



CGI

Canadian General Investments,
Limited



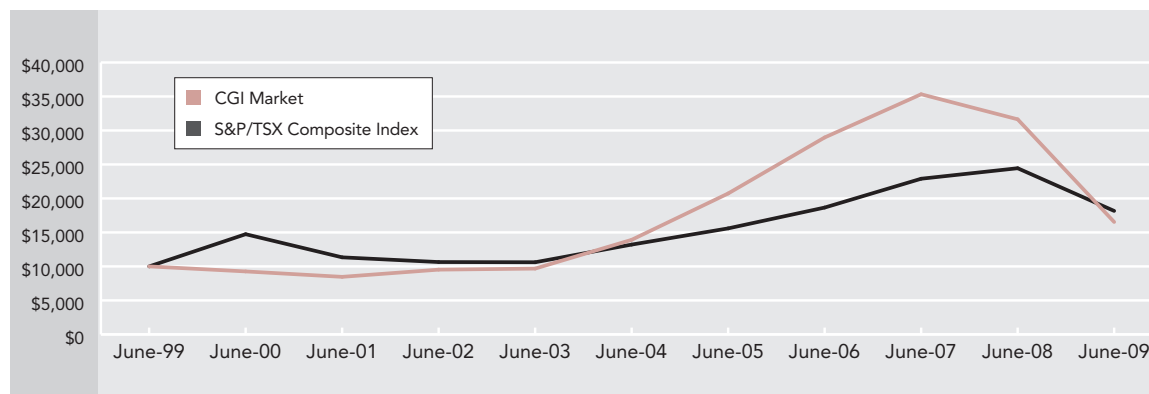
INTERIM REPORT 2009

CORPORATE PROFILE

Canadian General Investments, Limited (CGI) is a closed-end equity fund focussed on medium to long-term investments in Canadian corporations. It strives, through prudent security selection, timely recognition of capital gains and appropriate income generating instruments, to provide better than average returns to investors.

CGI was established in 1930 and has been managed since 1956 by Morgan Meighen & Associates Limited (website: www.mmainvestments.com).

Growth of a \$10,000 Investment – 10 years to June 30, 2009



The graph above is presented to illustrate the benefit of a long-term investment in CGI's common shares. A \$10,000 investment in CGI common shares would have grown to nearly \$17,000 over the 10-year period ended June 30, 2009. This equates to a compound annual average growth rate of 5.2%. By comparison, a \$10,000 investment in the benchmark S&P/TSX Composite Index would have grown to over \$18,000 or a compound average annual growth rate of 6.2%.

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 in the Company's most recent Annual Report to Shareholders.

The Company is an investment fund, and as such, this Interim Report to Shareholders 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.

LETTER TO SHAREHOLDERS

GENERAL COMMENTARY

Canadian General Investments, Limited's (CGI) net asset value per share (NAV) rose 19.8% in the second quarter on a total return basis, slightly behind the 20.0% total return posted by the benchmark S&P/TSX Composite Index. CGI's market return lagged both its NAV and its benchmark, posting 17.2% for the quarter.

These positive returns were very welcome after the sharp declines of 2008, but also serve to highlight the continued extreme volatility of the market. For the six months ended June 30, CGI's NAV grew by 13.1%, versus the Index which was up 17.6%. The primary reason for CGI's underperformance relative to the benchmark was the underweighting in both the Financials and Energy sectors, which accounted for approximately 75% of the overall performance of the Index. On the other hand, CGI's shares surpassed both its NAV and benchmark, growing by 35.9%.

LEVERAGE AND DIVIDENDS

Relative underperformance of CGI's NAV, can also, in part, be attributed to cash and equivalents, currently \$47.7 million, held to offset possible further negative effects of leverage. This is down from \$61.8 million at the end of last quarter. At June 30, CGI's portfolio stood at \$463.8 million, leaving a surplus of \$88.8 million over the \$375 million required by the preferred share covenants governing CGI's ability to pay its common dividends. CGI has built total portfolio value to more than 3x coverage, up from the minimum 2.5x coverage required by CGI's two series of preferred shares which total \$150 million. In better times, coverage above 4x has been normal.

Nevertheless, we expect to maintain significant cash balances for safety purposes at the present time. The Board of Directors reviews the leverage strategy on an ongoing basis.

OUTLOOK

We view the market recovery cautiously and try to anticipate reversals and periods of consolidation in the months ahead. We expect only mild economic improvement in the near term, but Management is hopeful that the current financial crisis is largely reined in and that the Canadian economy is over the worst. The portfolio management team will remain vigilant, seeking further recovery in shareholders' assets.

Vanessa L. Morgan
Chairman

Jonathan A. Morgan
President & CEO

INVESTMENT COMMENTARY

The Canadian equity markets advanced cautiously but steadily through the second quarter of 2009, building on the encouraging rebound from the multi-year lows experienced in early March. The rally was aided by speculation that global economies should improve in the medium term and recovery from financial mishaps and recessionary conditions should help the developed economies.

Canada has been performing quite well in market terms. It trailed many emerging equity markets that have now enjoyed a major rebound, but compared well to the major equity markets, which were mostly flat, dulled by the sluggish performances of major and smaller corporations.

Canada, as evidenced by the major benchmark, the S&P/TSX Composite Index (S&P/TSX), ranks right now as one of the developed market leaders by a large margin. This development is thanks to the relatively elevated stature of the Canadian banks for avoiding most of the financial contagion and, more importantly, rallying on the renewed rush of market participants to resources and related stocks in oil, gas and mining. These themes represent more than three quarters of the S&P/TSX and attract local and international investors alike. Resources have also led the revival of corporate activity, which should continue due to the longer-term demand for the development of mineral resources for world industry.

CGI increased its weightings in these major sectors through the half year. Many other changes were made in response to sentiment changes and to capture trends.

DEFENSIVE PLAYS TRIMMED

Appetite for risk by market participants seemed to re-emerge and, as indicated by their relative first half-year performances, an apparent shift in sector allocations was underway. Information technology joined the other top performing sectors. More conservative, typically defensive plays such as consumer staples, utilities and telecoms were just stable to slightly higher.

Some of CGI's defensive positioning was trimmed down in the portfolio, a process that began in the first quarter. Brookfield Infrastructure Partners LP, Loblaw Companies, Manitoba Telecom Services and Tim Hortons were eliminated and Enbridge, Fortis and TransCanada were reduced. In contrast to the second half of last year, sales proceeds were reinvested into the portfolio for potential returns, instead of building cash positions to offset preferred share leverage and

protect capital. CGI still holds more cash than it has traditionally, and we expect this to eventually be reinvested for growth. This initiative has begun and cash levels declined in the latest quarter.

TECHNOLOGY

Information Technology was the top sector by a wide margin with a better than 50% year-to-date price return, mainly the result of the dominant weighting in Research in Motion (RIM). CGI increased its holding in RIM by more than half early this year and participated in the better than 60% uplift. This returned a favourite performer to its long-time position in CGI's top ten list. Employing our customary bottom-up style brought a couple of interesting new technology names into the portfolio to good initial effect. One is Absolute Software Corporation, a company leading in providing monitoring, tracking, theft deterrence and theft recovery services primarily for laptop computers. The holding was increased in the quarter and is performing well. SXC Health Solutions Corp., one of few winners on the TSX last year was added in May and has already posted close to a 20% return and exhibits potential to appreciate further. SXC Health is an independent leader in North America in pharmacy benefits management services and information technology solutions for the healthcare benefits management industry – hopefully somewhat recession proof.

ENERGY

The Energy sector made a particularly strong showing in the second quarter, when the price of oil rose from the high \$40's to over \$70. Although still a little underweight, CGI has increased its exposure and had some notable performance in the quarter. Canada-based Pacific Rubiales Energy Corp., initially purchased in late March, led CGI's energy group dollar return and also led the entire portfolio in the quarter. Pacific Rubiales is producing primarily heavy oil in Colombia. It has big exploration potential with the largest acreage of any independent oil company in that country. New finds were announced recently and the company could increase production to 70,000 barrels a day equivalent in 2010, potentially with major cost reductions on completion of a new pipeline. A strong performer, which we expect to lose in the short term, is Addax Petroleum Corporation, a larger cap oil and gas operator in West Africa and the Middle East. In early June, Addax entered into an agreement to be acquired by China Petrochemical Corp. at close to a 50% premium to its market price.

PORTFOLIO REBUILDING

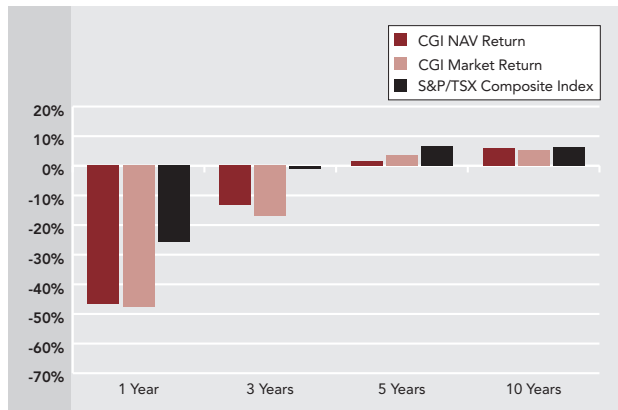
We are encouraged by signs of recovery and pleased that we are able to report some positive news to shareholders again. However, even if the worst is now behind us, economies remain somewhat frail, forecasts for future growth are muted and the markets still turn quickly in either direction. It will take time to rebuild, but we are confident as always in our tradition of long-term success.

On behalf of the Manager,

Michael A. Smedley
CEO and Chief Portfolio Officer

D. Greg Eckel
Senior Vice-President

Compound Annual Returns for the
Periods Ending June 30, 2009



MANAGEMENT REPORT OF FUND PERFORMANCE

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

RESULTS OF OPERATIONS

Performance

CGI's net asset value at June 30, 2009 was \$325,646,000, representing a 12.1% increase from the \$290,477,000 at the end of 2008. CGI's net asset value per share (NAV) at June 30, 2009 was \$15.61, up from \$13.93 at year end 2008. The NAV return, with dividends reinvested, for the six months ended June 30, 2009 was 13.1%, compared with a 17.6% total return for the benchmark S&P/TSX.

While CGI underperformed the benchmark for the first six months of 2009, it was reassuring to see many equity markets rallying worldwide, increased consumer confidence, and a return to positive performance for CGI. Eight of the ten sectors of the S&P/TSX were in positive territory, with Information Technology leading the way with an increase of over 50% for the six months ending June 30, 2009. The primary reason for CGI's underperformance relative to the benchmark was the underweighting in both the Financials and Energy sectors, which accounted for approximately 75% of the overall performance of the Index.

At the end of June 2009, CGI held 8.6% of the portfolio in short-term securities, consisting of Government of Canada treasury bills in addition to 1.7% in cash and equivalents.

Sector Weightings

The first six months saw a change in the composition of the portfolio, as short-term securities were gradually reduced and moved into the Energy, Materials and Financials sectors. CGI continues to have a higher than historically normal balance maintained in cash and short-term securities, which has the effect of offsetting a large portion of the leverage.

The table below illustrates the weightings of the five largest sectors in CGI's portfolio as at June 30, 2009, compared with year end 2008, and with the S&P/TSX. The weightings provided for CGI represent the market value of each sector as a percentage of the total investment portfolio.

Investment income, which is comprised mainly of dividends and interest and other income, was \$6,649,000 for the first six months of 2009, down 29.1% from 2008. The decrease was primarily due the reduced portfolio size, as well as a reduction in the special dividend received from BPO Properties Ltd. (\$2.1 million in 2008, compared with \$1.3 million in 2009). Dividends on preference shares and management fees are the largest expenses of the Company. The dividends on its preference shares decreased by 33.6% from 2008 to \$3,189,000 as a result of the redemption of the Series 1 preference shares in October 2008, while the 47.4% decrease in management fees to \$2,215,000 was due to the decrease in portfolio values.

Sector	CGI		S&P/TSX	
	June 30, 2009	December 31, 2008	June 30, 2009	December 31, 2008
Energy	25.2%	17.7%	28.3%	27.4%
Materials	21.5%	12.4%	17.7%	17.6%
Financials	16.2%	13.4%	30.8%	29.2%
Short-term Securities	8.6%	18.2%	0.0%	0.0%
Industrials	8.2%	11.7%	5.4%	6.1%

Taxation

As a corporate entity, CGI is subject to tax on its taxable income – primarily on realized gains on the sale of investments – at an effective rate of approximately 21%. As a result of its investment corporation status under Canadian tax law, CGI can recover taxes paid or payable on its realized taxable capital gains through the payment of capital gains dividends to shareholders. To the extent that taxes paid or payable on taxable income in a year are greater than taxes recovered on the payment of capital gains dividends, there will be a negative impact on net assets of the fund. For the six months to June 30, 2009, due to the fact that there was a net realized loss on the sale of investments, there was a net recovery related to tax of \$3,937,000, compared to a net cost of \$307,000 in the prior year. Taxes paid or payable on realized taxable capital gains may be recovered through the payment of capital gains dividends in future years. At June 30, 2009, the Company had refundable capital gains tax of approximately \$5 million, which is refundable upon payment of capital gains dividends of approximately \$22 million.

RECENT DEVELOPMENTS

Changeover to International Financial Reporting Standards

In May 2009, the Canadian Accounting Standards Board reconfirmed January 1, 2011 as the date international financial reporting standards (IFRS) will replace Canadian generally accepted accounting principles for publicly accountable enterprises, which include investment funds. As of June 30, 2009, the Manager of the Company, Morgan Meighen & Associates Limited, has established a project team responsible for the development of a transition plan and commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS. In addition to disclosures of the qualitative impact of the adoption of IFRS, the transition plan includes disclosures of the quantitative impact, if any, beginning with the 2009 year-end financial statements.

RELATED PARTY TRANSACTIONS

The Company is managed by Morgan Meighen & Associates Limited (MMA), a company under common control with CGI. MMA provides continuing advice and investment management services, as well as administration, financial reporting and other ancillary services required by a publicly listed company. For more details concerning the services that are provided by MMA and the management fee that is charged to the Company, see “Management Fees”.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Company and are intended to help you understand the Company's financial performance for the six months ended June 30, 2009 and the prior five financial years. Per share data is derived from the Company's audited annual financial statements. The net assets per share presented in the financial statements differs from the Company's daily net asset value due to differences in valuation techniques as described in the notes to the annual financial statements. Ratios and supplemental data are derived from the Company's net asset value.

The Company's Net Assets per Share ⁽¹⁾

	Six months ended June 30, 2009	2008	2007	2006	2005	2004
Net assets – basic, beginning of period	\$ 13.81	\$ 31.77	\$ 31.58	\$ 28.59	\$ 23.22	\$ 19.00
Increase (decrease) from operations:						
Total revenue	0.32	0.84	0.67	0.75	0.75	0.79
Total expenses	(0.29)	(0.86)	(1.01)	(0.98)	(0.75)	(0.67)
Realized gains (losses) for the period	(0.65)	(5.41)	3.93	4.60	3.65	2.20
Unrealized gains (losses) for the period	2.30	(13.36)	(1.24)	4.07	3.53	3.06
Total increase (decrease) from operations	1.65	(18.79)	2.35	8.44	7.18	5.38
Dividends paid to common shareholders:						
Taxable dividends	(0.12)	(0.24)	(0.24)	(0.24)	(0.24)	(0.24)
Capital gains dividends	-	-	(1.36)	(1.26)	(1.00)	(0.60)
Total dividends ⁽²⁾	(0.12)	(0.24)	(1.60)	(1.50)	(1.24)	(0.84)
Income taxes recoverable on dividends from net realized gain on investments	-	-	0.29	0.26	0.21	0.12
Net decrease (increase) in refundable dividend tax on hand	(0.01)	-	-	0.04	(0.01)	(0.03)
Decrease (increase) in refundable income taxes on net realized gain on investments	0.18	1.07	(0.45)	(0.83)	(0.64)	(0.36)
Warrants repurchased	-	-	-	(3.26)	(0.06)	(0.05)
Net assets – basic, end of period ⁽³⁾	\$ 15.51	\$ 13.81	\$ 31.77	\$ 31.72	\$ 28.59	\$ 23.22
Net assets – diluted, end of period ⁽⁴⁾	\$ 15.51	\$ 13.81	\$ 31.77	\$ 31.33	\$ 25.37	\$ 20.71

1) Net assets and dividends are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.

(2) Dividends were paid in cash.

(3) This is not a reconciliation of the beginning and ending net assets per share.

(4) Reflects the potential exercise of the Company's outstanding warrants, which expired on July 3, 2007.

MANAGEMENT REPORT OF FUND PERFORMANCE – CONTINUED

Ratios and Supplemental Data

	Six months ended					
	June 30, 2009	2008	2007	2006	2005	2004
Total net asset value (000's) ⁽¹⁾	\$ 325,646	\$ 290,477	\$ 666,323	\$ 653,128	\$ 588,146	\$ 475,976
Number of shares outstanding ⁽¹⁾	20,861,141	20,861,141	20,861,141	20,591,159	20,573,940	20,499,638
Management expense ratio ⁽²⁾⁽³⁾⁽⁶⁾	4.14%	3.57%	3.04%	3.24%	2.88%	3.31%
Portfolio turnover rate ⁽⁵⁾	27.11%	27.33%	36.68%	40.08%	47.07%	41.68%
Trading expense ratio ⁽⁴⁾⁽⁶⁾	0.42%	0.25%	0.23%	0.24%	0.26%	0.26%
Net asset value per share – basic ⁽¹⁾	\$ 15.61	\$ 13.93	\$ 31.94	\$ 31.72	\$ 28.59	\$ 23.22
Net asset value per share – diluted ⁽¹⁾	\$ 15.61	\$ 13.93	\$ 31.94	\$ 31.33	\$ 25.37	\$ 20.71
Closing market price ⁽¹⁾	\$ 12.25	\$ 9.12	\$ 28.30	\$ 27.40	\$ 23.20	\$ 15.44

(1) This information is provided as at the end of the financial period shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

(3) Excluding leverage costs (dividends on preference shares and amortization of deferred financing charge), the Company's MERs were as follows: 2009 (to June 30, annualized) – 1.84%, 2008 – 1.67%, 2007 – 1.53%, 2006 – 1.65%, 2005 – 1.53%, 2004 – 1.59%.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs as an annualized percentage of daily average net assets during the period.

(5) The Company's portfolio turnover rate indicates how actively the Manager manages the Company's portfolio investments. A portfolio turnover of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year. There is not necessarily a relationship between the turnover rate and the performance of a fund.

(6) Ratios for the six months ended June 30, 2009 have been annualized.

MANAGEMENT FEES

The Company pays a management fee that is calculated monthly and paid at 1% per annum of the market value of CGI's investments adjusted for cash, portfolio accounts receivable and portfolio accounts payable. The Company's management fees were used by MMA to pay costs for managing the portfolio and making investment decisions, as well as the provision of administrative services, including making brokerage arrangements for the purchase and sale of securities, calculating the net asset value of the Company, maintaining financial and corporate records, preparing financial statements and all required regulatory filings and assisting in promotion activities. The officers of the Company are remunerated by MMA in their capacity as directors and/or officers of MMA and receive no compensation from CGI.

PAST PERFORMANCE

The performance information shown assumes that all dividends paid by CGI to common shareholders were reinvested in additional common shares of the Company. The performance information does not take into account broker commissions or other fees potentially payable by holders of the Company's shares that would have reduced returns or performance. How the Company has performed in the past does not necessarily indicate how it will perform in the future.

YEAR-BY-YEAR RETURNS

The following bar charts show the Company's performance for each of the years shown, as well as interim performance for the six months ended June 30, 2009, and illustrate how the Company's performance has changed from year to year. The bar charts show, in percentage terms, how much an investment made on the first day of each year would have grown or decreased by the last day of each financial period.

The bar chart below illustrates CGI's diluted net asset value per share return, with dividends reinvested at net asset value per share.

Net Asset Value Return



The bar chart below illustrates CGI's market return, with dividends reinvested at the market price.

Market Value Return



SUMMARY OF INVESTMENT PORTFOLIO*As at June 30, 2009***Top 25 Holdings**

Issuer	Sector	% of Net Asset Value*	% of Investment Portfolio
Canadian Treasury Bills	Short-Term Securities	12.3	8.6
BMTC Group Inc.	Consumer Discretionary	4.4	3.1
Franco-Nevada Corporation	Materials	4.3	3.0
Royal Bank of Canada	Financials	4.0	2.8
Labrador Iron Ore Royalty Income Fund	Materials	3.8	2.8
Bank of Montreal	Financials	3.8	2.6
Research In Motion Limited	Information Technology	3.6	2.5
Ritchie Bros. Auctioneers Incorporated	Industrials	3.5	2.4
Enbridge Inc.	Energy	3.2	2.4
Pacific Rubiales Energy Corp.	Energy	3.3	2.3
Rogers Communications Inc.	Telecommunication Services	3.3	2.3
Addax Petroleum Corporation	Energy	3.2	2.2
BPO Properties Ltd.	Financials	3.0	2.1
Suncor Energy, Inc.	Energy	3.0	2.1
Potash Corporation of Saskatchewan Inc.	Materials	2.9	2.1
Manulife Financial Corporation	Financials	2.8	2.0
The Toronto-Dominion Bank	Financials	2.8	1.9
Crescent Point Energy Trust	Energy	2.6	1.8
Paladin Energy Ltd.	Energy	2.6	1.8
TransCanada Corporation	Energy	2.5	1.7
Algoma Central Corporation	Industrials	2.4	1.7
Corby Distilleries Limited	Consumer Staples	2.4	1.7
Cash	Cash & Cash Equivalents	2.4	1.7
Canadian Natural Resources Limited	Energy	2.2	1.6
Uranium One Inc.	Energy	2.0	1.4
		86.3*	60.6
Total Net Asset Value* (\$000's)			\$ 325,646
Total Investment Portfolio* (\$000's)			\$ 463,825

* Total Net Asset Value represents Total Investment Portfolio adjusted for leverage in the form of preference shares (\$150 million), other assets and other liabilities.

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.mmmainvestments.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.

SUMMARY OF INVESTMENT PORTFOLIO (CONTINUED)

As at June 30, 2009

Sector Allocation	Asset Allocation				
	% of Net Asset Value*	% of Investment Portfolio		% of Net Asset Value*	% of Investment Portfolio
Energy	35.9	25.2	Canadian Equities & Income Trusts	119.5	83.9
Materials	30.6	21.5	Short-Term Securities	12.3	8.6
Financials	23.1	16.2	Foreign Equities	8.2	5.8
Short-Term Securities	12.3	8.6	Cash & Cash Equivalents	2.4	1.7
Industrials	11.7	8.2			
Information Technology	8.9	6.3			
Consumer Discretionary	5.7	4.0			
Telecommunication Services	4.5	3.2			
Consumer Staples	4.4	3.0			
Utilities	2.9	2.1			
Cash & Cash Equivalents	2.4	1.7			

* Total Net Asset Value represents Total Investment Portfolio adjusted for leverage in the form of preference shares (\$150 million), other assets and other liabilities.

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, 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.

INTERIM FINANCIAL STATEMENTS

June 30, 2009

The auditors of the Company have not reviewed these interim financial statements.

Shareholders of the Company appoint an independent auditor to audit the Company's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Company's interim financial statements, this must be disclosed in an accompanying notice.

STATEMENTS OF NET ASSETS

<i>As at June 30, 2009 and December 31, 2008</i> <i>(in thousands of dollars, except number of shares and per share amounts)</i>	June 30, 2009 Unaudited \$	December 31, 2008 Audited \$
Assets		
Investments at fair value (cost - \$368,350; 2008 - \$365,735)	454,068	403,551
Cash	7,702	5,660
Interest and dividends receivable	811	1,542
Income taxes recoverable	11,337	28,635
Deferred financing charge	551	716
	474,469	440,104
Liabilities		
Accounts payable and accrued liabilities	614	848
Payable for securities purchased	-	964
Accrued dividends on preference shares	264	281
Preference shares	150,000	150,000
	150,878	152,093
Net Assets	323,591	288,011
Shareholders' Equity		
Common shares	128,568	128,568
Unrealized gain on investments	85,718	37,816
Retained earnings (note 2)	109,305	121,627
	323,591	288,011
Number of common shares outstanding	20,861,141	20,861,141
Net assets per common share (note 6)	15.51	13.81

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF OPERATIONS

For the six months ended June 30 (Unaudited)
(in thousands of dollars, except per share amounts)

	2009	2008
	\$	\$
Investment income		
Dividends	6,076	7,567
Interest and other	572	1,477
Securities lending revenue	1	340
	6,649	9,384
Expenses		
Dividends on preference shares	3,189	4,800
Management fees	2,215	4,211
Amortization of deferred financing charge	165	399
Listing and regulatory costs	98	129
Capital taxes	92	107
Directors' fees and expenses	86	71
Security holder reporting costs	41	20
Investor relations	33	49
Audit fees	26	22
Custodial fees	23	37
Legal fees	13	8
Independent review committee fees and expenses	10	9
Other	76	31
	6,067	9,893
Net investment income (loss)	582	(509)
Realized and unrealized gains (losses) on investments		
Net realized gain (loss) on investments	(13,464)	5,400
Change in unrealized gain on investments	47,902	(48,369)
Transaction costs on purchase and sale of investments	(621)	(489)
	33,817	(43,458)
Net gain (loss) on investments	33,817	(43,458)
Increase (decrease) in net assets resulting from operations for the period	34,399	(43,967)
Increase (decrease) in net assets resulting from operations		
per common share (based on 20,861,141 (2008-20,861,141)		
weighted-average common shares outstanding during the period)	1.65	(2.11)

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

For the six months ended June 30 (Unaudited)
(in thousands of dollars)

	2009	2008
	\$	\$
Increase (decrease) in net assets resulting from operations for the period	34,399	(43,967)
Dividends to common shareholders	(2,503)	(2,503)
Decrease (increase) in refundable income taxes on net realized gain (loss) on investments (note 3)	3,937	(307)
Increase in refundable dividend tax on hand	(253)	-
	1,181	(2,810)
Increase (decrease) in net assets during the period	35,580	(46,777)
Net assets, beginning of period	288,011	662,776
Net assets, end of period	323,591	615,999

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the six months ended June 30 (Unaudited)
(in thousands of dollars)

	2009	2008
	\$	\$
Cash provided by (used in):		
Operating activities		
Net investment income (loss)	582	(509)
Amortization of deferred financing charge	165	399
Purchase of investments	(280,849)	(99,744)
Proceeds of disposition of investments	263,806	101,084
Transaction costs on purchase and sale of investments	(621)	(489)
Net change in non-cash balances related to operations	17,778	(2,388)
	861	(1,647)
Financing activities		
Dividends paid to common shareholders	(2,503)	(2,503)
Decrease (increase) in refundable income taxes on net realized gain on investments (note 3)	3,937	(307)
Increase in refundable dividend tax on hand	(253)	-
	1,181	(2,810)
Net increase (decrease) in cash during the period (note 5)	2,042	(4,457)
Cash, beginning of period	5,660	12,330
Cash, end of period	7,702	7,873

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INVESTMENT PORTFOLIO

As at June 30, 2009

Number or Par Value	Investment	Cost \$	Fair Value \$
<i>(in thousands of dollars)</i>			
CONSUMER DISCRETIONARY (4.0%)			
Media			
220,000	Shaw Communications Inc., B NV	3,154	4,305
Specialty Retail			
740,200	BMTC Group Inc., A SV	4,451	14,005
TOTAL CONSUMER DISCRETIONARY		7,605	18,310
CONSUMER STAPLES (3.0%)			
Beverages			
254,000	Corby Distilleries Limited, A	3,176	3,914
267,600	Corby Distilleries Limited, B NV	4,220	3,669
Food & Staples Retailing			
130,000	Shoppers Drug Mart Corporation	3,684	6,495
TOTAL CONSUMER STAPLES		11,080	14,078
ENERGY (25.3%)			
Energy Equipment & Services			
173,400	Phoenix Technology Income Fund, units	2,731	1,379
700,000	Precision Drilling Trust, units	4,757	3,913
Oil, Gas & Consumable Fuels			
210,000	Addax Petroleum Corporation	7,014	10,332
165,000	AltaGas Income Trust, units	1,963	2,647
100,000	Cameco Corporation	2,730	2,974
120,000	Canadian Natural Resources Limited	3,853	7,337
248,500	Crescent Point Energy Trust, units	6,746	8,519
270,000	Enbridge Inc.	5,557	10,897
80,000	EnCana Corporation	6,134	4,604
275,000	Forest Oil Corporation	5,367	4,760
1,444,500	Hathor Exploration Limited	4,161	2,701
200,000	Husky Energy Inc.	1,869	6,506
1,125,000	Pacific Rubiales Energy Corp.	6,716	10,687
1,850,000	Paladin Energy Ltd.	6,807	8,399
195,000	Petrobank Energy and Resources Ltd.	7,371	6,581
275,000	Suncor Energy Inc.	10,572	9,727
256,000	TransCanada Corporation	7,091	7,997
2,500,000	Uranium One Inc.	4,785	6,675
TOTAL ENERGY		96,224	116,635

Number or Par Value	Investment	Cost \$	Fair Value \$
<i>(in thousands of dollars)</i>			
FINANCIALS (16.2%)			
Commercial Banks			
250,000	Bank of Montreal	8,534	12,245
120,000	Laurentian Bank of Canada	4,730	4,210
275,000	Royal Bank of Canada	11,438	13,060
150,000	The Toronto-Dominion Bank	6,461	9,013
Diversified Financial Services			
225,000	Ceres Global AG Corp., warrants 12/21/2010	473	20
192,056	TMX Group Inc.	5,187	6,491
Insurance			
7,200	E-L Financial Corporation Limited	2,640	2,678
450,000	Manulife Financial Corporation	9,333	9,086
Real Estate Management & Development			
272,300	BPO Properties Ltd.	7,620	9,751
233,919	First Capital Realty Inc.	3,706	3,897
Capital Markets			
76,900	Economic Investment Trust Limited	3,851	4,384
TOTAL FINANCIALS		63,973	74,835
INDUSTRIALS (8.1%)			
Building Products			
236,300	Waterfurnace Renewable Energy Inc.	3,180	6,442
Construction & Engineering			
200,000	Aecon Group Inc.	2,414	2,308
169,100	GENIVAR Income Fund, units	4,512	4,375
Marine			
106,100	Algoma Central Corporation	8,166	7,427
Trading Companies & Distributors			
412,000	Ritchie Bros. Auctioneers Incorporated	4,659	11,215
375,000	Russel Metals Inc.	3,243	5,636
TOTAL INDUSTRIALS		26,174	37,403

The accompanying notes are an integral part of these financial statements.

As at June 30, 2009

Number or Par Value	Investment	Cost \$	Fair Value \$
<i>(in thousands of dollars)</i>			
INFORMATION TECHNOLOGY (6.3%)			
Communications Equipment			
140,000	Research In Motion Limited	6,195	11,567
IT Services			
200,000	SXC Health Solutions Corp.	4,971	5,902
Semiconductors & Semiconductor Equipment			
825,000	Celestica Inc.	6,080	6,501
Software			
900,000	Absolute Software Corporation	3,842	5,085
TOTAL INFORMATION TECHNOLOGY		21,088	29,055
MATERIALS (21.5%)			
Chemicals			
87,500	Potash Corporation of Saskatchewan Inc.	9,860	9,466
90,000	The Scotts Miracle-Gro Company	3,811	3,662
Metals & Mining			
90,000	Agnico-Eagle Mines Limited	3,660	5,514
1,800,000	Equinox Minerals Limited	3,532	4,806
100,000	First Quantum Minerals Ltd.	4,401	5,605
475,000	Franco-Nevada Corporation	8,955	13,271
100,000	Franco-Nevada Corporation, warrants 03/13/2012	491	569
100,000	Freeport-McMoRan Copper & Gold Inc.	5,467	5,823
262,500	Gerdau Ameristeel Corporation	1,377	2,090
42,870	Kinross Gold Corporation, warrants 09/03/2013	107	206
387,700	Labrador Iron Ore Royalty Income Fund, units	5,605	12,244
700,000	Osisko Mining Corporation	4,908	4,578
1,600,000	Rubicon Minerals Corporation	4,663	5,520
950,000	Sherritt International Corporation	4,624	4,940
300,000	Teck Resources Limited, B SV	3,757	5,550
450,000	Thompson Creek Metals Company Inc.	5,328	5,346
600,000	Ventana Gold Corporation	3,132	2,958
Paper & Forest Products			
370,000	Sino-Forest Corporation	6,902	4,573
116,700	Stella-Jones Inc.	5,103	2,637
TOTAL MATERIALS		85,683	99,358

Number or Par Value	Investment	Cost \$	Fair Value \$
<i>(in thousands of dollars)</i>			
TELECOMMUNICATION SERVICES (3.2%)			
Wireless Telecommunication Services			
360,000	Rogers Communications Inc., B NV	5,047	10,753
105,000	Leap Wireless International, Inc.	4,898	4,018
TOTAL TELECOMMUNICATION SERVICES		9,945	14,771
UTILITIES (2.1%)			
Electric Utilities			
230,000	Fortis Inc.	6,082	5,844
Independent Power Producers & Energy Traders			
100,000	Canadian Utilities Limited, A NV	1,171	3,794
TOTAL UTILITIES		7,253	9,638
SHORT-TERM SECURITIES (8.7%)			
15,000,000	Canadian Treasury Bill, 0.12% 07/23/2009	14,995	14,995
15,000,000	Canadian Treasury Bill, 0.15% 08/06/2009	14,996	14,996
10,000,000	Canadian Treasury Bill, 0.23% 09/17/2009	9,994	9,994
TOTAL SHORT-TERM SECURITIES		39,985	39,985
TRANSACTION COSTS		(660)	-
TOTAL INVESTMENTS (98.4%)		368,350	454,068
CASH & CASH EQUIVALENTS (1.6%)		7,702	7,702
INVESTMENT PORTFOLIO (100%)		376,052	461,770
NV:	non-voting		
SV:	subordinate voting		
Percentage amounts in brackets represent fair value as a percentage of the Investment Portfolio.			
RECONCILIATION OF INVESTMENT PORTFOLIO TO NET ASSETS:			
INVESTMENT PORTFOLIO (142.5%)			461,770
PREFERENCE SHARES (-46.3%)			(150,000)
OTHER ASSETS AND LIABILITIES, NET (3.8%)			11,821
NET ASSETS (100.0%)			323,591
Percentage amounts in brackets represent fair value as a percentage of Net Assets.			

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

For the six months ended June 30, 2009 (Unaudited)

These unaudited interim financial statements do not include all of the disclosures contained in the audited financial statements and accordingly, should be read in conjunction with the December 31, 2008 audited financial statements which are available on www.sedar.com or from the Company.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited interim financial statements conform to those presented in the Company's December 31, 2008 audited financial statements.

Future accounting standards

In May 2009, the Canadian Accounting Standards Board reconfirmed January 1, 2011 as the date international financial reporting standards (IFRS) will replace Canadian generally accepted accounting principles for publicly accountable enterprises, which include investment funds. As of June 30, 2009, the Manager of the Company, Morgan Meighen & Associates Limited, has established a project team responsible for the development of a transition plan and commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS. In addition to disclosures of the qualitative impact of the adoption of IFRS, the transition plan includes disclosures of the quantitative impact, if any, beginning with the 2009 year-end financial statements.

2 RETAINED EARNINGS

The changes in retained earnings for the six months ended June 30 were as follows:

<i>(in thousands of dollars)</i>	2009 \$	2008 \$
Retained earnings, beginning of period	121,627	217,794
Net realized gain (loss) on investments, net of transaction costs	(14,085)	4,911
Net investment income (loss)	582	(509)
Increase in refundable dividend tax on hand	(253)	-
Dividends paid from net investment income	(2,503)	(2,503)
Decrease (increase) in refundable income taxes on net realized gain (loss) on investments (note 3)	3,937	(307)
Retained earnings, end of period	109,305	219,386

3 TAXATION

The Company qualifies as an investment corporation under Section 130 of the Income Tax Act (Canada) (the Act) and, as such, is subject to a reduced rate of income tax on its net investment income other than dividends received from taxable Canadian corporations. The Company's provision for income taxes during the period is determined as follows:

<i>(in thousands of dollars)</i>	2009	2008
	\$	\$
Recovery of income taxes on net investment income (loss)		
Recovery of income taxes based on combined		
Canadian federal and provincial income tax rate	195	(184)
Increase (decrease) in income taxes resulting from:		
Dividends from taxable Canadian companies	(2,024)	(2,569)
Dividends on preference shares	1,074	1,734
Income tax rate differential for investment corporations	(191)	(165)
Other	(40)	-
Recovery of income taxes	(986)	(1,184)
Applied to reduce refundable income taxes on net realized gain (loss) on investments	986	1,184
Recovery of income taxes	-	-
Refundable income taxes on net realized gain (loss) on investments		
Provision for (recovery of) income taxes based on combined		
Canadian federal and provincial income tax rate	(4,510)	1,950
Increase (decrease) in income taxes resulting from:		
Non-taxable portion, net realized loss (gain) on investments	2,255	(975)
Differences arising from use of different cost bases for income tax and accounting purposes and other items	(99)	306
Income tax rate differential for investment corporations	(597)	210
Recovery applied from investment income	(986)	(1,184)
Increase (decrease) in refundable income taxes on net realized gain (loss) on investments	(3,937)	307

Income taxes are paid by the Company on net capital gains realized at the rate of approximately 21%. These income taxes are recoverable by the Company as long as it continues to qualify as an investment corporation. The Company has refundable capital gains taxes of approximately \$5 million as at June 30, 2009 (2008 - \$31 million), which are refundable on payment of capital gains dividends of approximately \$22 million (2008 - \$147 million). This potential recovery has not been recorded by the Company.

The Company is also subject to a special tax of 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. The Company has refundable dividend tax on hand of approximately \$253 as at June 30, 2009 (2008 - \$nil).

4 FINANCIAL INSTRUMENTS RISKS

The Company is a closed-end equity fund focused on medium to long-term investments in primarily Canadian corporations. Its objective is to provide better than average returns to investors through prudent security selection, timely recognition of capital gains/losses and appropriate income generating instruments. The Company may invest in foreign securities that are typically not expected to exceed 15%, in aggregate, of the portfolio's fair value.

In the normal course of operations, the Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (defined as interest rate risk, currency risk and other price risk). In general, the Manager seeks to minimize the potential adverse effects of these risks on the Company's performance by employing professional, experienced portfolio managers, by daily monitoring of the Company's positions and market events, and by diversifying the investment portfolio within the policies and guidelines set by the Board of Directors of the Company, in a manner consistent with the investment objective. Pursuant to the Manager's bottom-up selection mandate, security selection is the primary criteria for managing risk. In order to mitigate risk, depending on conditions, the Manager considers other criteria such as asset class, industry, country and currency.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main exposure to credit risk consists of investments in debt instruments, including bonds and preferred shares, as well as amounts due from brokers. The fair value of debt instruments includes consideration of the creditworthiness of the debt issuer. The carrying amount of debt instruments, as presented on the statement of investment portfolio represents the maximum credit risk exposure as at June 30, 2009. This also applies to other assets, as these have a short term to settlement. As at June 30, 2009, the Company had \$40 million of Canadian treasury bills (8.7% of the investment portfolio), all of which carried an AAA rating. As at December 31, 2008, the Company had \$75 million of Canadian treasury bills (18.3% of the investment portfolio), all of which carried an AAA rating.

All transactions in securities are settled/paid for on delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the Company's custodian has received payment. Payment is made on a purchase once the securities have been received by the Company's custodian. The trade will fail if either party fails to meet its obligation.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

As the Company is a publicly traded, closed-end investment fund with a fixed number of common shares outstanding, unlike an open-ended mutual fund, it is not exposed to the liquidity risk associated with daily cash redemptions of securities. However, as part of a leverage strategy, the Company currently has two series of Class A preference shares outstanding: Series 2 for \$75 million with a redemption date of March 15, 2014 and Series 3 for \$75 million with a redemption date of June 15, 2016. Included in the Series 2 and Series 3 preference share provisions is a restriction, which precludes payment of a common share dividend unless, after giving effect thereto, the ratio of assets to obligations (both as defined in the preference share provisions) exceeds 2.5 times.

Liquidity risk is managed by investing the majority of the Company's assets in investments that are traded in an active market and which can be readily disposed of and by retaining sufficient cash and cash equivalent positions to maintain liquidity. There are no restricted securities as at June 30, 2009. Leverage decisions, whether in the form of bank borrowings or bond or preference share issues from treasury, are at the discretion of the Company's Board of Directors.

Market risk

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest bearing financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

As at June 30, 2009, the Company's investments in debt instruments were limited to short-term securities, with the longest maturity being under three months. The Company has minimal sensitivity to changes in interest rates on these securities since it is anticipated they will be held to maturity and they are short-term in nature.

The Company's two series of Class A preference shares outstanding both have fixed coupon rates. While they themselves are not subject to interest rate risk, any new issues, whether or not in connection with the redemption date of an existing series, as well as borrowings under the Company's \$60 million credit facility, will be subject to the prevailing interest rate environment at that time.

Currency risk:

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Company's reporting currency. The Company is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. Securities trading in foreign markets are also exposed to currency risk, as the price in local terms in the foreign market is converted to Canadian dollars to determine fair value. The Company's policy is not to enter into any hedging arrangements.

As at June 30, 2009, the Company had a 4.0% (December 31, 2008 – 1.8%) weighting in foreign currencies and, therefore, did not have significant exposure to currency risk.

Other price risk:

Other price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to an individual investment or its issuer, or by factors affecting all similar instruments traded in a market or market segment. All securities present a risk of loss of capital. The Manager moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy and by maintaining a well diversified portfolio. The maximum risk resulting from financial instruments is equivalent to their fair value. The Company's equity and debt (if any) instruments are susceptible to other price risk arising from uncertainty about future prices of the instruments.

The statement of investment portfolio groups the securities by industry sector.

As at June 30, 2009, a 5% increase or decrease in market prices in the investment portfolio, excluding short-term securities, with all other variables held constant, would have resulted in the net assets of the Company increasing or decreasing, respectively, by approximately \$20,704,000 (December 31, 2008 - \$16,433,000).

Sensitivity analyses are provided for information purposes only. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

5 SUPPLEMENTAL CASH FLOW INFORMATION

Included in the net increase (decrease) in cash during the period are the following:

<i>(in thousands of dollars)</i>	2009	2008
	\$	\$
Preference share dividends and interest paid	3,206	4,826
Income taxes paid (recovered) – net	(20,659)	44

6 COMPARISON OF NET ASSET VALUE PER SHARE AND NET ASSETS PER SHARE

In accordance with Section 3.6(1) of National Instrument 81-106, the Company's net asset value per share, the net assets per share, calculated in accordance with Canadian GAAP for financial reporting purposes, and an explanation of the differences between such amounts, are required disclosures in the notes to the financial statements. For investments that are traded in an active market, Canadian GAAP requires that bid prices be used in the fair value of instruments, rather than the use of the last traded price, as currently used for the purpose of determining net asset value. This change accounts for the difference between net asset value and net assets.

	June 30,	December 31,
	2009	2008
	\$	\$
Net asset value per share	15.61	13.93
Canadian GAAP adjustment	(0.10)	(0.12)
Net assets per share	15.51	13.81

FOCUSSED ON CANADA

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MorganMeighen

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