



Third Canadian General  
Investment Trust Limited

REGISTRAR AND TRANSFER AGENT

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STOCK EXCHANGE LISTING

The Toronto Stock Exchange  
Trading Symbol: THD

Managed by:



MorganMeighen  
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GROWTH AND INCOME

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THIRD QUARTER  
SHAREHOLDER UPDATE

September 30, 2007

## GENERAL COMMENTARY

The Canadian stock market, as represented by the S&P/TSX Composite Index, was volatile like most global equity markets during the third quarter. Repercussions from events seemingly isolated to the sub-prime mortgage market in the United States show the growing correlation and integration of global economies, financial systems and equity markets, bringing far-reaching complications.

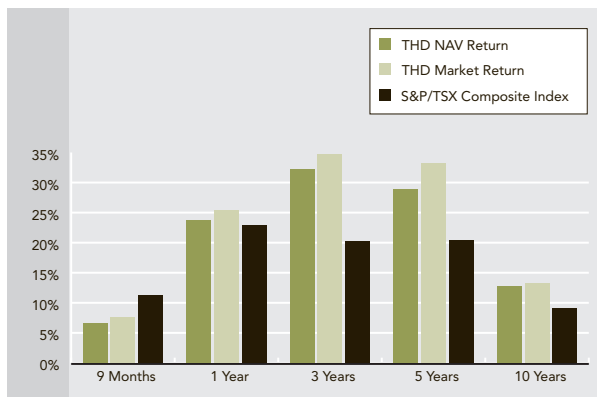
An encouraging start to the quarter for the S&P/TSX was interrupted by the troubling liquidity issues. After peaking on July 19, the Index succumbed to concerns of defaults, lower earnings and higher borrowing costs and posted its biggest weekly drop since 2001, a decline of 5.7%. This initial falloff precipitated a decline that continued through to the middle of August and resulted in a greater than 10% drop from the high, a level widely considered bear market territory. In hindsight, a fairly dramatic 400 point intra-day downturn at the trough seemed to set the stage for a steady recovery in the final half of the quarter, temporarily relieving fears that the long running bull market had come to an end.

Through the unsettling nature of the market movements, Third Canadian has held relatively firm, posting a modest NAV gain for the quarter. As various issues “work through” the market context, the expectation is that Third Canadian will continue to succeed and deliver further benefits to its shareholders.

Vanessa L. Morgan  
*Chairman*

Jonathan A. Morgan  
*President & CEO*

### Compound Annual Returns for the Periods Ending September 30, 2007



## INVESTMENT COMMENTARY

Third Canadian experienced mixed returns for the third quarter, a result not entirely unexpected in context of the turbulent markets. The year-to-date net asset value (NAV) and market returns stand at 6.6% and 7.5%, respectively, versus 11.2% for the benchmark S&P/TSX Composite Index (S&P/TSX) on a total return basis.

The one notable event having the largest positive impact on North American stock markets in the quarter was the September 18 announcement by the U.S. Federal Reserve to cut its benchmark interest rate for the first time in more than four years. This was perceived by market participants as a positive action taken to offset the financial market turmoil weighing on the economic outlook for both Canadian and U.S. economies. North American equity markets used the event as a catalyst for the resumption of their bull markets.

### PRINCIPAL ASSETS

A combined total weighting for the constituents of the principal assets, Canadian General Investments, Limited (CGI) and Canadian World Fund Limited (CWF), remained basically unchanged from June 30, representing 64.1% of the portfolio at September 30, 2007.

CGI, Third Canadian’s dominant holding, slipped slightly relative to its benchmark S&P/TSX year to date, but remained comfortably ahead in the rolling 12-month period. CGI’s year-to-date NAV return is 7.9% compared to the 11.2% total return for the S&P/TSX; the 12-month numbers are 27.9% and 22.8%, respectively. The market price of CGI is highly influential in determining Third Canadian’s NAV and, although it had a positive 4.3% return year to date to September 30, it also lagged the benchmark.

CWF carried a higher than normal cash position into the beginning of this quarter, as a result of its capital raising activities in the second quarter, in which shareholders, including Third Canadian, were given the opportunity to participate in a rights offering. The resultant proceeds increased the overall size of the fund and were fully invested by the end of this quarter. Unfortunately, the strength of the Canadian dollar relative to most of the major currencies also impacted returns achieved in the local currencies when translated back to the Canadian dollar, CWF’s base currency. The CWF NAV return of -6.9% year to date is behind its benchmark Morgan Stanley All Country World Index (in Cdn \$) return of -4.2%, but well ahead for the rolling 12-month period at 11.5% versus 8.8%, respectively.

## NON-PRINCIPAL ASSETS

The non-principal assets have always provided diversification and balance for Third Canadian's portfolio. As these assets have grown in both absolute and relative terms over the past few years, their contribution to the success of Third Canadian has expanded greatly. This is highlighted with the non-principal assets disproportionately supporting overall return numbers during a temporary period of weakness for the principal assets. Non-principal assets total approximately \$129 million at quarter end, up from about \$115 million at the beginning of the year and currently represent 35.9% of the total portfolio.

One of the most spectacular debuts in Third Canadian's portfolio was the investment in Timminco Limited early in the quarter. This is a rather unique Canadian company that has developed a low cost purification process to upgrade its existing chemical grade silicon to silicon for solar applications. This technological breakthrough, which has taken years to accomplish, is timed perfectly with the adoption and growth of alternative energy sources around the world. It was by far the biggest gainer in the portfolio, increasing over 140% for Third Canadian in the quarter.

As part of the diversification strategy mentioned earlier, a portion of the non-principal assets have for many years been allocated to foreign equities, most of which are currently traded in U.S. dollars. The conversion back to Canadian dollars in the portfolio has certainly tempered the returns in this sub-set recently as the Canadian dollar has staged a meteoric rise against the U.S. "greenback". In September alone, for example, the Canadian dollar jumped 6.0% and then continued its upward trend breaking through

par, a level not seen for over 30 years. In spite of these currency headwinds, good stock selections, using the Manager's bottom-up style, can still lead to respectable, if not impressive, returns. As proof of this achievement, Freeport-McMoRan Copper & Gold Inc., Apple Inc., Monsanto Company and Deere & Company were U.S. dollar denominated investments that posted greater than 15% returns in Canadian dollar terms in the quarter.

In the Canadian income trust sector, for which the Federal government announced proposed tax changes last October, Third Canadian has retained its exposure and looks for interesting situations in a yield environment. An example is the Ag Growth Income Fund, a leading manufacturer of grain handling related equipment, participating in the reinvigorated agricultural sector. Not only the largest holding in this group, it was also well into the top 10 portfolio return generators in the third quarter.

## OUTLOOK - BAD NEWS AND GOOD NEWS

The bad news is that the impact of recent issues remains uncertain and markets will remain nervous until economic expectations and financial risk levels can be better quantified. The good news is that stock market fundamentals are strong, with reasonable valuations and decent earnings. We remain optimistically biased overall and expect to take advantage of opportunities going forward.

On behalf of the Manager,

Michael A. Smedley  
*CEO & Chief Portfolio Officer*

D. Greg Eckel  
*Senior Vice-President*

## SUMMARY OF INVESTMENT PORTFOLIO

*as at September 30, 2007*

*The following Net Asset Value data has all been presented using the NAV (as opposed to the GAAP NAV).*

### Portfolio Breakdown

|                         | % of<br>Net<br>Assets* | % of<br>Investment<br>Portfolio |
|-------------------------|------------------------|---------------------------------|
| Principal Assets        | 80.6                   | 64.2                            |
| Canadian Equities       | 25.7                   | 20.4                            |
| Foreign Equities        | 10.6                   | 8.5                             |
| Canadian Income Trusts  | 8.4                    | 6.7                             |
| Cash & Cash Equivalents | 0.5                    | 0.4                             |

## SUMMARY OF INVESTMENT PORTFOLIO (CONTINUED)

### Top 25 Holdings as at September 30, 2007

| Issuer   | Country | Sector                 | % of Net Assets* | % of Investment Portfolio |
|--|---------|------------------------|------------------|---------------------------|
| Canadian General Investments, Limited**        | Canada  | Principal Assets       | 76.0             | 60.5                      |
| Canadian World Fund Limited**                  | Canada  | Principal Assets       | 4.6              | 3.6                       |
| Sceptre Investment Counsel Limited             | Canada  | Canadian Equities      | 1.6              | 1.3                       |
| Equinox Minerals Limited                       | Canada  | Canadian Equities      | 1.5              | 1.1                       |
| Freeport-McMoRan Copper & Gold Inc.            | U.S.A.  | Foreign Equities       | 1.4              | 1.1                       |
| Timminco Limited                               | Canada  | Canadian Equities      | 1.3              | 1.1                       |
| Thompson Creek Metals Company Inc.             | Canada  | Canadian Equities      | 1.2              | 1.0                       |
| Gildan Activewear Inc.                         | Canada  | Canadian Equities      | 1.1              | 1.0                       |
| MGM MIRAGE                                     | U.S.A.  | Foreign Equities       | 1.1              | 0.8                       |
| CCL Industries Inc.                            | Canada  | Canadian Equities      | 1.1              | 0.8                       |
| Ag Growth Income Fund                          | Canada  | Canadian Income Trusts | 1.0              | 0.8                       |
| Apple Inc.                                     | U.S.A.  | Foreign Equities       | 1.0              | 0.8                       |
| Bourse de Montréal Inc.                        | Canada  | Canadian Equities      | 0.9              | 0.7                       |
| Monsanto Company                               | U.S.A.  | Foreign Equities       | 0.9              | 0.7                       |
| Google Inc.                                    | U.S.A.  | Foreign Equities       | 0.9              | 0.7                       |
| Novo Nordisk A/S                               | U.S.A.  | Foreign Equities       | 0.9              | 0.7                       |
| North West Company Fund                        | Canada  | Canadian Income Trusts | 0.8              | 0.7                       |
| Northern Property Real Estate Investment Trust | Canada  | Canadian Income Trusts | 0.8              | 0.7                       |
| First Capital Realty Inc.                      | Canada  | Canadian Equities      | 0.8              | 0.6                       |
| Deere & Company                                | U.S.A.  | Foreign Equities       | 0.8              | 0.6                       |
| Uranium Participation Corporation              | Canada  | Canadian Equities      | 0.8              | 0.6                       |
| Allen-Vanguard Corporation                     | Canada  | Canadian Equities      | 0.7              | 0.6                       |
| CAE Inc.                                       | Canada  | Canadian Equities      | 0.7              | 0.6                       |
| Dollar Financial Corp.                         | U.S.A.  | Foreign Equities       | 0.7              | 0.6                       |
| MAG Silver Corporation                         | Canada  | Canadian Equities      | 0.7              | 0.6                       |
|  |         |                        | 103.3*           | 82.3                      |
| Total Net Assets* (\$000's)                    |         |                        |                  | \$ 285,084                |
| Total Investment Portfolio* (\$000's)          |         |                        |                  | \$ 358,081                |

\* Total Net Assets represents Total Investment Portfolio adjusted for future income taxes on unrealized net capital gains (\$33.4 million), leverage in the form of bank indebtedness (\$40.0 million), other assets and other liabilities. The Total Investment Portfolio includes a payable on securities purchased, net of a receivable on securities sold, of \$0.6 million.

\*\* Investments in TSX listed closed-end investment funds under common control with the Company. CGI is focussed on medium to long-term investments in Canadian corporations. CWF invests globally in securities of primarily publicly traded growth companies. Information on these funds is available on the Internet at [www.sedar.com](http://www.sedar.com) or by visiting the Manager's web site at [www.mminvestments.com](http://www.mminvestments.com).

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 Manager's web site at [www.mminvestments.com](http://www.mminvestments.com), by calling 416-366-2931 (Toll-free: 1-866-443-6097), or by writing to the Company at 110 Yonge Street, Suite 1601, Toronto, Ontario, Canada, M5C 1T4.

*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 Management Report of Fund Performance of the Annual Report to Shareholders.*

*The Company is an investment fund, and as such, this Third Quarter Shareholder Update 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.*