential for capital appreciation at least well into the first half of 1994, particularly in the German market.

Given this outlook, the Fund will remain relatively overweighted in European bonds.

**STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)**

**31 DEC 93**

Par Value		Coupon Rate	Maturity	Cost	Market Value	% of Net Assets
<b>US Dollar</b>						
6 000	Export Development Corporation	8.125%	10-Aug-99	\$ 8 794	\$ 8 907	
4 000	Province of Manitoba	6.000%	15-Oct-97	5 236	5 423	
5 000	Province of Ontario	6.125%	28-Jun-00	6 577	6 670	
				20 607	21 000	35.9%
<b>Deutsche Mark</b>						
3 210	Interamerican Development Bank	7.500%	16-Dec-02	2 717	2 689	
7 750	World Bank	5.875%	10-Nov-03	6 162	5 965	
1 950	World Bank	0.000%	20-Dec-15	411	401	
4 375	Province of Ontario	6.250%	13-Jan-04	3 375	3 337	
1 500	Bundesanihe	6.500%	15-Jul-03	1 208	1 211	
1 526	Bundesanihe	6.000%	20-Jun-16	1 076	1 136	
1 650	Deutsche Bundesbahn	6.125%	28-Oct-03	1 286	1 273	
				16 235	16 012	27.4%
<b>French Franc</b>						
4 170	Interamerican Development Bank	7.000%	13-Sep-00	1 007	1 004	
4 000	World Bank	8.125%	24-Nov-99	1 016	1 011	
8 200	World Bank	8.375%	16-Mar-00	2 121	2 098	
2 488	O.A.T.	8.500%	25-Apr-03	632	670	
8 724	O.A.T.	5.500%	25-Apr-04	1 914	1 933	
102 000	O.A.T. Strip Principal	0.000%	25-Apr-23	2 879	3 414	
				9 569	10 130	17.3%
<b>Dutch Guilder</b>						
1 850	World Bank	6.750%	23-Jun-03	1 297	1 349	
				1 297	1 349	2.3%
<b>British Pound</b>						
1 585	Province of Ontario	6.875%	15-Sep-00	3 121	3 176	
				3 121	3 176	5.4%
<b>Spanish Peseta</b>						
253 000	World Bank	12.450%	09-Feb-98	2 801	2 686	
				2 801	2 686	4.6%
<b>TOTAL BONDS</b>				53 630	54 353	92.9%
<b>SHORT-TERM INVESTMENTS</b>				5 269	5 269	9.0%
<b>TOTAL INVESTMENTS</b>				58 899	59 622	101.9%
<b>OTHER NET ASSETS</b>				(1 132)	(1 132)	(1.9)%
<b>NET ASSETS</b>				\$ 57 767	\$ 58 490	100.0%

*The past year brought excellent returns from Canadian stocks, while low interest rates made dividend-paying shares even more attractive. For the year ahead, the Fund will focus on financial service stocks rather than utilities, and pipelines rather than oil and gas.*

Year Ended 31 Dec	Unit Value Close	Income Distribution Per Unit	Annual Rate of Return
1993	\$12.08	\$0.16	N/A

**Net Assets \$162 million**

#### UNIT VALUES

High	Low	Close
\$ 12.14	\$ 10.00	\$12.08

YEAR ENDED 31 DEC 93

## COMMENTARY

1993 WAS A BUOYANT ONE for Canadian stocks, primarily because of declining interest rates and a moderate pick-up in economic activity. Corporate profits were not impressive, instead the market's strength came from faith in future earnings improvements.

The resource sectors were the stars of 1993, paced by the gold shares but with important contributions from the energy, forest products and conglomerate industries. The declining Canadian dollar, plus increased interest from foreign investors, helped the resource stocks. In contrast, companies more dependent on the consumer fared relatively poorly in 1993.

The interest-rate-sensitive sectors that are attractive because of their dividend payouts had a reasonable year. Financial services, pipelines and utilities lagged the overall market, but generated good returns on an absolute basis. These sectors have been favourably affected by the decline in short- and long-term interest rates. This helped their profitability, and made their dividend-paying shares attractive to investors looking for higher returns.

At the close of 1993, the Canadian stock market was staging a traditional seasonal rally. This occurs as fund managers anticipate a new inflow of cash from retirement-oriented investors, and as some cyclical sectors of the market, such as mines, enjoy seasonal strength. The year-end is also when analysts start to project earnings for the new year taking the focus off what have often been disappointing results in the year past.

## OUTLOOK

AS 1994 BEGINS, THE LONG-term decline in interest rates appears to be over. This removes an important factor in the stock market's rally. Earnings, brought about by economic recovery will have to drive the stock market in 1994.

While interest rates are stabilizing, we do not foresee a material increase in rates over the intermediate term. This stability is a good background for interest-sensitive stocks, particularly if rates are stable at low levels. The pipeline and utility sectors are fully priced in the current environment.

Canada's banks are more sensitive to the economy than to rates, and would benefit from the kind of improvement in credit quality shown over the past three quarters.

Other holdings of the Fund that would benefit from more robust economic growth include the communications, consumer products, industrial products and the mining sector holdings.

Over the next six months, we do not expect major gains in the Canadian stock market. In this environment, higher-yielding stocks become more attractive.

The Fund's focus will be on companies that can increase their dividends, or which have the potential for substantial special dividends.

Returns from high-yielding stocks should continue to compare favourably with returns from short-term fixed-income instruments.

For the near term, the Fund will maintain low cash reserves. It will focus on financial service stocks rather than utilities, and pipelines rather than oil and gas. As well, the term of the Fund's preferred share portfolio will be shortened.

STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)

31 DEC 93

Number of Shares		Cost	Market Value	% of Net Assets
<b>PREFERRED EQUITIES</b>				
<b>CANADA</b>				
<b>Retractable Preferreds</b>				
80 200	Bank of Montreal, 6.75% Class B Series 2, \$25 (US) pv	\$ 2 878	\$ 2 933	
200 000	The Bank of Nova Scotia, 7.15% Series 6, \$25 pv	5 391	5 500	
105 400	Canadian Imperial Bank of Commerce, 6.50% Class A Series 12, \$25(US) pv	3 779	3 750	
99 500	Canadian Imperial Bank of Commerce, 7.00% Class A Series 13, \$25 pv	2 657	2 699	
13 000	Canadian Utilities Ltd. Series Q \$1.475	339	341	
50 000	The Consumers Gas Co. C 5.72% group 3	1 250	1 300	
105 300	CT Financial Services, Preference 1 Series 4	2 810	2 922	
118 100	Great-West Lifeco Inc., 7.50% Series A, \$25 pv	3 141	3 233	
146 500	Great-West Lifeco Inc., 7.45% Series B, \$25 pv	3 898	4 029	
86 700	National Bank of Canada, 8.75% Series 10, \$25 pv	2 299	2 406	
51 800	National Bank of Canada, 8.00% Series 11, \$25 pv	1 344	1 399	
96 600	Nova Scotia Power, 6.00% Series A	2 516	2 560	
132 100	Power Financial Corp., 7.00% Series B	3 521	3 666	
25 000	Union Gas Limited, 6.74% Class B Series 9, \$25 pv	627	666	
21 200	Westcoast Energy Inc., 7.68% First Series 1, \$25 pv	547	564	
<b>TOTAL PREFERRED EQUITIES</b>		<b>36 997</b>	<b>37 968</b>	<b>23.4%</b>
<b>COMMON EQUITIES</b>				
<b>CANADA</b>				
<b>Metals and Minerals</b>				
80 000	Potash Corporation of Saskatchewan Inc.	2 035	2 670	
110 000	Rio Algom Ltd. Instalment Receipts	1 600	1 911	
		<b>3 635</b>	<b>4 581</b>	<b>2.8%</b>
<b>Oil and Gas</b>				
70 000	Imperial Oil Limited	3 349	3 132	
80 000	Shell Canada Limited, Class A	3 145	3 070	
100 000	Suncor Inc.	2 932	3 088	
		<b>9 426</b>	<b>9 290</b>	<b>5.7%</b>
<b>Consumer Products</b>				
170 000	Ault Foods Limited	3 017	2 847	
60 000	Imasco Limited	2 297	2 408	
200 000	Labatt (John) Ltd., Instalment Receipts	1 595	1 525	
		<b>6 909</b>	<b>6 780</b>	<b>4.2%</b>
<b>Industrial Products</b>				
185 000	Alberta Natural Gas Company Ltd.	3 089	3 053	
150 000	Moore Corporation Limited	3 699	3 825	
		<b>6 788</b>	<b>6 878</b>	<b>4.3%</b>

31 DEC 93

## STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)

Number of Shares/Par Value		Cost	Market Value	% of Net Assets
<b>Pipelines</b>				
120 000	Interprovincial Pipelines	\$ 3 443	\$ 3 870	
180 000	TransCanada PipeLines Limited	3 607	3 623	
200 000	Westcoast Energy Inc.	4 140	4 400	
		11 190	11 893	7.3%
<b>Utilities</b>				
201 700	Atco Ltd., Class I	2 994	3 378	
140 000	BCE Inc.	6 340	6 475	
80 000	Cdn Utilities Limited, Class A	1 834	2 050	
105 000	Fortis Inc.	2 783	3 006	
45 600	Maritime Electric Ltd.	898	963	
127 300	Maritime Telegraph & Telephone	2 863	3 119	
260 000	Nova Scotia Power	3 194	3 380	
216 900	Telus Corporation	3 172	3 470	
230 000	TransAlta Corporation	3 449	3 508	
		27 527	29 349	18.1%
<b>Communications and Media</b>				
170 000	The Thomson Corporation	2 682	2 762	
140 000	WIC Western International Communication Ltd., Class B	2 303	2 345	
		4 985	5 107	3.2%
<b>Financials</b>				
300 000	Bank of Montreal	7 886	8 288	
300 000	The Bank of Nova Scotia	8 422	9 188	
160 000	National Bank of Canada	1 624	1 720	
420 000	The Toronto-Dominion Bank	8 421	8 977	
		26 353	28 173	17.4%
<b>Convertible Securities</b>				
\$ 900	Revenue Properties Company Ltd, 7.50% Oct 01 03	1 017	1 111	
30	Teleglobe Inc., Pfd 2Nd \$2.00 Ret Cv	1 345	1 485	
50	TransCanada PipeLines Limited, Equity 2nd Pfd "B"	936	969	
		3 298	3 565	2.2%
<b>TOTAL COMMON EQUITIES</b>		100 111	105 616	65.2%
<b>Par Value</b>				
<b>BONDS</b>				
\$ 7 500	Government of Canada RRB, 4.25% Dec 01 21	8 026	8 391	
		8 026	8 391	5.2%
<b>CANADA TREASURY BILLS</b>		10 596	10 596	6.5%
<b>TOTAL INVESTMENTS</b>		155 730	162 571	100.3%
<b>OTHER NET ASSETS</b>		(611)	(611)	(0.3)%
<b>TOTAL ASSETS</b>		\$ 155 119	\$ 161 960	100.0%

## COMMENTARY

THE FUND BENEFITED FROM strong performance in the stock and bond markets in 1993. From the start of 1993 to mid-December, long-term bonds brought returns of nearly 20% to delighted investors.

The strength of the bond market grew out of Canada's low inflation, and the weak world economy. These factors more than offset the political uncertainty of an election year in Canada and concerns about government debt.

As the year progressed, the Fund continued to emphasize equities in its portfolio. By year-end, domestic and foreign stocks made up nearly 52% of the portfolio. Another 40% of the Fund's portfolio was in bonds.

Because of the heavy inflow of money from investors during the second half of the year, there were times when the cash holdings of the Fund were above 10%. However, the cash portion of the portfolio was reduced to 8.6% by the year-end.

Among Canadian equity holdings, the Fund continued to emphasize natural resource stocks, particularly gold, energy and forest products issues, plus cyclical stocks such as steel producers. To accommodate this shift, the Fund has gradually reduced its weightings in interest-sensitive stocks. As well, the Fund's portfolio continues to have less emphasis on industries that are dependent on the Canadian consumer.

## OUTLOOK

AS WE ENTER 1994, A POSITIVE factor for the Canadian bond market is low inflation. Another is the solid value that bonds represent, in contrast to low money market rates.

While Canada's economic recovery is welcome, it probably means that interest rates will not drop much further, if at all. In this environment we cannot expect large capital gains in bonds, which tend to rise in price when interest rates decline. As a result, we are maintaining a neutral strategy towards the term to maturity of the Fund's bond holdings. During the year we expect little direction in bonds. If any sell-offs in the bond market do occur, the Fund will be prepared to take advantage of them.

As for stocks, the Fund has moved aggressively into foreign equity markets, and at the year-end was approaching the maximum permitted exposure. The U.S. market is the Fund's primary focus, with more than 60% of the foreign holdings in that market.

Outside of North America, the Fund's portfolio emphasizes European holdings, with equity investments in France, Germany, Spain, the U.K. and the Netherlands.

We continue to believe that the Canadian dollar is vulnerable, and that Canadian exporters will benefit from any decline in the dollar's exchange rate. The Fund's Canadian equity holdings will focus on exporters and natural resource companies. Specifically, the Fund will emphasize holdings in gold, pulp and paper, steel and fertilizer issues. Our enthusiasm has not spread to the base metals, because of the huge metal inventories that we expect will depress metal prices for some time.

*Canada's excellent bond market was a highlight of 1993. However, there seems to be little chance to repeat those gains in 1994. As a result, the Fund has been emphasizing stocks in its portfolio, with more than half of the Fund's portfolio in equities at the year-end.*

Year Ended 31 Dec	Unit Value Close	Income Distribution Per Unit	Capital Distribution Per Unit	Annual Rate of Return
1993	\$ 7.12	\$ 0.12	\$ -	22.6%
1992	5.91	0.16	0.05	8.5
1991	5.65	0.21	0.01	15.0
1990	5.11	0.30	-	-2.5
1989	5.54	0.25	0.10	15.8
1988	5.14	0.19	-	6.7

**Net Assets \$1,209.4 million**

### UNIT VALUES

High	Low	Close
\$ 7.18	\$ 5.89	\$ 7.12

YEAR ENDED 31 DEC 93

### ANNUAL RATES OF RETURN

1 Year	3 Year	5 Year
22.6%	15.2%	11.6%

To 31 DEC 93

Number of Shares		Cost	Market Value	% of Net Assets
<b>COMMON EQUITIES</b>				
<b>CANADA</b>				
<b>Metals and Minerals</b>				
200 000	Cameco Corporation	\$ 3 841	\$ 5 700	
75 000	Cominco Ltd.	1 082	1 519	
152 500	Inco Limited	4 584	5 414	
136 700	Potash Corporation of Saskatchewan Inc.	3 302	4 562	
250 000	Rio Algom Ltd., First Instalment Receipts	3 423	4 344	
		16 232	21 539	1.8%
<b>Gold and Silver</b>				
260 000	American Barrick Resources Corporation	5 646	9 783	
50 000	Franco-Nevada Mining Corp. Ltd.	3 585	4 575	
172 500	Glamis Gold Ltd.	654	1 660	
500 000	Goldcorp Inc. Class A	3 824	4 563	
400 000	Hemlo Gold Mines Inc.	4 444	5 800	
1 499 999	Kinross Gold Corporation	4 052	6 300	
400 000	Lac Minerals Ltd.	3 691	4 600	
250 000	Placer Dome Inc.	4 943	8 219	
400 000	Prime Resources Group Inc.	1 120	3 700	
280 000	Rayrock Yellowknife Resources Inc.	2 846	4 410	
125 000	Teck Corporation, Class B	2 405	2 906	
350 000	Viceroy Resource Corporation	2 712	3 937	
		39 922	60 453	5.0%
<b>Oil and Gas</b>				
115 000	Anderson Exploration Ltd.	2 361	3 292	
421 800	Beau Canada Explorations Limited, Class A	1 055	991	
1 078 200	Belmoral Mines Limited Special Warrants	2 480	2 534	
140 000	Canadian Natural Resources Ltd.	284	2 520	
1 000 000	Chancellor Energy Resources Inc.,	2 498	2 585	
50 000	Chieftain International, Inc.	1 051	1 088	
425 000	Discovery West Corporation	1 440	2 497	
275 000	Elan Energy Inc.	3 383	2 956	
200 000	Home Oil Company Limited	3 640	3 450	
600 000	Intensity Resources Ltd	2 208	1 621	
549 700	Mannville Oil & Gas Ltd.	3 916	3 573	
145 200	Mark Resources Inc.	1 514	1 270	
600 000	Morgan Hydrocarbons Inc.	3 179	2 640	
400 000	Poco Petroleum Ltd.	2 732	3 550	
100 000	Renaissance Energy Ltd.	2 210	2 825	
170 000	Rigel Energy Corporation	2 802	3 060	
350 000	Rio Alto Exploration Ltd.	612	2 888	
350 000	Sceptre Resources Limited	4 448	4 462	
100 000	Suncor Inc.	2 726	3 087	
160 000	Talisman Energy Inc.	2 928	4 640	
500 000	Wascana Energy Inc.	4 746	4 125	
		52 213	59 654	4.9%
<b>Paper and Forest Products</b>				
70 000	Canfor Corporation	2 053	2 853	
103 000	Donohue Inc., Class A	1 634	2 369	
101 538	Fletcher Challenge Canada Limited, Class A	1 723	2 094	
80 000	MacMillan Bloedel Limited	1 722	1 700	
155 000	MacMillan Bloedel, First Instalment Receipts	1 759	1 744	
150 000	Quno Corporation	2 831	3 712	
49 000	West Fraser Timber Co. Ltd.	1 564	2 352	
		13 286	16 824	1.4%

STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)

31 DEC 93

Number of Shares		Cost	Market Value	% of Net Assets
<b>Consumer Products</b>				
226 000	Ault Foods Limited	\$ 3 907	\$ 3 785	
191 800	Canada Malting Co. Ltd.	2 802	3 069	
110 000	Imasco Limited	4 067	4 414	
500 000	Labatt (John) Ltd. Instalment Receipts	4 205	3 812	
35 000	Magna International Inc., Class A	1 008	2 284	
75 000	Maple Leaf Foods Inc.	1 030	966	
200 000	MDS Health Group Limited, Class B	2 742	2 475	
100 000	The Molson Companies Limited, Class A	2 793	2 862	
200 000	Schneider Corporation, Class A	2 918	3 600	
300 000	The Seagrams Company Ltd.	10 207	10 425	
		35 679	37 692	3.1%
<b>Industrial Products</b>				
206 100	Agra Industries Ltd., Class B	1 753	2 061	
125 000	Co-Steel Inc.	2 707	3 563	
166 200	Cominco Fertilizers Ltd.	2 141	3 719	
400 000	DMR Group Inc., Class A	2 306	2 200	
260 000	DMR Group Inc., Warrants, November 21, 1994	263	162	
160 000	Dofasco Inc.	2 682	3 720	
145 000	Ipsco Inc.	3 374	3 770	
150 000	Moore Corporation Limited	3 494	3 825	
128 300	Motor Coach Industries Ltd.	1 595	2 021	
525 000	Nova Corporation of Alberta	4 677	4 922	
208 000	Sherritt Inc.	1 709	2 236	
275 000	SHL Systemhouse Inc.	2 916	2 612	
100 000	SNC-Lavalin Group Inc., Class A	1 519	1 875	
175 000	United Dominion Industries Limited	2 954	4 397	
		34 090	41 083	3.4%
<b>Transportation and Environmentals</b>				
100 000	Greyhound Lines of Canada Ltd.	1 859	2 200	
450 000	Laidlaw Inc., Class B	4 016	4 106	
		5 875	6 306	0.5%
<b>Pipelines</b>				
310 000	TransCanada PipeLines Limited	5 642	6 239	
375 000	Westcoast Energy Inc.	7 740	8 250	
		13 382	14 489	1.2%
<b>Utilities</b>				
185 000	Atco Ltd., Class I	2 323	3 099	
400 000	BCE Inc.	18 069	18 500	
35 000	BCE Mobile Communications Inc.	992	1 448	
325 000	Nova Scotia Power Inc.	3 837	4 225	
200 000	Quebec Telephone	3 737	4 300	
32 100	Rogers Cantel Mobile Communications Inc., Class B	931	1 139	
240 000	Teleglobe Inc.	3 533	4 800	
260 100	Telus Corporation	3 491	4 162	
		36 913	41 673	3.5%
<b>Communications and Media</b>				
100 000	CanWest Global Communication Corp.	1 757	2 500	
200 000	CFCF Inc.	2 878	3 450	
340 000	Maclean Hunter Limited	4 095	4 292	
80 000	Quebecor Printing Inc.	1 651	1 980	
100 000	Shaw Cablesystems Ltd., Class B	1 702	2 500	
200 000	The Thomson Corporation	2 904	3 250	
165 000	WIC Western International Communications Ltd., Class B	2 448	2 764	
		17 435	20 736	1.7%

Number of Shares/Par Value		Cost	Market Value	% of Net Assets
<b>Merchandising</b>				
87 000	Hudson's Bay Company	\$ 2 799	\$ 3 436	
125 000	North West Company Inc.	1 979	2 250	
100 000	Weston (George) Ltd.	4 195	3 900	
		8 973	9 586	0.8%
<b>Financials</b>				
600 000	Bank of Montreal	14 542	16 575	
400 000	The Bank of Nova Scotia	10 298	12 250	
200 000	Canadian Imperial Bank of Commerce	6 176	6 600	
729 800	Dundee Bancorp Inc., Class A	3 524	6 659	
1 500 000	Harrowston Inc., Class A	3 226	3 300	
250 000	Mackenzie Financial Corporation	1 682	2 844	
700 000	The Toronto-Dominion Bank	13 283	14 963	
		52 731	63 191	5.2%
<b>Conglomerates</b>				
450 000	Canadian Pacific Limited	8 993	9 731	
220 000	Onex Corporation	1 804	3 795	
		10 797	13 526	1.1%
<b>Investment Funds</b>				
195 600	Realfund Trust Units	2 659	2 665	
		2 659	2 665	0.2%
<b>Convertible Securities</b>				
\$ 4 000	Abitibi Price Inc., 7.85%, March 1, 2003	4 685	4 960	
800	Agra Industries Ltd., 8.00% Sub Deb November 1, 2001	800	944	
1 353	Noranda Forest Inc., 7.25%, October 30, 2003	1 895	1 955	
2 200	Revenue Properties Company Ltd., 7.50%, October 1, 2003	2 200	2 717	
2 500	Rogers Communications Inc., 7.50% September 1, 1999	2 599	2 775	
		12 179	13 351	1.1%
<b>TOTAL CANADIAN EQUITIES</b>		352 366	422 768	34.9%
<b>FOREIGN EQUITIES</b>				
<b>AUSTRALIA</b>				
<b>Miscellaneous</b>				
1 400 393	Pacific Dunlop, Ltd., Ord A\$0.50	6 044	6 799	
		6 044	6 799	0.6%
<b>FRANCE</b>				
<b>Capital Goods - Technology</b>				
34 900	Alcatel Alsthom	5 345	6 574	
		5 345	6 574	0.5%
<b>Basic Industries</b>				
46 620	Cie De St. Gobain	5 543	6 132	
		5 543	6 132	0.5%
<b>GERMANY</b>				
<b>Capital Goods - Technology</b>				
11 500	Siemens AG	6 652	6 980	
		6 652	6 980	0.5%
<b>Miscellaneous</b>				
23 700	Bayer AG	5 269	6 674	
		5 269	6 674	0.6%
<b>JAPAN</b>				
<b>Consumer Cyclical</b>				
242 000	Matsushita Electric Industrial Co., Ltd.	4 136	4 276	
		4 136	4 276	0.3%
<b>Capital Goods</b>				
245 000	Sekisui House, Ltd.	4 032	3 748	
		4 032	3 748	0.3%

STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)

31 DEC 93

Number of Shares		Cost	Market Value	% of Net Assets
<b>NETHERLANDS</b>				
<b>Consumer</b>				
98 000	Polygram N.V.	\$ 3 152	\$ 5 109	
44 000	Unilever N.V.	6 640	6 730	
		9 792	11 839	1.0%
<b>Miscellaneous</b>				
56 800	Elsevier N.V.	5 843	7 035	
		5 843	7 035	0.6%
<b>NEW ZEALAND</b>				
<b>Utilities</b>				
750 000	Telecom Corporation of New Zealand	2 237	2 479	
		2 237	2 479	0.2%
<b>SPAIN</b>				
<b>Utilities</b>				
675 000	Iberdrola S.A.	5 963	6 407	
		5 963	6 407	0.5%
<b>UNITED KINGDOM</b>				
<b>Miscellaneous</b>				
518 000	GKN plc.	5 134	5 352	
		5 134	5 352	0.4%
<b>UNITED STATES</b>				
<b>Credit Cyclical</b>				
100 000	Masco Corporation	4 657	4 899	
		4 657	4 899	0.4%
<b>Financials</b>				
85 000	Marsh & McLennan Companies Inc.	9 039	9 144	
122 500	Norwest Corporation	3 992	3 953	
		13 031	13 097	1.0%
<b>Consumer</b>				
135 000	Abbott Laboratories	5 190	5 273	
199 750	Archer-Daniel-Midland Company	6 274	6 017	
55 000	Dayton-Hudson Corporation	4 850	4 861	
80 000	Dillard Department Stores	4 080	4 025	
25 000	General Motors Corporation, Class E	973	968	
50 000	General Motors Corporation	3 417	3 632	
100 000	Multimedia Inc.	4 456	4 535	
115 000	Newell Company	4 831	6 147	
40 000	Reebok International Ltd.	1 470	1 589	
90 000	Tribune Company	5 301	7 164	
		40 842	44 211	3.6%
<b>Capital Goods</b>				
36 000	AMP Incorporated	2 668	3 009	
3 125	Aviall Inc.	66	63	
45 000	CBI Industries Inc.	1 694	1 809	
40 000	Destec Energy Inc.	910	761	
70 000	Emerson Electric Company	4 765	5 584	
167 000	KLA Instruments Corporation	2 921	6 138	
310 000	LSI Logic Corporation	5 943	6 567	
125 000	MCI Communication Corporation	2 817	4 675	
23 500	Parkin Hannifin Corporation	1 148	1 174	
83 000	Texas Instruments Incorporated	6 191	6 978	
180 000	WMX Technologies	6 483	6 285	
		35 606	43 043	3.5%
<b>Energy</b>				
130 000	Occidental Petroleum Corporation	3 302	2 948	
70 000	Schlumberger Limited	5 656	5 480	
		8 958	8 428	0.7%

31 DEC 93

## STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)

Number of Shares		Cost	Market Value	% of Net Assets
<b>Basic Industries</b>				
80 000	Allegheny Ludlum Corporation	\$ 1 457	\$ 2 529	
35 000	Georgia Pacific Corporation	2 789	3 186	
70 000	Rohm & Haas Co.	4 950	5 514	
		9 196	11 229	0.9%
<b>Transportation</b>				
12 500	Ryder System Inc.	390	439	
		390	439	0.4%
<b>Conglomerates</b>				
80 000	Tenneco Inc.	5 349	5 574	
		5 349	5 574	0.5%
<b>TOTAL FOREIGN EQUITIES</b>		184 019	205 215	17.0%

## BONDS AND DEBENTURES

Par Value		Coupon Rate	Maturity	Cost	Market Value	% of Net Assets
<b>Government and Government Guaranteed</b>						
27 200	Government of Canada	6.25%	15-Sep-95	27 704	27 966	
11 620	Government of Canada	6.00%	01-Feb-96	11 628	11 922	
14 400	Government of Canada	9.75%	01-Oct-97	16 388	16 474	
55 200	Government of Canada	6.50%	01-Sep-98	56 912	56 966	
41 000	Government of Canada	10.50%	01-Mar-01	48 682	50 676	
12 500	Government of Canada	7.25%	01-Feb-03	12 346	12 903	
65 250	Government of Canada	7.50%	01-Dec-03	68 298	69 296	
39 380	Government of Canada	9.50%	01-Jun-10	45 246	47 748	
22 500	Government of Canada	9.75%	01-Jun-21	28 439	28 676	
4 300	Government of Canada	9.25%	01-Jun-22	4 786	5 218	
9 000	Central Mortgage & Housing Corporation	6.00%	01-Dec-98	8 984	9 059	
				329 413	336 904	27.8%
<b>Provincial and Provincial Guaranteed</b>						
46 500	Ontario Hydro	7.25%	31-Mar-98	47 615	48 762	
14 000	Ontario Hydro	9.00%	24-Jun-02	14 567	15 719	
3 000	Province of Alberta	7.75%	04-Feb-98	2 983	3 216	
9 500	Province of British Columbia	9.00%	09-Jan-02	9 845	10 799	
16 000	Province of British Columbia	7.75%	16-Jun-03	16 341	16 876	
2 000	Province of Manitoba	9.25%	21-May-97	1 995	2 231	
9 700	Province of Ontario	10.75%	01-May-96	10 715	10 915	
4 000	Province of Ontario	9.50%	13-Jul-22	4 182	4 695	
				108 243	113 213	9.4%
<b>Other</b>						
25 000	Government of Canada RRB	4.25%	01-Dec-21	26 536	27 972	
				26 536	27 972	2.3%
<b>TOTAL BONDS AND DEBENTURES</b>				464 192	478 089	39.5%
<b>UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS</b>				0	384	0.0%
<b>CANADA TREASURY BILLS</b>				103 408	103 408	8.6%
<b>TOTAL INVESTMENTS</b>				1 103 985	1 209 864	100.0%
<b>OTHER NET ASSETS</b>				(453)	(453)	0.0%
<b>NET ASSETS</b>				\$1 103 532	\$1 209 411	100.0%

## COMMENTARY

THE CANADIAN STOCK MARKET enjoyed its finest year since the mid-1980s, with the Toronto Stock Exchange 300 Index posting a total return of 32.5% during 1993.

The pace did slow down in the latter part of the year, however, falling oil prices hit the energy sector during that period and partially offset the strength in many other areas.

For the year as a whole, the gold and silver sub-index was the market's strongest area, up 105.4%. Paper and forest stocks, as well as conglomerates, were other strong performers. Many of the industries that depend on domestic demand were among the stock market laggards.

The Canadian market's strong 1993 performance stemmed from the sharp drop in interest rates, and the accompanying decline in the exchange rate of the Canadian dollar.

Many investors shunned short-term money market instruments because of what they regarded as unacceptably low yields. In turn, more money flowed into stocks, and helped lift stock prices. Meanwhile, because the lower Canadian dollar helps exporters, many of the leading stocks in 1993 were natural resource or manufacturing companies.

## OUTLOOK

WE EXPECT THAT THE Canadian dollar will remain under pressure in the new year, in an environment of continued low Canadian interest rates. As a result, money should continue to flow towards equities at least through the Retirement Savings Plan (RSP) season of January and February.

However, equities are already much more aggressively valued because of their run-up in prices in 1993. This means they are more vulnerable to any adverse developments.

While we continue to believe that natural resource and manufacturing companies have the best long-term prospects, many of their shares are quite extended in price. As a result, they may undergo corrections in the first half of 1994. Given this outlook, some of the more defensive equities (for instance, those with good yields) could perform better over the first six months.

The Fund will adopt a more defensive position as the RSP season unfolds. This means increasing its cash position to some degree. It will reduce its exposure slightly to some of the heavily overweighted sectors such as gold, paper and energy.

*Canadian stocks led by the precious metals and paper and forest groups, enjoyed their best year since the mid-1980s.*

*1994 calls for more caution, however, and the Fund will position itself more defensively.*

Year Ended 31 Dec	Share Value Close	Income Distribution Per Share	Capital Distribution Per Share	Annual Rate of Return
1993	\$26.18	\$ 0.03	\$ -	31.8%
1992	19.88	0.13	-	2.8
1991	19.46	0.45	-	1.7
1990	19.58	0.46	-	-14.7
1989	23.48	0.34	-	20.9
1988	20.04	0.36	-	7.4
1987	19.09	0.17	0.89	-1.8
1986	20.45	0.13	0.27	19.5
1985	17.49	0.12	-	31.9
1984	13.35	0.18	0.27	6.1

### Net Assets \$831.5 million

#### SHARE VALUES

High	Low	Close
\$ 26.21	\$ 19.68	\$26.18

YEAR ENDED 31 DEC 93

#### ANNUAL RATES OF RETURN

1 Year	3 Year	5 Year
31.8%	11.3%	7.3%

To 31 DEC 93

Number of Shares		Cost	Market Value	% of Net Assets
<b>COMMON EQUITIES</b>				
<b>CANADA</b>				
<b>Metals and Minerals</b>				
300 000	Alcan Aluminium Limited	\$ 6 983	\$ 8 325	
240 000	Cameco Corporation	3 973	6 840	
175 000	Cominco Ltd.	2 845	3 544	
250 000	Inco Limited	8 816	8 875	
225 000	Potash Corporation of Saskatchewan Inc.	5 253	7 509	
450 000	Rio Algom Ltd., First Instalment Receipts	5 645	7 819	
		33 515	42 912	5.2%
<b>Gold and Silver</b>				
560 000	American Barrick Resources Common	6 800	21 070	
150 000	Euro-Nevada Mining	5 614	7 068	
75 000	Franco-Nevada Mining	5 817	6 862	
600 000	Hemlo Gold Mines Inc.	5 012	8 700	
1 700 000	Kinross Gold Corporation	4 690	7 140	
600 000	Lac Minerals Ltd.	6 345	6 900	
500 000	Placer Dome Inc.	7 946	16 438	
400 000	Rayrock Yellowknife Resources Inc.	3 814	6 300	
750 000	TVX Gold Inc.	1 968	6 562	
700 000	Viceroy Resource Corporation	4 049	7 875	
		52 055	94 915	11.4%
<b>Oil and Gas</b>				
185 000	Anderson Exploration Ltd.	3 005	5 296	
490 000	Canadian Natural Resources Ltd.	2 030	8 820	
100 000	Chieftain International, Inc.	1 806	2 175	
435 000	Elan Energy Inc.	3 824	4 676	
290 000	Home Oil Company Limited	5 132	5 002	
110 000	Imperial Oil Limited	5 207	4 923	
820 000	Mannville Oil & Gas Ltd.	6 037	5 330	
525 000	Mark Resources Inc.	4 324	4 594	
1 325 000	Morgan Hydrocarbons Inc.	5 541	5 830	
600 000	Poco Petroleum Ltd.	3 972	5 325	
175 000	Renaissance Energy Ltd.	2 421	4 944	
275 000	Rigel Energy Corporation	3 792	4 950	
440 000	Sceptre Resources Limited	5 484	5 610	
215 000	Suncor Inc.	4 743	6 638	
280 000	Talisman Energy Inc.	3 698	8 120	
500 000	Wascana Energy Inc.	5 345	4 125	
		66 361	86 358	10.4%
<b>Paper and Forest Products</b>				
298 000	Abitibi-Price Inc.	4 243	4 656	
35 000	Donohue Inc., Class A	642	805	
175 000	Donohue Inc., Warrants Class A, December 30, 1994	646	1 356	
315 000	Fletcher Challenge Canada Limited, Class A	5 052	6 497	
450 000	International Forest Products Ltd., Class A	4 212	9 675	
500 000	MacMillan Bloedel Limited, First Instalment Receipts	5 697	5 625	
180 000	Slocan Forest Products Ltd.	1 782	6 008	
		22 274	34 622	4.2%

**STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)**

**31 DEC 93**

Number of Shares		Cost	Market Value	% of Net Assets
<b>Consumer Products</b>				
376 000	Ault Foods Limited	\$ 6 525	\$ 6 298	
400 000	Canada Malting Co. Ltd.	5 370	6 400	
300 000	Labatt (John) Ltd.	6 434	6 787	
100 000	Magna International Inc., Class A	2 498	6 525	
215 000	Maple Leaf Foods Inc.	2 952	2 768	
250 000	MDS Health Group Limited, Class B	2 325	3 094	
125 000	The Molson Companies Limited, Class A	3 834	3 578	
500 000	The Seagrams Company Ltd.	13 151	17 375	
		43 089	52 825	6.4%
<b>Industrial Products</b>				
700 000	Agra Industries Ltd., Class B	5 689	7 000	
250 000	Co-Steel Inc.	4 515	7 125	
160 000	Cominco Fertilizers Ltd.	3 106	3 580	
385 000	Dofasco Inc.	6 448	8 951	
270 000	Ipsco Inc.	4 902	7 020	
625 000	Methanex Corp.	6 648	6 484	
300 000	Moore Corporation Limited	8 567	7 650	
1 200 000	Nova Corporation of Alberta	9 955	11 250	
150 000	Sherritt Inc. Warrants, October 9, 1995	150	428	
525 000	Sherritt Inc.	4 307	5 644	
475 000	SHL Systemhouse Inc.	5 690	4 512	
160 000	SNC-Lavalin Group Inc., Class A	2 412	3 000	
270 000	United Dominion Industries Limited	4 254	6 784	
		66 643	79 428	9.5%
<b>Transportation and Environmentals</b>				
650 000	Laidlaw Inc., Class B	5 786	5 931	
		5 786	5 931	0.7%
<b>Pipelines</b>				
550 000	TransCanada PipeLines Limited	7 862	11 069	
650 000	Westcoast Energy Inc.	14 077	14 300	
		21 939	25 369	3.0%
<b>Utilities</b>				
430 000	Atco Ltd., Class I	5 148	7 203	
630 000	BCE Inc.	26 991	29 138	
150 000	BCE Mobile Communications Inc.	4 551	6 206	
235 000	Nova Scotia Power Inc.	2 973	3 055	
37 500	Rogers Cantel Mobile Communications Inc., Class B	825	1 331	
560 000	Teleglobe Inc.	5 811	11 200	
550 000	Telus Corporation	7 459	8 800	
		53 758	66 933	8.0%
<b>Communications and Media</b>				
500 000	Maclean Hunter Limited	5 961	6 313	
225 000	Quebecor Printing Inc.	4 468	5 569	
300 000	Rogers Communication Inc., Class B	4 072	6 563	
250 000	Shaw Cablesystems Ltd., Class B	4 071	6 250	
325 000	The Thomson Corporation	4 545	5 281	
250 000	WIC Western International Communications Ltd., Class B	3 579	4 187	
		26 696	34 163	4.1%
<b>Merchandising</b>				
229 500	Finning Ltd.	3 654	4 361	
175 000	Hudson's Bay Company	4 786	6 912	
		8 440	11 273	1.4%

Number of Shares/Par Value		Cost	Market Value	% of Net Assets
<b>Financials</b>				
1 200 000	Bank of Montreal	\$ 23 916	\$ 33 150	
557 000	The Bank of Nova Scotia	10 487	17 058	
400 000	Canadian Imperial Bank of Commerce	12 390	13 200	
1 015 000	The Toronto-Dominion Bank	17 688	21 696	
		64 481	85 104	10.2%
<b>Conglomerates</b>				
800 000	Canadian Pacific Limited	16 938	17 300	
600 000	Onex Corporation	4 155	10 350	
		21 093	27 650	3.3%
<b>Convertible Securities</b>				
\$ 2 125	Noranda Forest Inc., 7.25%, October 30, 2003	2 966	3 071	
		2 966	3 071	0.4%
<b>TOTAL CANADIAN EQUITIES</b>		489 096	650 554	78.2%
<b>FOREIGN EQUITIES</b>				
<b>AUSTRALIA</b>				
<b>Miscellaneous</b>				
1 059 340	Pacific Dunlop, Ltd., Ord A\$0.50	4 475	5 157	
		4 475	5 157	0.6%
<b>FRANCE</b>				
<b>Capital Goods – Technology</b>				
27 600	Alcatel Alsthom	4 020	5 199	
		4 020	5 199	0.6%
<b>Basic Industries</b>				
35 850	Cie De St. Gobain	4 151	4 716	
		4 151	4 716	0.6%
<b>GERMANY</b>				
<b>Capital Goods – Technology</b>				
8 000	Siemens AG	4 644	4 856	
		4 644	4 856	0.6%
<b>Miscellaneous</b>				
19 900	Bayer AG	4 286	5 604	
		4 286	5 604	0.7%
<b>JAPAN</b>				
<b>Consumer Cyclical</b>				
258 000	Matsushita Electric Industrial Co., Ltd.	4 374	4 559	
		4 374	4 559	0.5%
<b>Capital Goods</b>				
260 000	Sekisui House, Ltd.	4 206	3 978	
		4 206	3 978	0.5%
<b>NETHERLANDS</b>				
<b>Consumer</b>				
77 000	Polygram N.V.	2 653	4 014	
30 000	Unilever N.V.	4 488	4 589	
		7 141	8 603	1.0%
<b>Miscellaneous</b>				
46 700	Elsevier N.V.	4 400	5 784	
		4 400	5 784	0.7%
<b>SPAIN</b>				
<b>Utilities</b>				
525 000	Iberdrola S.A.	4 679	4 983	
		4 679	4 983	0.6%
<b>UNITED KINGDOM</b>				
<b>Miscellaneous</b>				
495 000	GKN plc.	4 932	5 115	
		4 932	5 115	0.6%

**STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)**

**31 DEC 93**

Number of Shares		Cost	Market Value	% of Net Assets
<b>UNITED STATES</b>				
<b>Credit Cyclical</b>				
57 500	Masco Corporation	\$ 2 647	\$ 2 816	
		2 647	2 816	0.3%
<b>Financials</b>				
40 000	Marsh & McLennan Companies Inc.	3 717	4 303	
		3 717	4 303	0.5%
<b>Consumer</b>				
65 000	Abbott Laboratories	2 513	2 539	
83 729	Archer-Daniel-Midland Company	2 561	2 522	
70 000	Dayton-Hudson Corporation	5 411	6 186	
35 000	General Motors Corporation, Class E	2 369	2 543	
139 000	Multimedia Inc.	3 652	6 303	
86 000	Newell Company	3 785	4 597	
60 000	Reebok International Ltd.	2 057	2 383	
40 000	Tribune Company	2 788	3 183	
		25 136	30 256	3.7%
<b>Capital Goods</b>				
60 000	CBI Industries Inc.	2 354	2 413	
120 000	Destec Energy Inc.	2 869	2 284	
90 000	Emerson Electric Company	5 464	7 180	
253 500	LSI Logic Corporation	2 726	5 370	
200 000	MCI Communication Corporation	2 309	7 481	
23 600	Parker Hannifin Corporation	1 153	1 180	
68 800	Texas Instruments Incorporated	5 393	5 784	
		22 268	31 692	3.8%
<b>Energy</b>				
75 000	Occidental Petroleum Corporation	1 787	1 701	
		1 787	1 701	0.2%
<b>Basic Industries</b>				
75 000	Allegheny Ludlum	1 057	2 371	
26 000	Georgia Pacific Corporation	2 205	2 367	
33 000	Rohm & Haas Co.	2 469	2 600	
30 000	Tenneco Inc.	2 010	2 090	
		7 741	9 428	1.1%
<b>TOTAL FOREIGN EQUITIES</b>		114 604	138 750	16.6%
<b>UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS</b>		0	456	0.1%
<b>SHORT-TERM INVESTMENTS</b>		34 537	34 537	4.2%
<b>TOTAL INVESTMENTS</b>		638,237	824,297	99.1%
<b>OTHER NET ASSETS</b>		7 194	7 194	0.9%
<b>NET ASSETS</b>		\$ 645 431	\$ 831 491	100.0%

*Canadian equities performed strongly in 1993, the Fund's first year. The Fund has a sizeable cash position to take advantage of market opportunities in the new year. Later in 1994, we foresee the small-capitalization stocks leading the way again.*

Year Ended 31 Dec	Unit Value Close	Income Distribution Per Unit	Annual Rate of Return
1993	\$14.51	\$ -	N/A

**Net Assets \$193.1 million**

#### UNIT VALUES

High	Low	Close
\$ 14.46	\$ 10.00	\$14.51

YEAR ENDED 31 DEC 93

## COMMENTARY

THE CANADIAN STOCK MARKET posted a strong performance in 1993, reflecting the impact of declining interest rates and a North American economic recovery. Corporate profits rebounded because of the Canadian dollar's lower exchange rate and increased exports to the U.S. With all this, the Toronto Stock Exchange 300 Index registered a 32.5% total return for the 12-month period ended December 31, 1993.

Investment activity was dominated by the resource sectors. Gold, paper, oil and gas and conglomerate stocks all outperformed the TSE Index. Conversely, the shares of domestic companies fared poorly. Merchandising, communications and consumer products stocks were underperformers, reflecting the sluggish economic conditions facing Canadian consumers.

Meanwhile, the interest-sensitive sectors of the market lagged the performance of the TSE Index in 1993. However, their absolute returns were healthy. The pipeline stocks were the best performers in this group, because of their association with the strong energy area. Financial service issue recorded respectable gains despite the large-scale loan loss writedowns. Lower interest rates also boosted the performance of the utility stocks.

After dominating investment activity in early 1993, the oil and gas stocks succumbed to weakening crude oil and natural gas prices and registered sharp price declines in the final weeks of the year. The junior oils recorded the largest drops, reflecting their limited market liquidity as well as the desire of investors to realize profits.

More importantly, there was a shift by investors away from

the small-capitalization sector of the TSE (where stock prices became expensive). Investors have been favouring the "blue chip" sector, or large-capitalization companies, whose stock prices have lagged the TSE in recent months. Investors appear to be attracted to the improved liquidity and values offered by these larger stocks.

Against this background, leadership in the stock market near the end of 1993 had shifted away from the oils and golds to the cyclical stocks and the financial institutions.

## OUTLOOK

OVER THE NEXT SIX MONTHS, we expect the TSE to remain in a trading range of 3,800 to 4,500, as stock prices have moved ahead of fundamental values. Any market corrections should be contained in this range.

The key is that interest rates are predicted to remain relatively low. However, if the U.S. economic recovery accelerates faster than the consensus expects, interest rates could rise significantly. If so, and if market conditions become extreme, stock prices might fall below the lower end of the trading range.

Once the expected period of weakness runs its course, we expect that the leadership among Canadian equities could shift back to the small-capitalization sector. At that time, this segment should include a wide variety of stocks trading at relatively cheap valuation levels.

In order to take advantage of such opportunities, we intend to maintain a 20% cash position within the RoyFund Canadian Growth Fund. We will focus on adding to positions within the energy, industrial products, and other areas in the natural resource sector.

**STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)**

31 DEC 93

Number of Shares		Cost	Market Value	% of Net Assets
<b>COMMON EQUITIES</b>				
<b>CANADA</b>				
<b>Metals and Minerals</b>				
300 000	Minera Rayrock Inc., Special Warrants	\$ 750	\$ 797	
150 000	Rio Algom Ltd., Intermediate Instalment Receipts	2 023	2 606	
		2 773	3 403	1.8%
<b>Gold and Silver</b>				
705 700	Falconbridge Gold Corporation	1 943	2 964	
352 850	Falconbridge Gold Corporation Common Share Warrant	0	794	
26 000	Franco-Nevada Mining	1 793	2 379	
40 000	Freewest Resources Inc.	131	174	
224 000	Freewest Resources Inc. Special Warrants, Class A	627	974	
176 000	Freewest Resources Inc. Special Warrants, Class B	493	766	
908 500	Geomaque Exploration Ltd.	1 153	1 181	
200 000	Glamis Gold Ltd.	1 375	1 925	
217 200	Goldcorp Inc., Class A	2 002	1 982	
150 000	Golden Knight Resources Inc.	1 579	1 612	
750 000	Hycroft Resources & Development Corp.	833	3 375	
550 000	Kinross Gold Corporation	973	2 310	
350 000	Orvana Minerals Corporation	1 057	2 406	
100 000	Rayrock Yellowknife Resources	1 162	1 575	
550 000	Tombstone Exploration Company, Special Warrants	1 194	2 200	
150 000	Viceroy Resources Corporation	1 095	1 687	
100 000	Wharf Resources Ltd.	1 025	1 338	
		18 435	29 642	15.3%
<b>Oil and Gas</b>				
58 000	Anderson Exploration Ltd.	1 080	1 661	
200 000	Artisan Drilling, Special Warrants	500	500	
155 000	Ballistic Energy Corporation	929	752	
600 000	Beau Canada Exploration Limited	930	1 410	
80 000	Canadian Natural Resources Ltd.	819	1 440	
250 000	Chancellor Energy Resources Inc.	601	646	
235 000	Discovery West Corp.	1 429	1 381	
250 000	Encal Energy Ltd.	575	1 137	
150 000	Ensign Resource Service Group Inc.	283	844	
250 000	Excel Energy Inc.	2 043	1 375	
750 000	HCO Energy Ltd.	1 769	1 537	
200 000	Hillcrest Resources Ltd.	1 265	1 100	
520 000	Intensity Resources Ltd.	1 852	1 404	
200 000	Jordan Petroleum Ltd., Class A	1 029	1 800	
254 000	Mannville Oil & Gas Ltd.	1 747	1 651	
121 000	Mark Resources Inc.	820	1 059	
175 000	Morgan Hydrocarbons Inc.	917	770	
93 000	Precision Drilling Corporation, Class A	671	1 302	
200 000	Remington Energy Limited	1 069	800	
150 000	Rio Alto Exploration Ltd.	950	1 238	
170 000	Rising Resources Limited	1 154	773	
230 000	Stampeder Exploration Ltd	1 275	1 178	

31 DEC 93

## STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)

Number of Shares		Cost	Market Value	% of Net Assets
70 500	Tarragon Oil & Gas Limited	\$ 934	\$ 1 216	
300 000	Trax Petroleums Ltd.	735	540	
500 000	Trax Petroleums Ltd., Special Warrants	1 500	900	
260 000	Ulster Petroleums Limited	1 148	1 235	
		28 024	29 649	15.4%
<b>Paper and Forest Products</b>				
86 000	Doman Industries Ltd, Class B	1 304	1 602	
75 000	Donohue Inc., Class A	1 456	1 725	
100 500	Green Forest Lumber Corporation	869	1 181	
130 000	MacMillan Bloedel Ltd., First Instalment Receipts	1 477	1 462	
49 500	Riverside Forest Products Ltd.	899	1 423	
		6 005	7 393	3.8%
<b>Consumer Products</b>				
200 000	Allelix Biopharmaceuticals Inc.	1 547	1 500	
136 000	Biomira Inc.	1 442	1 224	
100 000	Canada Malting Co. Limited	1 439	1 600	
300 000	Challenger International Ltd.	1 454	1 350	
64 800	Hayes Dana Inc.	975	1 167	
200 000	International Murex Technology	1 518	1 350	
355 000	Merfin Hygienic Products Ltd.	1 450	1 615	
400 000	Park Meditech Inc.	1 846	1 860	
100 000	Schneider Corporation, Class A	1 467	1 800	
40 000	Spectral Diagnostics Inc.	690	1 400	
		13 828	14 866	7.7%
<b>Industrial Products</b>				
27 000	Agra Industries Inc., Class A	190	263	
150 000	Agra Industries Inc., Class B	1 189	1 500	
100 000	Cominco Fertilizers Ltd.	1 331	2 238	
300 000	Derlan Industries Ltd.	1 509	1 613	
250 000	DMR Group Inc., Class A	1 514	1 375	
175 000	Emco Limited	1 374	1 531	
358 700	Gandalf Technologies Inc.	1 463	1 309	
100 000	Intertape Polymer Group Inc.	1 458	1 750	
150 000	Methanex Corporation	1 346	1 556	
82 800	Shaw Industries Ltd., Class A	994	1 035	
150 000	SHL Systemhouse Inc.	1 764	1 425	
66 000	The SNC-Lavalin Group, Class A	993	1 238	
400 000	Softquad International Inc., Special Warrants	700	580	
50 000	Unican Security Systems Ltd., Class B	794	1 125	
230 000	United Westburne Inc.	1 355	1 955	
75 000	United Dominion Industries Ltd.	1 178	1 884	
		19 152	22 377	11.6%
<b>Real Estate</b>				
100 000	Intrawest Corporation	1 205	1 475	
462 000	Revenue Properties Company Ltd.	1 456	1 802	
154 000	Revenue Properties Company Ltd., Warrants	46	177	
200 000	Viceroy Homes Ltd., Class A	970	990	
		3 677	4 444	2.3%
<b>Utilities</b>				
21 900	Rogers Cantel Mobile Communications Inc., Class B	734	777	
75 000	Teleglobe Inc.	1 191	1 500	
		1 925	2 277	1.2%

Number of Shares/Par Value		Cost	Market Value	% of Net Assets
<b>Communications and Media</b>				
135 000	Call-Net Enterprises Inc., Class B	\$ 1 485	\$ 1 620	
60 000	Canwest Global Communications Corp.	1 009	1 500	
75 000	CFCF Inc.	782	1 294	
250 000	Greenstar Telecommunications Inc.	1 386	1 375	
40 000	Greenstar Telecommunications Inc., Special Warrants	280	220	
130 000	GTC Transcontinental Group Ltd., Class A	1 177	1 235	
65 000	Shaw Communications Inc., Class B	1 214	1 625	
500 000	Simmonds Communication Ltd.	600	532	
250 000	Simmonds Communication Ltd., Share Purchase Warrant	25	25	
		7 958	9 426	4.9%
<b>Merchandising</b>				
200 000	Beamscope Canada Inc.	1 490	2 025	
47 500	Finning Ltd.	625	903	
112 000	Forzani Group Ltd., Class A	664	924	
250 000	Wise Stores Inc., Class A	1 636	1 406	
		4 415	5 258	2.7%
<b>Financials</b>				
88 000	Canadian Bank Note Company Ltd.	990	1 188	
600 000	Harrowston Inc., Class A	1 246	1 320	
150 000	Mackenzie Financial Corporation	1 001	1 706	
290 000	Merchant Private Ltd., Class A	949	1 088	
		4 186	5 302	2.7%
<b>Conglomerates</b>				
225 000	Federal Industries Ltd., Class A	1 243	1 913	
85 000	First Marathon Inc., Class A	1 007	1 466	
		2 250	3 379	1.8%
<b>Convertible Securities</b>				
\$ 500	Rogers Communications Inc., 7.50 Sep 01 99	501	555	
		501	555	0.3%
<b>TOTAL CANADIAN EQUITIES</b>		<b>113 129</b>	<b>137 971</b>	<b>71.5%</b>
<b>FOREIGN EQUITIES</b>				
<b>NETHERLANDS</b>				
<b>Consumer Growth Staples</b>				
25 000	Polygram N. V.	863	1 303	
		863	1 303	0.7%
<b>UNITED STATES</b>				
<b>Financials</b>				
25 000	National Reinsurance Corp.	1 078	1 026	
30 000	Southtrust Corporation	712	755	
		1 790	1 781	0.9%

31 DEC 93

## STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)

Number of Shares		Cost	Market Value	% of Net Assets
<b>Consumer</b>				
25 000	Alliance Pharmaceutical Corporation	\$ 353	\$ 265	
20 000	Clothestime Inc.	309	208	
6 000	Foote Cone & Belding Communications, Inc.	238	381	
20 000	Hancock Fabrics Inc.	314	251	
40 000	Huffy Corp.	1 023	980	
25 000	Merry-Go-Round Enterprises, Inc.	382	112	
22 000	Newell Co.	928	1 176	
		3 547	3 373	1.7%
<b>Capital Goods</b>				
10 000	Greenfield Industries Inc.	232	275	
30 000	Integrated Device Technologies Inc.	656	680	
51 500	KLA Instruments Corporation	1 506	1 892	
55 000	LSI Logic Corporation	974	1 165	
40 000	Lawson Products Inc.	1 454	1 536	
20 000	Progress Software Corporation	1 295	1 158	
50 000	Pyramid Technology Corp.	974	977	
42 500	Structural Dynamics Research Corp., Class A	775	971	
		7 866	8 654	4.5%
<b>Energy</b>				
50 000	Southwestern Energy Co.	1 024	1 192	
25 000	Tuboscope Vetco Int'l.	287	203	
24 000	Weatherford International	261	338	
		1 572	1 733	0.9%
<b>Basic Industries</b>				
44 000	Ferro Corporation	1 754	1 864	
		1 754	1 864	1.0%
<b>TOTAL FOREIGN EQUITIES</b>		17 392	18 708	9.7%
<b>CANADA TREASURY BILLS</b>		35 602	35 602	18.4%
<b>TOTAL INVESTMENTS</b>		166 123	192 281	99.6%
<b>OTHER NET ASSETS</b>		829	829	0.4%
<b>NET ASSETS</b>		\$ 166 952	\$ 193 110	100.0%

## COMMENTARY

1993 IN RETROSPECT LOOKS like it was a year of base-building for the U.S. stock market. Overall, the environment for stocks was positive, but investors remained cautious. The U.S. stock market lagged well behind its Canadian counterpart, and rose just 7% on the year.

In the first half there was reason for caution. The economy grew slowly and business leaders were hesitant about President Clinton's new initiatives, especially taxes and the proposed health care plan. The economies of Europe and Japan were struggling. On the plus side, technology, energy and financial stocks performed well.

The outlook brightened in the second half of 1993, and in the fourth quarter the economy turned in its best performance in two years. The auto and housing sectors were strong, long-term interest rates rose a notch, and inflation was kept low because of falling energy prices.

During this period, the larger consumer and industrial stocks began to perform better. However, profit-taking hit the technology, energy and financial stocks that had risen strongly in the first half.

From a broad perspective, U.S. stocks have risen modestly over the past two years, after the large gains of 1991. Investors have been waiting for earnings to catch up to the market's high valuation level. Now, after two years of solid gains in corporate earnings but relatively little stock market appreciation, stocks look attractively valued.

## OUTLOOK

THE PERIOD AHEAD PROMISES to be rewarding for U.S. equity investors for several reasons.

The U.S. economy is now on firmer footing than at any time in the past two years. Consumer confidence is improving, along with employment opportunities. Debt levels have dropped, and autos and homes are selling well.

Meanwhile, political uncertainty has been reduced as President Clinton has moved toward more middle-of-the-road policies.

In the near term we expect interest rates to increase modestly and inflation to stay low. The U.S. economy should continue to grow solidly, without overheating. European economies are beginning to show signs of recovery, which will help U.S. exporters.

In this economic climate, we expect industrial and technology companies to perform well, as Corporate America continues to invest in productivity-enhancing capital equipment.

With money continuing to flow into mutual funds, the U.S. stock market should move up in line with earnings growth of 10% to 15% over the course of 1994.

As we enter 1994, the Fund is placing greater emphasis on companies that will benefit from stronger economic growth. This includes shares of companies that make productivity-enhancing capital goods, especially those with high value-added technology.

Less emphasis will be placed on steady growth, and more on accelerating growth from undervalued companies. Finally, the focus on larger companies will continue, because of their relative attractiveness compared with smaller companies.

*The U.S. stock market grew only modestly in 1993, but the economy finally hit its stride. In our view, that positions the stock market for good gains in 1994.*

*The Fund is now emphasizing shares of companies that will benefit from economic growth.*

Year Ended 31 Dec	Unit Value Close	Income Distribution Per Unit	Capital Distribution Per Unit	Annual Rate of Return
1993	\$14.91	\$ -	\$ 0.45	21.1%
1992	12.68	-	-	20.3

**Net Assets \$40.3 million**

### UNIT VALUES

High	Low	Close
\$ 15.38	\$ 10.00	\$14.91

YEAR ENDED 31 DEC 93

### ANNUAL RATE OF RETURN

1 Year

21.1%

To 31 DEC 93

31 DEC 93

## STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)

Number of Shares		Cost	Market Value	% of Net Assets
<b>COMMON EQUITIES</b>				
<b>NETHERLANDS</b>				
<b>Consumer Growth Staples</b>				
13 000	Polygram N.V.	\$ 411	\$ 678	
		411	678	1.7%
<b>UNITED STATES</b>				
<b>Financials</b>				
8 000	Marsh & McLennan Companies Inc.	829	860	
20 000	National Reinsurance Corp.	872	821	
26 000	Norwest Corp.	841	839	
16 000	Paul Revere Corp.	514	514	
		3 056	3 034	7.5%
<b>Consumer Growth Staples</b>				
16 000	Abbott Laboratories	590	625	
8 000	Alliance Pharmaceuticals Corp.	112	85	
12 000	Bausch & Lomb Incorporated	783	814	
10 000	Cephalon Inc.	116	217	
22 000	R.R. Donnelley & Sons Company	837	906	
20 000	Huffy Corporation	502	490	
8 000	The Interpublic Group of Companies Inc.	340	339	
10 000	Johnson & Johnson	572	592	
15 000	Multimedia Inc.	557	680	
10 000	Pepsico Inc.	546	541	
20 000	Russell Corporation	757	748	
19 000	Shoneys Inc.	532	582	
19 000	The TJX Companies, Inc.	752	733	
10 000	Tribune Company	578	796	
		7 574	8 148	20.2%
<b>Consumer Staples</b>				
17 000	Archer-Daniel-Midland Company	554	512	
10 000	CPC International Inc.	539	631	
		1 093	1 143	2.8%
<b>Consumer Cyclicals</b>				
9 000	Dayton-Hudson Corporation	831	795	
12 000	Dillard Department Stores, Class A	637	604	
12 000	Merry-Go-Round Enterprises, Inc.	218	54	
13 000	Newell Co.	571	695	
13 000	Reebok International Ltd.	510	516	
		2 767	2 664	6.6%
<b>Capital Goods – Technology</b>				
20 000	Alliance Semiconductor Corporation	214	271	
7 000	LM Ericsson Telephone AB	350	374	
24 000	KLA Instruments Corporation	408	882	
30 000	LSI Logic Corporation	400	636	
20 000	MCI Communications Corporation	549	748	
6 000	Minnesota Mining & Manufacturing Company	807	864	
15 000	Pitney Bowes Inc.	774	822	
5 000	Progress Software Corporation	333	290	
20 000	Pyramid Technology Corporation	374	391	
10 000	Seagate Technology, Inc.	299	314	
16 000	Structural Dynamics Research Corporation, Class A	242	365	
10 000	Teradyne Inc.	239	367	
6 000	Texas Instruments Inc.	425	504	
		5 414	6 828	17.0%

**STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)**

**31 DEC 93**

Number of Shares		Cost	Market Value	% of Net Assets
<b>Capital Goods</b>				
10 000	Dana Corporation	\$ 611	\$ 793	
10 000	Emerson Electric Company	706	798	
20 000	Greenfield Industries Inc.	423	549	
8 000	Illinois Tool Works Inc.	401	413	
10 000	Lawson Products Inc.	332	384	
10 000	Parker Hannifin Corporation	489	500	
18 000	WMX Technologies Inc.	684	629	
		3 646	4 066	10.1%
<b>Energy</b>				
15 000	Apache Corporation	469	464	
15 000	Dresser Industries Inc.	371	412	
10 000	Occidental Petroleum Corporation	241	227	
9 000	Schlumberger Ltd.	729	705	
30 000	Southwestern Energy Company	392	715	
13 000	Tidewater Inc.	365	344	
25 000	Weatherford International Incorporated	309	352	
		2 876	3 219	8.0%
<b>Basic Industries</b>				
8 000	Air Products & Chemicals, Inc.	442	469	
12 000	Alcan Aluminium Limited	350	330	
5 000	Crown Cork & Seal Company, Inc.	271	277	
18 000	Ferro Corporation	706	763	
10 000	Georgia Pacific Corp.	857	910	
10 000	Ingersoll-Rand Company	456	506	
14 000	Nalco Chemical Company	581	695	
10 000	Rohm & Haas Co.	704	788	
20 000	Wheeling Pittsburgh Corporation	438	453	
		4 805	5 191	12.9%
<b>Transportation</b>				
15 000	Ryder System Inc.	547	526	
2 000	UAL Corporation	368	387	
10 000	Union Pacific Corp.	696	829	
		1 611	1 742	4.3%
<b>Conglomerates</b>				
15 000	Tenneco Inc.	992	1 045	
10 000	Tyco International Ltd.	622	684	
		1 614	1 729	4.3%
<b>TOTAL COMMON EQUITIES</b>		34 867	38 442	95.4%
<b>SHORT-TERM NOTES</b>		661	661	1.6%
<b>TOTAL INVESTMENTS</b>		35 528	39 103	97.0%
<b>OTHER NET ASSETS</b>		1 187	1 187	3.0%
<b>NET ASSETS</b>		\$ 36 715	\$ 40 290	100.0%

*As interest rates kept declining, most global markets performed strongly in 1993. In the new year, the driving force behind stock markets must be higher earnings. To diversify further, the Fund has now added Mexico to its portfolio.*

Year Ended 31 Dec	Unit Value Close	Income Distribution Per Unit	Annual Rate of Return
1993	\$13.22	\$ -	N/A

**Net Assets \$62.5 million**

#### UNIT VALUES

High	Low	Close
\$ 13.36	\$ 10.00	\$13.22

YEAR ENDED 31 DEC 93

## COMMENTARY

PARTICIPATING IN THE GROWTH of foreign markets is the main purpose of this new Fund, whose inception was January 6, 1993. And what a year it was for foreign markets.

Almost all of the major world markets (with the exception of Japan) set new all-time or multi-year highs during the past few months. Only Japan's market truly suffered in 1993, with the Nikkei 225 Index plunging as much as 25% in the last quarter of the year from its early-September levels.

Other Asian markets were the real leaders, with Malaysia and Hong Kong rising more than 75% for the year. European markets performed strongly too, with most of the major indexes up by 30% or more for 1993.

Contributing to the relative investment performance of these markets was the decline in the Canadian dollar versus the U.S. currency. Offsetting this, at least during the last three months, was a slight downward trend in the European group of currencies and then, more recently, the Japanese yen. Over the past six months, the yen has fallen from about 102¥ versus the U.S. dollar to the 110¥ area.

The reasons for the rise in most foreign markets, and especially those in Europe, include the decline in interest rates and the growth of investment inflows. In 1993, North American investors played a major role in the markets of Continental Europe and Asia, outside Japan.

## OUTLOOK

AS THE YEAR ENDED, GLOBAL markets were robust, with investors looking forward to strong, inflation-free recoveries in the economies of the U.S., Britain and Australia, to name a few. European markets were jubilant about recent signs showing that local recessions were ending and that upturns were around the corner. We expect the upward trend of global markets to continue for a while longer. However, we expect market corrections early in the first quarter. Global markets are overvalued, in our view, or at least expensive by historical standards. Securities markets look riskier now than they have for the past four years, as they enter a transitional phase.

Over the next quarter or two, we expect that markets will no longer be driven by interest-rate declines, and instead must be led by higher corporate earnings.

The key factor affecting market returns next year will be interest rates. Thus the strength and longevity of the U.S. recovery and the European upturns will play major roles.

We anticipate that currency movements will not have much impact on overall returns in 1994, with the possible exception of the yen. Japan's financial and economic situation has continued to deteriorate until recently, and a sharp decline in its currency would not be a surprise.

For now, the Fund is fully invested, with minimal cash levels. The Fund's portfolio includes securities from 15 countries, having recently added Mexico to the list. The Fund is heavily underweighted in Japan, and plans to maintain this posture until there is more evidence that Japan's troubles are abating.

Number of Shares		Cost	Market Value	% of Net Assets
<b>COMMON EQUITIES</b>				
<b>Australia</b>				
76 570	National Australia Bank Ltd.	\$ 709	\$ 849	
333 999	Pacific Dunlop, Ltd.	1 433	1 621	
342 418	Santos Ltd.	1 089	1 187	
142 028	Western Mining Corporation Holdings Ltd.	673	897	
		3 904	4 554	7.3%
<b>Belgium</b>				
1 195	Cimenteries CBR Cementbedrijven	398	437	
4 825	Electrabel	1 106	1 190	
		1 504	1 627	2.6%
<b>France</b>				
7 300	Alcatel Alsthom	1 155	1 375	
11 000	Cie De St Gobain	1 333	1 447	
		2 488	2 822	4.5%
<b>Germany</b>				
5 100	Bayer AG	1 199	1 436	
4 750	Continental AG	843	1 001	
1 950	Siemens AG	1 017	1 184	
		3 059	3 621	5.8%
<b>Hong Kong</b>				
240 000	Hong Kong Electric Holdings	757	1 326	
		757	1 326	2.1%
<b>Japan</b>				
77 000	Amano Corporation	1 274	1 233	
62 000	Canon Inc.	1 096	1 132	
74 000	Dai Nippon Printing Co. Ltd.	1 378	1 395	
65 000	Eisai Corporation	1 368	1 380	
168 000	Hitachi Ltd.	1 610	1 638	
550 000	HTR Smaller Japanese Trust, plc.	1 007	953	
91 000	Matsushita Electric Industrial Co., Ltd.	1 450	1 608	
92 000	Sekisui House, Ltd.	1 371	1 408	
		10 554	10 747	17.2%
<b>Mexico</b>				
16 700	Telefonos De Mexico	1 306	1 470	
		1 306	1 470	2.4%
<b>Netherlands</b>				
6 100	Elsevier N.V.	574	756	
12 500	Nutricia Gem Bezit N.V.	1 249	1 117	
10 500	Royal Dutch Petroleum Company	1 302	1 457	
5 665	Unilever N.V.	813	866	
		3 938	4 196	6.7%
<b>New Zealand</b>				
421 500	Telecom Corporation of New Zealand	1 259	1 393	
		1 259	1 393	2.2%

31 DEC 93

## STATEMENTS OF INVESTMENTS AND OTHER NET ASSETS (IN \$000s)

Number of Shares/Par Value		Cost	Market Value	% of Net Assets
<b>Norway</b>				
22 000	Norsk Hydro	\$ 858	\$ 823	
		858	823	1.3%
<b>Spain</b>				
95 000	Telefonica De España, S.A.	1 473	1 641	
		1 473	1 641	2.6%
<b>Taiwan</b>				
50 000	China Steel Corp.	961	1 572	
		961	1 572	2.5%
<b>United Kingdom</b>				
121 000	Bass plc.	1 145	1 269	
140 000	Blue Circle Industries plc.	679	923	
105 000	British Gas plc.	646	702	
177 000	The British Petroleum Company plc.	1 090	1 249	
120 000	Dalgety plc.	1 090	1 153	
100 000	Delta plc.	962	947	
155 000	GKN plc.	1 459	1 603	
70 000	The Great Universal Stores, plc.	655	889	
96 000	Powergen plc.	723	1 024	
80 000	The RTZ Corporation plc.	1 045	1 271	
260 000	Taylor Woodrow plc.	526	737	
		10 020	11 767	18.8%
<b>Other</b>				
120 000	Korea Europe Fund	942	1 411	
393 000	Sime Darby Berhard	1 074	1 458	
		2 016	2 869	4.6%
<b>TOTAL COMMON EQUITIES</b>		44 097	50 428	80.6%
<b>BONDS</b>				
<b>Japan</b>				
\$ 180 000	Japanese Federal Government 4.9% Mar. 20/09	2 254	2 382	
160 000	Japanese Federal Government 5.6 % Sept. 20/12	2 159	2 277	
		4 413	4 659	7.5%
<b>Sweden</b>				
6 100	Nordiska Investerings Banken 10.25% Jan. 7/99	1 103	1 102	
		1 103	1 102	1.8%
<b>TOTAL BONDS</b>		5 516	5 761	9.3%
<b>UNREALIZED GAIN ON FOREIGN EXCHANGE CONTRACTS</b>		0	202	0.3%
<b>TOTAL INVESTMENTS</b>		49 613	56 391	90.2%
<b>OTHER NET ASSETS</b>		6 101	6 101	9.8%
<b>NET ASSETS</b>		\$ 55 714	\$ 62 492	100.0%

To the Shareholders of RoyFund Equity Ltd. and the Unitholders of:

RoyFund Money Market Fund	RoyFund Dividend Fund
RoyFund Canadian T-Bill Fund	RoyFund Balanced Fund
RoyFund U.S. Dollar Money Market Fund	RoyFund Canadian Growth Fund
RoyFund Mortgage Fund	RoyFund U.S. Equity Fund
RoyFund Bond Fund	RoyFund International Equity Fund
RoyFund International Income Fund	(collectively the "Funds")

We have audited the statements of net assets, the statements of net income, the statements of changes in net assets and the statements of net gain (loss) on investments sold of the Funds set out on pages 40 to 50 inclusive and the statements of investments and other assets on pages 5, 6, 7, 9, 11, 13, 15-16, 18-22, 24-27, 29-32, 34-35 and 37-38 as at the dates and for the periods indicated. These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Funds and their investments and the results of their operations and the changes in their net assets as at the dates and for the periods indicated in accordance with generally accepted accounting principles.

January 21, 1994  
Toronto, Ontario

*Price Waterhouse*

Chartered Accountants

## STATEMENT OF NET ASSETS

December 31	RoyFund Money Market Fund		RoyFund Canadian T-Bill Fund		RoyFund U.S. Dollar Money Market Fund (U.S.\$)	
	1993	1992	1993	1992	1993	1992
<b>ASSETS</b>						
Investments	\$ 564 297	\$ 808 177	\$1 821 521	\$1 752 875	\$ 49 484	\$ 54 785
Cash (Overdraft)	(290)	4 187	(24 044)	3 366	793	238
Receivable in respect of securities sold	—	—	—	—	—	—
Dividends receivable, interest accrued and other assets	2 690	5 579	8 110	11 983	242	515
<b>TOTAL ASSETS</b>	<b>566 697</b>	<b>817 943</b>	<b>1 805 587</b>	<b>1 768 224</b>	<b>50 519</b>	<b>55 538</b>
<b>LIABILITIES</b>						
Payable in respect of securities purchased	—	—	—	—	—	—
Accounts payable and accrued expenses	667	1 058	1 419	1 849	60	116
<b>TOTAL LIABILITIES</b>	<b>667</b>	<b>1 058</b>	<b>1 419</b>	<b>1 849</b>	<b>60</b>	<b>116</b>
<b>NET ASSETS REPRESENTED BY</b>						
<b>UNITHOLDERS'/SHAREHOLDERS' EQUITY (NOTE 3)</b>	<b>\$ 566 030</b>	<b>\$ 816 885</b>	<b>\$1 804 168</b>	<b>\$1 766 375</b>	<b>\$ 50 459</b>	<b>\$ 55 422</b>
<b>NET ASSET VALUE PER UNIT</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>	<b>\$ 10.00</b>

## STATEMENT OF NET INCOME

For the years or periods ended December 31 (note 1)	RoyFund Money Market Fund		RoyFund Canadian T-Bill Fund		RoyFund U.S. Dollar Money Market Fund (U.S.\$)	
	1993	1992	1993	1992	1993	1992
<b>INCOME</b>						
Interest	\$ 35 740	\$ 64 125	\$ 91 717	\$ 135 903	\$ 1 628	\$ 2 613
<b>TOTAL INCOME</b>	<b>35 740</b>	<b>64 125</b>	<b>91 717</b>	<b>135 903</b>	<b>1 628</b>	<b>2 613</b>
<b>EXPENSES</b>						
Management fees (note 4)	6 627	8 675	13 374	14 605	508	651
Unitholder/shareholder servicing costs (note 9)	1 205	812	1 310	830	37	65
Custodial fees	10	10	18	21	3	6
Directors'/Trustees' fees	27	27	47	18	1	1
Audit fees	15	15	15	15	7	10
Other	52	176	216	353	—	26
Goods and Services Tax	538	644	1 018	1 062	39	50
<b>TOTAL EXPENSES</b>	<b>8 474</b>	<b>10 359</b>	<b>15 998</b>	<b>16 904</b>	<b>595</b>	<b>809</b>
<b>NET INCOME</b>	<b>\$ 27 266</b>	<b>\$ 53 766</b>	<b>\$ 75 719</b>	<b>\$ 118 999</b>	<b>\$ 1 033</b>	<b>\$ 1 804</b>
<b>NET INCOME PER UNIT BASED ON THE AVERAGE NUMBER OF UNITS OUTSTANDING DURING THE YEAR</b>						
	<b>\$ 0.40</b>	<b>\$ 0.62</b>	<b>\$ 0.42</b>	<b>\$ 0.62</b>	<b>\$ 0.20</b>	<b>\$ 0.28</b>

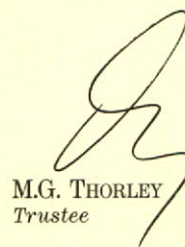
(in thousands except per unit amounts)

RoyFund Mortgage Fund		RoyFund Bond Fund		RoyFund International Income Fund	
1993	1992	1993	1992	1993	1992
\$1 209 864	\$ 245 187	\$ 750 330	\$ 575 418	\$ 59 622	—
36 614	487	3 323	517	1 053	—
—	—	28 789	—	—	—
21 384	4 830	12 549	11 254	1 278	—
1 267 862	250 504	794 991	587 189	61 953	—
—	—	31 143	4 182	3 375	—
1 919	438	1 031	963	88	—
1 919	438	32 174	5 145	3 463	—
\$1 265 943	\$ 250 066	\$ 762 817	\$ 582 044	\$ 58 490	—
\$ 11.21	\$ 10.45	\$ 5.66	\$ 5.30	\$ 10.84	—

Approved by the Trustees of  
The RoyFund Group of Mutual Funds



G.J. FEENEY  
Trustee



M.G. THORLEY  
Trustee

(in thousands except per unit amounts)

RoyFund Mortgage Fund		RoyFund Bond Fund		RoyFund International Income Fund	
1993	1992	1993	1992	1993	1992
\$ 54 667	\$ 9 601	\$ 51 428	\$ 40 862	\$ 1 566	—
54 667	9 601	51 428	40 862	1 566	—
8 392	1 407	8 102	6151	381	—
1 046	144	1 386	724	77	—
4	5	38	52	3	—
7	—	19	19	—	—
23	20	13	14	12	—
2 303	337	116	70	18	—
779	120	655	460	33	—
12 554	2 033	10 329	7 490	524	—
\$ 42 113	\$ 7 568	\$ 41 099	\$ 33 372	\$ 1 042	—
\$ 0.65	\$ 0.59	\$ 0.35	\$ 0.36	\$ 0.41	—

## MONEY MARKET AND INCOME FUNDS

## STATEMENT OF CHANGES IN NET ASSETS

For the years or periods ended December 31 (note 1)	RoyFund Money Market Fund		RoyFund Canadian T-Bill Fund		RoyFund U.S. Dollar Money Market Fund (U.S.\$)	
	1993	1992	1993	1992	1993	1992
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>\$ 816 885</b>	<b>\$ 646 627</b>	<b>\$1 766 375</b>	<b>\$1 128 886</b>	<b>\$ 55 422</b>	<b>\$ 51 659</b>
<b>ADD (DEDUCT) CHANGES DURING THE YEAR:</b>						
Proceeds from sales of units/shares	480 683	1 132 761	2 357 961	3 368 542	64 353	106 206
Payments on redemption of units/shares	(731 538)	(962 503)	(2 320 168)	(2 731 053)	(69 316)	(102 443)
Net income	27 266	53 766	75 719	118 999	1 033	1 804
Net gain (loss) on investments sold	—	—	—	—	—	—
Unrealized appreciation (depreciation)	—	—	—	—	—	—
Distributions from net income	(27 266)	(53 766)	(75 719)	(118 999)	(1 033)	(1 804)
Distributions from net gain on investments sold	—	—	—	—	—	—
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 566 030</b>	<b>\$ 816 885</b>	<b>\$1 804 168</b>	<b>\$ 1 766 375</b>	<b>\$ 50 459</b>	<b>\$ 55 422</b>

## STATEMENT OF NET GAIN (LOSS) ON INVESTMENTS SOLD\*

For the years or periods ended December 31 (note 1)	RoyFund Money Market Fund		RoyFund Canadian T-Bill Fund		RoyFund U.S. Dollar Money Market Fund (U.S.\$)	
	1993	1992	1993	1992	1993	1992
Proceeds from sales of investments	\$ 5 458 158	\$ 3 833 383	\$21 041 357	\$11 820 244	\$ 305 672	\$ 246 787
Investments at average cost at beginning of year	808 177	623 377	1 752 875	1 092 807	54 785	50 982
Cost of investments purchased	5 214 278	4 018 183	21 110 003	12 480 312	300 371	250 590
	6 022 455	4 641 560	22 862 878	13 573 119	355 156	301 572
Investments at average cost at end of year	564 297	808 177	1 821 521	1 752 875	49 484	54 785
Cost of investments sold	5 458 158	3 833 383	21 041 357	11 820 244	305 672	246 787
<b>NET GAIN (LOSS) ON INVESTMENTS SOLD</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

\* With the exception of the Money Market Fund, Canadian T-Bill Fund and the U.S. Dollar Money Market Fund, purchases and sales of investments do not include short-term investments.

(in thousands except per unit amounts)

RoyFund Mortgage Fund		RoyFund Bond Fund		RoyFund International Income Fund	
1993	1992	1993	1992	1993	1992
\$ 250 066	\$ -	\$ 582 044	\$ 312 766	\$ -	-
1 314 310	323 081	395 106	453 600	69 957	-
(338 453)	(72 680)	(253 846)	(175 153)	(12 422)	-
42 113	7 568	41 099	33 372	1 042	-
1 438	(22)	19 764	18 861	734	-
38 508	(318)	29 319	(13 524)	723	-
(42 039)	(7 563)	(41 049)	(33 348)	(1 063)	-
-	-	(9 620)	(14 530)	(481)	-
\$1 265 943	\$ 250 066	\$ 762 817	\$ 582 044	\$ 58 490	-

(in thousands except per unit amounts)

RoyFund Mortgage Fund		RoyFund Bond Fund		RoyFund International Income Fund	
1993	1992	1993	1992	1993	1992
\$ 305 019	\$ 92 207	\$1 224 068	\$1 164 326	\$ 18 384	-
244 522	-	564 422	298 024	-	-
1 172 464	336 751	1 357 323	1 411 863	71 280	-
1 416 986	336 751	1 921 745	1 709 887	71 280	-
1 113 405	244 522	717 441	564 422	53 630	-
303 581	92 229	1 204 304	1 145 465	17 650	-
\$ 1 438	\$ (22)	\$ 19 764	\$ 18 861	\$ 734	-

## EQUITY AND BALANCED FUNDS

## STATEMENT OF NET ASSETS

December 31	RoyFund Dividend Fund		RoyFund Balanced Fund		RoyFund Equity Ltd.	
	1993	1992	1993	1992	1993	1992
<b>ASSETS</b>						
Investments	\$ 162 571	—	\$1 209 864	\$ 287 623	\$ 824 297	\$ 599 641
Cash	1 424	—	12 135	969	4 529	9 849
Receivable in respect of securities sold	—	—	12 101	2 067	3 136	2 192
Dividends receivable, interest accrued and other assets	929	—	8 973	3 171	2 223	2 040
<b>TOTAL ASSETS</b>	<b>164 924</b>	<b>—</b>	<b>1 243 073</b>	<b>293 830</b>	<b>834 185</b>	<b>613 722</b>
<b>LIABILITIES</b>						
Payable in respect of securities purchased	2 727	—	31 312	3 397	1 024	1 963
Accounts payable and accrued expenses	237	—	2 350	719	1 670	1 488
Taxes payable	—	—	—	—	—	152
<b>TOTAL LIABILITIES</b>	<b>2 964</b>	<b>—</b>	<b>33 662</b>	<b>4 116</b>	<b>2 694</b>	<b>3 603</b>
<b>NET ASSETS REPRESENTED BY</b>						
<b>UNITHOLDERS'/SHAREHOLDERS' EQUITY (NOTE 3)</b>	<b>\$ 161 960</b>	<b>—</b>	<b>\$1 209 411</b>	<b>\$ 289 714</b>	<b>\$ 831 491</b>	<b>\$ 610 119</b>
<b>NET ASSET VALUE PER UNIT/SHARE</b>	<b>\$ 12.08</b>	<b>—</b>	<b>\$ 7.12</b>	<b>\$ 5.91</b>	<b>\$ 26.18</b>	<b>\$ 19.88</b>

## STATEMENT OF NET INCOME (LOSS)

For the years or periods ended December 31 (note 1)	RoyFund Dividend Fund		RoyFund Balanced Fund		RoyFund Equity Ltd.	
	1993	1992	1993	1992	1993	1992
<b>INCOME</b>						
Dividends	\$ 2 633	—	\$ 6 801	\$ 2 332	\$ 14 082	\$ 16 345
Interest	493	—	24 644	9 765	2 057	1 602
<b>TOTAL INCOME</b>	<b>3 126</b>	<b>—</b>	<b>31 445</b>	<b>12 097</b>	<b>16 139</b>	<b>17 947</b>
<b>EXPENSES</b>						
Management fees (note 4)	759	—	12 869	4 133	12 741	11 067
Unitholder/shareholder servicing costs (note 9)	98	—	1 437	460	2 074	1 475
Custodial fees	5	—	51	12	85	66
Directors'/Trustees' fees	—	—	12	10	37	89
Audit fees	10	—	26	19	25	25
Other	17	—	89	42	—	210
Goods and Services Tax	61	—	994	305	1 015	765
Other taxes, including foreign taxes withheld	—	—	232	81	257	606
<b>TOTAL EXPENSES</b>	<b>950</b>	<b>—</b>	<b>15 710</b>	<b>5 062</b>	<b>16 234</b>	<b>14 303</b>
<b>NET INCOME (LOSS)</b>	<b>\$ 2 176</b>	<b>—</b>	<b>\$ 15 735</b>	<b>\$ 7 035</b>	<b>\$ (95)</b>	<b>\$ 3 644</b>
<b>NET INCOME (LOSS) PER UNIT/SHARE BASED ON THE AVERAGE NUMBER OF UNITS/SHARES OUTSTANDING DURING THE YEAR</b>						
	<b>\$ 0.46</b>	<b>—</b>	<b>\$ 0.16</b>	<b>\$ 0.19</b>	<b>\$ (0.0)</b>	<b>\$ 0.11</b>

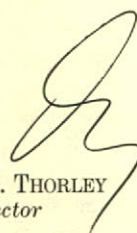
(in thousands except per unit/share amounts)

RoyFund Canadian Growth Fund		RoyFund U.S. Equity Fund		RoyFund International Equity Fund	
1993	1992	1993	1992	1993	1992
\$ 192 281	—	\$ 39 103	\$ 12 701	\$ 56 391	—
1 248	—	963	2 323	7 654	—
—	—	282	—	10 689	—
296	—	29	21	269	—
193 825	—	40 377	15 045	75 003	—
347	—	—	—	12 347	—
368	—	87	54	164	—
—	—	—	—	—	—
715	—	87	54	12 511	—
\$ 193 110	—	\$ 40 290	\$ 14 991	\$ 62 492	—
\$ 14.51	—	\$ 14.91	\$ 12.68	\$ 13.22	—

Approved by the Board of Directors of  
RoyFund Equity Ltd.



G.J. FEENEY  
Director

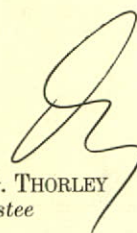


M.G. THORLEY  
Director

Approved by the Trustees of  
The RoyFund Group of Mutual Funds



G.J. FEENEY  
Trustee



M.G. THORLEY  
Trustee

(in thousands except per unit/share amounts)

RoyFund Canadian Growth Fund		RoyFund U.S. Equity Fund		RoyFund International Equity Fund	
1993	1992	1993	1992	1993	1992
\$ 617	—	\$ 396	\$ 163	\$ 509	—
1 434	—	81	45	287	—
2 051	—	477	208	796	—
1 876	—	531	199	467	—
355	—	56	27	44	—
12	—	5	5	74	—
—	—	1	—	—	—
12	—	8	6	18	—
29	—	6	28	16	—
156	—	42	16	37	—
14	—	54	23	91	—
2 454	—	703	304	747	—
\$ (403)	—	\$ (226)	\$ (96)	\$ 49	—
\$ (0.05)	—	\$ (0.12)	\$ (0.10)	\$ 0.02	—

## STATEMENT OF CHANGES IN NET ASSETS

For the years or periods ended December 31 (note 1)	RoyFund Dividend Fund		RoyFund Balanced Fund		RoyFund Equity Ltd.	
	1993	1992	1993	1992	1993	1992
<b>NET ASSETS AT BEGINNING OF YEAR</b>	\$ —	—	\$ 289 714	\$ 80 996	\$ 610 119	\$ 681 554
<b>ADD (DEDUCT) CHANGES DURING THE YEAR:</b>						
Proceeds from sales of units/shares	180 554	—	999 889	247 339	267 982	126 910
Payments on redemption of units/shares	(26 832)	—	(192 249)	(46 165)	(242 518)	(210 266)
Net income (loss)	2 176	—	15 735	7 035	(95)	3 644
Net gain (loss) on investments sold	602	—	15 679	4 317	67 552	1 411
Unrealized appreciation (depreciation)	6 841	—	95 378	5 361	129 402	11 024
Distributions from net income	(1 381)	—	(14 735)	(6 771)	(951)	(4 158)
Distributions from net gain on investments sold	—	—	—	(2 398)	—	—
<b>NET ASSETS AT END OF YEAR</b>	\$ 161 960	—	\$1 209 411	\$ 289 714	\$ 831 491	\$ 610 119

## STATEMENT OF NET GAIN (LOSS) ON INVESTMENTS SOLD\*

For the years or periods ended December 31 (note 1)	RoyFund Dividend Fund		RoyFund Balanced Fund		RoyFund Equity Ltd.	
	1993	1992	1993	1992	1993	1992
Proceeds from sales of investments	\$ 21 624	—	\$ 602 354	\$ 146 484	\$ 351 360	\$ 373 689
Investments at average cost at beginning of year	—	—	265 518	73 610	542 983	601 254
Cost of investments purchased	166 156	—	1 321 734	334 075	344 525	314 007
	166 156	—	1 587 252	407 685	887 508	915 261
Investments at average cost at end of year	145 134	—	1 000 577	265 518	603 700	542 983
Cost of investments sold	21 022	—	586 675	142 167	283 808	372 278
<b>NET GAIN (LOSS) ON INVESTMENTS SOLD</b>	\$ 602	—	\$ 15 679	\$ 4 317	\$ 67 552	\$ 1 411

\* Purchases and sales of investments do not include short-term investments.

(in thousands except per unit/share amounts)

RoyFund Canadian Growth Fund		RoyFund U.S. Equity Fund		RoyFund International Equity Fund	
1993	1992	1993	1992	1993	1992
\$ —	—	\$ 14 991	\$ 2 306	\$ —	—
279 610	—	44 471	18 601	70 046	—
(116 521)	—	(23 103)	(7 449)	(14 770)	—
(403)	—	(226)	(96)	49	—
4 266	—	3 133	311	389	—
26 158	—	2 198	1 318	6 778	—
—	—	—	—	—	—
—	—	(1 174)	—	—	—
\$ 193 110	—	\$ 40 290	\$ 14 991	\$ 62 492	—

(in thousands except per unit/share amounts)

RoyFund Canadian Growth Fund		RoyFund U.S. Equity Fund		RoyFund International Equity Fund	
1993	1992	1993	1992	1993	1992
\$ 34 257	—	\$ 27 078	\$ 12 953	\$ 5 024	—
—	—	11 315	1 234	—	—
160 512	—	47 497	22 723	54 248	—
160 512	—	58 812	23 957	54 248	—
130 521	—	34 867	11 315	49 613	—
29 991	—	23 945	12 642	4 635	—
\$ 4 266	—	\$ 3 133	\$ 311	\$ 389	—

**1. THE FUNDS WERE ESTABLISHED AS FOLLOWS**

RoyFund Money Market Fund is an unincorporated trust under the laws of Ontario (September 18, 1986).

RoyFund Canadian T-Bill Fund is an unincorporated trust under the laws of Ontario (January 25, 1991).

RoyFund U.S. Dollar Money Market Fund is an unincorporated trust under the laws of Ontario (January 3, 1991).

RoyFund Mortgage Fund is an unincorporated trust under the laws of Ontario (January 27, 1992).

RoyFund Bond Fund is an unincorporated trust under the laws of Alberta (July 24, 1973).

RoyFund International Income Fund is an unincorporated trust under the laws of Ontario (January 6, 1993).

RoyFund Dividend Fund is an unincorporated trust under the laws of Ontario (January 6, 1993).

RoyFund Balanced Fund is an unincorporated trust under the laws of Ontario (September 17, 1987).

RoyFund Equity Ltd. is incorporated as a mutual fund under the laws of Canada (December 6, 1966).

RoyFund Canadian Growth Fund is an unincorporated trust under the laws of Ontario (January 6, 1993).

RoyFund U.S. Equity Fund is an unincorporated trust under the laws of Ontario (November 15, 1991).

RoyFund International Equity Fund is an unincorporated trust under the laws of Ontario (January 6, 1993).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**INVESTMENTS** Investments are recorded at market value which is determined as follows:

**EQUITIES** At the latest sale price recorded by any of the security exchanges on which the security is principally traded. If the latest sale price does not fall within the range of the closing bid and offering, then the average of these two quotes is used. When a quoted market is not available, the market value of the investment is determined by the investment manager, Royal Bank Investment Management Inc. ("RBIM").

**BONDS AND DEBENTURES** At the average of the closing bid and offering price quoted by major dealers in such securities.

**SHORT-TERM INVESTMENTS** Short-term investments are valued at cost which, together with accrued interest, approximates market value.

**MORTGAGES** Mortgages are valued at the principal amounts required to produce yields equal 1/4 of 1% below the prevailing returns on mortgages of similar type and term.

**INVESTMENT TRANSACTIONS** Investment transactions are accounted for on the trade date, and realized gains and losses 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 as earned.

**FOREIGN EXCHANGE** The market value of investments and other assets and liabilities in foreign currencies are translated into Canadian dollars (U.S. dollars in the case of RoyFund U.S. Dollar Money Market Fund) at the closing rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions.

**3. SHAREHOLDERS'/UNITHOLDERS' EQUITY**

The shareholders' equity of RoyFund Equity Ltd. includes amounts representing capital stock, retained income, realized gain (loss) on the investments and unrealized appreciation (depreciation) on investments. The unitholders' equity of the other funds includes amounts representing Trust Units, undistributed net income, realized gain (loss) on investments and unrealized appreciation (depreciation) on investments.

There is no limitation on the number of Mutual Fund Shares and Trust Units available for issue. The following is a summary of the changes in issued and outstanding Mutual Fund Shares and Trust Units during the year.

**3. SHAREHOLDERS'/UNITHOLDERS' EQUITY (CONT.)**

The number of Mutual Funds Shares/Units outstanding are as follows:

		Outstanding at beginning of year	Issued during year	Redeemed during year	Outstanding at end of year
ROYFUND MONEY MARKET FUND	-1993	81 688 481	48 068 347	(73 153 791)	56 603 037
	-1992	64 662 720	113 276 040	(96 250 279)	81 688 481
ROYFUND CANADIAN T-BILL FUND	-1993	176 637 538	235 796 143	(232 016 814)	180 416 867
	-1992	112 888 595	336 854 207	(273 105 264)	176 637 538
ROYFUND U.S. DOLLAR MONEY MARKET FUND	-1993	5 542 237	6 435 230*	(6 931 608)	5 045 859
	-1992	5 165 908	10 620 647*	(10 244 318)	5 542 237
ROYFUND MORTGAGE FUND	-1993	23 921 863	119 554 705	(30 567 842)	112 908 726
	-1992	-	30 783 460	(6 861 597)	23 921 863
ROYFUND BOND FUND	-1993	109 815 804	70 504 731	(45 620 967)	134 699 568
	-1992	58 390 334	83 342 960	(31 917 490)	109 815 804
ROYFUND INTERNATIONAL INCOME FUND	-1993	-	6 536 139	(1 142 936)	5 393 203
ROYFUND DIVIDEND FUND	-1993	-	15 734 911	(2 332 629)	13 402 282
ROYFUND BALANCED FUND	-1993	49 000 525	149 551 748	(28 744 928)	169 807 345
	-1992	14 342 219	42 576 982	(7 918 676)	49 000 525
ROYFUND EQUITY LTD.	-1993	30 693 327	11 513 811	(10 442 270)	31 764 868
	-1992	35 022 858	6 494 386	(10 823 917)	30 693 327
ROYFUND CANADIAN GROWTH FUND	-1993	-	22 032 956	(8 732 780)	13 300 176
ROYFUND U.S. EQUITY FUND	-1993	1 181 997	3 155 939	(1 635 165)	2 702 771
	-1992	218 734	1 629 319	(666 056)	1 181 997
ROYFUND INTERNATIONAL EQUITY FUND	-1993	-	5 935 007	(1 206 694)	4 728 313

\* RoyFund US Dollar Money Market issued and consolidated 357 625 units during the year (1992 - 89 384)

**4. MANAGEMENT FEES**

Management fees are paid to the investment manager, RBIM, in consideration for investment and advisory services, reporting services, and clerical, statistical accounting and administrative services.

Management fees paid by each of the funds are calculated at the following percentages of the average daily total value of the net assets of the funds outstanding during each calendar month:

RoyFund Money Market Fund	1/12 of 1.00%
RoyFund Canadian T-Bill Fund	1/12 of 0.75%
RoyFund U.S. Dollar Money Market Fund	1/12 of 1.00%
RoyFund Mortgage Fund	1/12 of 1.25%
RoyFund Bond Fund	1/12 of 1.25%
RoyFund International Income Fund	1/12 of 1.50%
RoyFund Dividend Fund	1/12 of 1.50%
RoyFund Balanced Fund	1/12 of 2.00%
RoyFund Equity Ltd.	1/12 of 1.75%
RoyFund Canadian Growth Fund	1/12 of 1.75%
RoyFund U.S. Equity Fund	1/12 of 2.00%
RoyFund International Equity Fund	1/12 of 2.00%

**5. PURCHASE, GUARANTEE AND SERVICE OF MORTGAGES**

RoyFund Mortgage Fund purchased its mortgages from Royal Bank of Canada at an amount which will produce a yield to the fund of not more than 1/4 of 1% less than the interest rate at which major lending institutions are making similar commitments. Royal Bank has agreed to repurchase mortgages in default at the outstanding principal balance plus accrued interest.

The Royal Bank of Canada provides mortgage administrative services for a fee equivalent to 0.375% of the principal outstanding. The fees for 1993 amounted to \$2 132 (1992 - \$307).

**6. TAXES**

RoyFund Equity Fund Ltd. qualifies as a mutual fund corporation and the other funds as mutual fund trusts under the Income Tax Act.

The Funds have no tax liabilities as at December 31, 1993 having distributed their entire net income for the year which would otherwise be taxable in their hands. RoyFund Equity Ltd. had realized net capital losses of \$25 212 as at December 31, 1993 available to be carried forward and applied against future capital gains.

RoyFund U.S. Dollar Money Market Fund prepares its financial statements in U.S. dollars but is taxable on its income and net realized gains (arising from foreign exchange movements) calculated on a Canadian dollar basis. The fund had no tax liability as at December 31, 1993 having distributed its entire net income and a sufficient amount of net realized capital gains for the year for Canadian tax purposes.

**7. COMMISSIONS**

Commissions in consideration of portfolio transactions were as follows:

	Year ended December 31	
	1993	1992
RoyFund Balanced Fund	\$ 1 406	\$ 460
RoyFund Equity Ltd.	1 499	1 799
RoyFund U.S. Equity Fund	111	56
RoyFund Dividend Fund	278	-
RoyFund Canadian Growth Fund	588	-
RoyFund International Equity Fund	178	-

**8. FIVE YEAR INFORMATION (note 1)**

The amounts relating to RoyFund U.S. Dollar Money Market Fund are in U.S. dollars, unless otherwise stated, and the amounts for the remaining funds are in Canadian dollars.

**(i) Net asset value per Unit/Share**

	Net asset value per unit/share at December 31				
	1993	1992	1991	1990	1989
RoyFund Money Market Fund	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
RoyFund Canadian T-Bill Fund	10.00	10.00	10.00	-	-
RoyFund U.S. Dollar Money Market Fund	10.00	10.00	10.00	-	-
RoyFund Mortgage Fund	11.21	10.45	-	-	-
RoyFund Bond Fund	5.66	5.30	5.36	4.74	4.92
RoyFund International Income Fund	10.84	-	-	-	-
RoyFund Dividend Fund	12.08	-	-	-	-
RoyFund Balanced Fund	7.12	5.91	5.65	5.11	5.54
RoyFund Equity Ltd.	26.18	19.88	19.46	19.58	23.48
RoyFund Canadian Growth Fund	14.51	-	-	-	-
RoyFund U.S. Equity Fund	14.91	12.68	10.54	-	-
RoyFund International Equity Fund	13.22	-	-	-	-

**(ii) Dividends/Distributions per Unit/Share**

	Dividends/Distributions per Unit/Share out of net income				
	1993	1992	1991	1990	1989
RoyFund Money Market Fund	\$0.4020	\$0.6222	\$0.8680	\$1.2007	\$1.0900
RoyFund Canadian T-Bill Fund	0.4239	0.6222	0.7786	-	-
RoyFund U.S. Dollar Money Market Fund	0.2028	0.2750	0.5186	-	-
RoyFund Mortgage Fund	0.5075	0.4580	-	-	-
RoyFund Bond Fund	0.3405	0.3450	0.3900	0.4779	0.4785
RoyFund International Income Fund	0.2780	-	-	-	-
RoyFund Dividend Fund	0.1600	-	-	-	-
RoyFund Balanced Fund	0.1180	0.1605	0.2050	0.2950	0.2486
RoyFund Equity Ltd.	0.0300	0.1300	0.4500	0.4600	0.3410
RoyFund Canadian Growth Fund	-	-	-	-	-
RoyFund U.S. Equity Fund	-	-	-	-	-
RoyFund International Equity Fund	-	-	-	-	-

In accordance with the Declarations of Trust of each of RoyFund Money Market Fund, RoyFund U.S. Dollar Money Market Fund and RoyFund Canadian T-Bill Fund, all of the net income of each fund is credited to unitholders pro rata on a daily basis. Distributions are made on either the last business day of each month for unitholders of record on that date or are included in the redemption proceeds.

Dividends/Distributions per Unit/Share out of net gains on investments sold

1993 1992 1991 1990 1989

RoyFund U.S. Dollar Money Market Fund (in Canadian dollars, see Note 6)	\$ 0.950	\$0.2050	\$ -	\$ -	\$ -
RoyFund Bond Fund	0.0745	0.1400	-	-	-
RoyFund International Income Fund	0.0920	-	-	-	-
RoyFund Balanced Fund	-	0.0500	0.0100	-	0.1045
RoyFund U.S. Equity Ltd.	0.4500	-	0.0650	-	-

	Special distributions per Unit/Share				
	1993	1992	1991	1990	1989
RoyFund Balanced Fund	\$ -	\$ -	\$ -	\$ -	\$0.0540
RoyFund Equity Ltd.	-	-	-	-	0.3590

**(iii) Management expense ratio**

	Management expense ratio (%)				
	1993	1992	1991	1990	1989
RoyFund Money Market Fund	1.20	1.12	0.93	0.84	0.90
RoyFund Canadian T-Bill Fund	0.84	0.81	0.79	-	-
RoyFund U.S. Dollar Money Market Fund	1.10	1.17	1.24	-	-
RoyFund Mortgage Fund	1.75	1.70	-	-	-
RoyFund Bond Fund	1.49	1.43	1.37	1.38	1.35
RoyFund International Income Fund	1.96	-	-	-	-
RoyFund Dividend Fund	1.78	-	-	-	-
RoyFund Balanced Fund	2.25	2.26	2.19	2.18	2.14
RoyFund Equity Ltd.	2.06	2.04	1.92	1.88	1.85
RoyFund Canadian Growth Fund	2.16	-	-	-	-
RoyFund U.S. Equity Fund	2.29	2.66	2.21	-	-
RoyFund International Equity Fund	2.69	-	-	-	-

The management expense ratio is calculated as being the total expenses incurred by the fund, excluding all taxes, as a percentage of the average net asset value of the fund, and is expressed on an annualized basis.

**9. UNITHOLDER/SHAREHOLDER SERVICING COSTS**

Effective August 17, 1992, registrar and transfer agency fees are paid by the funds in respect of all unitholder/shareholder accounts. Prior to this date, the funds paid these fees only for non-tax sheltered accounts. Fees for tax sheltered accounts were previously paid by unitholders/shareholders directly to the transfer agent, Royal Bank of Canada.

**10. PORTFOLIO TRANSACTIONS**

Additional information as to portfolio transactions is available upon request, without charge, at the office of the portfolio manager, Royal Bank Investment Management Inc.

# ROYFUND MUTUAL FUNDS

## REDEMPTION OF SHARES OR UNITS

If a shareholder or unitholder of a Fund wishes to redeem any or all of his shares or units, as the case may be, he may do so at any time by completing a redemption request form which is available at any branch in Canada of the Royal Bank of Canada, (the "Royal Bank"). A completed redemption request will be forwarded by any Canadian branch of the Royal Bank, as far as practicable, on the same day as it is delivered to the branch, by courier, priority post or telecommunications facility (fax) to the head office of the Royal Bank at 1 Place Ville Marie, Montreal, Quebec. The forms of redemption request must be completed with signatures which are witnessed and guaranteed by the Royal Bank or another Canadian chartered bank, trust company or a member of a recognized stock exchange.

The redemption price of the shares or units, as the case may be, will be the net asset value per share or per unit of the applicable Fund next determined following receipt by the head office of the Royal Bank of the completed request for redemption. Payment for redeemed shares or units will be made by the applicable Fund no

later than five business days following the receipt of the redemption request. As a convenience to shareholders or unitholders, a Fund may arrange, at the expense of the shareholder or unitholder, to transmit payment for redeemed shares or units to the shareholder or unitholder by wire transfer.

In the event that a unitholder of RoyFund Money Market, RoyFund U.S. Dollar Money Market or RoyFund Canadian T-Bill redeems all units held in any one or more of such Funds at any time, all net income and net realized capital gains, if any, credited to the unitholder but not distributed prior to the time of redemption, will be paid to the unitholder in the same manner and at the same time as the proceeds from the redemption of the units unless the unitholder otherwise directs. A unitholder of any of such Funds who redeems all of his units in any one or more of such Funds will not be entitled to receive net income or net realized capital gains, if any, in respect of the day on which the net asset value is calculated for the purpose of the redemption of such units.

## DIRECTORS/TRUSTEES

Gordon J. Feeney  
*Chairman and  
Chief Executive Officer  
of the Corporation  
Senior Executive Vice-President  
Royal Bank of Canada*

J. Emilien Bolduc  
*Executive Vice-President and  
Chief Financial Officer  
Royal Bank of Canada*

Lorne B. Gordon  
*President  
Loram Corporation*

Lloyd R. McGinnis  
*Chairman and  
Chief Executive Officer  
Wardrop Engineering Inc.*

William O. Morrow  
*Chairman and  
Chief Executive Officer  
National Sea Products Limited*

Joseph A. Peller, M.D.  
*Chairman, President and  
Chief Executive Officer  
Andrés Wines Ltd.*

William F. Ready, Q.C. \*  
*Partner  
McDougall, Ready*

Donna M. Scott  
*Vice-President, Canadian  
Publishing and Publisher  
Flare Magazine  
Maclean Hunter Limited*

Michael G. Thorley, Q.C. \*  
*Partner  
Tory Tory DesLauriers  
& Binnington*

Robert L. Vachon \*  
*Chairman and  
Chief Executive Officer  
Christie Group Ltd.*

\* Member of the Audit Committee



---

MADE AVAILABLE BY ROYAL BANK  
MUTUAL FUND SERVICES INC. THROUGH  
ROYAL BANK BRANCHES IN CANADA



**ROYAL BANK**