

CANADIAN GENERAL  
INVESTMENTS, LIMITED  
CORPORATE INFORMATION

**OFFICE OF THE COMPANY**  
110 Yonge Street,  
Suite 1601 Toronto,  
Ontario, Canada  
M5C 1T4  
Telephone (416) 366-2931  
1-800-207-0067  
Fax (416) 366-2729  
e-mail:  
cgifund@mma-investmgr.com  
website:  
www.mma-investmgr.com

**STOCK EXCHANGE LISTINGS**

The Toronto Stock Exchange  
Trading Symbol:  
Common shares CGI  
1G1 1NQ  
Preferred shares CGI.PR.A  
Warrants CGI.WT

The London Stock Exchange  
Reuters Symbols:  
Common shares CGI.L  
Warrants CGI %L

Representative U.K. Broker  
HSBC James Capel

The Corporation calculates and releases its net asset value per share (NAV) on a daily basis. The NAV is published in various media in Canada, the United States and the United Kingdom.

**CANADIAN REGISTRAR AND TRANSFER AGENT**  
Montreal Trust Company  
of Canada  
151 Front Street W.  
8th Floor  
Toronto, Ontario, Canada  
M5J 2N1  
Tel: (416) 981-9633  
Fax: (416) 981-9800  
e-mail:  
mmamail@montrealtrust.com

**U.K. TRANSFER AGENT**  
CIBC Mellon Trust Company

Balfour House  
390 High Road  
Ilford, Essex  
IG1 1NQ  
Tel: 0181-478-1888

To change your address, eliminate multiple mailings, or for other shareholder account inquiries, please contact transfer agent as applicable.

The Corporation will provide a list of its weekly top 10 portfolio holdings (priced at market), together with current discount and market return information to any interested party upon request.

**DIVIDEND REINVESTMENT AND SHARE PURCHASE PLAN**

This Plan offers a unique low-cost opportunity for shareholders to increase their holdings in the Corporation, one of Canada's largest closed-end funds. Please contact the Plan administrator Montreal Trust Company of Canada for details.

**STATEMENT OF INVESTMENTS**  
September 30, 1998

NUMBER OF SHARES OR PAR VALUE	COST	MARKET VALUE
	(000's)	
<b>Communications &amp; Media</b>		
170,000	Imax Corporation \$ 3,779	\$ 5,188
80,000	Quebecor Inc. B+	2,341 2,332
100,000	SHAW Communications Inc. B	1,304 2,550
168,500	Sun Media Corporation	2,853 1,769
	<u>10,277</u>	<u>11,839</u>
<b>Conglomerates</b>		
240,000	EdperBrascan Corporation A	5,646 5,232
	<u>5,646</u>	<u>5,232</u>
<b>Consumer Products</b>		
250,000	A.L. Van Houtte Ltee.	1,789 6,812
120,000	Imasco Limited	1,983 3,402
90,000	Saputo Group Inc.+	2,859 2,822
50,000	The Seagram Company Ltd.	147 2,233
	<u>6,778</u>	<u>15,269</u>
<b>Financial Services</b>		
374,000	Connor, Clark & Company Ltd. A	2,941 1,964
175,000	CT Financial Services Inc.	5,756 8,662
200,000	Desjardins-Laurentian Financial Corporation A	4,786 3,100
5,300	E-L Financial Corporation Limited	1,368 795
9,000	Fairfax Financial Holdings Limited	2,340 3,969
75,000	Goran Capital Inc.	2,407 2,501
151,692	Great-West Lifeco, Inc.	1,119 3,148
150,000	Laurentian Bank of Canada instalment receipt	2,720 2,340
100,000	National Bank of Canada	2,880 2,250
104,500	O'Donnell Investment Management Corporation	843 355
60,000	Royal Bank of Canada	2,941 3,714
57,500	Sceptre Investment Counsel Ltd. A	1,341 1,610
100,000	The Toronto Dominion Bank	4,982 4,075
150,000	Trilon Financial Corporation A	1,958 1,440
	<u>38,382</u>	<u>39,923</u>
<b>Forest Products</b>		
200,000	Alliance Forest Products Inc.	5,499 3,010
80,000	Donohue Inc. A	2,537 2,336
	<u>8,036</u>	<u>5,346</u>
<b>Gold &amp; Precious Metals</b>		
90,150	Dia Met Minerals Ltd. A	1,082 1,893
90,000	Dia Met Minerals Ltd. B	1,515 1,935

**STATEMENT OF INVESTMENTS**  
September 30, 1998 (cont'd)

NUMBER OF SHARES OR PAR VALUE	COST	MARKET VALUE
	(000's)	
<b>Gold &amp; Precious Metals (cont'd)</b>		
100,000	Eldorado Gold Corporation Ltd. wts \$	- \$ 1
300,000	Euro-Nevada Mining Corporation Limited	3,775 7,575
35,000	Euro-Nevada Mining Corporation Limited wts	- 350
1,000,000	TrizecHahn Corporation 3.25% December 10, 2018 conv. deb.	1,184 1,121
	<u>7,556</u>	<u>12,875</u>
<b>Industrial Products</b>		
120,000	ATI Technologies Inc.	1,959 1,566
260,000	Bombardier Inc. B	1,613 4,368
400,000	The Caldwell Partners International Inc. A	1,190 2,660
200,000	Canadian Marconi Company	2,962 3,700
63,000	DuPont Canada Inc. A+	2,384 2,174
40,000	Geac Computer Corporation	1,341 1,430
75,000	Intertape Polymer Group Inc*	2,499 2,081
60,600	NOVA Corporation	2,107 1,209
75,000	Open Text Corporation	1,061 1,538
20,000	Potash Corporation of Saskatchewan Inc.	2,469 1,610
81,300	Ritchie Bros. Auctioneers Inc.	2,758 2,745
210,000	Shaw Industries Ltd. A	1,473 2,425
200,000	Slater Steel Inc.	2,764 1,240
60,000	Unican Security Systems Ltd. B+	2,066 1,806
179,300	Velan Inc.	3,373 4,393
	<u>32,019</u>	<u>34,945</u>
<b>Merchandising</b>		
105,000	Hudson's Bay Company instalment receipt	1,637 263
350,000	Liquidation World Inc.	2,929 4,725
50,000	The Loewen Group Inc*	1,718 1,118
200,000	MAAX Inc.	2,175 3,300
150,000	Oshawa Group Ltd. A+	4,015 4,042
	<u>12,474</u>	<u>13,448</u>
<b>Metals &amp; Minerals</b>		
50,000	Alcan Aluminium Limited	2,353 1,808
200,000	Boliden Limited	2,919 1,030
8,000,000	Denison Mines Limited	1,046 1,200
1,500,000	Dynatec Corporation	1,262 570
29,550	Inco Limited pfd. E	1,950 1,817
242,500	Kap Resources Limited wts	33 2

**STATEMENT OF INVESTMENTS**  
September 30, 1998 (cont'd)

NUMBER OF SHARES OR PAR VALUE	COST	MARKET VALUE
	(000's)	
<b>Metals &amp; Minerals (cont'd)</b>		
220,000	Labrador Iron Ore Royalty Income Fund	\$ 2,262 \$ 2,288
331,900	Luscar Coal Income Fund+	3,866 1,792
165,000	Noranda Inc.	4,200 3,572
466,000	Novicourt Inc.+	2,331 1,193
	<u>22,222</u>	<u>15,272</u>
<b>Oil &amp; Gas</b>		
100,000	Fracmaster Ltd.	2,464 450
90,000	Imperial Oil Limited	1,457 2,097
147,400	Morrison Middlefield Resources Limited	2,093 516
150,000	PanCanadian Petroleum Limited	2,161 3,262
200,000	Petro-Canada	3,153 3,830
150,000	Probe Exploration Inc.+	720 413
375,000	Prudential Steel Ltd.	1,547 2,700
200,000	Rio Alto Exploration Ltd.	980 3,320
150,000	Suncor Energy, Inc.	3,113 7,387
	<u>17,688</u>	<u>23,975</u>
<b>Pipelines</b>		
3,100	IPL Energy Inc.*	191 198
263,000	TransCanada PipeLines Limited+	6,603 5,852
	<u>6,794</u>	<u>6,050</u>
<b>Real Estate</b>		
65,200	Boardwalk Equities Inc.	1,110 1,004
255,700	Brookfield Properties Corporation	3,676 3,925
139,900	Centrefund Realty Corporation	1,779 2,022
	<u>6,565</u>	<u>6,951</u>
<b>Transportation &amp; Environment</b>		
400,000	Canadian Airlines Corporation	1,780 800
35,000	Canadian National Railway Company	1,655 2,406
150,000	Clarke Inc. instalment receipt	1,180 488
290,000	RaiLink Ltd. A	3,310 1,812
	<u>7,925</u>	<u>5,506</u>
<b>Utilities</b>		
140,000	BCE, Inc.	3,126 5,978
100,000	Canadian Utilities Limited A	2,342 4,190
90,000	Fortis, Inc.	4,074 3,285
257,900	Manitoba Telecom Services Inc.	3,852 4,604

**STATEMENT OF INVESTMENTS**  
September 30, 1998 (cont'd)

NUMBER OF SHARES OR PAR VALUE	COST	MARKET VALUE
	(000's)	
<b>Utilities (cont'd)</b>		
40,800	NewTel Enterprises Ltd.	\$ 838 \$ 1,183
100,000	Nova Scotia Power Inc.	1,519 1,675
28,200	QuebecTel Group Inc.*	463 427
75,000	Teleglobe Inc.*	2,909 2,989
100,000	Telesystem International Wireless Inc.	3,112 1,650
200,000	TransAlta Corporation	3,383 4,440
	<u>25,618</u>	<u>30,421</u>
<b>Preferred Shares</b>		
69,000	Gentra Inc. pfd. G	1,404 1,346
	<u>1,404</u>	<u>1,346</u>
<b>Total Investments</b>		
	<b>- September 30, 1998</b>	<u>\$209,384</u> <u>\$228,398</u>
<b>Total Investments</b>		
	<b>- September 30, 1997</b>	<u>\$204,483</u> <u>\$323,468</u>
Changes from June 30, 1998		
* New Holdings		
+ Increased Holdings		
<b>INVESTMENT PORTFOLIO</b> <b>TEN LARGEST INVESTMENTS</b> September 30, 1998		
Company	Market Value (000's)	% of Market Value of Total Investment Portfolio
CT Financial Services Inc.	\$ 8,662	3.8
Euro-Nevada Mining Corporation Limited	7,925	3.5
Suncor Energy, Inc.	7,387	3.2
A.L. Van Houtte Ltee.	6,812	3.0
BCE, Inc.	5,978	2.6
TransCanada PipeLines Limited	5,852	2.6
EdperBrascan Corporation A	5,232	2.3
Imax Corporation	5,188	2.3
Liquidation World Inc.	4,725	2.1
Manitoba Telecom Services Inc.	4,604	2.0
<b>Totals</b>	<u>\$62,365</u>	<u>27.4</u>

CANADIAN  
GENERAL  
INVESTMENTS,  
LIMITED

3

1998  
THIRD QUARTER  
REVIEW

REPORT TO SHAREHOLDERS

THE MARKET

In line with the turmoil in global markets, Canada's benchmark index, the TSE 300, has had its biggest quarterly decline in 16 years, with only golds and precious metals posting a positive return. The financial services sector led the correction of 23.8%, primarily on higher interest rates, capital market concerns and bank merger considerations.

While general uncertainty and slowing global economies reduced investors' appetite for most resource stocks, the 7.6% advance of golds was something of a break-out for one of the worst performing sectors, still down nearly 28% over 12 months. Only communications and media, and pipelines and utilities, mostly dividend related in the low interest rate environment, were in positive territory over the past 12 months.

PORTFOLIO

All TSE sectors continued to be represented in the Corporation's portfolio, keeping specific portfolio risk low. Historically better relative performers in market downturns, the utility and pipeline sector weightings were increased for quality and yield purposes. As financial services stocks appeared overpriced, the portfolio weighting of this sector was reduced to 17.5% from 23.7% at June 30, 1998. CGI's top holding, however, at 3.8% of the total portfolio, was CT Financial Services Inc., partly protected by its strong retail banking character and small share float.

Gold & precious metals were represented by Euro-Nevada, CGI's second largest investment, which together with the TrizecHahn debenture which is convertible into Barrick Gold, gives the Corporation exposure to two of the best quality gold stocks in the world. CGI's portfolio continues to be at variance with some TSE group weightings as the Manager endeavours to outperform. Specifically, CGI was higher in metals and minerals, merchandising, communications and media. The Manager moved from overweight to underweight in real estate stocks subsequent to quarter-end.

OPERATING RESULTS

CGI recorded a net loss of \$128,000 for the nine months to September 30, 1998 compared to net income of \$1,699,000 for the same period in 1997, or a net loss of \$0.01 per share compared to net income of \$0.10 per share. Total income for the nine-month period in 1998 increased 14.9% over the comparable 1997 period but a one-time \$2,165,000 payment in the first quarter, resulting from the interest portion of the issuer bid litigation, distorted year-over-year net income comparables. Net income for the first nine months of 1998 otherwise would have been 19.9% higher than in the same period for 1997.

NET ASSETS

The Corporation's net assets of \$239,730,000 at September 30, 1998 were down 22.0% from \$307,195,000 on December 31, 1997. Year-over-year, net assets showed a decrease of 27.5% from \$330,542,000 on September 30, 1997. Basic net asset value per share was \$13.53, compared to \$17.33 at year-end and \$18.65 a year ago. Fully diluted, NAV was \$12.92 compared to \$17.33 at September 30, 1997. Conclusion of the litigation referred to above resulted in an \$8.9 million one-time payment in the first quarter, approximately 3% of the portfolio at that time. CGI's market return, as measured by share price changes with dividends reinvested was -21.0% for the nine months and -11.2% for twelve months ending September 30, 1998. For the nine months and twelve months to September 30, 1998, the TSE 300 Composite Index was -16.2% and -20.3% respectively and the TSE 300 Total Return Index was -15.3% and -19.1% respectively. Market volatility in September contributed to an intra-month swing in the trading discount ranging from a small premium to a 12.1% discount at month-end. The average share discount for CGI over the nine month period to September 30 was 7.8%, low relative to North American or U.K. listed closed-end funds and trusts.

RECENT DEVELOPMENTS

On August 24, 1998 common shareholders authorized a class of preference shares issuable in series and on October 5, an offering of \$60 million, ten year 5.4% cumulative redeemable class A preference shares, series 1 was closed. This provides relatively low-cost leverage that should improve return to common shareholders given the long-term performance of CGI and the TSE. The preferred shares were given the P1 rating and are listed on the TSE (symbol: CGI.PR.A). Other benefits from the issue should be broader investor awareness of the Corporation and increased research coverage.

In order to continue to compensate the Manager for aggregate assets under management, as adjusted, the independent members of the Board of Directors approved an amendment to the management agreement, effective October 1, 1998. The amendment provides for the management fee to be computed as 1.0% of the market value of CGI's investments adjusted for cash, portfolio accounts receivable and portfolio accounts payable, instead of the previous computation which would have excluded the new assets.

*E. Louise Morgan*

E. Louise Morgan  
Chairman

*Michael A. Smedley*

Michael A. Smedley  
President

STATEMENT OF ASSETS AND LIABILITIES

(Unaudited)		
As at September 30,	1998	1997
	(000's)	
<b>ASSETS</b>		
Investments	\$228,398	\$323,468
Cash	965	2,067
Receivable on securities sold	1,729	5,478
Accrued interest, dividends and other	563	395
Income taxes recoverable	8,196	2,589
<b>Total Assets</b>	<b>239,851</b>	<b>333,997</b>
<b>LIABILITIES</b>		
Payable on securities purchased	-	3,301
Accounts payable and accrued liabilities	121	154
<b>Total Liabilities</b>	<b>121</b>	<b>3,455</b>
<b>Net Assets</b>	<b>\$239,730</b>	<b>\$330,542</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	\$ 84,481	\$ 54,966
Unrealized gain on investments	19,014	118,985
Retained earnings	136,235	156,591
	\$239,730	\$330,542

STATEMENT OF INCOME AND EXPENSES

(Unaudited)		
Nine months ended September 30,	1998	1997
	(000's)	
<b>INCOME</b>		
Dividends	\$ 3,480	\$ 2,860
Interest	414	542
Miscellaneous	39	21
<b>Total income</b>	<b>3,933</b>	<b>3,423</b>
<b>EXPENSES</b>		
Management fees	2,465	2,184
Interest related to litigation	2,165	-
Directors' fees	134	92
Miscellaneous	408	343
<b>Total expenses</b>	<b>5,172</b>	<b>2,619</b>
Income (loss) before income taxes	(1,239)	804
Income tax recovery	1,111	895
Net income (loss) for period	\$ (128)	\$ 1,699
<b>Net income (loss) per share - basic</b>	<b>\$ (0.01)</b>	<b>\$ 0.10</b>

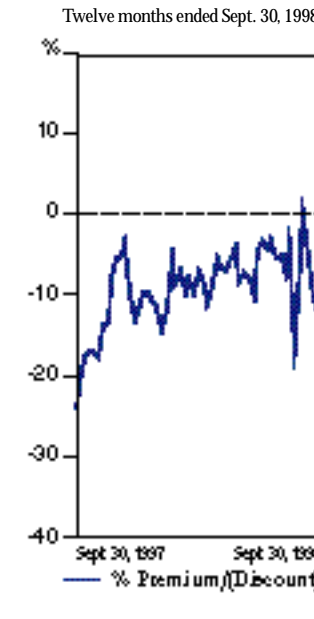
STATEMENT OF CHANGES IN NET ASSETS

(Unaudited)		
Nine months ended September 30,	1998	1997
	(000's)	
<b>Net assets, beginning of period</b>	<b>\$ 307,195</b>	<b>\$ 260,338</b>
Add (deduct):		
Net income (loss) for period	(128)	1,699
Realized gain on disposition of investments	12,326	20,525
Increase (decrease) in unrealized gain on investments	(69,672)	49,665
Cash dividends	(5,688)	(6,634)
Additional payment pursuant to issuer bid litigation	(6,725)	-
Income taxes recoverable on capital gains dividends	2,704	5,451
Net increase in refundable dividend tax on hand	(282)	(502)
Increase (decrease) in net assets	(67,465)	70,204
<b>Net assets, end of period</b>	<b>\$ 239,730</b>	<b>\$ 330,542</b>
<b>Net asset value per share - basic</b>	<b>\$ 13.53</b>	<b>\$ 18.65</b>
<b>- fully diluted</b>	<b>\$ 12.92</b>	<b>\$ 17.33</b>
<b>Common shares outstanding</b>	<b>17,723,889</b>	<b>17,723,889</b>
<b>Dividends per common share</b>		
Regular	\$ 0.150	\$ 0.150
Capital gains	\$ 0.475	\$ 1.075
	\$ 0.625	\$ 1.225

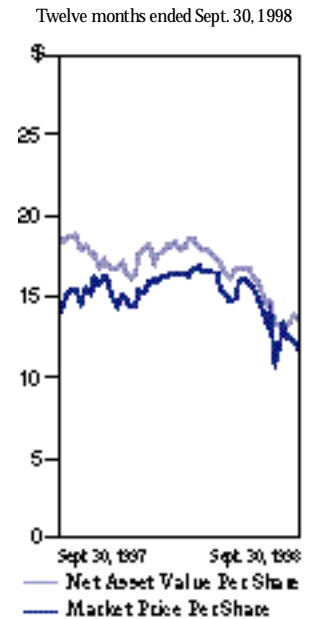
STATEMENT OF NET REALIZED GAIN ON INVESTMENTS

(Unaudited)		
Nine months ended September 30,	1998	1997
	(000's)	
Proceeds from disposition of investments	\$ 116,834	\$ 103,031
Investments at cost, beginning of period	202,700	188,975
Investments purchased during the period	105,247	88,709
Investments at cost, end of period	(209,384)	(204,483)
Cost of investments disposed of during the period	98,563	73,201
Realized gain on disposition of investments before income taxes	18,271	29,830
Income taxes on realized net taxable capital gains	5,945	9,305
Realized gain on disposition of investments	12,326	20,525
Capital gains dividends paid	(8,287)	(16,707)
Income taxes recoverable on capital gains dividends paid	2,704	5,451
<b>Net realized gain on investments</b>	<b>\$ 6,743</b>	<b>\$ 9,269</b>

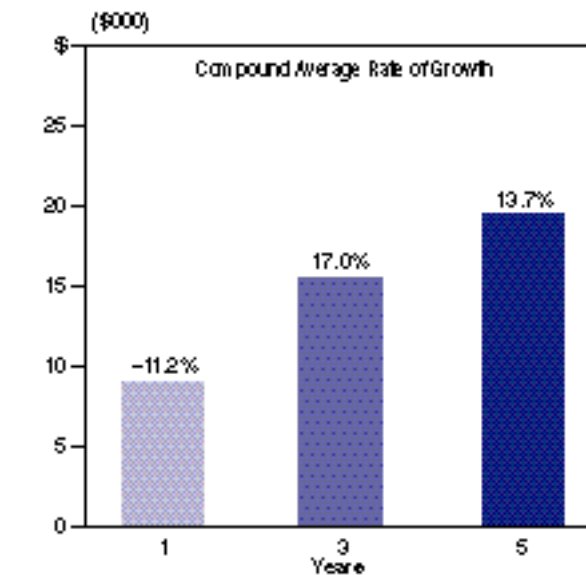
PREMIUM/(DISCOUNT) GRAPH



COMPARISON OF MARKET PRICE TO NET ASSET VALUE



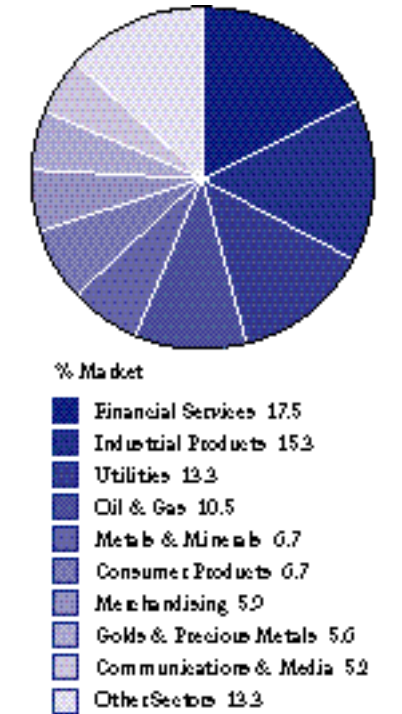
GROWTH OF A \$10,000 INVESTMENT\* For 1, 3 and 5 years to September 30, 1998



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

WEIGHTING OF PORTFOLIO INVESTMENTS SECTOR ANALYSIS

September 30, 1998



WEIGHTING OF PORTFOLIO INVESTMENTS MARKET CAPITALIZATION ANALYSIS

September 30, 1998

