CGI
CANADIAN GENERAL INVESTMENTS, LIMITED

2016 ANNUAL REPORT
Focussed on Canada

Certain financial information contained in this report, including investment growth rates, rates of return and other such statistical information, are historical values; past performance is no assurance or indicator of future returns. Share prices, net asset values and investment returns will fluctuate. Stated historical returns assume the reinvestment of all distributions. Such financial information does not reflect any broker commissions, transaction costs or such other fees and expenses which may have been applicable nor income taxes payable by any shareholder, which would have the effect of reducing such historical returns. Stated returns for periods greater than one year are compound average annual rates of return. Further information concerning risk can be found in the Company's Annual Information Form which is available on the Company's website at www.canadiangeneralinvestments.ca or on SEDAR at www.sedar.com.

The Company is an investment fund, and as such, this annual report to shareholders carries a variety of information concerning stocks and other investments, all for informational purposes only. The reader should assume that the Company and all individuals and entities (including the Manager and members of its staff) who have contributed to this publication may have a conflict of interest. Readers should therefore not rely solely on this report in evaluating whether or not to buy or sell securities discussed herein.

Cover: Hudson Bay. Oil on panel.

Paul Mantrop is a working artist and founding member of the art collective "drawnonward". Over twenty years ago the artists of drawnonward began to travel throughout Canada in order to document its unique and varied regions. From the Queen Charlotte Islands to the Yukon, from the Gaspe to Newfoundland and throughout the Canadian Arctic. For the last ten years, Paul helped develop and teaches in an art program for Inuit youth. Today Paul paints from a studio in his home near Collingwood, Ontario. You can learn more about Paul at www.paulmantrop.com. He is represented by the Roberts Gallery in Toronto (www.robertsgallery.net).

Jonathan A. Morgan (President & CEO), Vanessa L. Morgan (Chairman), D. Greg Eckel (Portfolio Manager), and Michael A. Smedley (Executive Vice-President & Chief Investment Officer of the Manager)

Dear Fellow Shareholders,

We are pleased to present the 2016 annual report for Canadian General Investments, Limited (CGI or the Company). In this report, you will find information on the performance of CGI for 2016. The management report of fund performance contains a management discussion of fund performance, a financial highlights section incorporating per share information as well as various financial ratios, historical returns and a summary of investment portfolio which includes the top 25 holdings as at the end of the year. The full investment portfolio as at December 31, 2016 is provided as part of CGI's audited financial statements, which are also included as part of this report.

For the 12 months ended December 31, 2016, CGI's common shares recorded a net asset value per share (NAV) total return of 18.2% and a share price total return of 8.2% (share price change plus dividends). By comparison, the total return of its benchmark, the S&P/TSX Composite Index, was 21.1% during the same period.

During 2016, CGI paid three regular quarterly taxable dividends aggregating to $0.48 per common share, one quarterly capital gains dividend of $0.16, as well as a year-end special capital gains dividend of $0.12 per share, for an annual total of $0.76. Based on the year-end market price of the common shares, aggregate dividends paid represented a 3.9% yield to shareholders.

CGI has been managed by Morgan Meighen & Associates Limited (the Manager) since 1956. D. Greg Eckel, Senior Vice-President of the Manager, is the portfolio manager responsible for the management of CGI's investment portfolio.

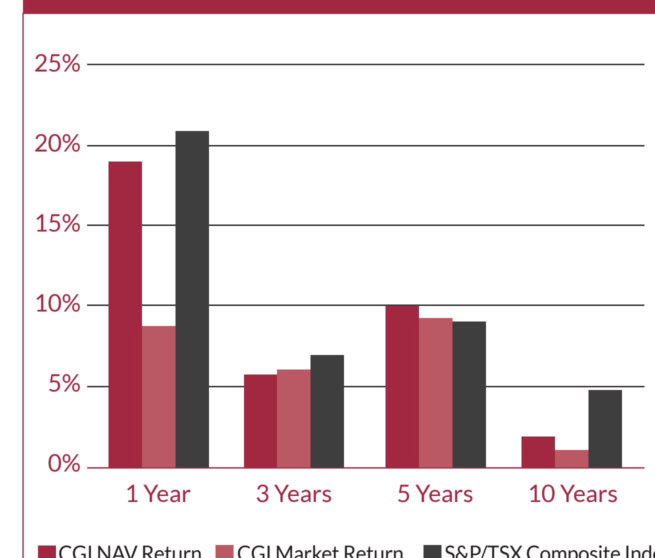
Further information about CGI, including the most recent NAV and market price, current performance, the portfolio's weekly top 10 holdings, historical dividend payments, as well as various financial and regulatory reports, can be found at www.canadiangeneralinvestments.ca.

We appreciate your investment in CGI.

Vanessa L. Morgan
Chairman

Jonathan A. Morgan
President & CEO

Compound Annual Returns for the Periods to December 31, 2016



RESPONSIBILITY STATEMENT

In accordance with the Disclosure and Transparency Rules of the United Kingdom Financial Services Authority, the Board of Directors confirms that to the best of its knowledge:

i. the financial statements have been prepared in accordance with International Financial Reporting Standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;

ii. the management report of fund performance includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

The financial statements and management report of fund performance were approved by the Board of Directors on February 15, 2017.

Vanessa L. Morgan
Chairman

Corporate Profile

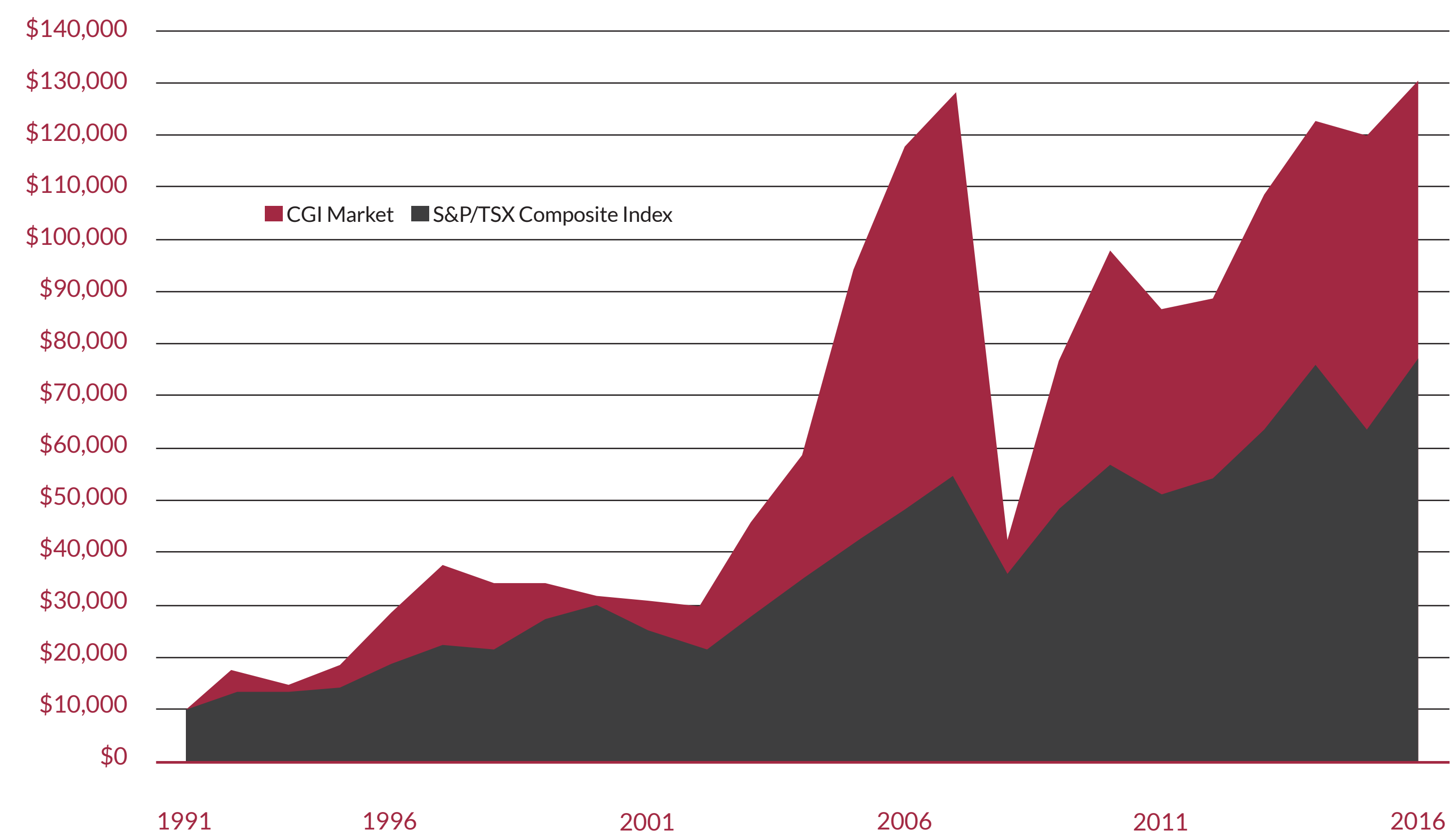
CANADIAN GENERAL INVESTMENTS, LIMITED (CGI)

CGI is a closed-end equity fund focussed on medium- to long-term investments in Canadian corporations. It strives, through prudent security selection, timely recognition of capital gains/losses and appropriate income-generating instruments, to provide better than average returns to investors.

CGI was established in 1930 and has been managed since 1956 by Morgan Meighen & Associates Limited (website: www.mmainvestments.com).

The graph below is presented to illustrate the benefit of a long-term investment in CGI's common shares. A $10,000 investment in CGI would have grown to over $130,000 over the 25-year period ended December 31, 2016. This equates to a compound annual average growth rate of 10.8%. By comparison, a $10,000 investment in the benchmark S&P/TSX Composite Index would have grown to nearly $79,000 or a compound average annual growth rate of 8.6%.

Growth of a $10,000 Investment – 25 Years to December 31, 2016



For the 50 years ended December 31, 2016, a $10,000 investment would have grown to over $1.8 million, representing a compound average annual return of 11.0%. The values for the benchmark for the same period were $920,000 and 9.5%, respectively.

Management Report of Fund Performance

This annual management report of fund performance contains financial highlights and should be read in conjunction with the complete audited annual financial statements of the Company that follow this report. Securityholders may request a copy of the Company's interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure, at no cost, by calling 416-366-2931 (Toll-free: 1-866-443-6097), by writing to the Company at 10 Toronto Street, Toronto, Ontario M5C 2B7 or by visiting the Company's website at www.canadiangeneralinvestments.ca. The interim report is also available on SEDAR at www.sedar.com.

This report may contain forward-looking statements about the Company and markets that reflect the Manager's current expectations of future events. Forward-looking statements include statements that are predictive in nature, depend upon future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or similar expressions. Forward-looking statements are subject to risks, uncertainties and assumptions with respect to the Company and economic factors and actual results may differ materially for many reasons, including, but not limited to, market and general economic conditions, interest rates, foreign exchange rates, changes in government regulations and catastrophic events. As a result, the reader is cautioned not to place undue reliance on forward-looking statements. Further, any forward-looking information is current only as of the date of this report and there should be no expectation that such information will be updated as a result of new information, changing circumstances or future events, unless required by applicable law.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

INVESTMENT OBJECTIVE AND STRATEGIES

Canadian General Investments, Limited (CGI or the Company) is a closed-end equity fund, focussed on medium- to long-term investments in primarily Canadian corporations. Its objective is to provide better than average returns to investors through prudent security selection, timely recognition of capital gains/losses and appropriate income-generating instruments.

The Manager, Morgan Meighen & Associates Limited (MMA), utilizes a bottom-up investment strategy in an effort to achieve CGI's objective. With this type of investment strategy, the Manager first seeks individual companies with attractive investment potential, then proceeds to consider the larger industry, economic and global trends affecting those companies. This investment style allows for sector weightings that can differ from those of the benchmark, the S&P/TSX Composite Index (S&P/TSX).

RISK

The risks associated with an investment in the Company are as disclosed in the Company's Annual Information Form which is available on the Company's website at www.canadiangeneralinvestments.ca or on SEDAR at www.sedar.com.

RESULTS OF OPERATIONS

Performance

Investors in the Canadian equity markets were well rewarded in 2016 as the S&P/TSX posted superb results and its 21.1% return catapulted the S&P/TSX to the number one position amongst its major developed market peer group. Hopefully, these results reignite interest, attract capital and improve the desirability of Canadian exposure for global investors whose attention has been diverted away from Canadian domestic markets in the last few years.

It was quite a turnaround year both in terms of intra-year movements and year-over-year comparisons. Beginning the year, a combination of negative momentum carried over from the last half of 2015 and a period of acute volatility caused North American equity markets to experience their worst yearly start in history. Global economic worries, geopolitical tensions, interest rate concerns and, particularly for Canadian investors, a plunge in oil prices unsettled investors and stocks were indiscriminately sold. In late February, after seemingly pricing in a worst-case scenario, markets found a bottom, stabilized and then rallied upwards for the remainder of the year in a remarkably strong and steady fashion. By year end, the U.S. markets had already pushed through their old-time highs and the Canadian markets also found themselves within reach of their prior record levels.

Overall, Canadian market performance was heavily influenced by extremely positive returns generated in the resource groups. Optimism for the global economic outlook and improving supply and demand fundamentals resulted in almost all of the Commodity Research Bureau (CRB) commodities constituents posting positive returns for the first time in six years. This translated into significant advances for many of the stocks in these groups. Their associated gains dominated returns to such an extent that they had produced almost all of the index increase at the half year. Since CGI is constructed and managed to provide investors with a broadly comprehensive and diversified exposure to the Canadian equity markets, its relative performance to the benchmark will suffer in such a narrowly generated return market. As a result, even though there was some broadening in the index constituent returns by the end of the year, it wasn't enough to enable CGI to entirely close the gap with the benchmark and so CGI's NAV return of 18.2% still lagged the S&P/TSX total return in 2016.

The table below illustrates the weightings of the five largest sectors in CGI's portfolio at December 31, 2016, compared with year end 2015, and with the S&P/TSX. The weightings for CGI represent the market value of each sector as a percentage of the total investment portfolio. At December 31, 2016 the portfolio was overweight Consumer Discretionary, Industrials and Materials, and underweight Financials and Energy, as compared to the sector weightings in the S&P/TSX.

	CGI		S&P/TSX	
SECTOR	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Energy	20.7%	12.4%	21.4%	18.9%
Materials	18.3%	13.4%	11.8%	9.5%
Financials	15.5%	22.5%	35.0%	38.3%
Consumer Discretionary	15.0%	19.6%	5.0%	6.9%
Industrials	12.2%	14.2%	8.9%	8.3%

The Materials and Energy sectors had the two best returns in the index for 2016, at 41.2% and 35.5%, respectively. This was a complete reversal from their last place positioning in 2015 and a breakout year, particularly for the Materials group, which has spent the last few years consistently wallowing at or near the bottom of its peer rankings. Although CGI has had success with carrying an overweight position in Materials for almost four years, the composition of its holdings prevented it from capturing gains on par with the benchmark. For example, leadership came primarily from the gold subgroup, which collectively averaged a return of almost 50%, and makes up about half of the weighting in the entire group. CGI came into the year underweight gold stocks with exposure through its lone representative and perennial top 10 holding of Franco-Nevada Corporation. It had a decent 28.6% return, but investors were enticed into gold companies that, unlike Franco-Nevada, had been out of favour for some time. The Company added Tahoe Resources Inc. (-13.3%) in the first quarter, to raise its exposure and is currently almost marketweight in the subgroup.

Base metal stocks were also bid up strongly. CGI's lack of exposure at the beginning of the year was quickly rectified by taking positions in First Quantum Minerals Ltd. (108.5%), a copper producer with substantial growth metrics, and Hudbay Minerals Inc. (37.7%), a low-cost producer of mainly copper and zinc. First Quantum produced the largest gain for the year in the portfolio, and its return in excess of 100% made it one of the largest holdings in the portfolio.

The laggards in Materials came from disappointing results in the forest products area and two holdings, Canfor Corporation (-32.9%) and West Fraser Timber Co. Ltd. (-23.7%), were eliminated from the portfolio. They posted negative returns due to weakness in lumber pricing and concerns over the expiry in October of the moratorium on trade sanctions of the Softwood Lumber Agreement (SLA) between Canada and the U.S. CGI's remaining name in this subgroup Norbord Inc., the top global producer of oriented strand board (OSB), performed very well with a 23.1% return and the position was increased during the year. The OSB industry is enjoying strong fundamentals and, unlike lumber, is not affected by the SLA.

The Energy sector ended with a strong 35.5% return for the year though persistent fears of growing surpluses in global supply levels had decimated the oil price and drove the benchmark West Texas Intermediate (WTI) barrel down to the $26 level in the first few weeks of the year. Stock prices followed this downtrend, but began to climb on indications of reduced production levels, smaller capital expenditure budgets and lower drilling activity. In late November, commodity and stock prices were further boosted and given more support, when OPEC surprisingly came to an agreement to cut production for the first time in eight years. By year end, these bullish factors had combined to push WTI pricing to its yearly high of close to $54, up about 45% year-over-year, and related equity returns reflected these higher levels.

CGI began the year substantially underweight Energy, but started increasing its exposure during the beginnings of the sector's upturn in the first quarter and, by year end, was almost marketweight. Parex Resources Inc. (45.3%) and Secure Energy Services Inc. (44.8%) were early additions to the portfolio and produced gains in excess of 40% by the end of the year. Parex Resources is in Colombia and its drilling success in the last couple of years positions it for significant reserve and production growth. A focus on maintaining low costs and financial discipline has the company with no debt and able to excel even in a low crude pricing environment.

Secure Energy is a quality company with an impressive growth record. It is a services company that owns and operates midstream infrastructure and provides environmental services and products to upstream companies. Management has the capability to reignite its platform of initiatives and deliver substantial upside should western Canada continue to show improvements. Vermillion Energy Inc., another addition to the portfolio in 2016, also performed very well, up 30.3%. Vermillion is an international oil and gas producer in Canada, France, Ireland, Netherlands, Germany and Australia. It delivers balanced sustainable growth and income, currently yielding above 4.5%, and is experienced in capitalizing on non-Canadian opportunities in geopolitically safe jurisdictions.

Although resource stocks dominated the individual return list for 2016, other holdings made impressive contributions to the portfolio. Dollarama Inc. continued its remarkable multi-year streak of strong gains with yet another return of greater than 21% and, in spite of having reduced the number of shares in the holding by more than half in the last couple of years, Dollarama continues as the Company's largest investment. Prospects are still very encouraging. Two technology stocks rose to the fore in 2016. Open Text Corporation, up 26.8%, renewed focus on acquisitions, delivering impressive results. With the Documentum deal announced in December, it is now the largest independent Enterprise Content Management vendor in the world, and management and investors are extremely bullish. NVIDIA Corporation, up 104.2%, is a leading supplier of graphics processing units and platforms and represents a long-term growth story with leading positions in key and rapidly expanding applications for gaming, enterprise graphics, automotive, data center and cloud applications. A combination of growth momentum, consistency, profitability and strong financials caused its share price to double since its purchase mid-year.

Leverage employed by CGI, in the form of both preference shares issued by the Company as well as use of a credit facility, served to enhance the effect of the overall positive portfolio return, positively impacting CGI's NAV return.

Dividend and interest income was $13,019,000 for the year, up 5.2% from 2015 primarily as a result of a one-time distribution by Brookfield Canada Office Properties of $987,000 in April 2016. Management fees and dividends on preference shares are the largest expenses of the Company. Management fees decreased by 3.7% to $7,529,000, as a result of lower average monthly portfolio values compared to 2015. The dividends on preference shares decreased 28.3%, due to the redemption of the $75 million 3.90% cumulative, redeemable Class A preference shares, Series 3 at par by CGI on June 10, 2016. The leverage offered by the preference shares was replaced with a $75 million non-revolving, three-year fixed-rate credit facility that bears interest at 2.28% and is fully drawn. Although CGI's total leverage employed remains constant at $150 million, going forward, annual leverage-related interest expenses (preference share dividends and credit facility interest) will be $1,215,000 lower as a result of the lower interest rate on the credit facility.

Taxation

As a corporate entity, CGI is subject to tax on its taxable income – primarily realized gains on the sale of investments – at an effective rate of approximately 20%. As a result of its investment corporation status under Canadian tax law, CGI can recover taxes paid or payable on its realized taxable capital gains through the payment of capital gains dividends to shareholders. To the extent that taxes paid or payable on taxable income and capital gains in a year are greater than taxes recovered on the payment of capital gains dividends, there will be a negative impact on net assets of the fund. For the year ended December 31, 2016, there was a net receivable related to tax of $1,627,000, compared to a net payable of $865,000 in the prior year. Taxes paid or payable on realized taxable capital gains may be recovered through the payment of capital gains dividends in future years. As at December 31, 2016, the Company had refundable capital gains tax on hand of approximately $1,251,000 (2015 - $1,662,000), which is refundable on payment of capital gains dividends of approximately $12.6 million (2015 - $14.1 million). The Company also has refundable dividend tax on hand of approximately $651,000 as at December 31, 2016 (2015 – $1,813,000), which is refundable on the payment of taxable dividends.

RECENT DEVELOPMENTS

Outlook

The strong returns posted by equity markets in 2016 were highly influenced by investor optimism. For the rally to be supported going forward, positive and tangible data points need to be generated in 2017 to support, reinforce and potentially build on these hopeful expectations.

Although the world economy is entering 2017 with somewhat stronger growth, it still remains sluggish, and prospects for the year remain uncertain. As China continues in its attempt to transition to a more domestic-centric rather than export-driven economy, its growth continues to slow, and this is pressuring overall global results. Improvements have been made in the European region the last couple of years, but the surprise Brexit vote in the United Kingdom last year will produce headline risk, and may cause some economic destabilization as negotiations get underway on terms for its withdrawal from the European Union.

Since November, when Donald Trump won the U.S. presidential election, the United States has become a main focus of interest for investors who have been building in heightened expectations that the new administration will pursue policies that accelerate economic growth in the U.S. As its largest trading partner, this should be positive for Canada, but, along with promises of lower taxes, deregulation and massive spending programs, there has been rhetoric regarding changes to international trade agreements. Canadian policy makers and investors will be following closely any developments which may impact Canada.

Markets paused in advance of the presidential inauguration on January 20 and future movements will be dependent on developments arising post this event. The substantial economic unknowns are expected to cause investors to take a wait-and-see approach until there is greater clarity on some of the issues that have been debated as part of the new president's agenda and, as is usual during periods of uncertainty, this may cause some volatility going forward. However, on balance, there appears to be a general willingness and desire to proceed on a number of the growth and change initiatives that have been considered by the new political powers and their adoption could further the market potential for investors in 2017.

Cautiously optimistic that the global environment is steadily improving and with promise of more stimulus that invigorates further growth, the Canadian market could see advances in its resource-related areas and, depending on trade developments, may also be able to capitalize on a stronger U.S. trading partner. CGI's portfolio is not only well suited to participate in these particular investment opportunities, but maintains its diversified exposure in many other high quality, Canadian prospects.

RELATED PARTY TRANSACTIONS

The Company is managed by MMA, a company under common control with CGI. MMA provides continuing advice and investment management services, as well as administration, financial reporting and other ancillary services required by a publicly listed company. For more details concerning the services that are provided by MMA and the management fee that is charged to the Company, see "Management Fees".

Third Canadian General Investment Trust Limited (Third Canadian), a private, Ontario-based corporation under common control with the Company, has an approximate 37% (December 31, 2015 – 37%) ownership interest in the Company. As a result of its ownership position in the Company, during the year ended December 31, 2016, Third Canadian received dividends from net investment income of $3,662,000 (2015 - $2,136,000) and dividends from net realized gain on investments of $2,136,000 (2015 - $3,662,000).

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Company and are intended to help you understand the Company's financial performance for the past five years.

THE COMPANY'S NET ASSETS PER SHARE (1)

	2016	2015	2014	2013	2012
Net assets – beginning of year	$24.38	$27.05	$25.65	$21.87	$20.37
Increase (decrease) from operations					
Total revenue	0.65	0.61	0.65	0.71	0.68
Total expenses (excluding common share dividends)	(0.67)	(0.71)	(0.74)	(0.71)	(0.67)
Realized gains for the year	0.90	1.49	1.20	1.48	0.77
Unrealized gains (losses) for the year	3.40	(3.26)	1.05	3.13	1.38
Refundable income tax refund (expense)	0.08	(0.04)	-	(0.07)	-
Total increase (decrease) from operations(2)	4.36	(1.91)	2.16	4.54	2.16
Dividends paid to common shareholders					
Taxable dividends	(0.48)	(0.28)	(0.24)	(0.26)	(0.24)
Capital gains dividends	(0.28)	(0.48)	(0.52)	(0.50)	(0.52)
Total dividends(3)	(0.76)	(0.76)	(0.76)	(0.76)	(0.76)
Income taxes recoverable on dividends from net realized gain on investments	-	-	-	-	0.10
Net increase in refundable dividend tax on hand	-	-	-	-	(0.03)
Increase in refundable income taxes on net realized gain on investments	-	-	-	-	(0.04)
	-	-	-	-	0.03
Net assets – end of year(4)	$27.98	$24.38	$27.05	$25.65	$21.80

(1) This information is derived from the Company's audited annual financial statements. For financial years beginning before January 1, 2013, the financial statements of the Company were prepared in accordance with Canadian generally accepted accounting principles applicable to public enterprises (Previous Canadian GAAP), whereas for financial periods beginning January 1, 2013, the financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). As related to the Company, the primary difference between IFRS and Previous Canadian GAAP relates to valuation differences between the two sets of accounting principles for investments that trade in an active market. Previous Canadian GAAP generally required the use of bid price to establish fair value, while IFRS requires fair value to be a price within the bid-ask spread.

(2) Net assets and dividends are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.

(3) Dividends were paid in cash.

(4) This is not a reconciliation of the beginning and ending net assets per share.

RATIOS AND SUPPLEMENTAL DATA

	2016	2015	2014	2013	2012
Total net asset value (000's) (1)	$583,644	$508,528	$564,382	$535,055	$456,149
Number of shares outstanding (1)	20,861,141	20,861,141	20,861,141	20,861,141	20,861,141
Management expense ratio (2) (3)	2.66%	2.63%	2.63%	2.95%	3.08%
Trading expense ratio (4)	0.12%	0.08%	0.07%	0.12%	0.08%
Portfolio turnover rate (5)	21.45%	16.37%	13.11%	23.80%	13.06%
Net asset value per share (1)	$27.98	$24.38	$27.05	$25.65	$21.87
Closing market price (1)	$19.45	$18.75	$20.05	$18.40	$15.75

(1) This information is provided as at December 31 of the year shown.

(2) Management expense ratio (MER) is based on total expenses (including leverage costs but excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(3) Excluding leverage costs (dividends on preference shares and interest and financing charges), the Company's MERs were as follows: 2016 – 1.65%, 2015 - 1.57%, 2014 - 1.58%, 2013 - 1.66%, 2012 - 1.66%.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs as an annualized percentage of daily average net asset value during the period.

(5) The Company's portfolio turnover rate indicates how actively the Manager manages the Company's portfolio investments. A portfolio turnover of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year. There is not necessarily a relationship between the turnover rate and the performance of a fund.

MANAGEMENT FEES

The Company pays a management fee that is calculated and paid monthly at 1% per annum of the market value of CGI's investments adjusted for cash, portfolio accounts receivable and portfolio accounts payable. The Company's management fees were used by MMA to pay costs for managing the portfolio and making investment decisions, as well as the provision of administrative services including making brokerage arrangements for the purchase and sale of securities, calculating the daily net asset value of the Company, maintaining financial and corporate records, preparing financial statements and all required regulatory filings and assisting in promotion activities. The officers of the Company are remunerated by MMA in their capacity as directors and/or officers of MMA and receive no compensation from CGI.

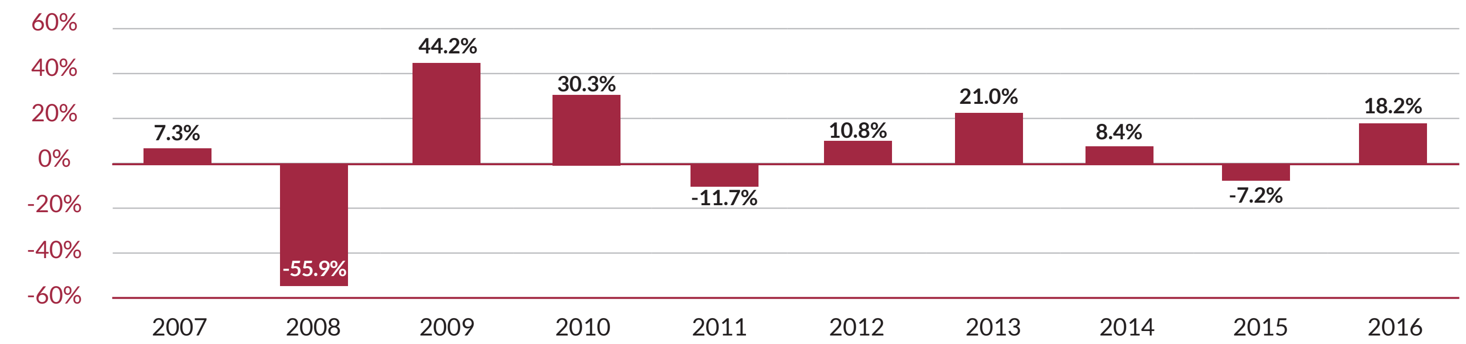
PAST PERFORMANCE

The performance information shown assumes that all dividends paid by CGI to common shareholders were reinvested in additional common shares of the Company. The performance information does not take into account broker commissions or other fees potentially payable by holders of the Company's shares that would have reduced returns or performance. How the Company has performed in the past does not necessarily indicate how it will perform in the future.

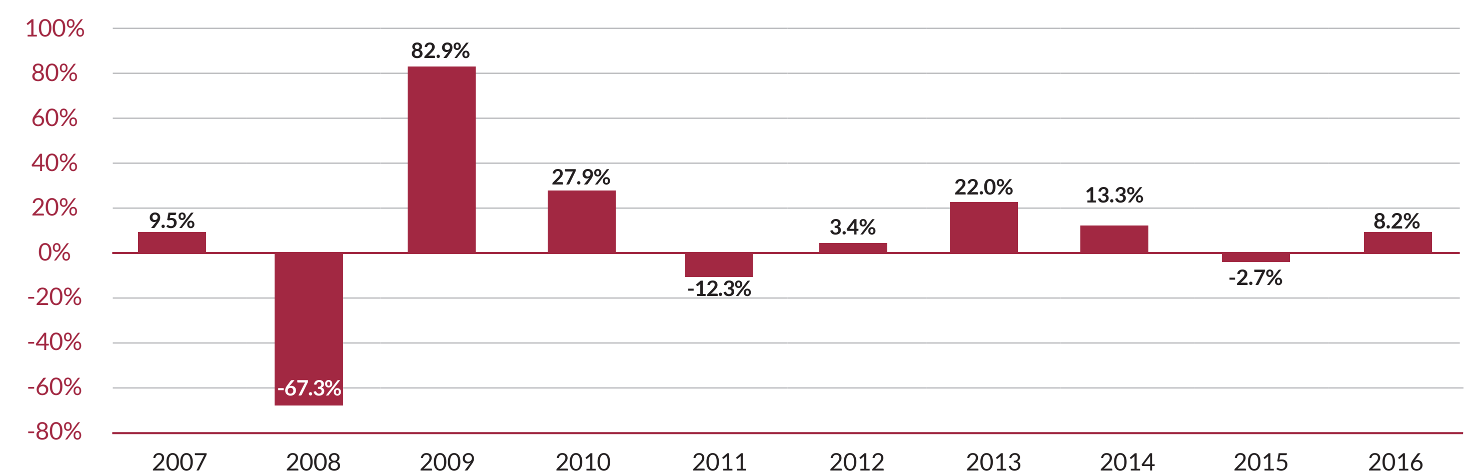
YEAR-BY-YEAR RETURNS

The following bar charts show the Company's performance for each of the years shown, and illustrate how the Company's performance has changed from year to year. The bar charts show, in percentage terms, how much an investment made on the first day of each year would have grown or decreased by the last day of each year.

The bar chart below illustrates CGI's **net asset value per share return**, with dividends reinvested at net asset value per share.



The bar chart below illustrates CGI's **share price return**, with dividends reinvested at the market price.



ANNUAL COMPOUND RETURNS

The following table shows the Company's historical annual compound total returns for the periods indicated, compared with the S&P/TSX. The Index return is also calculated on a total return basis, assuming that all distributions are reinvested.

	1 Year	3 Years	5 Years	10 Years
Canadian General Investments, Limited – NAV	18.2%	6.0%	9.8%	2.3%
Canadian General Investments, Limited – Share Price	8.2%	6.1%	8.5%	1.0%
S&P/TSX Composite Index	21.1%	7.1%	8.2%	4.7%

The S&P/TSX Composite Index is a market capitalization-weighted index that provides a broad measure of performance of the Canadian equity market.

SUMMARY OF INVESTMENT PORTFOLIO

as at December 31, 2016

Sector Allocation	% of Net Asset Value*	% of Investment Portfolio
Energy	25.9	20.7
Materials	22.9	18.3
Consumer Discretionary	18.8	15.0
Financials	16.7	13.3
Industrials	15.3	12.2
Information Technology	13.0	10.4
Telecommunication Services	3.8	3.1
Real Estate	2.8	2.2
Consumer Staples	2.5	2.0
Cash & Cash Equivalents	2.3	1.9
Utilities	1.2	0.9

Asset Allocation	% of Net Asset Value*	% of Investment Portfolio
Canadian Equities	103.7	82.8
Foreign Equities	19.2	15.3
Cash & Cash Equivalents	2.3	1.9

Top 25 Holdings

Issuer	Sector	% of Net Asset Value*	% of Investment Portfolio
Dollarama Inc.	Consumer Discretionary	5.6	4.4
Bank of Montreal	Financials	4.6	3.7
Franco-Nevada Corporation	Materials	4.3	3.5
First Quantum Minerals Ltd.	Materials	4.1	3.3
Open Text Corporation	Information Technology	4.0	3.2
Royal Bank of Canada	Financials	3.8	3.0
Canadian Pacific Railway Limited	Industrials	3.8	3.0
NVIDIA Corporation	Information Technology	3.7	2.9
CCL Industries Inc.	Materials	3.4	2.7
Enbridge Inc.	Energy	3.2	2.6
AutoZone, Inc.	Consumer Discretionary	3.1	2.5
Raging River Exploration Inc.	Energy	3.0	2.4
Amazon.com, Inc.	Consumer Discretionary	3.0	2.4
Toronto-Dominion Bank	Financials	2.9	2.4
Methanex Corporation	Materials	2.8	2.2
Brookfield Canada Office Properties	Real Estate	2.8	2.2
Parex Resources Inc.	Energy	2.8	2.2
Air Canada	Industrials	2.7	2.2
Norbord Inc.	Materials	2.7	2.1
Whitecap Resources Inc.	Energy	2.6	2.1
HudBay Minerals Inc.	Materials	2.6	2.1
Secure Energy Services Inc.	Energy	2.5	2.0
Alimentation Couche-Tard Inc.	Consumer Staples	2.5	2.0
Mastercard Incorporated	Financials	2.5	2.0
Vermilion Energy Inc.	Energy	2.4	1.9
		81.4*	65.0
Total Net Asset Value* ($000's)			$583,644
Total Investment Portfolio* ($000's)			$730,476

* Total Net Asset Value represents Total Investment Portfolio adjusted for leverage ($149 million) in the form of preference shares and bank loan, other assets and other liabilities.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Company. The most recent quarterly portfolio disclosure may be obtained by visiting the Company's web site at www.canadiangeneralinvestments.ca, by calling 416-366-2931 (Toll-free: 1-866-443-6097), or by writing to the Company at 10 Toronto Street, Toronto, Ontario, Canada, M5C 2B7

MANAGEMENT REPORT

THE ACCOMPANYING FINANCIAL STATEMENTS HAVE BEEN PREPARED BY MANAGEMENT AND APPROVED BY THE BOARD OF DIRECTORS OF THE COMPANY. MANAGEMENT IS RESPONSIBLE FOR THE INFORMATION AND REPRESENTATIONS CONTAINED IN THESE FINANCIAL STATEMENTS.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgements. The significant accounting policies, which Management believes are appropriate for the Company, are described in note 3 to the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing Management's performance of its financial reporting responsibilities. An Audit Committee comprised of non-Management Directors is appointed by the Board. The Audit Committee reviews the financial statements, adequacy of internal controls, the audit process and financial reporting with Management and the external Auditors. The Audit Committee reports to the Board of Directors prior to the approval of the audited financial statements for publication.

PricewaterhouseCoopers LLP, the Company's external Auditor, who is appointed by the shareholders, audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out on page 12.

Vanessa L. Morgan
Chairman

Jonathan A. Morgan
President & CEO

February 15, 2017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Canadian General Investments, Limited
(the Company)

We have audited the accompanying financial statements of the Company, which comprise the statements of financial position as at December 31, 2016 and December 31, 2015 and the statements of comprehensive income, changes in net assets and cash flows for the years ended December 31, 2016 and December 31, 2015, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants,
Licensed Public Accountants
Toronto, Ontario

PricewaterhouseCoopers LLP

February 15, 2017

Statements of Financial Position

As at December 31, 2016 and December 31, 2015
(in thousands of Canadian dollars, except per share amounts)

	Note	December 31, 2016	December 31, 2015
Assets			
Current assets			
Investments	5	716,821	640,619
Cash		13,655	17,238
Interest and dividends receivable		943	922
HST receivable		180	156
Income taxes recoverable		1,554	-
Total assets		733,153	658,935
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		841	688
Accrued dividends on preference shares		123	252
Income taxes payable		-	936
Preference shares – current portion		-	75,000
Total current liabilities		964	76,876
Bank loan	6	74,835	-
Preference shares	7	73,710	73,531
		148,545	73,531
Total liabilities		149,509	150,407
Net assets		583,644	508,528
Equity			
Share capital	8	128,568	128,568
Retained earnings		455,076	379,960
Total equity		583,644	508,528
Net assets per common share		27.98	24.38

The notes on pages 19-28 are an integral part of the financial statements.

Approved by the Board of Directors

Director Director

Statements of Comprehensive Income

For the years ended December 31
(in thousands of Canadian dollars, except per share amounts)

	Note	2016	2015
Income			
Net gains (losses) on investments			
Dividend income		11,895	12,055
Interest for distribution purposes		1,124	319
Net realized gain on sale of investments		19,539	31,451
Net change in unrealized gain on investments		70,936	(68,100)
Net gains (losses) on investments		103,494	(24,275)
Securities lending revenue	13	522	379
Total net income (loss)		104,016	(23,896)
Expenses			
Management fees	12	7,529	7,822
Dividends on preference shares		4,113	5,738
Interest and financing charges	7	1,182	165
Transaction costs on purchases and sales		648	424
Listing and regulatory costs		275	242
Directors' fees and expenses	12	248	220
Investor relations		240	194
Withholding taxes	10	95	120
Custodial fees		80	81
Legal fees		67	31
Audit fees		53	61
Security holder reporting costs		52	45
Independent review committee fees and expenses	12	37	38
Other		53	56
Total operating expenses		14,671	15,237
Investment income (loss) before income taxes		89,345	(39,133)
Refundable income tax expense (recovery)	9	(1,627)	865
Increase (decrease) in net assets from operations		90,972	(39,998)
Increase (decrease) in net assets from operations, per common share		4.36	(1.92)

The notes on pages 19-28 are an integral part of the financial statements.

Statements of Changes in Net Assets

For the years ended December 31
(in thousands of Canadian dollars)

	Share Capital	Retained Earnings	Total
At December 31, 2014	128,568	435,814	564,382
Decrease in net assets from operations	-	(39,998)	(39,998)
Dividends paid to common shareholders from net investment income	-	(5,842)	(5,842)
Dividends paid to common shareholders from net realized gain on investments	-	(10,014)	(10,014)
At December 31, 2015	128,568	379,960	508,528
Increase in net assets from operations	-	90,972	90,972
Dividends paid to common shareholders from net investment income	-	(10,014)	(10,014)
Dividends paid to common shareholders from net realized gain on investments	-	(5,842)	(5,842)
At December 31, 2016	128,568	455,076	583,644

The notes on pages 19-28 are an integral part of the financial statements.

Statements of Cash Flows

For the years ended December 31
(in thousands of Canadian dollars)

	Note	2016	2015
Cash flows from operating activities			
Increase (decrease) in net assets from operations		90,972	(39,998)
Adjustments for:			
Amortization of financing charge	6,7	217	164
Net realized gain on sale of investments		(19,539)	(31,451)
Net change in unrealized gain on investments		(70,936)	68,100
Purchases of investments		(145,086)	(115,631)
Proceeds of disposition of investments		159,359	140,178
Dividends paid to preference shareholders		4,113	5,738
Interest and dividends receivable		(21)	(88)
HST receivable		(24)	(17)
Income taxes payable (recoverable)	9	(2,490)	776
Accounts payable and accrued liabilities		153	(72)
Net cash flows from operating activities		16,718	27,699
Cash flows from financing activities			
Preference shares redeemed		(75,000)	-
Proceeds from bank loan		74,797	-
Dividends paid to common shareholders		(15,856)	(15,856)
Dividends paid to preference shareholders		(4,242)	(5,738)
Net cash flows used in financing activities		(20,301)	(21,594)
Net increase (decrease) in cash		(3,583)	6,105
Cash at the beginning of the year		17,238	11,133
Cash at the end of the year		13,655	17,238
Items classified as operating activities			
Interest received		1,029	351
Dividends received, net of withholding taxes		11,755	11,887
Preference share dividends and interest paid	7	5,197	5,739
Income taxes paid – net	9	863	90

The notes on pages 19-28 are an integral part of the financial statements.

Schedule of Investment Portfolio

As at December 31, 2016

Number of Shares	Investment	Cost	Fair Value
		(in thousands of dollars)	
	Consumer Discretionary (15.0%)		
	Auto Components		
190,000	Magna International Inc.	6,872	11,077
	Multiline Retail		
330,000	Dollarama Inc.	3,400	32,465
	Retailing		
17,500	Amazon.com, Inc.	14,614	17,620
60,000	Home Depot, Inc.	10,085	10,802
25,000	Ulta Salon, Cosmetics & Fragrance Inc.	8,721	8,558
	Specialty Retail		
17,000	AutoZone, Inc.	10,335	18,028
	Textiles, Apparel & Luxury Goods		
330,000	Gildan Activewear Inc.	6,755	11,250
	Total Consumer Discretionary	60,782	109,800
	Consumer Staples (2.0%)		
	Food & Staples Retailing		
240,000	Alimentation Couche-Tard Inc., B SV	5,051	14,611
	Total Consumer Staples	5,051	14,611
	Energy (20.7%)		
	Oil, Gas & Consumable Fuels		
335,000	Enbridge Inc.	3,447	18,927
950,000	Painted Pony Petroleum Ltd.	9,327	8,759
950,000	Parex Resources Inc.	11,085	16,055
310,500	Peyto Exploration & Development Corp.	9,259	10,312
1,675,000	Raging River Exploration Inc.	7,902	17,688
1,260,000	Secure Energy Services Inc.	10,396	14,755
1,410,000	Storm Resources Ltd.	7,768	7,473
140,000	Suncor Energy Inc.	5,382	6,146
220,000	Tourmaline Oil Corp.	7,446	7,900
226,000	TransCanada Corporation	6,260	13,682
245,000	Vermilion Energy Inc.	10,893	13,840
1,263,661	Whitecap Resources Inc.	11,827	15,366
	Total Energy	100,992	150,903

Number of Shares	Investment	Cost	Fair Value
		(in thousands of dollars)	
	Financials (13.3%)		
	Banks		
275,000	Bank of Montreal	10,640	26,557
245,000	Royal Bank of Canada	10,190	22,263
260,000	Toronto-Dominion Bank	5,599	17,217
	Capital Markets		
76,900	Economic Investment Trust Ltd.	3,851	8,075
	Consumer Finance		
105,000	Mastercard Incorporated, A	7,360	14,557
	Thrifts & Mortgage Finance		
254,500	Genworth MI Canada Inc.	5,141	8,566
	Total Financials	42,781	97,235
	Health Care (0.0%)		
	Health Care Providers & Services		
225,000	Nobilis Health Corp., wts 05/13/2017	572	1
	Total Health Care	572	1
	Industrials (12.2%)		
	Airlines		
1,150,000	Air Canada	5,923	15,721
70,000	Spirit Airlines, Inc.	6,294	5,438
	Capital Goods		
145,000	Masco Corporation	6,590	6,156
	Construction & Engineering		
235,000	WSP Global Inc.	10,389	10,502
	Marine		
372,000	Algoma Central Corporation	2,863	4,557
	Professional Services		
90,000	Stantec Inc.	1,996	3,053
	Road & Rail		
115,000	Canadian Pacific Railway Ltd.	6,352	22,029
350,000	TFI International Inc.	5,029	12,211
	Trading Companies & Distributors		
375,000	Russel Metals Inc.	3,243	9,593
	Total Industrials	48,679	89,260

The notes on pages 19-28 are an integral part of the financial statements.

Schedule of Investment Portfolio

As at December 31, 2016

Number of Shares	Investment	Cost	Fair Value
		(in thousands of dollars)	
	Information Technology (10.4%)		
	Semiconductors & Semiconductor Equipment		
150,000	NVIDIA Corporation	10,570	21,498
	Software		
280,000	Open Text Corporation	8,343	23,218
	Software & Services		
400,000	The Descartes Systems Group Inc.	10,317	11,452
185,000	Shopify Inc.	9,783	10,674
	Technology Hardware, Storage & Peripherals		
58,000	Apple Inc.	2,198	9,020
	Total Information Technology	41,211	75,862
	Materials (18.3%)		
	Chemicals		
275,000	Methanex Corporation	7,109	16,195
	Containers and Packaging		
75,000	CCL Industries Inc., B NV	10,357	19,785
	Metals & Mining		
1,800,000	First Quantum Minerals Ltd.	11,566	24,030
315,000	Franco-Nevada Corporation	14,401	25,288
2,000,000	HudBay Minerals Inc.	11,199	15,360
1,200,000	Lundin Mining Corporation	8,182	7,680
775,000	Tahoe Resources Inc.	11,554	9,803
	Paper & Forest Products		
460,000	Norbord Inc.	11,919	15,598
	Total Materials	86,287	133,739
	Real Estate (2.2%)		
	Real Estate Investment Trusts		
616,900	Brookfield Canada Office Properties	3,310	16,181
	Total Real Estate	3,310	16,181
	Telecommunication Services (3.1%)		
	Diversified Telecommunication Services		
220,000	TELUS Corporation	6,057	9,405
	Wireless Telecommunication Services		
250,000	Rogers Communications Inc., B NV	3,505	12,948
	Total Telecommunication Services	9,562	22,353
	Utilities (0.9%)		
	Multi-Utilities		
190,000	Canadian Utilities Limited, A NV	2,140	6,876
	Total Utilities	2,140	6,876
	Transaction costs	(942)	-
	Total investments (98.1%)	400,425	716,821
	Cash (1.9%)		13,655
	Investment Portfolio (100.0%)		730,476

NV: non-voting
SV: subordinate voting

The notes on pages 19-28 are an integral part of the financial statements.

Notes to the Financial Statements

For the years ended December 31, 2016 and 2015

1 GENERAL INFORMATION

Canadian General Investments, Limited (CGI or the Company) is domiciled in Canada and incorporated under the laws of Ontario, Canada. The address of its registered office is 10 Toronto Street, Toronto, Ontario, Canada, M5C 2B7.

CGI is a closed-end equity fund focussed on medium- to long-term investments in Canadian corporations. Its objective is to provide better than average returns to investors through prudent security selection, timely recognition of capital gains and appropriate income-generating instruments.

The Company's investment and administration activities are managed by Morgan Meighen & Associates Limited (the Manager).

The Company's common and preference shares are publicly listed and trade on the Toronto Stock Exchange (symbols CGI, CGI.PR.D). The common shares also trade on the London Stock Exchange (symbol CGI).

These financial statements were authorized for issue by the Board of Directors on February 15, 2017.

2 BASIS OF PRESENTATION

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

3.1 Financial assets and financial liabilities

Classification

The Company recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Investment transactions are recorded on the trade date. The Company's investments are designated as fair value through profit or loss (FVTPL). All other financial assets and liabilities are classified as loans and receivables or financial liabilities, as applicable, and are measured at amortized cost and reflect the amount to be received or paid, discounted, when appropriate, at the contract's effective interest rate.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. Publicly listed securities are valued at the last traded market price on the reporting date, where the last traded price falls within the day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Company's policy is to recognize transfers into and out of the fair value hierarchy as of the date of the event or change in circumstances giving rise to the transfer.

Unlisted securities that trade on an over-the-counter market and other securities, in special circumstances where a market quotation is not readily available or is considered inappropriate (such as a stale price), are valued using available sources of information and commonly used valuation techniques, using primarily observable inputs. The Company considers observable inputs to be market data that is readily available, regularly distributed or updated, reliable and verifiable, and provided by independent sources.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

3.2 Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at period-end exchange rates. Purchases and sales of investments, investment income and expenses are calculated at the exchange rates prevailing on the dates of the transactions. The Canadian dollar is the Company's functional and presentation currency.

3.3 Investment income

Dividend income is recorded on the ex-dividend date. Interest for distribution purposes is recognized on an accrual basis and represents interest income earned from a real estate income trust (REIT) held by the Company. Securities lending revenue is recognized as earned.

3.4 Securities lending

Securities lent are not derecognized in the Company's statement of financial position as the Company retains substantially all the risks and rewards of ownership.

3.5 Cash

Cash is comprised of demand deposits with reputable financial institutions.

3.6 Preference shares

The Company classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Company has one series of its Class A preference shares in issue: Series 4. The preference shares have priority over the common shares with respect to the payment of dividends and the return of capital and the distribution of assets in the event of liquidation. The preference shares provide investors with the right to require redemption for cash at values and dates set out in the table in note 7 and also in the event of the Company's liquidation.

The preference shares are classified as financial liabilities and are stated at amortized cost using the effective interest method.

3.7 Increase (decrease) in net assets from operations, per common share

The increase (decrease) in net assets from operations, per common share is calculated by dividing increase (decrease) in net assets from operations by the weighted average number of common shares outstanding during the period.

3.8 Taxation

The Company qualifies as an investment corporation under Section 130 of the Income Tax Act (Canada) (the Act) and, as such, is subject to a reduced rate of income tax on its net investment income other than dividends received from taxable Canadian corporations.

Income taxes are paid by the Company on net capital gains realized at the rate of approximately 20%. These income taxes are recoverable by the Company as long as it continues to qualify as an investment corporation and pays out sufficient dividends related to these realized gains. Refundable income taxes paid or recovered are recorded as an expense or recovery in the period in which such tax becomes payable or receivable.

In addition, temporary differences between the carrying values of assets and liabilities for accounting and income tax purposes give rise to deferred income tax assets and liabilities. The most significant temporary difference is that between the reported fair value of the Company's investment portfolio and its adjusted cost base (ACB) for income tax purposes. To the extent that the fair value of the Company's portfolio exceeds its ACB, a deferred tax liability arises which is fully offset by the future refundable taxes available to the Company as an investment corporation. Conversely, when the ACB exceeds the fair values of the portfolio, a deferred tax asset is generated. A deferred tax asset is also generated to the extent that the Company has available and unutilized capital and non-capital tax losses. However, these net deferred tax assets have not been recorded in the statements of financial position since, with the exception of refundable income taxes described above, the Company does not record income taxes.

3.9 Future accounting changes

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit risk changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of IFRS 9 but has determined it will not adopt the new standard early.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Designation of investments at FVTPL is the most significant judgement used by management in the preparation of these financial statements.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

In the normal course of operations, the Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and price risk). In general, the Manager seeks to minimize the potential adverse effects of these risks on the Company's performance by employing professional, experienced portfolio managers, by ongoing monitoring of the Company's positions and market events, and by diversifying the investment portfolio within the policies and guidelines set by the Board of Directors of the Company, in a manner consistent with the investment objective. Pursuant to the Manager's bottom-up selection mandate, security selection is the primary criteria for managing risk. In order to mitigate risk, depending on conditions, the Manager considers other criteria such as asset class, industry, country and currency.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main exposure to credit risk may consist of investments in debt instruments, including short-term securities, bonds, preferred shares, amounts due from brokers as well as securities on loan as part of the Company's securities lending program. The fair value of debt instruments includes consideration of the creditworthiness of the debt issuer. The carrying amount of other assets represents the maximum credit risk exposure as at December 31, 2016 and December 31, 2015. As at December 31, 2016 and December 31, 2015, the Company had no investments in debt instruments.

All transactions in securities are settled/paid for on delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the Company's custodian has received payment. Payment is made on a purchase once the securities have been received by the Company's custodian. The trade will fail if either party fails to meet its obligation.

Credit risk with respect to the Company's securities lending program is considered minimal given the nature of the collateral, as well as the indemnification provided by the agent administering the program (note 13).

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

As the Company is a publicly traded, closed-end investment fund with a fixed number of common shares outstanding, unlike an open-ended mutual fund, it is not exposed to the liquidity risk associated with daily cash redemptions of securities. However, as part of a leverage strategy, the Company currently has one series of Class A preference shares outstanding: Series 4 for $75 million with a redemption date of June 15, 2023 and a $75 million, non-revolving, three-year fixed rate facility that bears interest at 2.28%. Included in the Series 4 preference share provisions is a restriction which precludes payment of a common share dividend unless, after giving effect thereto, the ratio of assets to obligations (both as defined in the preference share provisions) exceeds 2.5 times. At December 31, 2016 the ratio was 4.87 times (December 31, 2015 - 4.39 times). Included in the bank loan covenants is an asset coverage restriction requiring that the net assets divided by the principal amount of the bank loan be greater than 3.0 times. The Company was in compliance during the period from origination of the loan on June 9, 2016 until December 31, 2016.

Liquidity risk is managed by investing the majority of the Company's assets in investments that are traded in an active market and which can be readily disposed of and by retaining sufficient cash and cash equivalent positions to maintain liquidity. Restricted and unlisted securities, if any, are identified in the schedule of investment portfolio. There are no restricted securities as at December 31, 2016 or December 31, 2015. Leverage decisions, whether in the form of bank borrowings or bond or preference share issues from treasury, are at the discretion of the Company's Board of Directors.

All financial liabilities of the Company, except for the Class A preference shares, Series 4, and bank loan as at December 31, 2016 and the Class A preference shares, Series 4 as at December 31, 2015, fall due within twelve months.

Market risk

The Company's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses that show how the net assets would have been affected by a possible change in the relevant risk at each reporting date. In practice, the actual results may differ and the differences could be material.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest-bearing financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Although the Company may invest in interest-bearing financial instruments, the substantial majority of the Company's financial assets and financial liabilities, except for the Class A preference shares and bank loan, are non-interest-bearing or have short maturities. As a result, the Company is not subject to significant amounts of risk on its investments due to fluctuations in the prevailing levels of market interest rates.

As at December 31, 2016 and December 31, 2015, the Company had no investments in debt instruments.

The Company's Class A preference shares outstanding have a fixed coupon rate and the bank loan has a fixed interest rate. While they themselves do not subject the Company to interest rate risk, any new issues, whether or not in connection with the redemption date of the preference shares or the maturity of the bank loan, will be subject to the prevailing interest rate environment at that time.

Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar. The Company is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. Securities trading in foreign markets are also exposed to currency risk, as the price in local terms in the foreign market is converted to Canadian dollars to determine fair value. The Company's policy is not to enter into any hedging arrangements.

As at December 31, 2016, the Company`s investment portfolio had a 15.3% (December 31, 2015 - 16.1%) weighting in U.S. dollars. As at December 31, 2016, had the Canadian dollar strengthened or weakened by 5% in relation to all currencies represented in the portfolio, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $5,584,000 or approximately 1.0% (December 31, 2015 - $5,281,000 or approximately 1.0%).

Price risk

Price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to an individual investment or its issuer, or by factors affecting all similar instruments traded in a market or market segment. All securities present a risk of loss of capital. The Manager moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment strategy and by maintaining a well diversified portfolio. The maximum risk resulting from financial instruments is equivalent to their fair value. The Company's equity and debt (if any) instruments are susceptible to other price risk arising from uncertainty about future prices of the instruments.

As at December 31, 2016, a 5% increase or decrease in market prices in the investment portfolio, excluding short-term securities, with all other variables held constant, would have resulted in the Company's net assets increasing or decreasing, respectively, by approximately $35,841,000 or approximately 6.1% (December 31, 2015 - $32,031,000 or approximately 6.3%).

Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Company's concentration risk:

	December 31, 2016	December 31, 2015
Energy	20.7%	12.4%
Materials	18.3%	13.4%
Consumer Discretionary	15.0%	19.6%
Financials	13.3%	22.5%
Industrials	12.2%	14.2%
Information Technology	10.4%	6.7%
Telecommunication Services	3.1%	3.1%
Real Estate	2.2%	-
Consumer Staples	2.0%	2.2%
Utilities	0.9%	1.0%
Health Care	0.0%	2.3%
Cash	1.9%	2.6%
	100.0%	100.0%

Sensitivity analyses are provided for information purposes only. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Capital risk management

The Company considers capital to be composed of its equity, as well as its outstanding preference shares and bank loan. The Company's primary objective when managing its capital is to ensure that activities are carried out in accordance with the investment objective of the Company, as described in note 1. In addition, the Company monitors its adherence to the provisions of its outstanding Class A preference shares and bank loan. In particular, included in the preference shares provisions is a dividend payment restriction, which provides that the Company shall not pay a dividend on its common shares unless after giving effect thereto, the ratio of assets to obligations (both as defined in the preference share provisions) exceeds 2.5 times. All common share dividend payments made in 2016 and 2015 were in compliance with this provision. Included in the bank loan covenants is an asset coverage restriction requiring that the net assets divided by the principal amount of the bank loan be greater than 3.0 times. The Company was in compliance during the period from origination of the loan on June 9, 2016 until December 31, 2016.

5.3 Fair value measurements

The Company classifies its investments within a fair value hierarchy, based on the inputs used in their fair value measurement. The hierarchy of inputs is summarized below:

Level 1: Unadjusted quoted prices at the measurement date in active markets for identical assets

Level 2: Directly or indirectly observable inputs other than quoted prices included in Level 1, such as quoted prices for identical or similar assets in markets that are not active

Level 3: Inputs for the assets that are not based on observable market data

Level 2 investments include positions that are not traded in active markets and/or subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information and commonly used valuation techniques.

All other financial instruments of the Company, which may include cash, receivable on securities sold or payable on securities purchased, interest and dividends receivable, accounts payable and accrued liabilities, accrued dividends on preference shares, bank loan and preference shares are carried at amortized cost.

(in thousands of dollars)	Level 1	Level 2	Level 3	Total
As at December 31, 2016				
Financial assets at FVTPL:				
Investments	716,821	-	-	716,821
As at December 31, 2015				
Financial assets at FVTPL:				
Investments	640,619	-	-	640,619

During the year ended December 31, 2016, there were no investments transferred between the levels. During the year ended December 31, 2015, an investment with a fair value of $1,676,000 was transferred from Level 2 to Level 1 following the expiration of restrictions on trading for those securities.

The Manager is responsible for performing fair value measurements included in the financial statements of the Company, including Level 3 measurements, if any. The Manager obtains pricing from a third party pricing vendor.

6 BANK LOAN

On June 9, 2016, the Company entered into a credit agreement giving it access to $75.0 million and drew down the full amount. The credit facility is a non-revolving, three-year fixed rate facility that bears interest at 2.28% per annum to be paid quarterly. The purpose of the credit facility was to fund the redemption of the Class A preference shares, Series 3. The facility is secured with a first-ranking charge on the Company's property and assets, including the investment portfolio and requires the Company to comply with certain covenants including maintenance of asset coverage ratios. The Company was in compliance with all of the covenants as at December 31, 2016.

Bank loan consists of the following:

(in thousands of dollars)	December 31, 2016	December 31, 2015
Secured, non-revolving, 2.28%, three-year fixed rate credit facility, maturing June 9, 2019	75,000	-
Less: Unamortized debt issue costs	165	-
	74,835	-

7 PREFERENCE SHARES

The Company is authorized to issue, in series, a class of preference shares of which the following are outstanding:

Class A preference shares	December 31, 2016 Number of shares	December 31, 2015 Number of shares	Stated amount per share $	Cumulative annual dividend rate %	Date of issue	December 31, 2016 Amount $ (In thousands)	December 31, 2015 Amount $ (In thousands)
Series 3	-	3,000,000	25.00	3.90	March 3, 2006	-	75,000
Series 4	3,000,000	3,000,000	25.00	3.75	May 30, 2013	75,000	75,000
						75,000	150,000
Deferred issuance costs (net of amortization of $588,000 (December 31, 2015 - $409,000))						1,290	1,469
						73,710	148,531

On June 10, 2016, the Company redeemed its $75,000,000, 3.90% cumulative, redeemable Class A preference shares, Series 3.

The Company may redeem for cash, the Series 4 shares, in whole or in part, at the following prices during the defined periods:

	$26.00	$25.75	$25.50	$25.25	$25.00
Series 4	June 15, 2018 to June 14, 2019	June 15, 2019 to June 14, 2020	June 15, 2020 to June 14, 2021	June 15, 2021 to June 14, 2022	June 15, 2022 and thereafter [(1)]

(1) The holders may require the Company to redeem the Series 4 shares on or after June 15, 2023 for a cash price of $25.00 per share.

Subsequent to December 31, 2016, the Company declared a quarterly dividend of $0.23438 per share payable on March 15, 2017 to Series 4 shareholders of record at the close of business on February 28, 2017.

8 SHARE CAPITAL

Common Shares

The Company is authorized to issue an unlimited number of common shares. As at December 31, 2016, there are 20,861,141 (December 31, 2015 - 20,861,141) common shares issued and outstanding with no par value.

Subsequent to December 31, 2016, the Company declared a quarterly dividend of $0.18 per share payable on March 15, 2017 to common shareholders of record at the close of business on February 28, 2017.

9 INCOME TAXES

As at December 31, 2016, the Company had federal refundable capital gains taxes on hand of approximately $527,000 (December 31, 2015 - $853,000), which are refundable on payment of capital gains dividends of approximately $3.8 million (December 31, 2015 - $6.1 million) and Ontario refundable capital gains taxes on hand of approximately $724,000 (December 31, 2015 - $809,000), which are refundable on payment of capital gains dividends of approximately $12.6 million (December 31, 2015 - $14.1 million).

The Company is also subject to a special tax of 38-1/3% (2015 - 33-1/3%) on taxable dividends received from corporations resident in Canada. This special tax is refundable on payment of taxable dividends to shareholders at the rate of $0.3833 for each $1 of such dividends paid. The Company has refundable dividend tax on hand of approximately $651,000 as at December 31, 2016 (December 31, 2015 - $1,813,000).

The Company's refundable income tax expense during the period is determined as follows:

(in thousands of dollars)	2016	2015
Provision for (recovery of) income taxes on investment income (loss) before income taxes		
Provision for (recovery of) income taxes based on combined Canadian federal and provincial income tax rate of 39.5%	35,291	(15,458)
Increase (decrease) in income taxes resulting from:		
Dividends from taxable Canadian companies	(4,449)	(4,446)
Dividends on preference shares	1,625	2,266
Net change in unrealized gain	(28,020)	26,900
Non-taxable portion of net realized gains	(3,859)	(6,211)
Decrease in refundable tax on hand	(1,162)	(124)
Differences arising from use of different cost bases for income tax and accounting purposes and other items	101	(84)
Income taxes recoverable on dividends from net realized gains on investments	(1,154)	(1,978)
Refundable income tax expense (recovery)	(1,627)	865

In accordance with the Act, a corporation can qualify as an investment corporation if certain tests are satisfied. One of the tests is that the corporation cannot have specified shareholders. A specified shareholder is generally a shareholder, who, along with certain persons to whom the shareholder is considered to be related, has a greater than 25% shareholding. The Company has had specified shareholders since June 20, 1996. The specified shareholder rules of the Act generally allow the Company to maintain its investment corporation status as long as it does not have any specified shareholders other than those specified shareholders existing on June 20, 1996. In addition, the specified shareholders as at June 20, 1996 cannot, after that date, contribute capital or acquire additional shares of the Company other than through certain specified transactions.

10 WITHHOLDING TAXES

The Company incurs withholding taxes imposed by certain countries on investment income. Such income or gains are recorded gross of withholding taxes in the statements of comprehensive income. Withholding taxes are shown as a separate item in the statements of comprehensive income. During the year ended December 31, 2016, the average withholding tax rate paid by the Company was 15.0% (December 31, 2015 - 15.0%).

11 FINANCIAL INSTRUMENTS BY CATEGORY

The following tables present the carrying amounts of the Company's financial instruments by category. All the Company's financial liabilities were carried at amortized cost:

(in thousands of dollars)	Financial assets at FVTPL Designated at inception	Financial assets at amortized cost	Total
December 31, 2016			
Cash	-	13,655	13,655
Investments	716,821	-	716,821
Interest and dividends receivable	-	943	943
	716,821	14,598	731,419
December 31, 2015			
Cash	-	17,238	17,238
Investments	640,619	-	640,619
Interest and dividends receivable	-	922	922
	640,619	18,160	658,779

All gains and/or losses recorded on the statement of comprehensive income relate to investments designated at fair value through profit or loss.

12 RELATED PARTY INFORMATION

Third Canadian General Investment Trust Limited (Third Canadian) owns 36.6% of the common shares of the Company, and is therefore considered a related party. Jonathan A. Morgan and Vanessa L. Morgan, both directors and executive officers of the Company, beneficially own directly or indirectly or exercise control or direction over an aggregate of 100% of the common shares of Third Canadian. Including the holding by Third Canadian, Mr. Morgan and Ms. Morgan together own directly or indirectly or exercise control or direction over an aggregate of 52.5% of the outstanding common shares of the Company, making them the ultimate controlling party.

Transactions with related entities

Management fees

The Company's activities are managed by the Manager pursuant to a management agreement dated January 1, 2006. Mr. Morgan and Ms. Morgan together own directly or indirectly 85%, and are both directors and executive officers, of the Manager. Management fees are paid monthly to the Manager for services received in connection with the management of the Company's financial accounts and investment portfolio, among other services. These fees are calculated monthly at 1% per annum of the fair value of the Company's investments adjusted for cash, portfolio accounts receivable and portfolio accounts payable. Values for fee calculation purposes are determined on the basis of the financial statements of the Company as at the last day of the applicable month.

During the year ended December 31, 2016 $7,603,000 (2015 - $8,039,000) was paid to the Manager with $689,000 accrued and included in accounts payables and accrued liabilities as at December 31, 2016 (December 31, 2015 -$620,000).

Dividends

As a result of its ownership position in the Company, during the year ended December 31, 2016, Third Canadian received dividends from net investment income of $3,662,000 (2015 - $2,136,000) and dividends from net realized gain on investments of $2,136,000 (2015 - $3,662,000).

Key management personnel compensation

No compensation was paid or is payable by the Company to any executive of the Manager in his or her capacity as a director or officer of the Company.

During the year ended December 31, 2016, the independent directors of the Company received directors' fees aggregating $224,000 (2015 - $205,000) from the Company. No other compensation was paid or is payable to the directors of the Company for the year ended December 31, 2016, except for compensation paid by the Company in respect of such persons acting as members of the Independent Review Committee for the Company, aggregating $36,000 (2015 - $36,000).

13 SECURITIES LENDING

The Company participates in a securities lending program with its custodian, CIBC Mellon Trust Company. Collateral is held by the custodian as agent for the Company and generally comprises Canadian or provincial government-guaranteed securities or obligations of other governments with appropriate credit ratings, and other short-term securities, of at least 105% of the fair value of securities on loan. In the event that any of the loaned securities are not returned to the Company and the value of the collateral held is less than the fair value of the securities not returned, the custodian shall indemnify the Company for any such shortfall.

At December 31, 2016, the Company had loaned securities with a fair value of $81,668,000 (December 31, 2015 - $62,526,000) and the custodian held collateral of $88,508,000 (December 31, 2015 - $66,694,000). This collateral is not reflected in the statements of financial position and consisted of the following:

	December 31, 2016	December 31, 2015
Securities lending collateral		
Federal government debt securities	27.6%	49.9%
Provincial government debt securities	47.9%	38.6%
Equities	0.0%	9.2%
Banker's acceptances	24.5%	0.0%
U.S. government debt securities	0.0%	2.3%
	100.0%	100.0%

The gross earnings from securities lending during the year ended December 31, 2016 was $886,000 (2015 - $639,000) and was offset by fees of $364,000 (2015 - $268,000).

CORPORATE INFORMATION

BOARD OF DIRECTORS

James F. Billett
President, J.F. Billett Holdings Ltd.

A. Michelle Lally
Partner, Osler, Hoskin & Harcourt LLP

Jonathan A. Morgan
Executive Vice-President, Morgan Meighen & Associates Limited

Vanessa L. Morgan
President & CEO, Morgan Meighen & Associates Limited

R. Neil Raymond
President, Feejay Corporation Canada Ltd.

Michael A. Smedley
Executive Vice-President & Chief Investment Officer, Morgan Meighen & Associates Limited

Richard O'C. Whittall
President, Watershed Capital Holdings Inc.

AUDIT COMMITTEE

James F. Billett (Chairman)
R. Neil Raymond
Richard O'C. Whittall

CORPORATE GOVERNANCE COMMITTEE

A. Michelle Lally
Jonathan A. Morgan
R. Neil Raymond (Chairman)

INDEPENDENT DIRECTORS COMMITTEE

James F. Billett (Chairman)
A. Michelle Lally
R. Neil Raymond
Richard O'C. Whittall

OFFICERS

Vanessa L. Morgan, CFA
Chairman

Jonathan A. Morgan, CIM
President & CEO

Frank C. Fuernkranz, CPA, CA, CFA
Secretary-Treasurer & CFO

Christopher J. Esson, CPA, CA, CFA
Assistant-Treasurer

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MANAGER

Morgan Meighen & Associates Limited
Toronto

AUDITOR

PricewaterhouseCoopers LLP
Toronto

BANKERS

Bank of Montreal
Toronto

SOLICITORS

Blake, Cassels & Graydon LLP
Toronto

CANADIAN REGISTRAR AND TRANSFER AGENT

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website: www.computershare.com/investor

To change your address, eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare at the above address. We are pleased to offer you the convenience of Direct Registration System (DRS), a system that allows you to hold securities in 'book entry' form without the need for a physical certificate. For additional information, please refer to the Questions and Answers section at:
www.computershare.com/investorcentrecanada

To participate, simply send your share certificate to Computershare along with a letter requesting the deposit of the shares into DRS.

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STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange

Trading Symbols:
Common Shares CGI
Preference Shares, Series 4 CGI.PR.D

The London Stock Exchange

Trading Symbol:
Common Shares CGI

PUBLICATION

Net asset value per share (NAV) and/or market price and market return are published daily/weekly in various media in Canada and the U.K.

The Company posts ongoing top 10 portfolio investments (priced at market), together with current NAV and market return information on its website. CGI also posts its top 25 holdings on its website on a quarterly basis. Similar information is available directly from the Company upon request.

DIVIDEND REINVESTMENT AND SHARE PURCHASE PLAN

The Plan, administered by the Company's Canadian Transfer Agent, offers an efficient method of acquiring additional shares. As well as with reinvested dividends, shareholders may purchase additional shares for cash (minimum $100 – maximum $5,000) every quarter. Shares are purchased on the open market, with participants paying the average cost while the Company pays all administrative charges, including commissions. The Plan may be used for self-directed RRSPs. Also, a number of Canadian brokers offer dividend reinvestment plans to CGI shareholders. Note: U.S. shareholders are eligible for the dividend reinvestment segment of the plan only.

ANNUAL MEETING OF SHAREHOLDERS

The Annual General Meeting of shareholders of Canadian General Investments, Limited will be held at 11:00am (Toronto time), Wednesday, April 19, 2017 at Twenty Toronto Street Conferences and Events, Salon 3, 2nd Floor, 20 Toronto Street, Toronto, Ontario, Canada, M5C 2B8.

Telephone: (416) 869-1047
website: www.20toronto.ca

The Company is a founding member of the Closed-End Fund Association (CEFA) in North America.

Managed by:

MORGAN MEIGHEN
& ASSOCIATES
Investment Management

CANADIAN GENERAL INVESTMENTS, LIMITED

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