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Third Canadian General  
Investment Trust Limited

**Canadian and**  
*International*  
**Fund of Funds**

ANNUAL REPORT 2000

## Corporate Profile

Third Canadian General Investment Trust Limited (Third Canadian), founded in 1928, is one of the oldest publicly listed closed-end funds in North America and certainly one of the most unusual.

The Company has long term principal assets, consisting mainly of the shares of Canadian General Investments, Limited. It has an actively managed diversified stock portfolio used for growth and high income generation. Its holdings are Canadian and foreign and the fund qualifies as Canadian property for registered plans.

Third Canadian has been managed since 1956 by Morgan Meighen & Associates Limited.

Net Asset Value per share is calculated daily, and distributed via various news services in Canada, the U.S. and the U.K.

NAV and market price information are published in the financial press in Canada on a daily basis and at the weekend in the United States.

Ongoing efforts to promote and expand awareness of the Company and the closed-end sector in general continue with participation as a founding member of the Closed-End Fund Association (CEFA) in North America (website: [www.cefa.com](http://www.cefa.com)).

*Many investors hold the shares of Third Canadian as a proxy for Canadian General Investments, Limited. At year-end values, Third Canadian's 35% discount plus the impact of the discount at which the principal assets in the portfolio were trading represented a 'double-discount' to NAV of close to 50%.*

All percentages in this Report are calculated from unrounded amounts.

The front cover design incorporates the new crown logo and the colour sage selected to represent Third Canadian General Investment Trust Limited as one of the investment funds managed in the Morgan Meighen & Associates group.

## Letter to the Shareholders

*Dear Shareholder,* We are pleased to report that Third Canadian came through the turbulent and largely negative global markets of the year 2000 with net assets intact and delivery of higher total dividends to its shareholders. This was a pleasing conclusion to a year in which the principal assets, representing 68.9% of portfolio assets, declined in market value by approximately 12%.

The lowering of Canadian General Investments, Limited's (CGI) share price contributed significantly to a reduction in Third's future tax commitment, and a major uplift in CGI's total dividend payout supported Third's payment of a \$0.25 extra dividend on December 15, 2000.

The diversified segment of the portfolio was also an important contributor to Third's asset stability and income. Consisting of three major groups – Canadian, U.K. and U.S. listed securities, these actively managed groups are mainly investments in other funds, other asset managers and various special situations. The high income stream from many of these investments strongly contributed to a total portfolio market yield of 6.6% at year-end, much above the 1.3% of the TSE 300.

### Non Principal Assets

The most conspicuous successes in the final portfolio are in the Canadian unit trusts. Their total return contribution was substantial and a far cry from the depressed state of the sector in previous years. Recovery is attributed largely to very strong oil and gas markets and corporate activity in that sector. The future looks positive even with energy price corrections.

Now less conspicuous, significant profits were realized on the sale of big positions in City of London Investment Group PLC and Robert Fleming Holdings Limited (Flemings), both privately held investment management companies. Flemings, one of the last great independent investment banks in

London, was purchased for shares and cash by Chase Manhattan Corporation, now J.P. Morgan Chase & Co. Our City of London shares were sold to Asset Management Investment Company PLC (AMIC), in which Third Canadian gained a substantial holding via a public placing. AMIC is a quoted company on the London Stock Exchange invested in private investment managers in several countries and has its own strong dividend policy that fits with Third Canadian's present strategy. We have also accumulated shares in the London Stock Exchange itself.

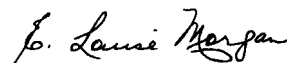
### General Outlook

We are experiencing a good start to the new year with many portfolio positions. Third Canadian now awaits the resurgence of interest in the neglected closed-end sector, as well as better pricing in the shares of CGI and the other principal asset, Canadian World Fund Limited.

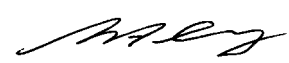
### The Manager

In September 2000, the name of the management company was changed to Morgan Meighen & Associates Limited from MMA Investment Managers Limited. The change was undertaken in order to clearly represent a blend of the rich history of the company with the present company profile and its direction.

The Board of Directors extends sincere thanks to the Manager for the corporate, administrative and investment management services undertaken in the past year.



E. Louise Morgan  
Chairman  
February 8, 2001

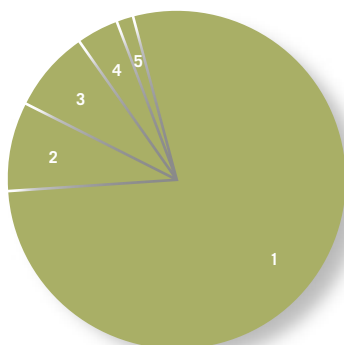


Michael A. Smedley  
President  
February 8, 2001

# Management's Discussion and Analysis

## WEIGHTING OF PORTFOLIO INVESTMENTS AT MARKET

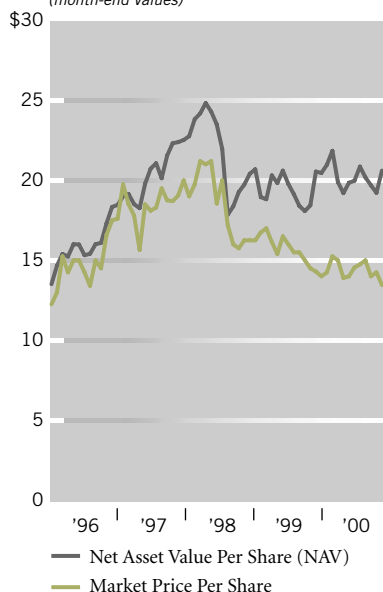
December 31, 2000



1	Principal Assets	78.1%
2	Canadian-Listed	8.5%
3	U.K.-Listed	7.8%
4	U.S.-Listed	4.0%
5	Other	1.6%

## COMPARISON OF MARKET PRICE TO NAV

Years 1996 to 2000  
(month-end values)



Third Canadian's portfolio performance continues to be heavily influenced by its investment in Canadian General Investments, Limited (CGI) – a Canadian equities closed-end fund. Ownership of 37.3% of the shares and 37.5% of the outstanding warrants represented 68.9% of Third Canadian's portfolio assets at December 31, 2000.

The remaining one-third of the portfolio is diversified in U.K., U.S. and Canadian listed securities, many of which provide relatively high average dividend yields as well as potential for capital growth.

### Financial Performance

Total investment income for the year declined 15.9% to \$3,281,000 in 2000 from \$3,903,000 in 1999. The disposal of several extremely high yielding income securities in the U.K. was a major cause of lower dividend income, offsetting increased income from CGI.

Expenses were 6.3% higher in 2000 compared to 1999, largely a result of rising interest rates during the year. Higher rates resulted in a 10.3% increase in the interest charged on bank borrowing, which is used to fund leverage. Third's borrowing was constant at \$15 million throughout the year. The apparent slowdown in the economy should provide relief in the form of declining interest rates through 2001.

The net realized loss on investments was reduced to \$938,000 from \$2,152,000 in 1999, a 56.4% improvement. The unrealized appreciation on investments declined by \$891,000 compared to an increase of \$1,283,000 a year earlier, impacted by a widening discount on the shares of CGI as well as the effect of several reductions in the capital gains inclusion rates implemented during the year. However, a major increase from \$1,145,000 to \$3,017,000 in capital gains cash dividends (net of tax) received from CGI more than offset this decline. Combined, the three investment related items netted to a gain on investments in 2000 of \$1,188,000, compared to a gain of \$276,000 in 1999.

Year-end net assets of \$99,056,000 were slightly higher than the \$98,782,000 recorded at the end of 1999. This resulted in a 0.3% increase in net asset value per share (NAV) from \$20.55 at December 31, 1999 to \$20.61 at December 31, 2000. Reflecting a widening discount to NAV, Third Canadian's share price at the end of 2000 was \$13.45, dropping 5.9% year-over-year. The discount ranged from 20.2% to 36.3% in 2000, closing at 34.7%. The widening of the discount is consistent with the behaviour of other international closed-end funds.

Third Canadian's management expense ratio (MER) remained relatively low at 0.7% for 2000, slightly lower than 1999. In calculating MER, expenses exclude brokerage commissions, interest and all income taxes. At 18.8%, portfolio turnover was higher than the 8.6% recorded for 1999 as a result of increased trading activity in a year of significantly greater market volatility. However, portfolio turnover remains very low relative to other equity funds.

Third is a closed-end fund and holding company that seeks long term growth and income. Third measures its return on a basis of growth of net assets. The compound average annual rates of return, with distributions reinvested, for the one, three and five years ended December 31, 2000 were 3.0%, -1.1% and 10.9% respectively.

### Dividends

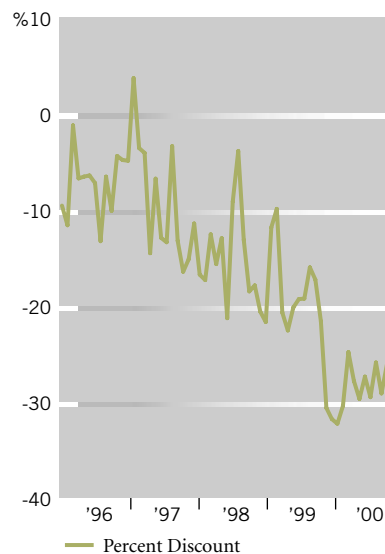
Third's shareholders enjoyed higher dividends in 2000 compared to 1999. Payments in 2000 increased by \$1,201,000 to \$2,643,000 as a result of the approval of the Board of Directors of an extra year-end dividend of \$0.25 per share. The Board elected to distribute this extra dividend in recognition of several major profitable transactions and income expectations for the year.

### Prospects

The strong performance of the diversified segment of the portfolio, often by capitalizing on special investments and capturing strong dividend flows encourages the Manager to continue similar strategies in 2001.

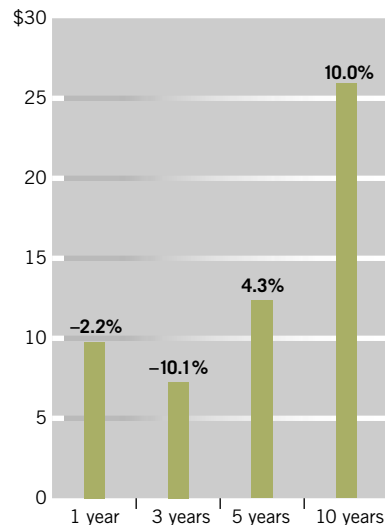
### PREMIUM/(DISCOUNT) TO NAV

Years 1996 to 2000  
(month-end values)



### GROWTH OF A \$10,000 INVESTMENT\*

For 1, 3, 5 and 10 years to December 31, 2000  
(in thousands of dollars)



\*Assuming reinvestment of dividends at month-end closing prices.

# Financial Reports

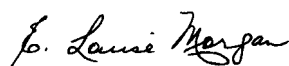
## Management's Report

The accompanying consolidated 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 and other sections of the Annual Report.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Company are described in note 1 to the financial statements. Financial information used elsewhere in the Annual Report is consistent with that in 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 Directors prior to the approval of the audited financial statements for publication.

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



E. Louise Morgan  
Chairman  
February 8, 2001



Michael A. Smedley  
President  
February 8, 2001

## Auditors' Report

To the Shareholders of

*Third Canadian General Investment Trust Limited*

We have audited the accompanying consolidated statements of net assets of **Third Canadian General Investment Trust Limited** as at December 31, 2000 and 1999, and the consolidated statement of investments as at December 31, 2000, the consolidated statements of operations, retained earnings, unrealized gain on investments and changes in net assets for the years then ended, and the consolidated statements of financial highlights for each of the years in the five-year period ended December 31, 2000. These financial statements are the responsibility of the company's management. 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 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 consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and 1999, and the results of its operations and the changes in its net assets for the years then ended and its financial highlights for each of the years in the five-year period ended December 31, 2000 in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Toronto, Ontario  
January 22, 2001

# Consolidated Statements of Net Assets

As at December 31, 2000 and 1999

	2000	1999
<i>(in thousands of dollars, except per share amounts)</i>		
<b>Assets</b>		
Investments <i>(note 1)</i>	\$ 113,565	\$ 130,100
Cash	9,403	1,479
Receivable on securities sold	—	551
Accrued interest and dividends	235	289
Income taxes recoverable	—	1,204
	123,203	133,623
<b>Liabilities</b>		
Bank indebtedness <i>(note 3)</i>	14,919	14,970
Payable on securities purchased	568	1,464
Accounts payable and accrued liabilities	60	57
Income taxes payable	2,267	—
	17,814	16,491
Future income taxes on unrealized net capital gains	6,333	18,350
	24,147	34,841
<b>Net Assets</b>	\$ 99,056	\$ 98,782
<b>Shareholders' Equity</b>		
Capital stock <i>(note 4)</i>	\$ 6,504	\$ 6,504
Contributed surplus	2,681	2,681
Unrealized gain on investments	56,856	57,747
Retained earnings	33,015	31,850
	\$ 99,056	\$ 98,782
<b>Number of shares outstanding</b>	4,805,910	4,805,910
<b>Net asset value per share</b>	\$ 20.61	\$ 20.55

Approved by the Board of Directors



Director



Director

# Consolidated Statements of Operations

For the years ended December 31, 2000 and 1999

	2000	1999
<i>(in thousands of dollars)</i>		
<b>Investment income</b>		
Dividends	\$ 2,796	\$ 3,492
Interest	485	411
	<u>3,281</u>	<u>3,903</u>
<b>Expenses</b>		
Management fees <i>(note 6)</i>	553	526
Interest <i>(note 3)</i>	951	862
Directors' fees	32	36
Other	144	156
	<u>1,680</u>	<u>1,580</u>
<b>Investment income before income taxes</b>	<b>1,601</b>	<b>2,323</b>
<b>Income tax provision (recovery) <i>(note 2)</i></b>	<b>(128)</b>	<b>471</b>
<b>Net investment income for the year</b>	<b>1,729</b>	<b>1,852</b>
<b>Realized and unrealized gain (loss) on investments</b>		
Net realized loss on investments <i>(note 5)</i>	(938)	(2,152)
Change in unrealized appreciation of investments	(891)	1,283
Capital gains cash dividends received - net of income taxes of \$1,195 (1999 - \$576)	3,017	1,145
<b>Net gain on investments</b>	<b>1,188</b>	<b>276</b>
<b>Increase in net assets resulting from operations</b>	<b>\$ 2,917</b>	<b>\$ 2,128</b>

## Consolidated Statements of Retained Earnings

For the years ended December 31, 2000 and 1999

	2000	1999
<i>(in thousands of dollars, except per share amounts)</i>		
<b>Retained earnings - Beginning of year</b>	<b>\$ 31,850</b>	<b>\$ 32,447</b>
Net investment income for the year	1,729	1,852
Net realized loss on investments	(938)	(2,152)
Capital gains dividends received – net of income taxes	3,017	1,145
	<u>35,658</u>	<u>33,292</u>
<b>Deduct: Dividends</b>	<b>2,643</b>	<b>1,442</b>
<b>Retained earnings - End of year</b>	<b>\$ 33,015</b>	<b>\$ 31,850</b>
<b>Dividends per share</b>	<b>\$ 0.55</b>	<b>\$ 0.30</b>

## Consolidated Statements of Unrealized Gain on Investments

For the years ended December 31, 2000 and 1999

	2000	1999
<i>(in thousands of dollars)</i>		
<b>Unrealized gain on investments – Beginning of year</b>	<b>\$ 57,747</b>	<b>\$ 56,464</b>
Increase (decrease) during the year	(12,908)	1,237
Decrease in provision for future income taxes	12,017	46
<b>Unrealized gain on investments - End of year</b>	<b>\$ 56,856</b>	<b>\$ 57,747</b>

## Consolidated Statements of Changes in Net Assets

For the years ended December 31, 2000 and 1999

	2000	1999
<i>(in thousands of dollars)</i>		
<b>Increase in net assets resulting from operations</b>	\$ 2,917	\$ 2,128
<b>Distributions to shareholders from net investment income</b>	(2,643)	(1,442)
<b>Increase in net assets</b>	274	686
<b>Net assets - Beginning of year</b>	98,782	98,096
<b>Net assets - End of year</b>	\$ 99,056	\$ 98,782

## Consolidated Statements of Financial Highlights

For the five-year period ended December 31, 2000

	2000	1999	1998	1997	1996
<b>Data per share</b> <i>(note 7)</i>					
<b>Net asset value – Beginning of year</b>	\$ 20.55	\$ 20.41	\$ 22.57	\$ 18.46	\$ 13.51
<b>Income (loss) from investment operations</b>					
Net investment income for the year	0.36	0.38	0.49	0.76	0.42
Net realized gain (loss) and unrealized gain (loss) on investments	0.25	0.06	(1.77)	3.75	4.83
	0.61	0.44	(1.28)	4.51	5.25
<b>Distributions to investors</b>					
From net investment income	(0.55)	(0.30)	(0.35)	(0.40)	(0.30)
<b>Other</b>					
Payment pursuant to issuer bid litigation	—	—	(0.53)	—	—
<b>Net asset value - End of year</b>	\$ 20.61	\$ 20.55	\$ 20.41	\$ 22.57	\$ 18.46
<b>Ratios / supplemental data</b>					
Total net assets – End of year (in thousands of dollars)	99,056	98,782	98,096	108,483	88,700
Weighted average monthly net assets (in thousands of dollars)	97,220	93,550	104,507	98,303	79,346
Management expense ratio <i>(notes 6 and 7(b))</i>	0.7%	0.8%	0.8%	0.9%	0.7%
Portfolio turnover rate <i>(note 7(c))</i>	18.8%	8.6%	10.9%	22.2%	23.0%
Annual net asset value growth, with distributions reinvested <i>(note 7(d))</i>	3.0%	2.2%	(8.1)%	24.6%	39.2%

# Consolidated Statement of Investments

December 31, 2000

NUMBER OF SHARES OR PAR VALUE	INVESTMENT – % OF TOTAL MARKET VALUE	COST	MARKET VALUE	NUMBER OF SHARES OR PAR VALUE	INVESTMENT – % OF TOTAL MARKET VALUE	COST	MARKET VALUE
<i>(in thousands of dollars)</i>				<i>(in thousands of dollars)</i>			
<b>PRINCIPAL ASSETS – 78.1%</b>							
7,629,811	Canadian General Investments, Limited+	20,969	77,824	111,000	Singer & Friedlander Group PLC+	680	730
1,526,578	Canadian General Investments, Limited wts+	—	6,488	97,594	St. David's Investment Trust PLC	296	271
1,120,211	Canadian World Fund Limited	5,601	4,369	100,000	Undervalued Assets Trust PLC	446	331
		<u>26,570</u>	<u>88,681</u>	150,000	Warrants and Value Investment Trust PLC	214	203
						<u>8,374</u>	<u>8,838</u>
<b>CANADIAN-LISTED – 8.5%</b>				<b>U.S.-LISTED – 4.0%</b>			
6,208	Alberta Energy Company Ltd.	313	446	200	Berkshire Hathaway Inc. B*	658	706
17,200	Aliant Inc.*	568	574	2,500	Broadband HOLDERS Trust	326	171
40,000	Amalgamated Income Limited Partnership	410	164	9,720	The Chase Manhattan Corporation	620	663
70,000	ARC Energy Trust	680	791	20,000	The European Warrant Fund, Inc.	563	289
33,600	Centrefund Realty Corporation	519	299	20,000	The Gabelli Global Multimedia Trust Inc.	513	309
14,400	Corby Distilleries Ltd. B	484	626	10,000	General American Investors Company, Inc.	508	540
90,000	EnerMark Income Fund	285	397	20,400	INVESCO Global Health Sciences Fund	521	534
75,176	The First Asia Income Fund	620	485	10,700	Morgan Stanley Dean Witter Eastern Europe Fund, Inc.	185	196
100,000	Gulf Canada Resources Limited pfd. series A	441	347	42,100	Morgan Stanley Dean Witter Emerging Markets Debt Fund, Inc.	467	434
50,000	Legacy Hotels Real Estate Investment Trust*	420	422	2,000	Semiconductor HOLDERS Trust	278	147
57,900	Lifeco Split Corporation Inc. Class A Capital shares	563	1,042	40,000	Templeton Emerging Markets Income Fund, Inc.	673	581
50,000	Rothmans Inc.*	1,052	1,105			<u>5,312</u>	<u>4,570</u>
94,200	Shiningbank Energy Income Fund	368	1,601	<b>OTHER – 1.6%</b>			
30,000	TimberWest Forest Corp.	331	326	28,000	The China Heartland Fund Ltd.	444	383
120,000	Viking Energy Royalty Trust	556	1,026	13,000	Fleming Russia Securities Fund Ltd.	326	151
		<u>7,610</u>	<u>9,651</u>	20,000	The India I.T. Fund Limited	829	669
<b>U.K.-LISTED – 7.8%</b>				45,000	The India Media, Internet and Communications Fund Ltd. A shares	326	259
31,000	3i Bioscience Investment Trust PLC	302	413	31,000	The Taiwan Opportunities Fund Ltd.	585	363
25,000	Aberdeen Asset Management PLC	300	349			<u>2,510</u>	<u>1,825</u>
800,000	Asset Management Investment Company PLC*	3,262	3,114	<b>TOTAL INVESTMENTS – 100.0%</b>			
100,000	Baring Emerging Europe Trust PLC	137	259	– December 31, 2000		<u>\$ 50,376</u>	<u>\$113,565</u>
90,000	Collins Stewart Holdings PLC*	684	858	– December 31, 1999		<u>\$ 54,003</u>	<u>\$130,100</u>
30,000	Edinburgh Fund Managers Group PLC	402	462	Changes from September 30, 2000			
130,000	Finsbury Life Sciences Investment Trust PLC	237	566	* New Holdings			
15,153	London Stock Exchange PLC+	878	773	+ Increased Holdings			
125,000	Premier Asset Management PLC*	536	509				

# Notes to Consolidated Financial Statements

December 31, 2000 and 1999

## 1. Summary of significant accounting policies

### Basis of consolidation

The consolidated financial statements include the accounts of the company and its three wholly owned subsidiaries, 1013229 Ontario Limited, 1013230 Ontario Limited and 1013231 Ontario Limited.

### Valuation of investments

Market values of quoted securities are based on closing market quotations. Securities not having a quoted market value are recorded at cost less any writedown for loss in value that is other than a temporary decline.

### Investment transactions

Investment transactions are recorded on the trade date. Realized gains and losses from investment transactions are calculated on an average cost basis.

### Dividend and interest income

Dividend income is recorded on the ex-dividend date and interest income is recognized as earned.

### Foreign exchange

Assets and liabilities denoted in foreign currencies are translated into Canadian dollars at year-end rates. Investment income, expenses and purchases and sales of investments are calculated at the exchange rates prevailing on the dates of the transactions.

### Future income taxes

The company follows the asset and liability method of accounting for income taxes. Future income tax liabilities are measured using rates expected to apply to the taxable income in the years in which the temporary differences are expected to be settled on the company's unrealized appreciation of investments.

## 2. Taxation

The company is subject to income tax as a public corporation and accordingly, taxable dividends receivable from taxable Canadian corporations, as defined by the Income Tax Act (Canada), are excluded from taxable income. The company's provision for income taxes is made up as follows:

Consolidated statements of operations	Years ended December 31,	
	2000	1999
	<i>(in thousands of dollars)</i>	
Provision for income taxes based on combined Canadian federal and provincial income tax rate	\$ 704	\$ 1,036
Decrease in taxes resulting from		
Dividends from taxable Canadian companies	(831)	(554)
Other items	(1)	(11)
Actual provision for (recovery of) income taxes	\$ (128)	\$ 471
	<hr/>	
	Years ended December 31,	
	2000	1999
	<i>(in thousands of dollars)</i>	
Recovery of income taxes based on combined Canadian federal and provincial income tax rate	\$ (625)	\$ (1,444)
Decrease in taxes resulting from		
Non-taxable portion of allowable capital losses	141	361
Actual recovery of income taxes	\$ (484)	\$ (1,083)

The company and its wholly owned subsidiaries are also subject to a special tax of up to 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 \$1 for each \$3 of such dividends paid. There was no refundable tax on hand at December 31, 2000.

The effective tax rate for the company's future income taxes on its unrealized net capital gains is approximately 18% (1999 – 33%).

### 3. Bank indebtedness

The company has a credit facility of CAN\$22 million and US\$3.7 million, with interest either at a quoted one-year rate or based on the prime bankers' acceptance rate. The company must comply with specified covenants during the term of the loan. The bank indebtedness has a combined weighted average interest rate of 6.67% (1999 – 5.84%), and includes CAN\$9.1 million for a term to June 23, 2001.

### 4. Capital stock

The company is authorized to issue 60,000 First, Preferred Shares, Series A and an unlimited number of common shares. At December 31, 2000 and 1999, there are 4,805,910 common shares issued and outstanding.

### 5. Consolidated net realized loss on investments

The consolidated net realized loss on investments was as follows:

	2000	1999
	<i>(in thousands of dollars)</i>	
Proceeds from disposition of investments	\$ 25,863	\$ 10,610
Investments at cost – Beginning of year	54,003	53,215
Investments purchased during the year	23,658	14,633
Investments at cost – End of year	(50,376)	(54,003)
Cost of investments disposed of during the year	27,285	13,845
Realized loss on disposition of investments before income taxes	(1,422)	(3,235)
Income tax recovery on allowable capital losses ( <i>note 2</i> )	484	1,083
Net realized loss on investments	\$ (938)	\$ (2,152)

### 6. Related party information

Management fees are paid monthly to Morgan Meighen & Associates Limited (formerly MMA Investment Managers Limited) (MMA) for services received in connection with the management of the company's financial accounts and investment portfolio. Management fees are calculated on a quarterly basis at the annual rate of 1% of consolidated net asset value, excluding tax liabilities, bank indebtedness and the holdings of the principal assets and at the rate of 0.2% of the market value of the principal assets.

Included in dividend income is \$1,685,000 (1999 - \$929,000) and included in net gain on investments are capital gains cash dividends of \$4,212,000 (1999 - \$1,721,000) from Canadian General Investments, Limited (CGI) in which the company has an approximate 37% ownership interest. During 2000, the company also received capital gains stock dividends of 609,342 shares (1999 - 138,201 shares) from CGI.

The company has an approximate 27% ownership interest in Canadian World Fund Limited (CWF).

MMA, CGI and CWF are corporations under common control with the company.

## Notes to Consolidated Financial Statements *(continued)*

December 31, 2000 and 1999

### 7. Financial highlights

#### **Explanatory notes**

- a) All data per share, except opening and closing net asset values, are based on the average number of shares outstanding during the year.
- b) The management expense ratio is calculated based on all expenses of the company (other than brokerage commissions, interest including interest on issuer bid litigation and income taxes) expressed as a percentage of the average monthly net assets of the company.
- c) The portfolio turnover rate is calculated by dividing the lesser of purchases or sales of securities, excluding securities having maturity dates at acquisition of one year or less, by the weighted average monthly value of the portfolio securities held during the year.
- d) Annual net asset value growth is calculated based on the change in net asset value per share with reinvestment of distributions at month-end closing net asset values.

## Investment Portfolio – Ten Largest Investments

December 31, 2000

(in thousands of dollars)



**Canadian General Investments, Limited** This major holding of Third Canadian, 74.2% of the portfolio at year end, was a negative contributor to the portfolio in market price terms but provided bigger cash distributions during 2000. Third Canadian owns approximately 37% of CGI and would benefit greatly from a recovery in the market price of its common shares and warrants.

<u>COST</u>	20,969
<u>MARKET VALUE</u>	84,312
<u>% OF TOTAL INVESTMENT PORTFOLIO</u>	74.2

**Canadian World Fund Limited** A tremendous performance in 1999 was carried through into the first quarter of 2000 until technology and communications corrected. These areas were heavily represented by Canadian World Fund (CWF) with a weighting in excess of 80% at the end of 1999. Consequently, CWF suffered in the downturn and technology is now much lower weighted. A rebalanced portfolio should assist a rebound in assets.

<u>COST</u>	5,601
<u>MARKET VALUE</u>	4,369
<u>% OF TOTAL INVESTMENT PORTFOLIO</u>	3.8

### **Asset Management Investment Company PLC (AMIC)**

This acquisition replaces City of London Investment Group PLC (COLIG) which was sold to AMIC at a profit. AMIC is a London Stock Exchange quoted acquirer of private asset managers in the U.K., Europe, the United States and Hong Kong. It has a strong dividend distribution policy and a positive track record in terms of growth as well as dividends. AMIC is run by George Robb who was one of the founders of the well known Aberdeen Trust group.

<u>COST</u>	3,262
<u>MARKET VALUE</u>	3,114
<u>% OF TOTAL INVESTMENT PORTFOLIO</u>	2.7

**Shiningbank Energy Income Fund** Continuing for yet another year as one of the top minority holdings in Third's portfolio, Shiningbank is one of the star performers in the successful resource income funds sector in Canada, providing exceptional growth, primarily in gas production, and produces cash distributions for investors with yields at market in the high-teens.

<u>COST</u>	368
<u>MARKET VALUE</u>	1,601
<u>% OF TOTAL INVESTMENT PORTFOLIO</u>	1.4

## Investment Portfolio – Ten Largest Investments *(continued)*

December 31, 2000

(in thousands of dollars)

**Rothmans Inc.** The anti-monopoly sale of Rothmans Canada when BAT PLC made its purchase of the global Rothmans enterprise put the Canadian company free into the Canadian market. It provides high quality cash flows, strong potential for special dividend distributions and might be considered speculatively as a takeout candidate.

COST	1,052
MARKET VALUE	1,105
% OF TOTAL INVESTMENT PORTFOLIO	1.0

**Lifeco Split Corporation Inc.** The capital shares of Lifeco – it also has preference dividend shares – form a basket of the Canadian insurance companies that became a vibrant new market sector after demutualisation. Third's block of shares could continue to be revalued upward as the insurance sector closes in on mergers, takeovers, etc.

COST	563
MARKET VALUE	1,042
% OF TOTAL INVESTMENT PORTFOLIO	0.9

**Viking Energy Royalty Trust** Viking is a star manager of long-life oil and natural gas producing properties, passing out cash flows from operations to the unitholders, deferring taxes and lowering the investors' cost base as cash is distributed. Viking has proven ability at acquiring new production assets thereby achieving growth that was not anticipated with the formation of these trusts a few years ago.

COST	556
MARKET VALUE	1,026
% OF TOTAL INVESTMENT PORTFOLIO	0.9

**Collins Stewart Holdings PLC** This is the largest holding among securities firms in Third's portfolio. It is an institutional broking and research house that was taken public in the past year in the London market, and is building a managed assets base.

COST	684
MARKET VALUE	858
% OF TOTAL INVESTMENT PORTFOLIO	0.8

**ARC Energy Trust** ARC is another resource trust that has benefited in these times of great popularity for the energy sector and income seeking investors. We have taken some profits out of the sector but would expect the trusts to continue to be long-term holds for Canadian investors even if some reduction occurs in energy pricing.

COST	680
MARKET VALUE	791
% OF TOTAL INVESTMENT PORTFOLIO	0.7

**London Stock Exchange PLC** This is one of Third Canadian's more unusual investments. The Exchange was quietly taken public early last year and has since had a volatile history with a rejected takeover by a Swedish company, the termination of a merger deal with the German stock exchange and the difficulty of acquiring shares which are dealt by only one broker in London.

COST	878
MARKET VALUE	773
% OF TOTAL INVESTMENT PORTFOLIO	0.7

<b>TOTAL</b>	
COST	34,613
MARKET VALUE	98,991
% OF TOTAL INVESTMENT PORTFOLIO	87.2

## Illustration of an Assumed Fifteen Year Investment of \$10,000

CALENDAR YEARS ENDING DECEMBER 31	MARKET VALUE OF ORIGINAL SHARES	CUMULATIVE MARKET VALUE OF DIVIDENDS RE-INVESTED	TOTAL MARKET VALUE	TOTAL NET ASSET VALUE
1985	\$ 10,000	\$ 0	\$ 10,000	\$ 12,241
1986	13,049	397	13,445	14,421
1987	9,024	615	9,640	11,583
1988	9,573	1,188	10,761	12,483
1989	11,402	2,002	13,405	15,429
1990	10,122	2,368	12,491	13,691
1991	10,976	3,190	14,166	16,788
1992	13,963	4,752	18,715	19,581
1993	16,463	6,280	22,743	24,361
1994	16,280	6,842	23,123	26,189
1995	17,927	8,158	26,085	28,831
1996	25,756	12,481	38,238	40,106
1997	29,268	15,108	44,376	50,078
1998	23,780	13,001	36,782	46,198
1999	20,927	12,066	32,993	47,413
2000	19,683	12,587	32,270	49,448

The above table illustrates the growth of an investment of \$10,000 in common shares of the Company at the end of 1985, with all dividends reinvested in additional shares at the month-end closing price for the months in which the dividends were paid. The average annual compound rate of return, without deduction of commission, for the 15 year period ended December 31, 2000 was 8.1%. No adjustment has been made for any income taxes which may be payable by a shareholder. These results should not be considered representative of the dividend income or capital gain or loss which may be realized in the future.

## Ten Year Performance Summary

	NET ASSETS (000's)	NET ASSETS PER SHARE	NET INVESTMENT INCOME (000's)	NET INVESTMENT INCOME PER SHARE	AGGREGATE DIVIDENDS PER COMMON SHARE	MARKET VALUE OF SHARE		
						High	Low	Close
1991	\$ 75,765	\$ 8.89	\$ 3,240	\$ 0.38	\$ 0.342	\$ 8.17	\$ 6.46	\$ 7.50
1992	85,010	9.98	2,800	0.33	0.342	10.17	7.54	9.54
1993	102,472	12.05	2,896	0.34	0.342	11.83	9.83	11.25
1994	60,573	12.60	1,397	0.26	0.300	13.38	10.25	10.88
1995	64,920	13.51	1,520	0.32	0.300	14.00	11.00	12.25
1996	88,700	18.46	2,021	0.42	0.300	18.50	12.50	17.60
1997	108,483	22.57	3,661	0.76	0.400	20.50	15.00	20.00
1998	98,096	20.41	2,350	0.49	0.350	22.00	15.00	16.25
1999	98,782	20.55	1,852	0.38	0.300	17.00	13.80	14.30
2000	99,056	20.61	1,729	0.36	0.550	17.50	13.00	13.45

Per share figures for years prior to 1994 have been restated to reflect the 1994 6 for 1 split.

## Board of Directors

**E. LOUISE MORGAN** is Chairman of the Company and has been a member of the Board since 1967. She is President and controlling shareholder of the Manager, Morgan Meighen & Associates Limited and Chairman and a director of Canadian General Investments, Limited and Canadian World Fund Limited. She is President of The Catherine and Maxwell Meighen Foundation and a member of the Board of Directors of the Canadian Opera Company and a member of both the Executive Committee and the House Committee of the COC.

**MICHAEL A. SMEDLEY** is President of the Company and has been a member of the Board since 1988. He is Executive Vice-President and Chief Executive Officer of the Manager, Morgan Meighen & Associates Limited which he joined in 1987 thereafter assuming management of the Company's portfolio in 1988. He is also President and a director of Canadian General Investments, Limited and Canadian World Fund Limited. He is a speaker at the conference level in Canada, the United States and the United Kingdom, and writes on investment topics for various publications. His investment career started in Canada in 1969 and since that time he has spent over 20 years with Canadian and US investment firms in Canada, Hong Kong and London. He has also worked for 18 years in journalism and public relations in the United Kingdom, South Africa, Zambia, Kenya, Tanzania, Canada, Malaysia and Singapore.

**RONALD D. BARNES**, elected June 1, 1993 has over 30 years experience in the investment industry, involving all areas of the business including investment banking, sales management and compliance. He is President of Barmac Capital Management Inc. and a director of a number of public companies.

**ALBERT E. BATES**, elected April 28, 1994. Prior to 1987 he was a senior executive with the Bank of Montreal and from 1987 to 1990 he was President of Metropolitan Life Insurance Company of Canada Limited. From 1990 to his retirement in 1992, he was President and subsequently Chairman – Canadian Subsidiaries – Metropolitan Life Insurance. He is currently a director of Canadian General Investments, Limited and of Harris Trust/Bank of Montreal, Florida.

**CARL S. HUTMAN**, elected June 1, 1993 has long experience in the venture capital and investment banking sectors. He was a founding general partner in 1980 of Investech, L.P. in New York, a venture capital partnership investing in emerging growth companies, a position he held until 1992. From 1996 to 1999, he was managing director of Fundamental Management Corporation, an investment management firm. He is currently a private investor and a director of Canadian General Investments, Limited, Canadian World Fund Limited and Harris Trust/Bank of Montreal, Florida.

**VANESSA L. MORGAN**, elected to the Board April 28, 1994, is Vice-Chairman of the Company. A Chartered Financial Analyst, she is currently a Senior Vice-President of the Manager, Morgan Meighen & Associates Limited which she joined in July 2000. Prior to joining the Manager she was C.F.O. and Secretary of Denbridge Capital Corporation, a management company. She is a director of Canadian General Investments, Limited, Canadian World Fund Limited and The Catherine and Maxwell Meighen Foundation.

# Corporate Information – Third Canadian General Investment Trust Limited

## Board of Directors

Ronald D. Barnes  
Albert E. Bates  
Carl S. Hutman  
E. Louise Morgan  
Vanessa L. Morgan  
Michael A. Smedley

## Audit Committee

Ronald D. Barnes  
Albert E. Bates  
Carl S. Hutman

## Corporate Governance Committee

Ronald D. Barnes  
Vanessa L. Morgan

## Officers

E. Louise Morgan  
*Chairman*

Vanessa L. Morgan  
*Vice-Chairman*

Michael A. Smedley  
*President*

Colin Smith  
*Secretary-Treasurer*

Frank Fuernkranz, MBA, CA, CFA  
*Assistant-Treasurer*

## Office of the Company

110 Yonge Street, Suite 1601  
Toronto, Ontario, Canada  
M5C 1T4

*Telephone:* (416) 366-2931  
1-866-443-6097

*Fax:* (416) 366-2729

*e-mail:*

thdfund@mmainvestments.com

*website:*

www.mmainvestments.com

## Auditors

PricewaterhouseCoopers LLP  
Toronto

## Bankers

Royal Bank of Canada  
Toronto

## Solicitors

Blake, Cassels & Graydon LLP  
Toronto

## Canadian Registrar and Transfer Agent

Montreal Trust Company of  
Canada  
100 University Avenue  
11th Floor  
Toronto, Ontario, Canada  
M5J 2Y1

*Telephone:* (416) 981-9633  
1-800-663-9097

*Fax:* (416) 981-9507

*e-mail:*

mmamail@montrealtrust.com

To change your address, eliminate  
multiple mailings or for other  
shareholder account inquiries,  
please contact Montreal Trust at the  
above address.

## Publication

The Company calculates and releases its net asset value per share (NAV) on a daily basis. NAV and market price information are published in the financial press in Canada on a daily basis and at the weekend in the United States.

The Company will provide a list of its weekly top 10 portfolio holdings (priced at market), together with current discount and market return information to any interested party upon request.

## Stock Exchange Listings

The Toronto Stock Exchange  
Trading Symbol: THD

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

## Annual Meeting of Shareholders

The Annual General Meeting of the shareholders of Third Canadian General Investment Trust Limited will be held at 11:00 a.m. (Toronto time) Wednesday, April 4, 2001 in Room B, 4th Floor, The Toronto Board of Trade, 77 Adelaide Street West, First Canadian Place, Street Level (Adelaide Street entrance), Toronto, Ontario, M5X 1C1.