



# Third Canadian General Investment Trust Limited

Canadian and Foreign  
Fund of Funds

1998 Annual Report

# Corporate Profile

*Founded in 1928, Third Canadian General Investment Trust Limited (Third Canadian) is one of the oldest publicly listed closed-end funds in North America.*

*The Company has long-term principal assets, consisting mainly of the shares of Canadian General Investments, Limited. Since 1996, the Company has also used a high income strategy with other portfolio assets. This is achieved primarily by harvesting Canadian dividends and interest, foreign capital gains dividend distributions, which are considered income in Canada, and foreign income dividends from U.K. and other international markets.*

*Many investors hold the shares of Third Canadian as a proxy for Canadian General Investments, Limited.*

*The common shares of Third Canadian are listed and traded on the Toronto Stock Exchange (symbol THD). Net asset value per share is calculated at the close of business every Thursday, and is published at the weekend in the financial press in Canada and 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 new Closed-End Fund Association (CEFA) in North America (website: [www.cefa.com](http://www.cefa.com)).*

All percentages in this Report are calculated from unrounded amounts.

## **IN SUPPORT OF THE ARTS**

We proudly recognize one of the country's premier dance companies, the National Ballet of Canada. Shown on the cover is Martine Lamy in *Tchaikovsky Pas de Deux*. Photo by Lydia Pawelak.

# Letter to the Shareholders

**D**EAR SHAREHOLDER, A retreat on global market fronts in the second half of 1998 contributed to a setback for the net assets of Third Canadian. However, the compounding effect of stock dividends received from Canadian General Investments, Limited (CGI), which represented 75.3% of total portfolio assets at year end with warrants included, added strongly to the principal holding. The high income strategy employing the remaining assets continued to make a solid contribution.

## VALUE PLAY

Third Canadian shares closed December 31 at \$16.25, a discount of 20.4% to net asset value per share, offering good relative value. The discount for 1998 ranged from 4.9% to 21.0%, thin trading and wide spreads being normal.

## NET INCOME AND DISTRIBUTIONS

Net income, although down by 35.8% from last year, still provided per share net income of \$0.49. An ordinary dividend of \$0.075 paid in each quarter of the year with an extra dividend of \$0.05 paid on December 15, 1998 provided for aggregate dividends of \$0.35 per share for 1998.

## MARKET RETURN

Market return, as measured by share price movement with dividends reinvested, declined 17.1% for the year. The comparative benchmark, the TSE 300 Composite Index, fell 3.2% while the Morgan Stanley All Country World Index returned 28.4%.

Compound average market return for an investment in the Company's shares over three years was 12.1%.

## PORTFOLIO ACTIVITY

Use of the high income strategy with holdings mainly quoted in the Canadian, U.S. and U.K. markets remained a central investment theme, generally maintaining the yield of this section of the portfolio in the 15-20% range. However, the market prices of many shares went into serious decline after the Asian and Russian crises that also affected Latin American markets.

We reduced exposure in many markets and maintained holdings in western Europe. In the final quarter, cash was redeployed to capture capital gains dividend distributions



E. Louise Morgan  
Chairman



Michael A. Smedley  
President

which are received by Third Canadian as foreign income. NYSE listed funds that paid substantial dividends were fewer than in previous years because of the poor performance around the world.

The U.K. split capital investment trust shares continued to contribute extremely high yields of up to 45% as at year end and the winding-up of several trusts led to creative investment alternatives. Income shares retreated in the mid-year market correction but not as severely as capital shares.

## THE BOARD

On February 11, 1999, the Board unanimously approved the enactment of amendments to the Company's By-laws in order to provide for the appointment and duties of a Vice-Chairman of the Board. The Directors also appointed Vanessa L. Morgan, a director of the Company, as Vice-Chairman of the Board.

A resolution confirming or rejecting the required amendments to the By-laws of the Company will be voted on by the shareholders at the Annual and Special meeting of the Company to be held on April 6, 1999.

The Board of Directors wishes to extend its appreciation to the staff of the Manager for their efforts through 1998.

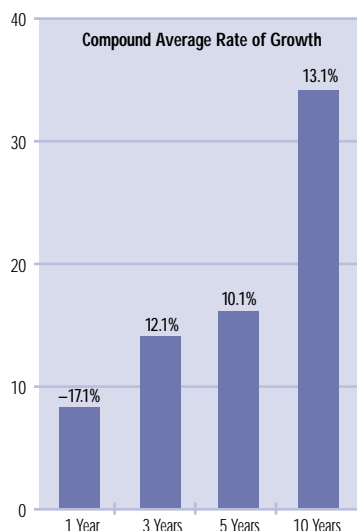
E. Louise Morgan  
Chairman  
February 11, 1999

Michael A. Smedley  
President  
February 11, 1999

# Management Discussion and Analysis

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

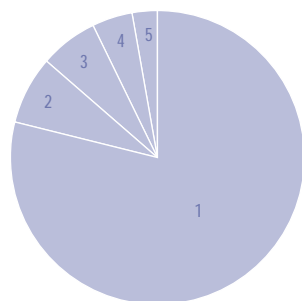
For 1, 3, 5 and 10 years  
to December 31, 1998  
(\$000)



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

## WEIGHTING OF PORTFOLIO INVESTMENTS

December 31, 1998



	% at Market
1 Principal Assets	79.1
2 Canadian-Listed	7.3
3 U.K.-Listed	6.5
4 U.S.-Listed	4.4
5 Other	2.7

As a result of 1998's widespread corrections in global markets, Third Canadian's net assets fell by 9.6% to \$98,096,000 from \$108,483,000. Canada was the major contributor to this fall by way of a 12.1% setback in the market value of the Canadian General Investments, Limited (CGI) holding to \$89,470,000 from \$101,820,000. CGI shares and warrants formed 75.3% of Third Canadian's investment portfolio at December 31, 1998.

Third's net asset value per share (NAV) at year end was \$20.41, down from \$22.57 a year ago.

An investment in the Company's shares as measured by compound average rate of growth over three years, as shown on the accompanying graph was 12.1%.

## OPERATING RESULTS

Net income declined by 35.8% to \$2,350,000 from \$3,661,000 resulting in net income per share of \$0.49 versus \$0.76 year over year, with over 40% of the decline attributable to matters concerning the settlement of litigation related to the 1994 issuer bid detailed later in this report.

Total income of \$6,318,000 in 1998 which was positively impacted by substantial interest income as part of the litigation payment from CGI to the Company showed a decrease of 7.2% over last year. Excluding this item amounting to \$667,000, a 17% decline was largely due to a reduction in portfolio holdings, lower distributions paid by New York based closed-end funds and a reduction in regular dividends paid by CGI.

The Company's expenses for the year included a one-time interest expense amounting to \$825,000 related to the litigation settlement, and the cost of bank borrowings used to fund the high income leveraging strategy in the portfolio, amounting to \$996,000 in 1998 compared to \$802,000 in 1997. This increase resulted from a higher level of borrowing and an uptrend in interest rates.

## PORTFOLIO

Cash and stock dividends from CGI provided a current yield of 11.0% as at December 31, 1998. The high income strategy to which the non-principal portfolio assets are committed was again successful. Cash-on-cash yield on these assets was calculated at 14.7% as at December 31, 1998.

The market value of the non-principal portfolio assets at December 31 was \$26,766,000 down 34.1% from \$40,640,000 the previous year. These assets represented 20.9% of the total portfolio compared to 26.3% last year, impacted to a large extent by the reduction in borrowing of \$5 million when market values were at one of their lowest points in a year of corrections. Due to the volatility of markets and a steep decline in the Canadian dollar, together with a surprise 100 basis point interest rate hike by the Bank of Canada early in the third quarter, the Company decided to at least temporarily reduce the borrowed funds from \$20 million to \$15 million. As the weighted average cost of the Company's bank borrowings at 5.7% at year end was still moderate compared with the yields that may be obtained, we anticipate a continuation of leverage strategy in order to enhance shareholder returns.

It will be noted that the actively managed component of the portfolio has been simplified under three major portfolio sub-headings - Canadian, U.S. and U.K. listed, the main markets in which we run the income strategy, instead of under various fund categories. As most of the non-principal asset holdings were shares or units representing funds, it is logical to regard Third Canadian as a "fund of funds" at the present time.

Very high income is derived from actively managed London-listed split capital trusts. The Canadian positions are mainly income funds and trusts, in sectors based on financial assets, commodities, real estate and services. This is a relatively new sector with a market capitalization which has risen rapidly to above the \$10 billion level. A major part of the U.S. strategy involves country, income and special theme funds. It has a seasonal application related to substantial capital gains dividend distributions around year end.

Other portfolio holdings include an approximate 11% interest in the London and Philadelphia based investment management group, City of London Investment Group PLC.

#### LITIGATION

In February of this year, the Ontario Court of Appeal granted partial success in the Company's appeal against an Ontario Court (General Division) judgement regarding the issuer bid completed on February 28, 1994. The original award of \$5,250,000 plus interest was reduced to \$2,564,000 plus interest. Payment of the total amount of \$3,389,000 was made by Third Canadian on February 27, 1998.

In a similar action, CGI was unsuccessful in its appeal in connection with its own issuer bid in February 1994. As Third Canadian had tendered part of its holdings to CGI's issuer bid to fund its own issuer bid, Third Canadian received \$2,738,000, including interest, from CGI.

#### YEAR 2000

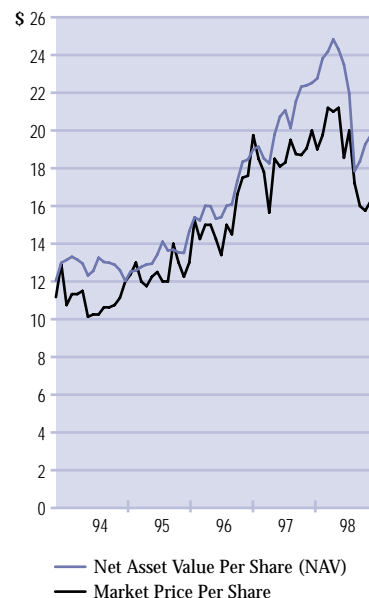
The Year 2000 Issue refers to the possibility that on January 1, 2000 some computer systems may function improperly because they use two digits to identify the year, rather than four.

The Manager has initiated its Year 2000 program with the objective of ensuring that its important computer systems relied on by the Company will continue to operate before and after December 31, 1999. The Manager's critical software, including accounting and investment programs, is currently being updated to be Year 2000 compliant with a scheduled July 1999 completion date. The Company initiated a vendor compliance project in 1998 with the goal of becoming Year 2000 compliant by September 30, 1999.

Third Canadian is not aware of any investee company not taking appropriate steps to mitigate their risk to the Year 2000 Issue. The financial condition of investee companies may be affected by systems failures, remediation costs, and overall economic conditions.

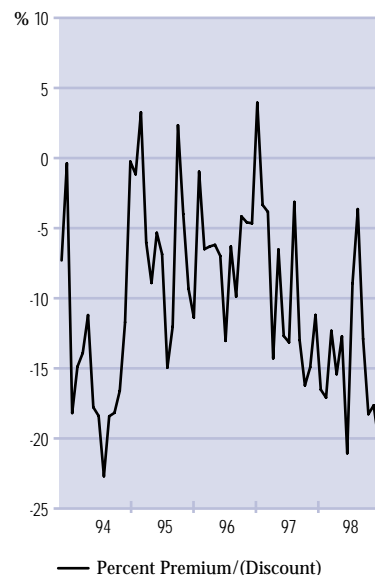
#### COMPARISON OF MARKET PRICE TO NAV

Years 1994-1998 (month-end values)



#### PREMIUM/(DISCOUNT) TO NAV

Years 1994-1998 (month-end values)



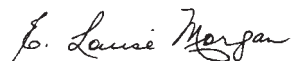
# Management's Responsibility for Financial Reporting

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 this 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. The significant accounting policies which management believes are appropriate for the Company, are described in note 1 to the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated 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 consolidated financial statements. Their report is set out below.



E. Louise Morgan  
Chairman  
February 11, 1999



Michael A. Smedley  
President  
February 11, 1999

## Auditors' Report

### TO THE SHAREHOLDERS OF THIRD CANADIAN GENERAL INVESTMENT TRUST LIMITED

We have audited the consolidated statements of assets and liabilities of Third Canadian General Investment Trust Limited as at December 31, 1998 and 1997, the consolidated statement of investments as at December 31, 1998 and the consolidated statements of income and expenses, retained earnings, unrealized gain on investments, changes in net assets and net realized gain on investments for the years then ended. 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 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, 1998 and 1997, its investments as at December 31, 1998 and the results of its operations and the changes in its net assets for the years then ended in accordance with generally accepted accounting principles.

Toronto, Canada  
January 22, 1999



Chartered Accountants

## Consolidated Statements of Assets and Liabilities

As at December 31	1998	1997
	(000's)	
<b>ASSETS</b>		
Investments	\$ 128,075	\$ 154,537
Cash	1,619	1,777
Accrued interest and dividends	587	2,020
Income taxes recoverable	1,211	-
<b>Total Assets</b>	<b>131,492</b>	<b>158,334</b>
<b>LIABILITIES</b>		
Bank indebtedness (note 3)	14,942	19,922
Payable on securities purchased	-	238
Accounts payable and accrued liabilities	58	75
Income taxes payable	-	4,076
	<b>15,000</b>	<b>24,311</b>
Deferred income taxes	18,396	25,540
<b>Total Liabilities</b>	<b>33,396</b>	<b>49,851</b>
<b>Net Assets</b>	<b>\$ 98,096</b>	<b>\$ 108,483</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 4)	\$ 6,504	\$ 6,504
Contributed surplus	2,681	2,681
Unrealized gain on investments	56,464	66,714
Retained earnings	32,447	32,584
	<b>\$ 98,096</b>	<b>\$ 108,483</b>

Approved on behalf of the Board:



Director



Director

## Consolidated Statements of Income and Expenses

Years ended December 31	1998	1997
	(000's)	
<b>INCOME</b>		
Dividends	\$ 5,347	\$ 6,290
Interest related to issuer bid litigation (note 6)	667	-
Other interest	304	517
<b>Total Income</b>	<b>6,318</b>	<b>6,807</b>
<b>EXPENSES</b>		
Management fees (note 5)	661	638
Interest related to issuer bid litigation (note 6)	825	-
Interest (note 3)	996	802
Directors' fees	37	38
Regulatory and transfer agent fees	35	34
Miscellaneous	108	130
<b>Total Expenses</b>	<b>2,662</b>	<b>1,642</b>
Income before income taxes	3,656	5,165
Income taxes (note 2)	1,306	1,504
<b>Net income for year</b>	<b>\$ 2,350</b>	<b>\$ 3,661</b>
<b>Net income per share</b>	<b>\$ 0.49</b>	<b>\$ 0.76</b>

## Consolidated Statements of Retained Earnings

Years ended December 31	1998	1997
		(000's)
<b>Retained earnings, beginning of year</b>	<b>\$ 32,584</b>	\$ 26,885
Add:		
Net income for year	2,350	3,661
Net realized gain on investments	1,759	3,960
	<b>36,693</b>	34,506
Deduct:		
Dividends	1,682	1,922
Payment pursuant to issuer bid litigation (note 6)	2,564	-
	<b>4,246</b>	1,922
<b>Retained earnings, end of year</b>	<b>\$ 32,447</b>	\$ 32,584
<b>Dividends per share</b>	<b>\$ 0.35</b>	\$ 0.40

## Consolidated Statements of Unrealized Gain on Investments

Years ended December 31	1998	1997
		(000's)
<b>Unrealized gain on investments, beginning of year</b>	<b>\$ 66,714</b>	\$ 52,630
Increase (decrease) during the year	(17,425)	16,627
Decrease (increase) in provision for deferred income taxes	7,175	(2,543)
<b>Unrealized gain on investments, end of year</b>	<b>\$ 56,464</b>	\$ 66,714

## Consolidated Statements of Changes in Net Assets

Years ended December 31	1998	1997
		(000's)
<b>Net assets, beginning of year</b>	<b>\$ 108,483</b>	\$ 88,700
Add (deduct):		
Net income for year	2,350	3,661
Realized gain (loss) on disposition of investments	(209)	880
Increase (decrease) in unrealized gain on investments	(10,250)	14,084
Dividends	(1,682)	(1,922)
Payment pursuant to issuer bid litigation (note 6)	(2,564)	-
Capital gains dividends received net of income taxes	1,968	3,080
Increase (decrease) in net assets	(10,387)	19,783
<b>Net assets, end of year</b>	<b>\$ 98,096</b>	\$ 108,483
<b>Net asset value per share</b>	<b>\$ 20.41</b>	\$ 22.57

## Consolidated Statements of Net Realized Gain on Investments

Years ended December 31	1998	1997
		(000's)
Proceeds from disposition of investments	\$ 23,985	\$ 31,527
Investments at cost, beginning of year	62,252	53,528
Investments purchased during the year	15,815	38,964
Investments at cost, end of year	(53,215)	(62,252)
Cost of investments disposed of during the year	24,852	30,240
Realized gain (loss) on disposition of investments before income taxes	(867)	1,287
Income taxes on realized net taxable capital gains (recovery on allowable capital losses) (note 2)	(658)	407
Realized gain (loss) on disposition of investments	(209)	880
Capital gains dividends received, net of income taxes of \$990 (1997 – \$1,500)	1,968	3,080
<b>Net realized gain on investments</b>	<b>\$ 1,759</b>	\$ 3,960



# Notes to Consolidated Financial Statements

December 31, 1998

## 1. SIGNIFICANT ACCOUNTING POLICIES

### a) 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.

### b) 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 write-down for loss in value that is other than a temporary decline.

### c) Investment transactions

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

### d) Dividend and interest income

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

### e) Foreign exchange

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

### f) Deferred income taxes

Deferred income taxes are recorded for income taxes on taxable unrealized gains. Such gains are determined as the difference between the market value of investments and the adjusted cost base for income tax purposes.

## 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:

## NOTE 2 (continued)

### Consolidated Statements of Income and Expenses

Years ended December 31	1998	1997
		(000's)
Provision for income taxes based on combined Canadian federal and provincial income tax rate	\$ 1,631	\$ 2,305
Increase (decrease) in taxes resulting from:		
Dividends from taxable Canadian companies	(694)	(842)
Interest expense related to issuer bid litigation	369	-
Other items	-	41
Actual provision for income taxes	\$ 1,306	\$ 1,504

### Consolidated Statements of Net Realized Gain on Investments

Years ended December 31	1998	1997
		(000's)
Provision for (recovery of) income taxes based on combined Canadian federal and provincial income tax rate	\$ (387)	\$ 574
Decrease (increase) in taxes resulting from:		
Non-taxable portion of (net capital gains) allowable capital losses	97	(143)
Additional payment received related to issuer bid litigation (note 6)	(368)	-
Differences arising from use of different cost bases for tax and accounting purposes and other items	-	(24)
Actual provision for (recovery of) income taxes	\$ (658)	\$ 407

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, 1998.

### 3. BANK INDEBTEDNESS

The Company has a credit facility of Cdn\$20 million and US\$3.7 million, with interest either at a quoted two year rate or based on the prime banker's acceptance rate. The Company must comply with specified covenants during the term of the loan. The bank indebtedness includes Cdn\$3 million for a term to July 29, 1999 at a combined weighted average interest rate of 5.67%.

### 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, 1998 and 1997 there are 4,805,910 common shares issued and outstanding.

## Notes to Consolidated Financial Statements (continued)

### 5. RELATED PARTY INFORMATION

Management fees are paid monthly to 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 \$984,000 (1997 - \$1,320,000) and included in net realized gain on investments is capital gains cash dividends of \$2,958,000 (1997 - \$4,630,000) from Canadian General Investments, Limited (CGI) in which the Company has an approximate 37% ownership interest. During 1998, the Company also received capital gains stock dividends of 376,169 shares (1997 - 726,015 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.

### 6. ISSUER BID LITIGATION

Subsequent to the substantial issuer bid on February 28, 1994, shareholders directly and indirectly related to a former director (the Applicants) made application to the Ontario Court (General Division) for payment of a further sum of \$5,910,000 for all shares purchased pursuant to this issuer bid. On April 3, 1995, the Ontario Court (General Division) rendered its final decision that the Company pay the Applicants and all other shareholders a further sum of \$5,250,000 plus interest and costs for all shares purchased pursuant to the issuer bid. The Company, after considering the advice of its solicitors, appealed the decision. A hearing took place in December 1997 and on February 18, 1998 the Ontario Court of Appeal concurred with the original decision but reduced the award. The total amount awarded, including interest, of \$3,389,000 was paid on February 27, 1998. A similar application was made by the same Applicants against CGI. On April 3, 1995, the Ontario Court (General Division) rendered its final decision that CGI pay an additional amount for all shares purchased. CGI also appealed this decision to the Ontario Court of Appeal and was unsuccessful. As the Company tendered part of its holdings to CGI's issuer bid, it received approximately \$2,738,000 including interest of which \$2,071,000 is included in proceeds from disposition of investments.

### 7. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of investees, suppliers or other third parties, will be fully resolved.

# Investment Portfolio Ten Largest Investments

December 31, 1998

COMPANY	Cost (\$000's)	Market Value (\$000's)	% of Total Investment Portfolio
<p><b>Canadian General Investments, Limited</b></p> <p>The market value of Third's principal asset declined 12% in 1998, a very difficult market year. Dividends paid in cash and stock provided a pre-tax yield of close to 11% based on the closing stock price.</p>	17,488	96,492	75.3
<p><b>Canadian World Fund Limited</b></p> <p>CWF takes a bottom-up approach to global equities and currently concentrates on developed markets as a result of the fragile currencies and economies in emerging areas. The stock price increased 5% in 1998, a particularly trying year in world markets.</p>	5,601	4,817	3.8
<p><b>City of London Investment Group PLC</b></p> <p>COLIG is a leading emerging markets investor which specializes in the purchase of other funds, normally at a considerable discount to net asset value. Third Canadian holds approximately 11% of the common shares of COLIG which managed over U.S. \$650 million at the end of 1998.</p>	2,716	2,716	2.1
<p><b>Corby Distilleries Limited</b></p> <p>This liquor distillery is cash rich and provided a yield of 20% due to its high payout. In 1998, Corby paid regular dividends of \$1.85 and a special dividend of \$12.50.</p>	484	1,037	0.8
<p><b>Superior Propane Income Fund</b></p> <p>Superior Propane is an excellent and favoured holding in the Canadian income fund sector. Superior provides high real income and a cash-on-cash yield of close to 10% in addition to growth potential. The company has a market share of over 40% of the Canadian retail propane market.</p>	735	1,036	0.8

## Investment Portfolio Ten Largest Investments (continued)

December 31, 1998

COMPANY	Cost (\$000's)	Market Value (\$000's)	% of Total Investment Portfolio
<p><b>Aberdeen Preferred Income Trust PLC</b></p> <p>Aberdeen was a rollover from Scottish National Trust at maturity. The Trust was taken for its high income benefit and capital growth potential.</p>	901	953	0.7
<p><b>Shiningbank Energy Income Fund</b></p> <p>Shiningbank is one of the most successful oil and gas trusts in the market place. This is primarily due to its high gas content and 1998 being a strong year for gas pricing. The company provides a highly attractive yield and capital growth as well.</p>	622	900	0.7
<p><b>Amlin PLC</b></p> <p>Amlin is a rollover from Angerstein Underwriting Trust PLC and is part of the Lloyd's Group of Companies. It is one of the major UK underwriters and has been an appreciating asset with the potential for a rising income stream.</p>	743	828	0.6
<p><b>Rogers Sugar Income Fund</b></p> <p>Rogers is a stable and dominant Western Canada sugar producer. Expansion plans will give them even greater economies of scale and competitive pricing going forward.</p>	954	820	0.6
<p><b>Gulf Canada Resources Limited</b></p> <p>Gulf Canada's preferred stock continues to provide strong dividend cash flow to Third. Gulf is in the midst of a corporate reorganization and asset sales to reduce debt load.</p>	1,434	812	0.6
<b>TOTAL</b>	31,678	110,411	86.0

## 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 Reinvested	Total Market Value	Total Net Asset Value
1983	\$ 10,000	\$ 0	\$ 10,000	\$ 13,439
1984	14,220	656	14,876	14,903
1985	15,046	1,246	16,292	19,944
1986	19,633	2,272	21,905	23,494
1987	14,404	3,128	17,532	18,871
1988	17,444	4,949	22,393	20,336
1989	17,156	4,683	21,839	25,137
1990	15,229	5,120	20,349	22,306
1991	16,514	6,565	23,079	27,351
1992	21,009	9,481	30,490	31,901
1993	24,771	12,282	37,053	39,688
1994	24,495	13,176	37,671	42,666
1995	26,972	15,524	42,496	46,972
1996	38,752	23,543	62,295	65,340
1997	44,037	28,259	72,296	81,586
<b>1998</b>	<b>35,780</b>	<b>24,144</b>	<b>59,924</b>	<b>75,264</b>

The above table illustrates the growth of an investment of \$10,000 in common shares of the Company at the end of 1983, 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, 1998 was 12.7%. 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	Net Assets Per Share	Net Income	Net Income Per Share	Aggregate Dividends Per Common Share	Market Value of Share		
						High	Low	Close
	(000's)		(000's)					
1989	\$ 76,564	\$ 8.97	\$ 3,560	\$ 0.42	\$ 0.342	\$ 8.52	\$ 6.44	\$ 7.79
1990	64,788	7.58	3,358	0.39	0.342	7.83	6.00	6.92
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
<b>1998</b>	<b>98,096</b>	<b>20.41</b>	<b>2,350</b>	<b>0.49</b>	<b>0.350</b>	<b>22.00</b>	<b>15.00</b>	<b>16.25</b>

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, MMA Investment Managers 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 and member of the Executive Committee of the Canadian Opera Company.

**MICHAEL A. SMEDLEY** is President of the Company. He is Executive Vice-President and Chief Executive Officer of the Manager, MMA Investment Managers 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. His investment career started in Canada in 1969 and since that time he has spent over 20 years with Canadian and U.S. 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 27 years of 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, including Canadian General Investments, Limited.

**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. Since 1996, he has been managing director of Fundamental Management Corporation, an investment management firm. He is currently a director of Quest Education Corporation, Anlyn Advisers Inc., Canadian General Investments, Limited, Canadian World Fund Limited and Harris Trust/Bank of Montreal, Florida.

**VANESSA L. MORGAN**, elected April 28, 1994, is Vice-Chairman of the Company. A Chartered Financial Analyst, she is currently Secretary-Treasurer of Denbridge Capital Corporation, a growth-oriented management company, with subsidiaries in the digital electronics, mining and bio-technology industries. She is a director of Canadian General Investments, Limited, Canadian World Fund Limited and The Catherine and Maxwell Meighen Foundation.

# Corporate Information

## 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  
Vanessa L. Morgan

## OFFICERS

E. Louise Morgan  
*Chairman*  
Vanessa L. Morgan  
*Vice-Chairman*  
Michael A. Smedley  
*President*  
Colin Smith  
*Secretary-Treasurer*  
Frank Fuernkranz, M.B.A., C.A.  
*Assistant-Treasurer*

## OFFICE OF THE COMPANY

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e-mail: thdfund@mma-investmgr.com  
website: www.mma-investmgr.com

## AUDITORS

PricewaterhouseCoopers LLP  
Toronto

## BANKERS

Royal Bank of Canada  
Toronto

## SOLICITORS

Blake, Cassels & Graydon  
Toronto

## CANADIAN REGISTRAR AND TRANSFER AGENT

Montreal Trust Company of Canada  
151 Front Street W.  
8th Floor  
Toronto, Ontario, Canada  
M5J 2N1  
Tel: (416) 981-9633  
Fax: (416) 981-9800  
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 prices its portfolio on a weekly basis, and its resultant net asset value per share is released and published in various media in Canada and the United States.

The Company will provide a list of its weekly top 10 portfolio holdings (priced at market), together with current premium/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 GENERAL MEETING

The Annual General Meeting of the shareholders of Third Canadian General Investment Trust Limited will be held at 11:00 a.m. (Toronto time) Tuesday, April 6, 1999 in Room 205D, Metro Toronto Convention Centre, 255 Front Street West, North Building, Toronto, Ontario M5V 2W6.

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