



CGI

Canadian General Investments,  
Limited

Long term  
*growth*  
and income

1

FIRST QUARTER REPORT

March 31, 2001

## Letter to the Shareholders

The bear market in Canada was firmly in place through the first quarter of 2001 but CGI's asset decline was one-half that of the TSE 300 Composite Index which was down 14% at March 31. Contributing to our relative out-performance was the decrease in the weighting of Nortel Networks Corporation to only 0.8% of the CGI portfolio vs. the still dominant market weighting of 9.9%. Nortel represented over 40% of the Index at its height last year. It is still the biggest weighting in the Index and in our opinion is still vulnerable in the short term.

Our work during the quarter included raising portfolio yield to a level of 1.8% from 1.3% vs. 1.6% for the TSE 300 and recognizing the need for increased quality in negative market conditions.

The bear market nevertheless provided many interesting opportunities among stocks. One of our best purchases in the quarter was an increase in the relatively new holding in Canadian Pacific Limited which has resulted in an unrealized gain of \$1,756,000 at March 31 vs. \$74,000 at the beginning of the period. We also committed to positions in CP's intended spin-offs CP Rail, CP Shipping and Fording Inc., which should become attractive, independent stocks if and when the restructuring takes place later in the year. We believe that many investors will find their allocations in these shares inadequate in the spin-off resulting in buying interest unless there is a major downturn in the associated sectors.

We increased holdings in the utilities and financial sectors while the mining groups were strengthened via Inco Limited and Teck Corporation. Our spread of investments in the oil and gas sector continues to provide and



promise strong growth plus buy-out activity in a firm gas and oil pricing environment. We bought Oxford Properties Group Inc. to raise our weighting in quality real estate holdings.

For the rest of the year, some growth in the economy appears attainable. We hope to see a washing out of the deterioration

in many technology stocks and some recovery among leaders in the sub-sector. Meanwhile, interest rates are staying low and perhaps moving lower, the services sector has been reporting strong numbers and the U.S. economic backdrop, while weaker, does not seem to be overly threatening. The market probably still needs to extend its period of adjustment after the stock price inflations of last year. There are value and growth situations to be bought. Strong world energy prices and the need to satisfy U.S. fuel requirements should keep Canada's important oil and gas sector on a positive course.

Subsequent to quarter-end, the TSE accepted a Notice of Intention filed by CGI to commence a Normal Course Issuer Bid for issued and outstanding warrants of the Corporation. The Board of Directors believes that such purchases would be in the best interests of CGI and a desirable use of corporate funds. CGI intends to purchase in the market, from time to time, if it is considered desirable, less than 5%, being up to a maximum of 203,486 of its outstanding warrants during the period April 23, 2001 to April 22, 2002.

A handwritten signature in black ink, appearing to read "M. Smedley". The signature is fluid and cursive, written over a white background.

Michael A. Smedley  
President

## Management's Discussion and Analysis

The first quarter of 2001 saw a continuation of the high degree of market volatility experienced during 2000, led by the technology sub-sector. Industrial products, which includes technology, represented only 9.9% of CGI's portfolio at March 31, 2001, significantly lower than the 23.4% weighting in the TSE 300. By comparison, industrial products made up 25.1% of the Corporation's portfolio at year-end 2000 and close to 50% at March 31, 2000. This shift resulted from both the massive market sell-off of technology stocks, as well as the sale of positions in the portfolio to fund investments in other sectors, in particular increasing the focus on income. Along with industrial products, CGI was also significantly underweight the TSE in the financial services sector at quarter-end, with a weighting of 17.6% compared to 26.2%.

At March 31, 2001, the largest group in CGI's portfolio was the oil and gas sector with a weighting of 19.4%. Oil and gas represented only 12.4% of the TSE 300. The Corporation was also overweight the TSE in communications and media, consumer products and real estate.

### Operations

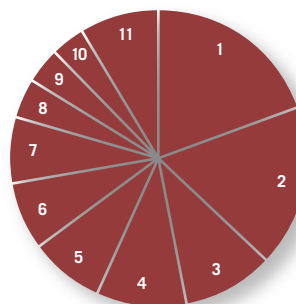
For the three month period ended March 31, 2001, CGI had a net investment loss of \$237,000, compared to a net investment loss of \$364,000 in the first quarter of 2000.

The 6.5% increase in total investment income for the quarter, from the corresponding period last year, reflected the purchase of more income generating stocks in late 2000 and in early 2001.

Total expenses for the quarter remained flat compared to last year. The most significant expense items are management fees, as well as dividends on the outstanding preference shares. The management fee is calculated

### WEIGHTING OF PORTFOLIO INVESTMENTS AT MARKET

March 31, 2001



1 Oil & Gas	19.4%
2 Financial Services	17.6%
3 Industrial Products	9.9%
4 Communications & Media	9.8%
5 Consumer Products	8.1%
6 Metals & Minerals	7.4%
7 Utilities	7.2%
8 Golds & Precious Metals	4.3%
9 Real Estate	3.9%
10 Merchandising	3.7%
11 Other Sectors	8.6%

### INVESTMENT PORTFOLIO TEN LARGEST INVESTMENTS

March 31, 2001

Company	Market Value (000's)	% of Market Value of Total Investment Portfolio
Royal Bank of Canada	\$14,626	4.1
Bombardier Inc.	11,990	3.4
Inco Limited	10,762	3.0
Bank of Montreal	10,676	3.0
Canadian Pacific Limited	9,764	2.8
Suncor Energy, Inc.	9,121	2.6
Corby Distilleries Limited	8,895	2.5
Brookfield Properties Corporation	8,679	2.5
Cominco Ltd.	8,145	2.3
Biovail Corporation	8,120	2.3
<b>Totals</b>	<b>\$100,778</b>	<b>28.5</b>

## Management's Discussion and Analysis (continued)

quarterly in arrears at 1% per annum of the market value of CGI's investments adjusted for cash and portfolio accounts receivable and payable.

In March of both 2001 and 2000, the Corporation paid a quarterly dividend to common shareholders of \$0.06 per share in the form of regular income, or \$1,228,000 and \$1,129,000, respectively, on an aggregate basis. The 8.8% increase resulted from new common shares issued as part of a capital gains dividend in December 2000. The Board periodically considers the payment of capital gains dividends, which allow CGI to recover taxes previously paid on realized capital gains.

On April 4, 2001, the Board declared a quarterly income dividend of \$0.06 per share to be paid on June 15, 2001 to shareholders of record on May 31.

### Net Assets

At March 31, 2001, net assets were \$290,509,000, down 7.3% from the year-end value of \$313,309,000 and down 20.3% from the end of March 2000.

Fully diluted net asset value per share at March 31, 2001 was \$12.99 compared to \$14.06 at December 31, 2000. Without allowing for outstanding warrants, basic net asset values per share were \$14.19 and \$15.31, respectively.

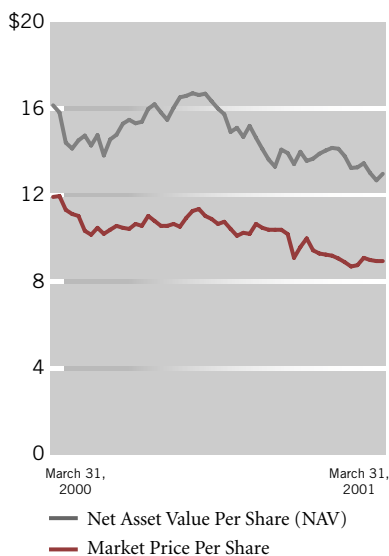
Net realized gain on investments was \$672,000 compared to a net realized loss of \$175,000 in the first quarter of 2000. Falling prices in the quarter led to a decrease in unrealized appreciation of investments of \$22,007,000 to March 31, 2001. By comparison, the first quarter of 2000, which was fuelled by the then high flying technology sub-sector, saw an increase in unrealized appreciation of \$56,071,000.

Fully diluted net asset value per share growth, with distributions reinvested, for the three months ended

### COMPARISON OF MARKET PRICE TO NAV

(Fully diluted)

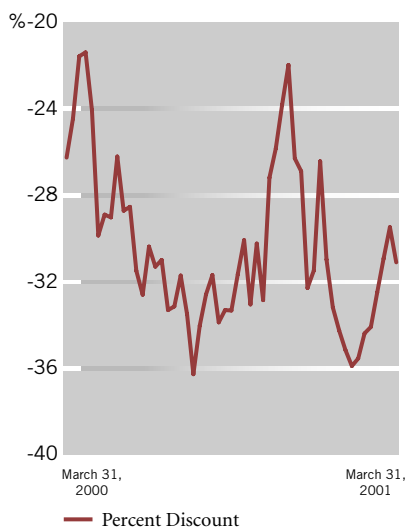
Twelve months ended March 31, 2001



### DISCOUNT TO NAV

(Fully diluted)

Twelve months ended March 31, 2001



March 31, 2001 was -7.2% compared to a positive 15.9% for the same quarter in 2000. The TSE 300 Total Return Index was -14.5% and up 12.8% for the respective periods. The overweighting of oil and gas and underweighting of industrial products, particularly technology, in CGI's portfolio were the main contributors to the Corporation's out-performance of the TSE in the first three months of 2001. These TSE sectors had returns of 1.7% and -38.9%, respectively, for the quarter.

### Amendment of Articles and By-laws

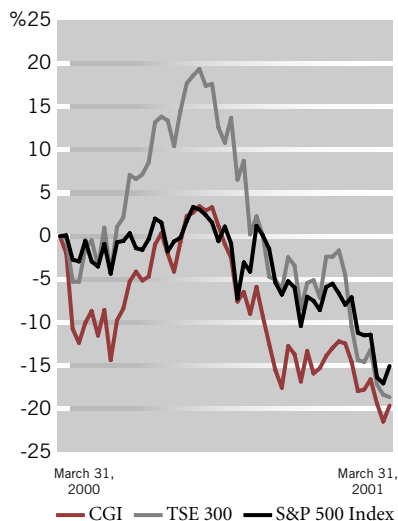
At the Annual and Special Meeting of the shareholders of CGI held on April 4, 2001, a special resolution was approved amending the Articles of the Corporation to provide that the Corporation shall have a minimum of seven directors and a maximum of twelve directors. The previous minimum and maximum number of directors were nine and fifteen respectively. Shareholders also approved a resolution amending the by-laws of the Corporation to provide that the quorum for the transaction of business be reduced from six directors to five directors, or such greater number as the directors may from time to time determine.

### Outlook

Although market volatility is expected to continue throughout 2001, oil and gas and financial services are likely to continue to be well represented in CGI's portfolio – the first group in the event of continuing strong energy prices and the second in recognition of defensive value and merger and acquisition prospects.

### COMPARISON OF CGI'S NAV GROWTH TO TSE 300 INDEX AND S&P 500 INDEX\*

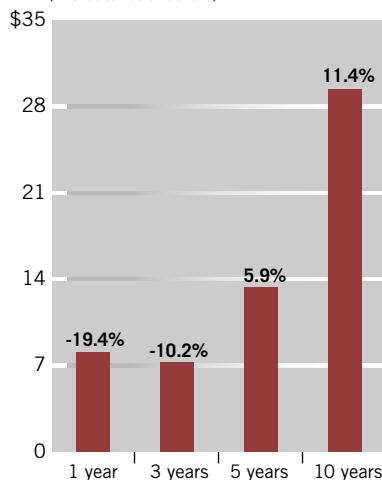
Twelve months ended March 31, 2001



\* Illustrates the growth of CGI's Fully Diluted NAV relative to the TSE 300 Total Return Index and the S&P 500 Index (in C\$).

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

For 1, 3, 5 and 10 years to March 31, 2001  
(in thousands of dollars)



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

## Statements of Net Assets

(Unaudited)

March 31,  
2001

December 31,  
2000

March 31,  
2000

*(in thousands of dollars, except per share amounts)*

### Assets

Investments	\$ 353,660	\$ 365,413	\$ 418,944
Cash and short-term investments	2,348	5,940	5,076
Receivable on securities sold	5,950	–	808
Accrued interest and dividends	612	610	390
Income taxes recoverable	1,132	777	2,061
Deferred financing charge	831	913	1,163
	<b>364,533</b>	<b>373,653</b>	<b>428,442</b>

### Liabilities

Payable on securities purchased	13,729	–	3,575
Accounts payable and accrued liabilities	153	202	107
Accrued dividends on preference shares	142	142	142
Preference shares	60,000	60,000	60,000
	<b>74,024</b>	<b>60,344</b>	<b>63,824</b>

### Net Assets

	<b>\$ 290,509</b>	<b>\$ 313,309</b>	<b>\$ 364,618</b>
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### Shareholders' Equity

Common shares	\$ 127,186	\$ 127,186	\$ 100,661
Unrealized gain on investments	37,116	59,123	138,849
Retained earnings	126,207	127,000	125,108
	<b>\$ 290,509</b>	<b>\$ 313,309</b>	<b>\$ 364,618</b>

<b>Number of common shares outstanding</b>	<b>20,465,597</b>	<b>20,465,597</b>	<b>20,446,294</b>
<b>Number of warrants outstanding</b>	<b>4,069,729</b>	<b>4,069,729</b>	<b>4,089,065</b>
<b>Net asset value per common share - basic</b>	<b>\$ 14.19</b>	<b>\$ 15.31</b>	<b>\$ 17.83</b>
<b>Net asset value per common share - fully diluted</b>	<b>\$ 12.99</b>	<b>\$ 14.06</b>	<b>\$ 16.15</b>

## Statements of Operations

(Unaudited)

	Three Months Ended	
	March 31, 2001	March 31, 2000
<i>(in thousands of dollars)</i>		
<b>Investment income</b>		
Dividends	\$ 1,103	\$ 1,055
Interest	136	108
Other	9	9
	1,248	1,172
<b>Expenses</b>		
Management fees	995	971
Dividends on preference shares	810	810
Amortization of deferred financing charge	83	83
Directors' fees	27	29
Other	104	112
	2,019	2,005
<b>Investment loss before income taxes</b>	(771)	(833)
<b>Income tax recovery</b>	534	469
<b>Net investment loss</b>	(237)	(364)
<b>Realized and unrealized gain (loss) on investments</b>		
Net realized gain (loss) on investments	672	(175)
Change in unrealized appreciation of investments	(22,007)	56,071
<b>Net gain (loss) on investments</b>	(21,335)	55,896
<b>Increase (decrease) in net assets resulting from operations</b>	\$ (21,572)	\$ 55,532

## Statements of Changes in Net Assets

(Unaudited)

	Three Months Ended	
	March 31, 2001	March 31, 2000
<i>(in thousands of dollars, except per share amounts)</i>		
<b>Increase (decrease) in net assets resulting from operations</b>	\$ (21,572)	\$ 55,532
<b>Distributions to common shareholders</b>		
From net investment loss	(1,228)	(1,129)
Net decrease in refundable dividend tax on hand	—	88
	(1,228)	(1,041)
<b>Increase (decrease) in net assets</b>	(22,800)	54,491
<b>Net assets - Beginning of period</b>	313,309	310,127
<b>Net assets - End of period</b>	\$ 290,509	\$ 364,618
<b>Distributions per common share</b>		
Regular	\$ 0.060	\$ 0.060

## Statements of Net Gain (Loss) on Investments

(Unaudited)

	Three Months Ended	
	March 31, 2001	March 31, 2000
<i>(in thousands of dollars)</i>		
Proceeds from disposition of investments	\$ 71,285	\$ 58,887
Investments at cost, beginning of period	306,290	278,617
Investments purchased during the period	80,688	60,304
Investments at cost, end of period	(316,544)	(280,095)
<b>Cost of investments disposed of during the period</b>	<b>70,434</b>	<b>58,826</b>
<b>Realized gain on disposition of investments before income taxes</b>	<b>851</b>	<b>61</b>
Income taxes on realized net taxable capital gains	179	236
<b>Net realized gain (loss) on investments</b>	<b>672</b>	<b>(175)</b>
Change in unrealized appreciation of investments	(22,007)	56,071
<b>Net gain (loss) on investments</b>	<b>\$ (21,335)</b>	<b>\$ 55,896</b>

## Statements of Retained Earnings

(Unaudited)

	Three Months Ended	
	March 31, 2001	March 31, 2000
<i>(in thousands of dollars)</i>		
<b>Retained earnings - Beginning of period</b>	<b>\$ 127,000</b>	<b>\$ 126,688</b>
Net investment loss for the period	(237)	(364)
Net realized gain (loss) on investments	672	(175)
Distributions from net investment loss	(1,228)	(1,129)
Recovery of refundable taxes – net	–	88
<b>Retained earnings – End of period</b>	<b>\$ 126,207</b>	<b>\$ 125,108</b>

## Note to Financial Statements

The accompanying financial statements should be read in conjunction with the notes to the company's audited financial statements for the year ended December 31, 2000. These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements.

# Statement of Investments

March 31, 2001

NUMBER OF SHARES OR PAR VALUE		MARKET COST VALUE	
<i>(in thousands of dollars)</i>			
<b>COMMUNICATIONS &amp; MEDIA</b>			
175,000	Astral Communications Inc. A	6,179	7,700
100,000	CHUM Limited, B	5,666	5,950
125,000	Cogeco Cable Inc.	4,485	3,181
500,000	Regional Cablesystems Inc.	6,248	5,100
200,000	SHAW Communications Inc. B	1,122	6,070
60,000	The Thomson Corporation	3,048	3,153
200,000	Torstar Corporation B	4,305	3,640
		<u>31,053</u>	<u>34,794</u>

CONGLOMERATES			
170,250	Canadian Pacific Limited+	8,008	9,764
		<u>8,008</u>	<u>9,764</u>

CONSUMER PRODUCTS			
140,000	Biovail Corporation+	6,662	8,120
100,000	Corby Distilleries Limited A	5,004	5,500
70,000	Corby Distilleries Limited B	4,416	3,395
193,100	Cott Corporation*	3,203	3,476
200,000	MDS Inc.	5,873	3,780
100,000	Molson Inc. A	2,816	4,400
		<u>27,974</u>	<u>28,671</u>

FINANCIAL SERVICES			
200,000	A.G.F. Management Limited B	5,204	4,800
270,000	Bank of Montreal+	8,910	10,676
150,000	The Bank of Nova Scotia	6,533	6,060
288,500	C.I. Fund Management Inc.+	3,852	3,534
100,000	Canada Life Financial Corporation	2,039	4,300
125,000	Clarica Life Insurance Company+	4,986	5,224
404,300	Guardian Capital Group Ltd. A	2,890	4,831
150,000	Power Financial Corporation+	4,990	5,115
310,000	Royal Bank of Canada+	11,943	14,626
80,000	The Toronto Dominion Bank	2,299	3,160
		<u>53,646</u>	<u>62,326</u>

NUMBER OF SHARES OR PAR VALUE		MARKET COST VALUE	
<i>(in thousands of dollars)</i>			
<b>GOLDS &amp; PRECIOUS METALS</b>			
400,000	Aber Diamond Corporation	4,316	5,200
161,000	Barrick Gold Corporation	3,906	3,584
214,600	Dia Met Minerals Ltd. B	4,466	4,463
38,000	Franco-Nevada Mining Corporation Limited wts	87	190
130,100	Teck Corporation B*	1,868	1,884
		<u>14,643</u>	<u>15,321</u>

INDUSTRIAL PRODUCTS			
550,000	Bombardier Inc. B+	3,650	11,990
200,000	CAE Inc.	4,494	4,750
100,000	Cognos, Inc.	4,309	2,563
305,000	COM DEV International Ltd.	4,076	2,440
95,000	Creo Products Inc.	5,318	2,755
88,000	DuPont Canada Inc. A	3,211	4,664
175,000	Intertape Polymer Group Inc.	4,555	2,537
830,000	itemus inc.	1,885	407
125,001	Nortel Networks Corporation	6,259	2,780
		<u>37,757</u>	<u>34,886</u>

MERCHANDISING			
30,000	Four Seasons Hotels Inc.	2,820	2,344
70,000	George Weston Limited	4,834	6,195
200,000	Metro Inc. A	4,037	4,598
		<u>11,691</u>	<u>13,137</u>

METALS & MINERALS			
300,000	Cominco Ltd.	6,946	8,145
250,000	Fording Inc., when issued*	1,508	1,031
100,000	Inco Limited, common*	2,594	2,335
111,750	Inco Limited pfd. series E+	7,231	7,835
87,700	Inco Limited wts. 8/21/06	727	592
350,000	Labrador Iron Ore Royalty Income Fund+	4,090	4,956
1,000,000	Teck Corporation due April 30, 2023 exch. deb.	1,000	1,148
		<u>24,096</u>	<u>26,042</u>

## Statement of Investments (continued)

March 31, 2001

NUMBER OF SHARES OR PAR VALUE		COST	MARKET VALUE
<i>(in thousands of dollars)</i>			
<b>OIL &amp; GAS</b>			
125,000	Anderson Exploration Ltd.*	3,905	4,462
110,000	Athabasca Oil Sands Trust*	4,067	3,878
300,000	Baytex Energy Ltd. A+	3,041	3,645
700,000	Canadian 88 Energy Corp.+	2,794	2,471
25,000	Canadian Oil Sands Trust*	907	869
673,200	Gulf Canada Resources Limited	5,158	5,816
181,700	Husky Energy Inc.	2,232	2,407
50,000	Imperial Oil Limited*	1,972	1,923
100,000	Maverick Tube (Canada) Ltd.	1,881	3,165
546,000	Meota Resources Corp.*	2,447	2,539
110,000	Nexen Inc.	2,697	3,729
150,000	PanCanadian Petroleum Limited	2,419	6,525
100,000	Pengrowth Energy Trust*	2,009	1,985
200,000	Petro-Canada	3,791	7,088
200,000	Petromet Resources Limited*	1,819	2,080
60,000	Precision Drilling Corporation	3,105	3,396
60,000	Rio Alto Exploration Ltd.*	1,796	1,789
225,000	Suncor Energy, Inc.	3,077	9,121
30,000	Talisman Energy Inc.*	1,651	1,713
		<u>50,768</u>	<u>68,601</u>
<b>PIPELINES</b>			
110,000	Enbridge Inc.	3,532	4,659
263,000	TransCanada PipeLines Limited	6,603	5,060
		<u>10,135</u>	<u>9,719</u>
<b>REAL ESTATE</b>			
330,000	Brookfield Properties Corporation+	8,364	8,679
200,000	Oxford Properties Group Inc.*	3,434	3,380
2,000,000	Oxford Properties Group Inc. conv. deb. 5.75% due August 31, 2007*	1,880	1,900
		<u>13,678</u>	<u>13,959</u>

NUMBER OF SHARES OR PAR VALUE		COST	MARKET VALUE
<i>(in thousands of dollars)</i>			
<b>TRANSPORTATION &amp; ENVIRONMENT</b>			
150,000	Canadian Pacific Railway, when issued*	2,782	2,434
250,000	CP Ships, when issued*	2,245	1,781
126,400	Westjet Airlines Ltd.	3,237	2,370
		<u>8,264</u>	<u>6,585</u>
<b>UTILITIES</b>			
100,000	Canadian Utilities Limited A	2,342	5,100
300,000	Emera Inc.+	5,000	5,100
150,000	Manitoba Telecom Services Inc.	4,372	5,775
70,000	TELUS Corporation*	2,747	2,404
2,000,000	TELUS Corporation conv. deb. 6.75% due June 15, 2010*	1,972	1,980
225,000	TransAlta Corporation	4,595	5,247
		<u>21,028</u>	<u>25,606</u>
<b>PREFERRED SHARES</b>			
155,000	Falconbridge Limited pfd. series 2	3,404	3,594
175,000	Gulf Canada Resources Limited pfd. series A	399	655
		<u>3,803</u>	<u>4,249</u>
<b>TOTAL INVESTMENTS</b>			
	– March 31, 2001	\$316,544	\$353,660
	– December 31, 2000	<u>\$306,290</u>	<u>\$365,413</u>
	– March 31, 2000	<u>\$280,095</u>	<u>\$418,944</u>
	Changes from December 31, 2000		
	*New Holdings		
	+Increased Holdings		

## Corporate Information – Canadian General Investments, Limited

### 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:* cgifund@mmainvestments.com

*website:* www.mmainvestments.com

### 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.

### U.K. Transfer Agent

CIBC Mellon Trust Company  
Balfour House  
390 High Road  
Ilford, Essex  
IG1 1NQ  
Tel: (020) 8478 1888  
Fax: (020) 8553 0784

### Stock Exchange Listings

The Toronto Stock Exchange

Trading Symbols:  
Common Shares CGI  
Preference Shares CGI.PR.A  
Warrants CGI.WT

The London Stock Exchange

Reuters Symbols:  
Common Shares CGIq.L  
Warrants CGI<sup>w</sup>q.L

*The Corporation is a member of the Closed-End Fund Association ('CEFA') in North America.*

### U.K. Stockbroker

Teather & Greenwood Limited  
15 St. Botolph Street  
London EC3A 7QR  
Tel: (020) 7426 9000  
Fax: (020) 7426 9595

### Publication

The Corporation calculates and releases its fully-diluted net asset value per share (NAV) on a daily basis. The NAV is published in various media in Canada, the United States and the United Kingdom.

The Corporation 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.

### Dividend Reinvestment and Share Purchase Plan

This Plan offers a unique low-cost opportunity for shareholders to increase their holdings in the Corporation, one of Canada's largest closed-end funds. Please contact the Plan administrator Montreal Trust Company of Canada for details.