



Canadian General Investments,
Limited

I
FIRST QUARTER
SHAREHOLDER UPDATE

March 31, 2006

You will notice that this doesn't look like a regular quarterly report for Canadian General Investments, Limited (CGI). That is because regulations pertaining to CGI's reporting requirements have changed this year. CGI is considered a non-redeemable investment fund and is, as such, governed by National Instrument 81-106, which came into effect on June 1, 2005. This has meant that some of the content and disclosure in the 2005 Annual Report were different than in previous years. It also means that, rather than producing three sets of quarterly financial statements (March 31, June 30 and September 30), along with a set of annual financial statements, CGI is only required to produce interim financial statements, as at June 30, and at year-end. A Management Report of Fund Performance (MRFP), a replacement for the previously required Management's Discussion & Analysis, will also be included with the interim financial statements.

In the interest of ongoing communications with shareholders, CGI plans to provide a brief, informal report at the end of the first and third quarters, including investment commentary. We believe that this is an opportunity for the Company to communicate current thoughts and topics of interest to shareholders and other interested parties. The quarter-end Summary of Investment Portfolio (consisting of the Company's top 25 holdings as well as portfolio breakdowns) will be provided as part of this communication.

75 | YEARS
OF CANADIAN
SUCCESS

Managed by:



MorganMeighen
& ASSOCIATES

Investment Managers

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GENERAL COMMENTARY

CGI's phenomenal performance continued during the first quarter of 2006. In the three-month period to March 31, 2006, the Company had diluted net asset value and market returns, with dividends reinvested, of 13.6% and 20.1%, respectively. By comparison, the benchmark S&P/TSX Composite Index was up 8.0% on a total return basis for the same period. For the twelve-month period to March 31, CGI's net asset value and market returns were 38.2% and 72.8%, compared to 28.4% for the Index.

The investment portfolio was bolstered in the first quarter not only by market growth, but also through the injection of the net proceeds of the \$75 million, Series 3 preference share issue, which closed on March 3, 2006. At quarter-end the investment portfolio was just over \$878 million. The Series 3 issue, which has a 3.90% coupon, continues the leverage strategy that CGI commenced with its first issue in 1998.

CGI maintains a reputation as one of the best performing general equity funds in North America. Its long term 10-year annualized average net asset value growth record increased to 14.4% vs. 11.2% for the benchmark to March 31, 2006.

Michael Smedley, a member of Morgan Meighen & Associates Limited's portfolio management team since 1988, will explain how he and his winning team are so far staying on top.

Jonathan A. Morgan

President & CEO

INVESTMENT COMMENTARY

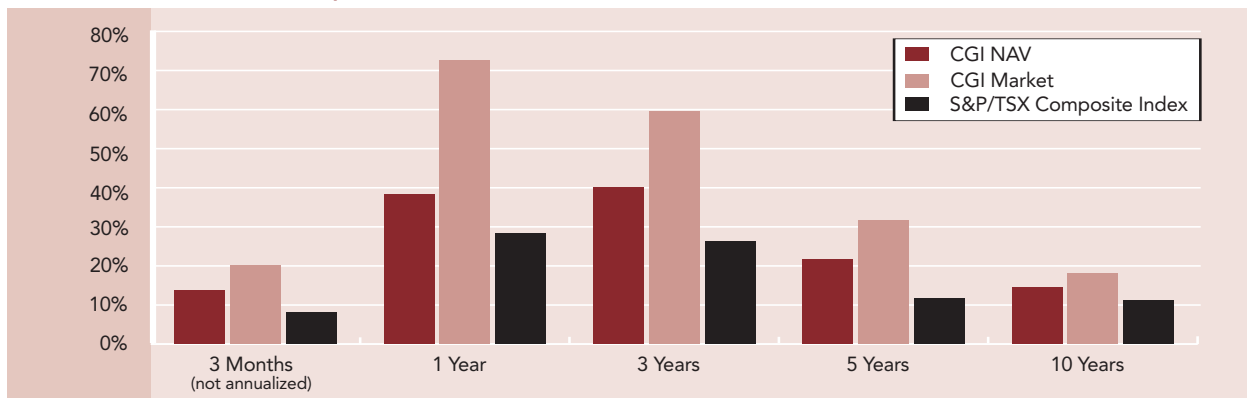
GREAT BULL MARKET IN RESOURCES

Although we cannot know, we suspect that headline above will stay correct for some time as China and other demand is extended and new major mines and energy sources remain rare. In Canada, the extremes are good for the market that lists the biggest number of mid-tier assets on, or close to, the drawing board. Also, a secure environment and a good general stock market reflect a strong economy, high employment and a privileged economic partnership with the United States. Serious pain from a tightening of interest rates is not evident and, as in other countries, investors are becoming happily surprised by the extended support for real estate strength.

Among special influences, Canadian politics, for now, are refreshed by new personalities and a new government that might manage to act with strength from a coalition base.

That is the backdrop for our confidence in our bottom-up approach to investment. CGI's portfolio continues to be well-weighted in the Energy sector, although 4% below the Index weight at March 31. This is mainly the result of CGI's low weighting in the recently indexed oil and gas income trusts. We have taken big profits at various levels in the sector and made some additions among the heavyweights - Imperial Oil Ltd., Suncor Energy Inc. and more Shell Canada Ltd. These are large producers and generally into oilsands and other big scale projects. They should hold together quite well in any lull before the summer heat returns. To push the sector higher meanwhile, some of the

Compound Annual Returns for the Periods to March 31, 2006



Certain financial information contained in this report, including investment growth rates, rates of return and other such statistical information are historical values and past performance is no assurance or indicator of future returns. Historical returns assume the reinvestment of all distributions. Share prices, net asset values and investment returns will fluctuate. 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.

portfolio's international players may do better; for example, Arawak Energy Corporation, Calvalley Petroleum Inc. and Pan-Ocean Energy Corporation Limited.

In Materials, CGI's gold, silver, zinc and copper holdings are providing huge wins, the risk being spread among many names. One of the top performers is First Quantum Minerals Ltd., up 28.9% for the quarter. Mines of companies CGI holds are located in Zambia, Chile, the Congo, Portugal, Canada and the United States.

In Financials, we increased CGI's position in the Royal Bank of Canada and we brought ING Canada Inc. and Manulife Financial Corporation into the insurers section. We displayed big enthusiasm for the few listed real estate stars of the western Canadian energy cities: Melcor Developments Ltd. and the lesser known Genesis Land Development Corp. A good position was built in Legacy Hotels REIT, known for its famous "Chateau" properties across Canada and its cash distributions.

In Information Technology, we increased the Research in Motion Limited holding, based on what we see as its clear supremacy. We added to Miranda Technologies Inc., a high-end equipment maker for high definition television, and brought in Ascalade Communications Inc., another new age player in the VOIP cordless handset field, working with Skype, Philips and many more famous brands.

Biotech and pharma have improved after a dreary season or two. Performance is better for Cardiome Pharma Corp. and Cipher Pharmaceuticals Inc. We returned to Neurochem Inc., the Alzheimers researcher, to see if Francesco Bellini can capture more of his old magic.

Another spectacular performer in the latest quarter, for appreciation and as a stock that might well win big, is NYSE Group Inc. CGI's holding via the Caldwell New York Limited partnerships and converted Archipelago shares has nearly doubled and, in aggregate, has become one of the portfolio's biggest investments. The performance of this holding might offset part of any early decline in commodities. Looking back to the for-profit arrival of the TSX, we know that a \$55,000 seat has been parlayed into more than \$36 million in stock! Even a much more modest gain in NYSE shares would be most welcome.

As we publish, the commodities rally continues.

Michael A. Smedley

Chief Portfolio Officer

Morgan Meighen & Associates Limited

SUMMARY OF INVESTMENT PORTFOLIO

as at March 31, 2006

Sector Allocation

| | | % of Net Assets* | % of Investment Portfolio |
|----------------------------|-----------|------------------------|---------------------------------|
| | (\$000's) | | |
| Financials | 269,428 | 40.0 | 30.7 |
| Energy | 188,536 | 28.0 | 21.5 |
| Materials | 155,705 | 23.1 | 17.7 |
| Industrials | 85,305 | 12.7 | 9.7 |
| Consumer Discretionary | 49,516 | 7.4 | 5.6 |
| Information Technology | 36,925 | 5.5 | 4.2 |
| Telecommunication Services | 33,774 | 5.0 | 3.8 |
| Consumer Staples | 32,221 | 4.8 | 3.7 |
| Health Care | 15,454 | 2.3 | 1.8 |
| Utilities | 10,160 | 1.5 | 1.2 |
| Cash & Cash Equivalents | 1,155 | 0.2 | 0.1 |

Asset Allocation

| | | % of Net Assets* | % of Investment Portfolio |
|-------------------------|-----------|------------------------|---------------------------------|
| | (\$000's) | | |
| Canadian Equities | 767,842 | 114.1 | 87.4 |
| Canadian Income Trusts | 59,704 | 8.8 | 6.8 |
| Limited Partnerships | 24,587 | 3.7 | 2.8 |
| Preferred Shares | 15,597 | 2.3 | 1.8 |
| Foreign Equities | 9,294 | 1.4 | 1.1 |
| Cash & Cash Equivalents | 1,155 | 0.2 | 0.1 |

SUMMARY OF INVESTMENT PORTFOLIO

as at March 31, 2006 (continued)

Top 25 Holdings

| Issuer (all Canada-based) | Sector | % of Net Assets* | % of Investment Portfolio |
|---|----------------------------|------------------|---------------------------|
| TSX Group Inc. | Financials | 3.4 | 2.6 |
| Cameco Corporation | Energy | 3.4 | 2.6 |
| Falconbridge Limited | Materials | 2.8 | 2.1 |
| Rogers Communications Inc. | Telecommunication Services | 2.6 | 2.0 |
| Research In Motion Limited | Information Technology | 2.4 | 1.8 |
| Home Capital Group Inc. | Financials | 2.3 | 1.8 |
| Caldwell New York Limited Partnership I [underlying asset - shares in NYSE Group, Inc.]** | Financials | 2.1 | 1.6 |
| BMTC Group Inc. | Consumer Discretionary | 2.1 | 1.6 |
| Corby Distilleries Limited | Consumer Staples | 2.0 | 1.5 |
| First Capital Realty Inc. | Financials | 2.0 | 1.5 |
| Russel Metals Inc. | Industrials | 1.9 | 1.5 |
| GMP Capital Trust | Financials | 1.9 | 1.4 |
| National Bank of Canada | Financials | 1.9 | 1.4 |
| Shell Canada Limited | Energy | 1.8 | 1.4 |
| Canadian Western Bank | Financials | 1.8 | 1.4 |
| Shore Gold Inc. | Materials | 1.7 | 1.3 |
| Brookfield Asset Management Inc. | Financials | 1.7 | 1.3 |
| Enbridge Inc. | Energy | 1.6 | 1.3 |
| ING Canada Inc. | Financials | 1.6 | 1.3 |
| Western Oil Sands Inc. | Energy | 1.6 | 1.2 |
| Bank of Montreal | Financials | 1.6 | 1.2 |
| Husky Energy Inc. | Energy | 1.6 | 1.2 |
| Caldwell New York Limited Partnership IV [underlying asset - shares in NYSE Group, Inc.]** | Financials | 1.6 | 1.2 |
| Labrador Iron Ore Royalty Income Fund | Materials | 1.5 | 1.2 |
| UTS Energy Corporation | Energy | 1.5 | 1.2 |
| | | 50.4 | 38.6 |
| Total Net Assets* (\$000's) | | | \$ 672,993 |
| Total Investment Portfolio* (\$000's) | | | \$ 878,179 |

* Total Net Assets represents Total Investment Portfolio adjusted for leverage in the form of preference shares (\$210 million), other assets and other liabilities.

** The primary underlying assets of Caldwell New York Limited Partnership I and Caldwell New York Limited Partnership IV are shares in NYSE Group, Inc. In aggregate, CGI's holding in these two limited partnerships represents 3.7% of Net Assets, or 2.8% of the Investment Portfolio. In addition, CGI holds shares directly in NYSE Group, Inc., representing 0.7% of Net Assets, or 0.5% of the Investment Portfolio.

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.mmainvestments.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.