



THD

Third Canadian General  
Investment Trust Limited

**Canadian and**  
*International*  
**Fund of Funds**

2

SECOND QUARTER REPORT

June 30, 2001

## Letter to the Shareholders

Third Canadian's net asset value per share, with distributions reinvested, increased by 3.2% during the second quarter of 2001, surpassing the TSE 300 Total Return Index which rose 2.1% for the same period. The out-performance was due to increases in market value of both its principal and non-principal assets.



Relatively stable asset performance through the period under review probably accounted for the increasing trend in the market price of Third's shares and the narrowing of the discount to net asset value at which the shares trade to 21.5% at quarter end. Performance of closed-end funds is usually the biggest contributor to discount variations. Some investors buy Third because of a so-called "double discount", which is impacted largely by Third's investment in **Canadian General Investments Limited** (CGI), representing 70.1% of Third's portfolio at quarter-end.

Third's portfolio contains almost 50 actively managed securities. About one-half are Canadian-listed. Most of the remaining securities are U.K. and U.S.-listed, and are primarily high yielding securities, many with growth characteristics. This high-income policy provided a desirable portfolio market yield of 7.7% (annualized) at June 30.

### Recent Portfolio Events

During the quarter, we switched from Alberta Energy Company Limited to another senior oil and gas producer, **PanCanadian Petroleum Limited**. PanCanadian should become a high yielding security this year on payment of an approximate \$4.50 special dividend if and when Canadian Pacific Limited spins out the control block. With control in the marketplace and independence of management, it is likely that PanCanadian, the largest landowner in

Canada's energy regions, will add more growth to the portfolio. Canadian oil and gas income trusts fell on news of rising inventories and weakening commodity prices. This might prove to be a short-term event on the North American energy scene.

Small cap **Novicourt Inc.**, one of the few pure copper plays left in the Canadian market, was bought for its extremely high dividend payout and for its acquisition and expansion potentials.

ACS Freezers Income Trust (now known as **Atlas Cold Storage Income Trust**), a well-managed cold storage and transportation player in North America currently yielding 10%, was purchased during the quarter. A position was also added in **Viceroy Homes Limited**, a Canadian small capitalization company with a strong dividend history and an expanding presence in Japan for its timber built homes.

In addition to its large principal asset holdings, CGI and **Canadian World Fund Limited**, Third has interests in international funds which distribute regular income and/or significant capital gains dividends at year-end. The portfolio also holds several London-based asset managers and funds, some of which are held primarily for growth.

An interesting holding is **London Stock Exchange PLC** (LSE) which should become a fully listed company during July without issuing new stock. Its shares, which will split 10 for 1, are mostly held by LSE member firms.

We believe Third Canadian is set to benefit from progress in Canadian and world markets and should continue to benefit its shareholders with a stable or growing stock price and a reliable income stream.

A handwritten signature in black ink that reads "E. Louise Morgan". The signature is written in a cursive, flowing style.

E. Louise Morgan, Chairman

## Management's Discussion and Analysis

Third Canadian's market price closed the quarter at \$15.00, up 13.6% from the end of the first quarter. The discount at June 30 was 21.5%, a considerable decrease from the 28.2% level at the end of the first quarter.

Third Canadian's portfolio performance was positively impacted by the increase in market value of both its principal and non-principal assets in the current quarter. The principal assets, the shares and warrants of Canadian General Investments, Limited (CGI) and shares of Canadian World Fund Limited (CWF), increased in market value in the current quarter by 2.6%, while non-principal assets appreciated 6.8%.

### Operations

For the six-months to June 30, 2001, total investment income increased significantly by 20.8% to \$1,891,000 from \$1,565,000 for the same period in 2000, reflecting the Company's high yield focus for the non-principal assets. The income growth can largely be attributed to an increase in interest and other income relating to Third Canadian's investments in listed income trusts, a segment of the Company's portfolio for a number of years. The trusts operate in a wide range of businesses and have tended to be accretive rather than depletive, thereby building operations and acquiring assets.

Expenses for the six-month period ended June 30, 2001 increased moderately by 4.2% to \$852,000, largely a result of higher interest costs on the \$15,000,000 borrowing employed for leverage purposes. However, the Company should benefit in the current year from lower interest costs with lower Canadian rates.

On June 15, 2001, the Company paid a quarterly dividend of \$0.075 per share, the same amount as in the corresponding quarter of 2000. Aggregate dividend payments for both this year and last year were \$0.15 per share.

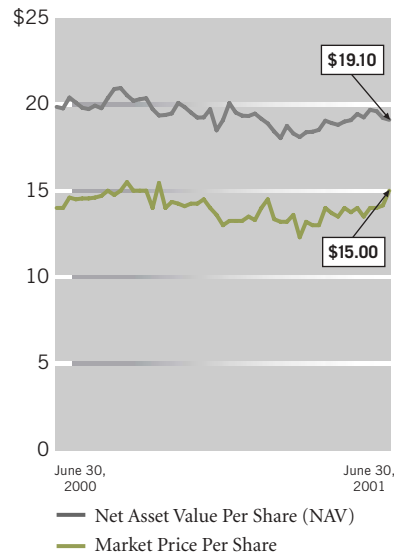
### Net Assets

For the three months ended June 30, 2001, net asset value per share, with distributions reinvested increased by 3.2%. This is considerably better than the TSE 300 Total Return Index, which increased 2.1% over the same period.

However, net assets posted a decline of 7.4% from year-end 2000 despite the current quarter increase. This decline can be mostly attributed to the aggregate 10.0% drop in market value of the Company's principal assets.

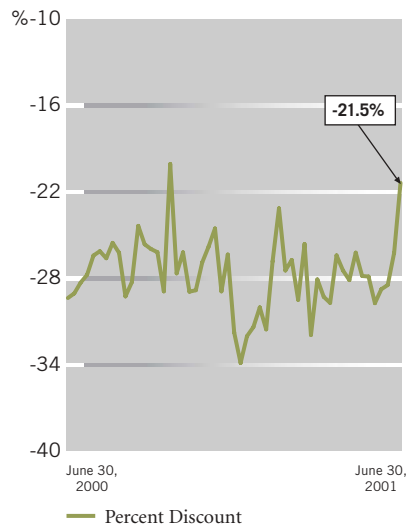
### COMPARISON OF MARKET PRICE TO NAV

Twelve months ended June 30, 2001



### DISCOUNT TO NAV

Twelve months ended June 30, 2001



Net realized gain on investments for the second quarter was \$232,000, compared to a net realized loss of \$448,000 in the second quarter of 2000. Increases in market prices in the current quarter led to an increase in unrealized appreciation of investments of \$2,070,000, after deducting a \$475,000 increase in the Company's future income tax commitment. Comparatively, the second quarter of 2000 showed a decline of \$9,226,000 in unrealized appreciation of investments, including a \$3,906,000 decrease in the Company's future income tax commitment.

### Discounts

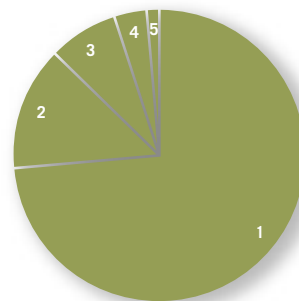
As CGI and CWF also trade at a discount (at June 30, 2001 32.9% and 31.5% respectively), Third Canadian therefore effectively trades at a "double discount" since the portfolio value of investments reflects the market prices of these principal assets and not their respective net asset values. Due to the increase in Third's market price, the "double discount" narrowed from 46.8% at the end of the first quarter to 41.6% at the end of the second quarter.

CGI, a well-diversified Canadian equity fund is a key component in the double discount calculation and in future portfolio gains. It represents in excess of 70% of Third's portfolio assets at quarter-end. CGI is well-represented across many sectors in the Canadian marketplace. Its top five sectors and top five holdings as of June 30, 2001 were as follows:

<b>Canadian General Investments, Limited</b>			
<b>Top 5 Sectors</b>	<b>% at market</b>	<b>Top 5 Holdings</b>	<b>% at market</b>
Financial Services	17.3	Inco Limited	4.4
Oil & Gas	16.0	Royal Bank of Canada	4.1
Communications & Media	11.3	Bombardier Inc.	3.4
Industrial Products	10.2	Canadian Pacific Limited	3.0
Metals & Minerals	8.2	Corby Distilleries Limited	2.7
	<u>63.0</u>		<u>17.6</u>

### WEIGHTING OF PORTFOLIO INVESTMENTS AT MARKET

June 30, 2001



1	Principal Assets	73.6%
2	Canadian-Listed	13.7%
3	U.K.-Listed	7.7%
4	U.S.-Listed	3.6%
5	Other	1.4%

### INVESTMENT PORTFOLIO TEN LARGEST INVESTMENTS

June 30, 2001

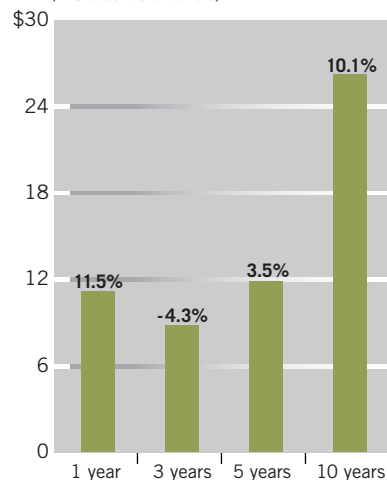
<b>Company</b>	<b>Market Value (000's)</b>	<b>% at Market</b>
Canadian General Investments, Limited	\$75,996	70.1
Canadian World Fund Limited	3,809	3.5
Asset Management Investment Company PLC	2,975	2.8
Sheritt International Corporation	2,004	1.8
Rothmans Inc.	1,200	1.1
London Stock Exchange PLC	1,158	1.1
Danier Leather Inc.	1,089	1.0
Viking Energy Royalty Trust	959	0.9
Shiningbank Energy Income Fund	903	0.8
Collins Stewart Holdings PLC	850	0.8
<b>Totals</b>	<b>\$90,943</b>	<b>83.9</b>

## Outlook

We expect uncertainty to continue in the global marketplace for at least the remainder of the year. However, Third Canadian's record year-to-date and positioning for high income and growth should allow it to maintain the quality of its performance.

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

For 1, 3, 5 and 10 years  
to June 30, 2001  
(in thousands of dollars)



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

## Consolidated Statements of Net Assets

(Unaudited) (in thousands of dollars, except per share amounts)	June 30, 2001	December 31, 2000	June 30, 2000
<b>Assets</b>			
Investments	\$ 108,421	\$ 113,565	\$ 122,577
Cash	2,302	9,403	97
Receivable on securities sold	–	–	667
Accrued interest and dividends	269	235	181
Income taxes recoverable	1,504	–	1,771
	<b>112,496</b>	<b>123,203</b>	<b>125,293</b>
<b>Liabilities</b>			
Bank indebtedness	14,978	14,919	14,968
Payable on securities purchased	1,170	568	606
Accounts payable and accrued liabilities	60	60	33
Income taxes payable	–	2,267	–
	<b>16,208</b>	<b>17,814</b>	<b>15,607</b>
Future income taxes on unrealized net capital gains	4,519	6,333	14,269
	<b>20,727</b>	<b>24,147</b>	<b>29,876</b>
<b>Net Assets</b>	<b>\$ 91,769</b>	<b>\$ 99,056</b>	<b>\$ 95,417</b>
<b>Shareholders' Equity</b>			
Capital stock	\$ 6,504	\$ 6,504	\$ 6,504
Contributed surplus	2,681	2,681	2,681
Unrealized gain on investments	48,792	56,856	54,964
Retained earnings	33,792	33,015	31,268
	<b>\$ 91,769</b>	<b>\$ 99,056</b>	<b>\$ 95,417</b>
<b>Number of shares outstanding</b>	<b>4,805,910</b>	<b>4,805,910</b>	<b>4,805,910</b>
<b>Net asset value per share</b>	<b>\$ 19.10</b>	<b>\$ 20.61</b>	<b>\$ 19.85</b>

## Note to Consolidated Financial Statements

The accompanying consolidated financial statements should be read in conjunction with the notes to the company's audited financial statements for the year ended December 31, 2000. These interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements.

## Consolidated Statements of Operations

(Unaudited)

(in thousands of dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
<b>Investment income</b>				
Dividends	\$ 667	\$ 735	\$ 1,419	\$ 1,444
Interest and other	298	29	472	121
	965	764	1,891	1,565
<b>Expenses</b>				
Management fees	123	143	261	280
Interest expense	249	233	492	452
Directors' fees	10	8	17	17
Other	49	27	82	69
	431	411	852	818
<b>Investment income before income taxes</b>	534	353	1,039	747
<b>Income tax recovery</b>	(23)	(102)	(119)	(148)
<b>Net investment income</b>	557	455	1,158	895
<b>Realized and unrealized gain (loss) on investments</b>				
Net realized gain (loss) on investments	232	(448)	340	(756)
Change in unrealized appreciation of investments	2,070	(9,226)	(8,064)	(2,783)
<b>Net gain (loss) on investments</b>	2,302	(9,674)	(7,724)	(3,539)
<b>Increase (decrease) in net assets resulting from operations</b>	\$ 2,859	\$ (9,219)	\$ (6,566)	\$ (2,644)

## Consolidated Statements of Retained Earnings

(Unaudited)

(in thousands of dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
<b>Retained earnings - Beginning of period</b>	\$ 33,364	\$ 31,622	\$ 33,015	\$ 31,850
Net investment income for the period	557	455	1,158	895
Net realized gain (loss) on investments	232	(448)	340	(756)
Dividends	(361)	(361)	(721)	(721)
<b>Retained earnings – End of period</b>	\$ 33,792	\$ 31,268	\$ 33,792	\$ 31,268

## Consolidated Statements of Changes in Net Assets

(Unaudited)

(in thousands of dollars, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
<b>Increase (decrease) in net assets resulting from operations</b>	\$ 2,859	\$ (9,219)	\$ (6,566)	\$ (2,644)
<b>Distributions to shareholders from net investment income</b>	(361)	(361)	(721)	(721)
<b>Increase (decrease) in net assets</b>	<b>2,498</b>	<b>(9,580)</b>	<b>(7,287)</b>	<b>(3,365)</b>
<b>Net assets - Beginning of period</b>	<b>89,271</b>	<b>104,997</b>	<b>99,056</b>	<b>98,782</b>
<b>Net assets - End of period</b>	<b>\$ 91,769</b>	<b>\$ 95,417</b>	<b>\$ 91,769</b>	<b>\$ 95,417</b>
<b>Dividends per share</b>	<b>\$ 0.075</b>	<b>\$ 0.075</b>	<b>\$ 0.150</b>	<b>\$ 0.150</b>

## Consolidated Statements of Net Gain (Loss) on Investments

(Unaudited)

(in thousands of dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
Proceeds from disposition of investments	\$ 3,200	\$ 2,163	\$ 5,415	\$ 6,117
Investments at cost, beginning of period	53,812	53,016	50,376	54,003
Investments purchased during the period	4,204	3,123	9,718	6,560
Investments at cost, end of period	(55,110)	(53,344)	(55,110)	(53,344)
<b>Cost of investments disposed of during the period</b>	<b>2,906</b>	<b>2,795</b>	<b>4,984</b>	<b>7,219</b>
<b>Realized gain (loss) on disposition of investments</b>				
<b>before income taxes</b>	<b>294</b>	<b>(632)</b>	<b>431</b>	<b>(1,102)</b>
Income taxes on realized net taxable capital gains (recovery on allowable capital losses)	62	(184)	91	(346)
<b>Net realized gain (loss) on investments</b>	<b>232</b>	<b>(448)</b>	<b>340</b>	<b>(756)</b>
Change in unrealized appreciation of investments	2,070	(9,226)	(8,064)	(2,783)
<b>Net gain (loss) on investments</b>	<b>\$ 2,302</b>	<b>\$ (9,674)</b>	<b>\$ (7,724)</b>	<b>\$ (3,539)</b>

# Consolidated Statement of Investments

June 30, 2001

NUMBER OF SHARES OR PAR VALUE		MARKET	
		COST	VALUE
<i>(in thousands of dollars)</i>			
<b>PRINCIPAL ASSETS</b>			
7,629,811	Canadian General Investments, Limited	20,969	69,050
1,526,578	Canadian General Investments, Limited wts	—	6,946
1,120,211	Canadian World Fund Limited	5,601	3,809
		<u>26,570</u>	<u>79,805</u>
<b>CANADIAN-LISTED</b>			
50,000	ACS Freezers Income Trust*	499	485
17,200	Aliant Inc.	568	591
70,000	ARC Energy Trust	645	809
33,600	Centrefund Realty Corporation	519	329
14,400	Corby Distilleries Ltd. B	484	792
90,000	Danier Leather Inc.	972	1,089
25,950	Enerplus Resources Fund*	552	729
100,000	Gulf Canada Resources Limited pfd. series A	441	424
9,800	Inco Limited pfd. series E*	675	656
50,000	Legacy Hotels Real Estate Investment Trust	409	435
237,800	Novicourt Inc.*	562	478
10,000	PanCanadian Petroleum Limited*	461	465
60,000	PrimeWest Energy Trust*	548	531
50,000	Rothmans Inc.	1,052	1,200
10,000	Royal Bank of Canada	503	486
400,000	Sherritt International Corporation	1,810	2,004
60,200	Shiningbank Energy Income Fund	216	903
30,000	TimberWest Forest Corp.	331	366
20,000	TransAlta Corporation*	515	533
119,700	Viceroy Homes Limited A*	656	634
120,000	Viking Energy Royalty Trust	509	959
		<u>12,927</u>	<u>14,898</u>
<b>U.K.-LISTED</b>			
42,000	Aberdeen Asset Management PLC	556	462
800,000	Asset Management Investment Company PLC	3,262	2,975
100,000	Baring Emerging Europe Trust PLC	137	288
120,000	Collins Stewart Holdings PLC	921	850
30,000	Edinburgh Fund Managers Group PLC	402	388

NUMBER OF SHARES OR PAR VALUE		MARKET	
		COST	VALUE
<i>(in thousands of dollars)</i>			
<b>U.K.-LISTED (continued)</b>			
130,000	Finsbury Life Sciences Investment Trust PLC	237	414
1,875	The Lindsell Train Investment Trust PLC+	440	477
15,153	London Stock Exchange PLC	878	1,158
125,000	Premier Asset Management PLC	536	441
111,000	Singer & Friedlander Group PLC	680	618
100,000	Undervalued Assets Trust PLC	446	309
		<u>8,495</u>	<u>8,380</u>
<b>U.S.-LISTED</b>			
200	Berkshire Hathaway Inc. B	658	697
6,500	Broadband HOLDERS Trust	645	209
20,000	The European Warrant Fund, Inc.	563	188
20,000	The Gabelli Global Multimedia Trust Inc.	513	318
10,000	General American Investors Company, Inc.	508	572
10,000	Massey Energy Company	285	300
42,100	Morgan Stanley Dean Witter Emerging Markets Debt Fund, Inc.	467	477
6,000	Semiconductor HOLDERS Trust	622	439
40,000	Templeton Emerging Markets Income Fund, Inc.	673	666
		<u>4,934</u>	<u>3,866</u>
<b>OTHER</b>			
28,000	The China Heartland Fund Ltd.	444	500
13,000	Fleming Russia Securities Fund Ltd.	326	237
20,000	The India I.T. Fund Limited	829	341
31,000	The Taiwan Opportunities Fund Ltd.	585	394
		<u>2,184</u>	<u>1,472</u>
<b>TOTAL INVESTMENTS</b>			
	– June 30, 2001	<u>\$ 55,110</u>	<u>\$108,421</u>
	– December 31, 2000	<u>\$ 50,376</u>	<u>\$113,565</u>
	– June 30, 2000	<u>\$ 53,344</u>	<u>\$122,577</u>
Changes from March 31, 2001			
* New Holdings			
+ Increased Holdings			

## Corporate Information – Third Canadian General Investment Trust Limited

### Office of the Company

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1-866-443-6097

*Fax:* (416) 366-2729

*e-mail:* thdfund@mmainvestments.com

*website:* www.mmainvestments.com

### Stock Exchange Listings

The Toronto Stock Exchange  
Trading Symbol: THD

*The Company is a member of the Closed-End Fund Association ('CEFA') in North America.*

### Registrar and Transfer Agent

Computershare Trust Company of Canada  
100 University Avenue, 11th Floor  
Toronto, Ontario, Canada M5J 2Y1

*Telephone:* (416) 981-9633  
1-800-663-9097

*Fax:* (416) 981-9507

*e-mail:* mmamail@computershare.com

To change your address, eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare at the above address.

### Publication

The Company calculates and releases its net asset value per share (NAV) on a daily basis. NAV and market price information are published in the financial press in Canada on a daily basis and at the weekend in the United States.

The Company posts ongoing top 10 portfolio holdings (priced at market), together with current discount and market return information on its website. Similar information is available directly from the Company upon request.

### Stock Data – Common Shares

#### June 30, 2001

Price	\$15.00
Net Asset Value	\$19.10
Discount	21.5%