



THD

Third Canadian General  
Investment Trust Limited



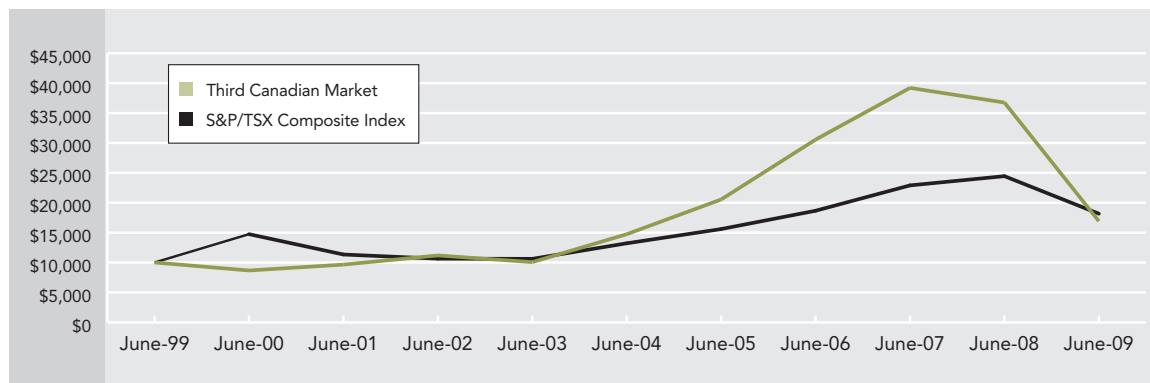
INTERIM REPORT 2009

## CORPORATE PROFILE

**Third Canadian General Investment Trust Limited (Third Canadian)**, founded in 1928, is one of the oldest publicly listed closed-end funds in North America and certainly one of the most unusual. Third Canadian's objective is to provide its investors with above-average returns comprised of a blend of long-term capital appreciation and current income through investment in its principal assets and otherwise directly in Canadian and international financial instruments including equities, funds, income trusts and related products.

Third Canadian has been managed since 1956 by Morgan Meighen & Associates Limited (website: [www.mmainvestments.com](http://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 THD's common shares. A \$10,000 investment in THD 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 5.4%. 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

Third Canadian's net asset value per share (NAV) rose 12.8% in the second quarter on a total return basis. This lagged the 20.0% total return posted by the benchmark S&P/TSX Composite Index. Third Canadian's market return lagged both its NAV and its benchmark, posting 10.4%. A more encouraging picture emerges for the six months ended June 30, with Third Canadian's NAV growing at 23.5%, beating the Index's 17.6%, although the shares posted only a 9.4% return.

Positive numbers of any magnitude are certainly welcome and it is gratifying to see Third Canadian's NAV ahead of the Index again, driven in large part by the performance of its principal assets. However, much more of the same is required to make back the ground lost in 2008.

## DIVIDENDS & LEVERAGE

At the end of the quarter, the Company held \$2.1 million in cash, comprising approximately 1.5% of its portfolio. This is up from the 0.9% at March 31. Borrowings of \$4.0 million, approximately 3% of the portfolio, were deployed in the most recent quarter.

Regular quarterly dividends have been paid throughout the financial crisis and we do not anticipate these dividends being interrupted at this time. It is too early, however, to determine if Third Canadian will be able to return to its custom of distributing a special year-end dividend.

## OUTLOOK

It now appears that the acute phase of the crisis has passed, but we believe that many equity values have increased more rapidly than underlying fundamentals justify, leading us to expect that there could be a period of consolidation over the summer. The Canadian economy as a whole has seen some improvement, but unemployment appears likely to continue to rise and any recovery, while possibly within sight, will likely be slow and shallow.

We view any market rebounds cautiously and expect only minimal growth in the Canadian economy for the balance of the year, but are hopeful that the current financial crisis will be largely resolved before the year is finished.

Vanessa L. Morgan  
*Chairman*

Jonathan A. Morgan  
*President & CEO*

## INVESTMENT COMMENTARY

In what has been described as the largest rally ever experienced before the end of a recession, the Canadian major index S&P/TSX Composite Index (S&P/TSX) rose in excess of 35%, on a total return basis, from its March 9, 2009 low, with more than half of the return in the second quarter. Some encouraging economic signs and market optimism indicate improvement in the future. In contrast with many of the developed country indices, which still remain mainly at breakeven levels, the Canadian market ended the half year very positively.

## PRINCIPAL ASSETS

The principal assets continue to drive this year's excellent NAV returns for Third Canadian and remain the key influence on its performance, making up about 71% of the total portfolio.

Canadian General Investments, Limited (CGI), at 66% of the portfolio, dominates Third Canadian's overall returns. Almost entirely Canadian equities in content, it has been a beneficiary of a good Canadian market outperformance. Mainly invested in resources and financials, CGI posted a year-to-date total market return of 35.9% compared to the benchmark S&P/TSX's 17.6%.

Canadian World Fund Limited (CWF), the smaller principal asset, is about 4% of the portfolio. After last year's setback, it has had a very strong year-to-date NAV return of 31.7%, compared to its benchmark Morgan Stanley Capital All Country World Index (in Canadian dollars) return of 2.1%. CWF has far outranked the index throughout the half year and most, if not all, global equities funds managed in Canada. The market value of CWF shares, which is the relevant measure with regards to Third Canadian's NAV return, has lagged NAV performance so far, but has gained a respectable 18.0%, nevertheless.

## NON-PRINCIPAL ASSETS

The mix within the non-principal grouping is undergoing change, mainly as a result of the Federal Government's long planned elimination of income trust tax efficiencies. Income trusts were for some time the largest of Third Canadian's three non-principal asset classes, but their relative importance

## LETTER TO SHAREHOLDERS – CONTINUED

declines as the asset class disappears from the market. At quarter end, the Ag Growth Income Fund converted to a corporate structure and was moved into Canadian equities. This trend should continue before the new tax rules become effective in 2011. Another of Third Canadian's holdings, Crescent Point Energy Trust, an important participant in the Bakken shale oil fields in Saskatchewan, also announced plans to convert in the near term. The Bakken area has become prolific, with improved horizontal drilling technology. Third Canadian's non-trust Canadian equities in the non-principal asset sector are growing as a result of the decline in income trusts and are the largest at 15.3% of the total portfolio. Foreign equities have an 8.2% weighting and Canadian income trusts are now down at 4.3%.

We still consider income trusts for addition to the portfolio. After conversion to a corporate structure, many trusts will offer lower, but often substantial, dividends, combined with high or even higher growth qualities. A position in Daylight Resources Trust was initiated during the quarter, adding a 20,000 plus barrels-a-day equivalent natural gas producer, carrying a yield in excess of 11% and with a low payout ratio. It was priced at an attractive, discounted level from the market during a recent unit offering.

Performance leadership for the non-principal group has been remarkably consistent for both the quarterly and year-to-date periods. Four names dominate in terms of dollar performance, with Equinox Minerals leading the way for both timeframes. Equinox Minerals is the new copper producer, ramping up production on its world class scale mine in Zambia, resulting in an enviable combination of growth in output and increasing unit sales levels. The price of copper has shown considerable strength in the last few months. Longer-term holdings, Crescent Point and Labrador Iron Ore Royalty Income Fund have participated in the general Canadian commodity market rally. A recent small cap addition introduced in the first quarter report, RuggedCom Inc., a communications and networking equipment company, continues to perform very well.

Third Canadian has completed a six-month period in which global emerging markets, which tend to enjoy long-term high growth, have responded positively after the big pullback, in part a reflection of their lower exposure to financial damage.

The major, more matured, markets, where the troubles have been deep and widespread, have been flat through the six months, and mixed economic signals provide too uncertain a foundation to predict the way forward. We remain vigilant for setbacks at the same time as we look for opportunities.

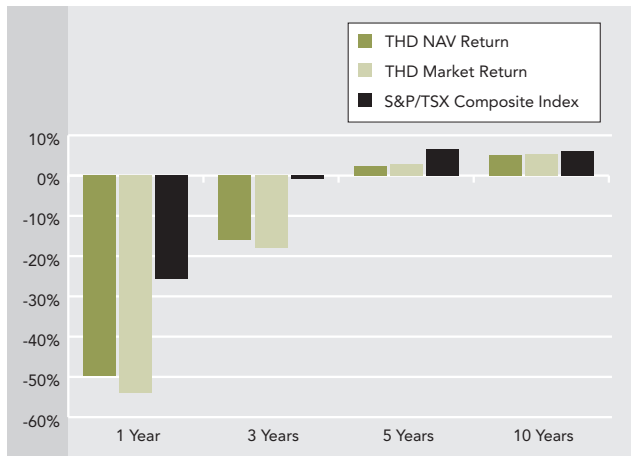
Third Canadian has been positioned to capture potential when it is presented and we are pleased to report that its results surpass the robust Canadian equity market returns experienced since their upswing in early March. We will strive to build on this success.

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

Third Canadian General Investment Trust Limited's (Third Canadian) net asset value at June 30, 2009 was \$133,116,000, representing a 22.7% increase from the \$108,481,000 at the end of 2008. Third Canadian's net asset value per share (NAV) at June 30, 2009 was \$27.70, up from \$22.57 at year end 2008. The NAV return, with dividends reinvested, for the six-month period to June 30, 2009 was 23.5%, compared with a 17.6% total return for the benchmark S&P/TSX Composite Index (S&P/TSX).

With the rapidly deteriorating global economic conditions experienced in the latter half of 2008, and continuing on into the first half of 2009, it was reassuring to see many equity markets rallying worldwide, combined with increased consumer confidence. 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. Third Canadian's outperformance relative to the benchmark can be largely attributed to the year-to-date return of 34.6% in its principal asset segment.

Canadian General Investments, Limited's (CGI) market return was 35.9% for the six-month period. CGI's value in Third Canadian's portfolio is based on its market price rather than its underlying NAV. Although CGI underperformed the benchmark on a NAV basis, the share price discount from its net asset value narrowed from 34.6% at year end 2008 to 21.5% at June 30, 2009.

Third Canadian's portfolio underwent a period of change during the fourth quarter of 2008. Specifically, deteriorating market conditions led to an initiative to reduce leverage by repaying bank borrowings. This was funded through the disposition of non-principal assets, resulting in this segment representing a much smaller weighting of the overall portfolio. Leverage was once again employed in the first half of 2009, but on a much smaller scale, with only \$4 million drawn down on its \$40 million credit facility at June 30.

Management fees, one of the Company's key expenses, decreased by 68.7% from June 2008 to \$284,000, driven

largely by lower portfolio values. Interest, the Company's other key expense, decreased by 98.9% over 2008 to \$11,000, as a result of lower average borrowing in 2009. During the first six months of 2009, Third Canadian utilized between \$0 and \$4.0 million of its credit facility, representing 3.0% of total net asset value. At June 30, 2009 the bank indebtedness had a combined weighted-average interest rate of 1.00% per annum and is repayable over various maturity dates in 2009.

### 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 (MMA), 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 MMA, a company under common control with Third Canadian and its principal assets. 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".

At the end of the period, Third Canadian's principal assets consist of common shares of CGI and Canadian World Fund Limited (CWF). Third Canadian has ownership interests in CGI and CWF of approximately 37% and 31%, respectively. Third Canadian, CGI and CWF are all TSX listed closed-end investment funds. CGI is also listed on the London Stock Exchange.

## 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 and unaudited interim 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 <sup>(1)</sup>

	Six months ended June 30, 2009	2008	2007	2006	2005	2004
<b>Net assets, beginning of period</b>	\$ 22.42	\$ 62.37	\$ 55.69	\$ 45.71	\$ 31.78	\$ 25.30
<b>Increase (decrease) from operations:</b>						
Total revenue	0.29	0.89	0.93	1.07	0.91	0.81
Total expenses	(0.09)	(0.81)	(0.82)	(0.60)	(0.43)	(0.31)
Income tax recovery	-	0.01	0.15	0.02	-	0.02
Realized gains (losses) for the period <sup>(2)</sup>	(0.78)	(5.18)	3.06	7.42	1.46	0.35
Unrealized gains (losses) for the period	6.03	(34.47)	4.55	3.33	12.69	6.02
<b>Total increase (decrease) from operations</b>	<b>5.45</b>	<b>(39.56)</b>	<b>7.87</b>	<b>11.24</b>	<b>14.63</b>	<b>6.88</b>
<b>Dividends paid to shareholders:</b>						
Taxable dividends <sup>(3)</sup>	(0.15)	(0.30)	(1.20)	(1.10)	(0.75)	(0.55)
Net decrease (increase) in refundable dividend tax on hand	(0.03)	(0.09)	-	-	0.05	0.14
<b>Net assets, end of period <sup>(4)</sup></b>	<b>\$ 27.69</b>	<b>\$ 22.42</b>	<b>\$ 62.37</b>	<b>\$ 55.85</b>	<b>\$ 45.71</b>	<b>\$ 31.78</b>

(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) Includes capital gains dividend received – net of income taxes.

(3) Dividends were paid in cash.

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

## Ratios and Supplemental Data

	Six months ended					
	June 30, 2009	2008	2007	2006	2005	2004
Net asset value (000's) <sup>(1)</sup>	\$ 133,116	\$ 108,481	\$ 299,981	\$ 268,433	\$ 219,701	\$ 152,726
Number of shares outstanding <sup>(1)</sup>	4,805,910	4,805,910	4,805,910	4,805,910	4,805,910	4,805,910
Management expense ratio <sup>(2)(3)(8)</sup>	4.57%	4.81%	4.02%	4.32%	4.39%	5.16%
Trading expense ratio <sup>(4)(5)(8)</sup>	0.47%	0.36%	0.33%	0.31%	0.37%	0.40%
Portfolio turnover rate <sup>(6)(7)</sup>	8.24%	22.91%	18.76%	22.63%	10.23%	10.64%
Net asset value per share <sup>(1)</sup>	\$ 27.70	\$ 22.57	\$ 62.42	\$ 55.85	\$ 45.71	\$ 31.78
Closing market price <sup>(1)</sup>	\$ 22.00	\$ 20.28	\$ 48.60	\$ 47.66	\$ 38.96	\$ 25.85

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

(2) Management expense ratio (MER) is based on total expenses (including leverage costs and Third Canadian's proportionate share of the expenses of CGI and CWF but excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(3) Excluding leverage costs and Third Canadian's proportionate share of the expenses of CGI and CWF, Third Canadian's MERs were as follows: 2009 (to June 30, annualized) - 0.71%, 2008 - 0.81%, 2007 - 0.63%, 2006 - 0.75%, 2005 - 0.68%, 2004 - 0.68%.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs, including Third Canadian's proportionate share of such costs of CGI and CWF, expressed as an annualized percentage of daily average net asset value during the period.

(5) Excluding Third Canadian's proportionate share of commissions and other portfolio transaction costs of CGI and CWF, Third Canadian's trading expense ratios were as follows: 2009 (to June 30, annualized) - 0.08%, 2008 - 0.15%, 2007 - 0.11%, 2006 - 0.09%, 2005 - 0.06%, 2004 - 0.07%.

(6) The Company's portfolio turnover rate indicates how actively the Manager manages the Company's portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of a 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.

(7) The Company's portfolio turnover rates, excluding the principal asset segment of the portfolio, were as follows: 2009 (to June 30) - 29.94%, 2008 - 56.00%, 2007 - 52.43%, 2006 - 40.47%, 2005 - 41.28%, 2004 - 41.12%.

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

## MANAGEMENT FEES

The Company pays a management fee that is calculated monthly at 1.0% per annum of the consolidated net asset value (adjusted to include future income taxes, any tax liabilities and any borrowings as part of consolidated net asset value) of the Company (calculated without regard to the value of any securities owned by the Company or its subsidiaries in any company or other entity whose investment portfolio is managed by the Manager). The Manager is also entitled to receive an administration fee of 0.2% per annum of the market value of the securities owned by the Company or its subsidiaries in any company or other entity whose investment portfolio is managed by the Manager. 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 Third Canadian.

## PAST PERFORMANCE

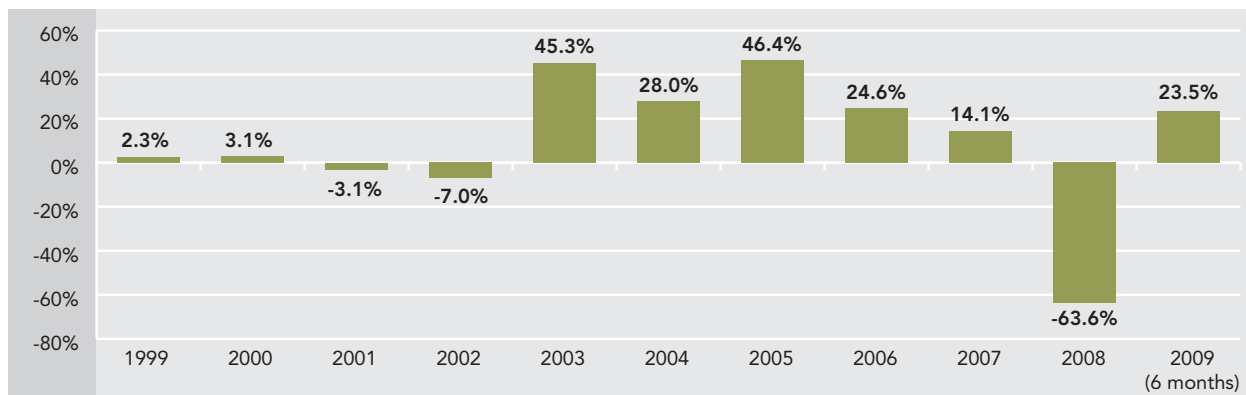
The performance information shown assumes that all dividends paid by Third Canadian were reinvested in additional shares of the Company. The performance information does not take into account broker commissions or other fees potentially payable by holders of the Company's shares that could have reduced 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 financial period would have grown or decreased by the last day of each financial period.

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

### Net Asset Value Return



The bar chart below illustrates Third Canadian'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	Country	Sector	% of Net Asset Value*	% of Investment Portfolio
Canadian General Investments, Limited**	Canada	Principal Assets	70.2	66.3
Canadian World Fund Limited**	Canada	Principal Assets	4.5	4.3
Equinox Minerals Limited	Canada	Canadian Equities & Income Trusts	2.6	2.4
RuggedCom Inc.	Canada	Canadian Equities & Income Trusts	2.2	2.1
First Solar, Inc.	U.S.A.	Foreign Equities	1.7	1.6
Cash	Canada	Cash & Cash Equivalents	1.5	1.5
Ag Growth International Inc.	Canada	Canadian Equities & Income Trusts	1.5	1.4
Crescent Point Energy Trust	Canada	Canadian Equities & Income Trusts	1.4	1.3
Labrador Iron Ore Royalty Income Fund	Canada	Canadian Equities & Income Trusts	1.4	1.3
Ritchie Bros. Auctioneers Incorporated	Canada	Canadian Equities & Income Trusts	1.3	1.3
Waterfurnace Renewable Energy Inc.	Canada	Canadian Equities & Income Trusts	1.3	1.3
Diamond Estates Wines & Spirits Ltd.	Canada	Canadian Equities & Income Trusts	1.3	1.3
Advance Auto Parts, Inc.	U.S.A.	Foreign Equities	1.3	1.2
Wynn Resorts, Limited	U.S.A.	Foreign Equities	1.2	1.2
Google Inc.	U.S.A.	Foreign Equities	1.2	1.1
Novo Nordisk A/S	Denmark	Foreign Equities	1.2	1.1
TriStar Oil & Gas Ltd.	Canada	Canadian Equities & Income Trusts	1.2	1.1
Home Capital Group Inc.	Canada	Canadian Equities & Income Trusts	1.1	1.1
Bunge Limited	U.S.A.	Foreign Equities	1.1	1.1
Major Drilling Group International	Canada	Canadian Equities & Income Trusts	1.1	1.1
GENIVAR Income Fund	Canada	Canadian Equities & Income Trusts	1.0	0.9
Monsanto Company	U.S.A.	Foreign Equities	1.0	0.9
Eldorado Gold Corporation	Canada	Canadian Equities & Income Trusts	0.9	0.9
Trinidad Drilling Ltd.	Canada	Canadian Equities & Income Trusts	0.8	0.8
Daylight Resources Trust	Canada	Canadian Equities & Income Trusts	0.8	0.7
			104.8*	99.3
Total Net Asset Value* (\$000's)				\$ 133,116
Total Investment Portfolio* (\$000's)				\$ 140,834

\* Total Net Asset Value represents Total Investment Portfolio adjusted for future income taxes on unrealized net capital gains (\$4.1 million), other assets and other liabilities.

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

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Company. The most recent quarterly portfolio disclosure may be obtained by visiting the Manager's web site at [www.mmainvestments.com](http://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.

**SUMMARY OF INVESTMENT PORTFOLIO (CONTINUED)***As at June 30, 2009***Portfolio Breakdown**

	% of Net Asset Value *	% of Investment Portfolio
Principal Assets**	74.7	70.6
Canadian Equities & Income Trusts	20.8	19.7
Foreign Equities	8.7	8.2
Cash & Cash Equivalents	1.5	1.5

\* Total Net Asset Value represents Total Investment Portfolio adjusted for future income taxes on unrealized net capital gains (\$4.1 million), other assets and other liabilities.

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

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**INTERIM CONSOLIDATED FINANCIAL STATEMENTS***June 30, 2009*

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

Shareholders of the Company appoint an independent auditor to audit the Company's annual consolidated 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.

# CONSOLIDATED 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>	<b>June 30, 2009</b> <b>Unaudited</b> <b>\$</b>	<b>December 31, 2008</b> <b>Audited</b> <b>\$</b>
<b>Assets</b>		
Investments at fair value (cost - \$67,079; 2008 - \$64,129)	138,740	102,658
Cash	2,049	1,256
Interest and dividends receivable	81	190
Income taxes recoverable	436	4,549
	141,306	108,653
<b>Liabilities</b>		
Accounts payable and accrued liabilities	92	116
Payable for securities purchased	-	784
Bank indebtedness (note 2)	4,000	-
Future income taxes on unrealized gain on investments	4,152	-
	8,244	900
	133,062	107,753
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Capital stock	6,504	6,504
Contributed surplus	2,681	2,681
Unrealized gain on investments, net of future income taxes	67,509	38,529
Retained earnings (note 3)	56,368	60,039
	133,062	107,753
<b>Number of shares outstanding</b>	4,805,910	4,805,910
<b>Net assets per share</b> (note 7)	27.69	22.42

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

# CONSOLIDATED STATEMENTS OF OPERATIONS

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

	2009	2008
	\$	\$
<b>Investment income</b>		
Dividends	1,204	1,455
Interest and other	174	549
Securities lending revenue	-	24
	1,378	2,028
<b>Expenses</b>		
Management fees	284	904
Directors' fees and expenses	41	36
Listings and regulatory costs	32	43
Audit fees	25	20
Security holder reporting costs	12	11
Interest (note 2)	11	971
Legal fees	8	4
Capital taxes	7	15
Independent review committee fees and expenses	7	10
Investor relations	1	1
Custodial fees	-	18
Other	14	13
	442	2,046
<b>Investment income (loss) before income taxes</b>	936	(18)
<b>Income tax recovery</b> (note 4)	-	454
<b>Net investment income</b>	936	436
<b>Realized and unrealized gains (losses) on investments</b>		
Net realized gain (loss) on investments, net of income tax provision (recovery) of \$nil (2008 - \$235) (note 4)	(3,682)	1,403
Change in unrealized gain on investments, net of decrease (increase) in future income taxes of \$(4,152) (2008 - \$6,046)	28,980	(35,387)
Transaction costs on purchase and sale of investments	(51)	(149)
<b>Net gain (loss) on investments</b>	25,247	(34,133)
<b>Increase (decrease) in net assets resulting from operations for the period</b>	26,183	(33,697)
<b>Increase (decrease) in net assets resulting from operations per share</b> (based on 4,805,910 (2008 - 4,805,910) weighted-average shares outstanding during the period)	5.45	(7.01)

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

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

<i>For the six months ended June 30 (Unaudited)</i> <i>(in thousands of dollars)</i>	<b>2009</b> <b>\$</b>	<b>2008</b> <b>\$</b>
<b>Increase (decrease) in net assets resulting from operations for the period</b>	26,183	(33,697)
Dividends paid to shareholders from net investment income	(721)	(721)
Increase in refundable dividend tax on hand	(153)	(214)
<b>Increase (decrease) in net assets during the period</b>	<b>25,309</b>	<b>(34,632)</b>
<b>Net assets, beginning of period</b>	<b>107,753</b>	<b>299,731</b>
<b>Net assets, end of period</b>	<b>133,062</b>	<b>265,099</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>For the six months ended June 30 (Unaudited)</i> <i>(in thousands of dollars)</i>	<b>2009</b> <b>\$</b>	<b>2008</b> <b>\$</b>
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net investment income	936	436
Purchase of investments	(17,220)	(37,448)
Proceeds of disposition of investments	9,804	33,084
Income tax provision included in net realized gain on investments	-	(235)
Transaction costs on purchase and sale of investments	(51)	(149)
Net change in non-cash balances related to operations	4,198	(2,826)
	<b>(2,333)</b>	<b>(7,138)</b>
<b>Financing activities</b>		
Increase in bank indebtedness	4,000	303
Dividends paid to shareholders from net investment income	(721)	(721)
Increase in refundable dividend tax on hand	(153)	(214)
	<b>3,126</b>	<b>(632)</b>
<b>Net increase (decrease) in cash during the period (note 6)</b>	<b>793</b>	<b>(7,770)</b>
<b>Cash, beginning of period</b>	<b>1,256</b>	<b>7,770</b>
<b>Cash, end of period</b>	<b>2,049</b>	<b>-</b>

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

# CONSOLIDATED STATEMENT OF INVESTMENT PORTFOLIO

As at June 30, 2009

Number or Par Value	Investment	Cost \$	Fair Value \$
<i>(in thousands of dollars)</i>			
<b>PRINCIPAL ASSETS (70.7%)</b>			
7,629,811	Canadian General Investments, Limited	20,969	93,541
2,240,422	Canadian World Fund Limited	12,602	6,027
<b>TOTAL PRINCIPAL ASSETS</b>		<b>33,571</b>	<b>99,568</b>
<b>CANADIAN EQUITIES AND INCOME TRUSTS (19.6%)</b>			
72,500	Ag Growth International Inc.	1,235	1,990
300,000	Consolidated Thompson Iron Mines Limited	1,096	975
55,000	Crescent Point Energy Trust, units	1,894	1,885
140,000	Daylight Resources Trust, units	980	1,032
526,315	Diamond Estates Wines & Spirits Ltd., unlisted	2,000	1,758
120,000	Eldorado Gold Corporation	1,325	1,248
1,280,000	Equinox Minerals Limited	1,843	3,418
50,000	GENIVAR Income Fund, units	852	1,293
50,000	Home Capital Group Inc.	1,229	1,502
59,000	Labrador Iron Ore Royalty Income Fund, units	1,773	1,863
82,000	Major Drilling Group International Inc.	1,488	1,492
65,000	Ritchie Bros. Auctioneers Incorporated	1,153	1,769
109,800	RuggedCom Inc.	1,943	2,966
225,000	Trinidad Drilling Ltd.	1,159	1,103
140,000	TriStar Oil & Gas Ltd.	2,160	1,536
64,500	Waterfurnace Renewable Energy Inc.	1,100	1,758
<b>TOTAL CANADIAN EQUITIES AND INCOME TRUSTS</b>		<b>23,230</b>	<b>27,588</b>

Number or Par Value	Investment	Cost \$	Fair Value \$
<i>(in thousands of dollars)</i>			
<b>FOREIGN EQUITIES (8.2%)</b>			
35,000	Advance Auto Parts, Inc.	1,796	1,687
21,500	Bunge Limited	1,474	1,503
12,000	First Solar, Inc.	2,000	2,259
3,300	Google Inc., A	1,308	1,617
15,000	Monsanto Company	846	1,297
25,000	Novo Nordisk A/S, ADR	1,089	1,581
40,000	Wynn Resorts, Limited	1,874	1,640
<b>TOTAL FOREIGN EQUITIES</b>		<b>10,387</b>	<b>11,584</b>
TRANSACTION COSTS		(109)	-
TOTAL INVESTMENTS (98.5%)		67,079	138,740
CASH & CASH EQUIVALENTS (1.5%)		2,049	2,049
<b>INVESTMENT PORTFOLIO (100%)</b>		<b>69,128</b>	<b>140,789</b>
Percentage amounts in brackets represent fair value as a percentage of the Investment Portfolio.			
<b>RECONCILIATION OF INVESTMENT PORTFOLIO TO NET ASSETS:</b>			
INVESTMENT PORTFOLIO (105.8%)			140,789
FUTURE INCOME TAXES ON UNREALIZED GAIN ON INVESTMENTS (-3.1%)			(4,152)
BANK INDEBTEDNESS (-3.0%)			(4,000)
OTHER ASSETS AND LIABILITIES, NET (0.3%)			425
<b>NET ASSETS (100.0%)</b>			<b>133,062</b>
Percentage amounts in brackets represent fair value as a percentage of Net Assets.			

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

These unaudited interim consolidated financial statements do not include all of the disclosures contained in the audited consolidated financial statements and accordingly should be read in conjunction with the December 31, 2008 audited consolidated financial statements which are available at [www.sedar.com](http://www.sedar.com) or from the Company.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Company has a revolving credit facility of \$40.0 million, comprising bankers' acceptances and term loans, with interest either at a quoted one-year rate or based on the prime bankers' acceptance rate (plus 60 basis points). The Company must comply with specified covenants during the terms of the loans.

The bank indebtedness has a combined weighted-average interest rate of 1.00% per annum as at June 30, 2009 (2008 – 4.46% per annum) and is repayable over various maturity dates in 2009.

During the first six months of 2009, the Company utilized between \$nil and \$4.0 million (2008 – \$40.0 million) of its revolving credit facility.

## 3 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	60,039	86,374
Net investment income	936	436
Net realized gain (loss) on investments, net of income tax provision (recovery)	(3,682)	1,403
Transaction costs on purchase and sale of investments	(51)	(149)
Net increase in refundable dividend tax on hand	(153)	(214)
	57,089	87,850
Dividends paid to shareholders from net investment income	(721)	(721)
Retained earnings, end of period	56,368	87,129

#### 4 TAXATION

The Company, as a public corporation, is subject to income taxes on its net investment income and net realized gain (loss) on investments at the rates of approximately 33% (2008 - 34%) and 17% (2008 - 17%), respectively. Taxable dividends receivable from taxable Canadian corporations, as defined by the Income Tax Act (Canada), are excluded from taxable income. The Company's recovery of income taxes on net investment income and provision for (recovery of) income taxes on net realized gain (loss) on investments during the period are determined as follows:

<i>(in thousands of dollars)</i>	2009 \$	2008 \$
<b>Recovery of income taxes on net investment income</b>		
Provision for (recovery of) income taxes based on combined Canadian federal and provincial income tax rate	309	(6)
Increase (decrease) in income taxes resulting from:		
Dividends from taxable Canadian companies	(379)	(448)
Applied to reduce future income taxes on unrealized capital gain on investments	70	-
Income tax recovery	-	(454)

<i>(in thousands of dollars)</i>	2009 \$	2008 \$
<b>Provision for (recovery of) income taxes on net realized gain (loss) on investments</b>		
Provision for (recovery of) income taxes based on combined Canadian federal and provincial income tax rates	(1,216)	550
Increase (decrease) in income taxes resulting from:		
Non-taxable portion of net realized gain on investments	608	(275)
Applied to reduce future income taxes on unrealized capital gain on investments	617	-
Differences arising from use of different cost bases for income tax and accounting purposes and other items	(9)	(40)
Income tax provision	-	235

Temporary differences between the carrying values of assets and liabilities for accounting and income tax purposes give rise to future income tax assets and liabilities. The most significant temporary difference for the Company is the difference between the fair value of investments in its portfolio and their adjusted cost base (ACB) for income tax purposes. To the extent that the fair value of investments is greater than their ACB, a future income tax liability arises. When the ACB of investments is greater than their fair value, a future income tax asset is created. The effective income tax rate for future income taxes on the principal assets is approximately 15% (2008 - 15%) and 15% on the other investments in the portfolio (2008 - 17%).

As at June 30, 2009, the Company has non-capital loss carry-forwards of approximately \$2,648,000. These can be offset against income in future years and begin to expire in 2028. The Company also has capital losses of approximately \$9,451,000, which can be utilized against future capital gains and are not subject to expiry. In addition, the Company has approximately \$1,014,000 of Ontario Corporate Minimum Tax (CMT) credits available that can be used to reduce Ontario income taxes payable in excess of a minimum tax. These credits will begin to expire in 2025.

The Company is 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. The Company has refundable dividend tax on hand of approximately \$588,000 as at June 30, 2009 (2008 - \$214,000).

## 5 FINANCIAL INSTRUMENTS RISK

The Company is a closed-end investment fund. Its objective is to provide its investors with above-average returns, comprised of a blend of long-term capital appreciation and current income through investment in its principal assets, CGI and CWF, and otherwise directly in Canadian and international financial instruments, including equities, funds, income trusts and related products.

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 of the Company in a manner consistent with the investment objective. Pursuant to the Manager's bottom-up selection mandate with respect to the non-principal assets, 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. While the principal assets represent the major portion of the Company's portfolio, they are, themselves, diversified funds and, as such, do not result in the Company being exposed to a high degree of concentration in the securities of any one issuer when looked through.

### **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 consolidated 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 no investments in debt instruments.

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 a revolving credit facility of \$40 million (note 2).

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. Restricted and unlisted securities, if any, are identified in the consolidated statement of investment portfolio. Investments in principal assets, representing 70.7% (December 31, 2008 – 71.9%) of the investment portfolio, are considered long-term holdings. 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.

Although the Company may invest in interest bearing financial instruments, the substantial majority of the Company's financial assets and financial liabilities are non-interest bearing or have short maturities. As a result, the Company is not subject to significant amounts of risk on its investments due to fluctuations in the prevailing levels of market interest rates.

As at June 30, 2009, the Company had no investments in debt instruments.

The Company's revolving credit facility is subject to interest rates at a quoted one-year rate or based on the prime bankers' acceptance rate, which exposes the Company to interest rate risk, as any new borrowings will be subject to the prevailing interest rate environment at that time. As at June 30, 2009, with a 1% increase or decrease in interest rates, net assets would have a corresponding decrease or increase in net assets of approximately \$27,000 over a one year period. As at December 31, 2008, the Company did not have any loans outstanding.

**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's investment portfolio had a direct 9.6% (December 31, 2008 – 6.4%) weighting in securities denominated in U.S. dollars. The Company had no securities denominated in other currencies at period-end.

As at June 30, 2009, had the Canadian dollar strengthened or weakened by 5% in relation to all other currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$558,000 (December 31, 2008 - \$274,000).

### 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 consolidated statement of investment portfolio groups the securities by principal and non-principal assets. Non-principal assets are subdivided into Canadian and foreign equities.

As at June 30, 2009, a 5% increase or decrease in market prices in the investment portfolio, with all other variables held constant, would have resulted in the net assets of the Company increasing or decreasing, respectively, by approximately \$5,931,000 (December 31, 2008 - \$4,360,000).

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.

## 6 SUPPLEMENTAL CASH FLOW INFORMATION

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

	2009	2008
<i>(in thousands of dollars)</i>	\$	\$
Interest paid	11	974
Income taxes paid (recovered) – net	(3,936)	1,378

## 7 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 consolidated 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, 2009	December 31, 2008
	\$	\$
Net asset value per share	27.70	22.57
Canadian GAAP adjustment	(0.01)	(0.15)
Net assets per share	27.69	22.42

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