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Third Canadian General  
Investment Trust Limited

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Investment Managers

GROWTH AND INCOME

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SECOND QUARTER REPORT - June 30, 2004

# Report to Shareholders

Third Canadian continues to outperform its benchmark, the S&P/TSX Composite Total Return Index (S&P/TSX) in 2004, although more moderately relative to the spectacular results achieved in 2003. Year-to-date at June 30, 2004, net asset value per share (NAV) return with dividends reinvested was 7.0%, compared to the 4.8% rise of the S&P/TSX. Third Canadian's market return with dividends reinvested was 7.2%, in line with the NAV return. On an even more impressive note, Third Canadian's market return with dividends reinvested for the twelve months ended June 30 was 47.0%, resulting in the shares being ranked as No.3 in market price improvement according to Bloomberg data covering a universe of 53 Canadian closed-end funds.

Strong performance numbers were posted for the fund during an impressive and steady market advance over the one-year period beginning March 2003. The rally produced an optimistic beginning to the year, but market momentum was lost early in the second quarter and replaced with volatility as well as choppy trading patterns emerging across all sector groups. Interest sensitive categories have been under the most pressure while the energy group has benefited from strong commodity pricing. Capital returns have been more difficult to achieve, evidenced by the flat performance of the S&P/TSX in the second quarter. As a result of this pause in the markets, return expectations have been



Jonathan A. Morgan, President; Vanessa L. Morgan, Chairman; Michael A. Smedley, Chief Portfolio Officer of the Manager

temporarily reduced, but we remain confident that the fund can build on its returns experienced to date and will continue to outperform.

## Principal Assets

Canadian General Investments, Limited (CGI), the key principal asset and major influence on portfolio results, remained at over 70% of the total investment portfolio at quarter-end. CGI had a good start to 2004, but its returns have been muted as second quarter markets proved difficult. Year-to-date to June 30, 2004, CGI posted respectable NAV and market returns of 5.4% and 4.3%, respectively,

### Top Ten Investments at Market\* – June 30, 2004

*(Portfolio details on page 9)*

	%		%
Canadian General Investments, Limited	71.5	Cedara Software Corp.	0.9
Canadian World Fund Limited	2.5	Home Capital Group Inc.	0.9
AltaGas Income Trust	1.3	Russel Metals Inc.	0.8
Sierra Wireless, Inc.	1.2	Connors Bros. Income Fund	0.8
United Natural Foods, Inc.	0.9	Enerplus Resources Fund	0.8
		<b>Total</b>	<b>81.6</b>

\* Excludes cash and non-convertible preference shares.

### Weighting of Portfolio Investments at Market – June 30, 2004

	%
Principal Assets	74.0
Canadian-Listed	22.0
U.S.-Listed	3.4
U.K.-Listed	0.6

compared to the benchmark S&P/TSX return of 4.8%. CGI's second quarter NAV and market returns were -2.7% and -6.1%, respectively, compared with 0.0% for the benchmark.

The principal assets have been and will continue to be a significant segment of Third Canadian's portfolio. These positions have been established for the long term and, as such, performance relative to the long term is appropriate. In this regard, CGI's one-year NAV and market returns were 37.7% and 44.2%, outperforming the S&P/TSX return of 24.5%. This outperformance contributed to Third Canadian's impressive one-year NAV and market returns of 41.7% and 47.0%, respectively.

### Non-Principal Assets

The non-principal assets have performed very well year-to-date, increasing in market value by 16.4%, outperforming both principal assets and the S&P/TSX. Year-over-year, the market value increase has been a substantial 36.0%.

The non-principal assets, which represented 26% of the investment portfolio at June 30, 2004, add diversification for a portfolio otherwise dominated by its major investment. The investments have been selected individually in a manner consistent with the Manager's bottom-up strategy, but also reflect the fund's objective of providing above-average returns comprised of a blend of income and growth. As a consequence, the non-principal asset group is a mix of income products dominated by income trusts and investments selected primarily for growth potential.

The income trusts represented nearly half of the total group, a weighting that has not changed much in the last two and a half years. The trusts have made a large contribution to Third Canadian's returns with strong capital appreciation augmenting their relatively high yields. Speculation for most of the year has been that rates, some of which represented 40-year lows, would rise as it became apparent that an economic recovery was sustainable. This has pushed the 10-year Canadian bond yield, a relative benchmark used by many of the sector participants, higher and has pressured income trust valuations. We believe that certain trust sectors (i.e. pipelines, real estate, power generation) have a greater sensitivity to general interest trends and we will favour investments in trusts that can increase their cash distributions.

### Outlook

Due to volatile market conditions, we remain patient, looking for unique opportunities as they present themselves in the market. As for non-trust investments, the Manager continues to seek opportunities that will enhance returns with a bias to provide capital growth. Strategies in the non-trust area of the portfolio may include establishing new positions, trading around established positions with a view to capture volatility returns, leverage and asset allocation.

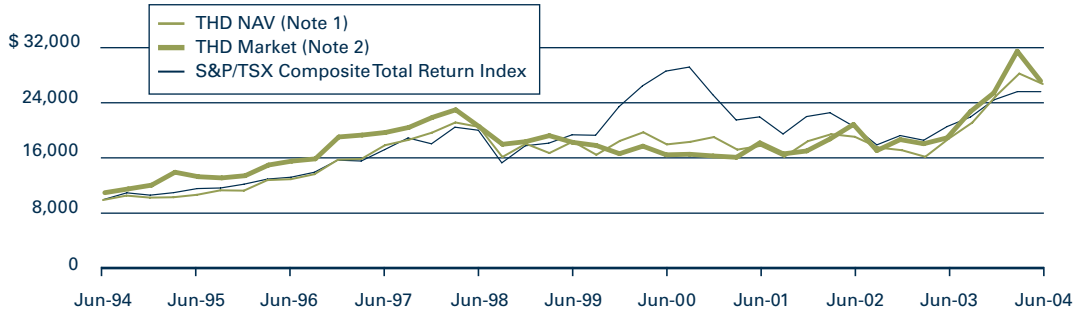


Vanessa L. Morgan,  
*Chairman*



Jonathan A. Morgan,  
*President*

**Growth of a \$10,000 Investment – to June 30, 2004**



Note 1: Assuming the reinvestment of dividends at month-end closing NAV.

Note 2: Assuming the reinvestment of dividends at month-end closing market prices.

# Management's Discussion and Analysis

On a year-to-date basis, Third Canadian's net asset value per share (NAV) return with dividends reinvested was 7.0%, outperforming the 4.8% return of the benchmark S&P/TSX Composite Total Return Index (S&P/TSX). In relatively volatile capital market conditions experienced during the second quarter, Third Canadian's NAV return with dividends reinvested was -5.3%, compared to 0.0% for the benchmark, partially a reflection of the 6.5% decline in the market price of the common shares of Third Canadian's key principal asset, Canadian General Investments, Limited (CGI).

## Financial review

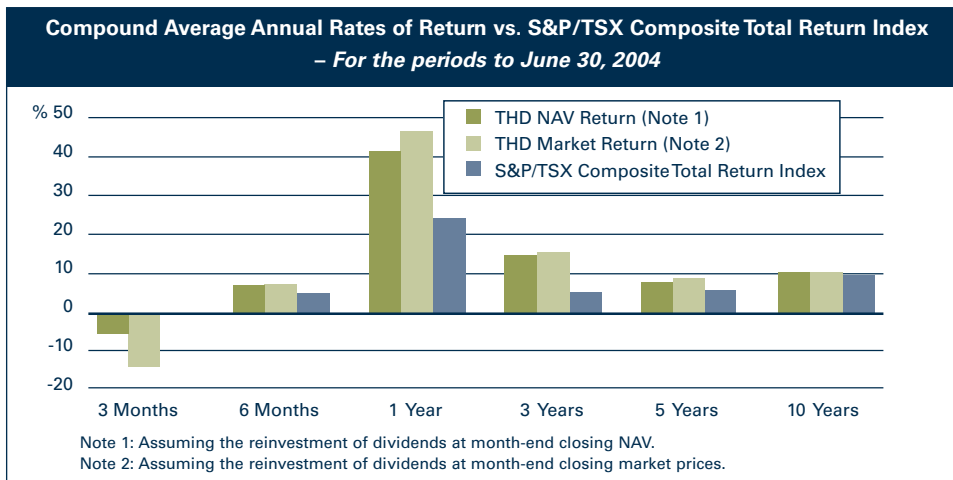
At June 30, 2004, net assets were \$129,445,000, down 5.5% from the end of the first quarter of 2004 but up 6.4% and 38.7% from year-end 2003 and June 30, 2003, respectively. The year-to-date increase was largely attributable to market appreciation of 16.4% in the non-principal asset segment of the portfolio. Third Canadian also benefited from a significant uplift year-over-year, in the combined market value of the shares and warrants of CGI, which represented over 70% of Third Canadian's portfolio at quarter-end.

For the first six months of 2004, Third Canadian had net investment income of \$1,278,000, a 2.5% decrease over the \$1,311,000 recorded for the first half of 2003. Net investment income for the second quarter of 2004 was \$570,000, a decrease of 9.8% from the comparative 2003 quarter.

For the three and six-month periods ended June 30, 2004, total investment income, comprised of dividends, interest and other income, decreased by 3.7% and 8.3% from the corresponding periods in 2003. Dividends earned from CGI continue to be the mainstay of this income category. At \$916,000 in both periods, these dividends represented 72.8% and 63.1% of total dividend income for the first half of 2004 and 2003, respectively. In the first six months of both 2004 and 2003, approximately 90% of interest and other income related to Canadian income trust distributions. The income trust holdings represented just under one-half of the non-principal portfolio segment at June 30, 2004, a weighting that has not changed significantly over the last two and half years.

Total expenses for the current quarter and year-to-date periods increased by 12.0% and 10.5%, respectively, primarily a result of higher management fees, driven by the increase in portfolio assets. Interest on bank borrowings used for leverage continued to fall due to historically low rates, resulting in decreases of 16.4% and 11.6% for the current quarter and year-to-date periods. Borrowings were \$15 million in all periods.

The net gain on investments for the first half of 2004 and 2003 was \$6,853,000 and \$7,148,000, respectively. These figures were largely impacted by the increases in unrealized appreciation of investments of \$7,694,000 and \$7,412,000



in the first six months of 2004 and 2003, respectively. However, the 2004 year-to-date figure was negatively affected by the second quarter decline of \$8,415,000 in the unrealized gain on investments.

During the first half of both 2004 and 2003, Third Canadian paid two regular quarterly dividends of \$0.075 per share to its shareholders.

### Principal assets

CGI is an actively managed Canadian closed-end equity fund with well-diversified holdings. For the six months ended June 30, 2004, CGI's diluted NAV and market return, both including the reinvestment of dividends, were 5.4% and 4.3%, respectively.

CGI's top five S&P/TSX sectors and investments (excluding cash, short-term investments and non-convertible preference shares) as at June 30, 2004 were as follows:

Canadian General Investments, Limited			
<i>Top 5 Sectors</i>	<i>% at market</i>	<i>Top 5 Investments</i>	<i>% at market</i>
Financials	23.9	Cameco Corporation	1.8
Energy	19.4	Corby Distilleries Limited	1.7
Materials	16.0	Bank of Montreal	1.7
Consumer Discretionary	8.8	Canadian Natural Resources Limited	1.6
Utilities	6.4	TransCanada Corporation	1.6
	<u>74.5</u>		<u>8.4</u>

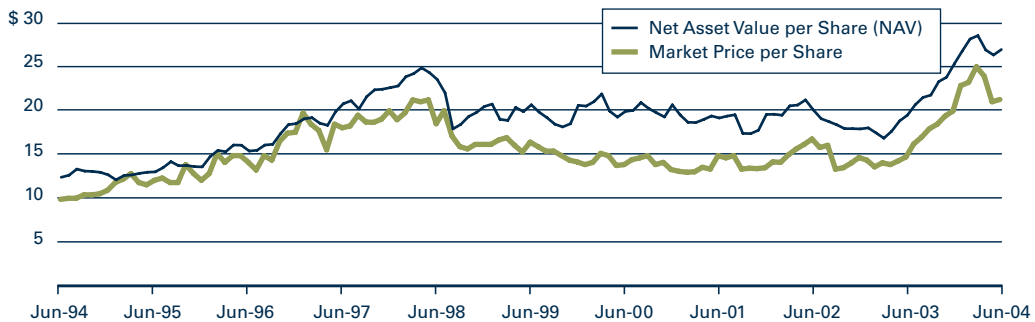
Information concerning CGI, including its quarterly report, is available via email ([cgifund@mmainvestments.com](mailto:cgifund@mmainvestments.com)) or toll-free at 1-866-443-6097.

Canadian World Fund Limited (CWF), established in 1994, is a global equities fund that constituted 2.5% of Third Canadian's portfolio at June 30, 2004. For the six months ended June 30, 2004, CWF's net asset value per share appreciated by 4.6%, while its share price retreated 2.8%, compared to the 6.1% advance of the benchmark Morgan Stanley All-Country World Free Index.

### Prospects

We expect that financial markets will continue to reflect continued volatility for the balance of 2004. Nevertheless, Third Canadian's strong income focus has enabled it to generally outperform in adverse markets. Through its principal asset holdings and the mainly income related other assets, Third Canadian will continue to offer investors one of the most diversified portfolios among closed-end funds in Canada.

Comparison of Market Price to NAV – June 30, 1994 to June 30, 2004



# Consolidated Statements of Net Assets

	As at June 30, 2004 <i>(Unaudited)</i>	As at December 31, 2003 <i>(Audited)</i>	As at June 30, 2003 <i>(Unaudited)</i>
<i>(In thousands of dollars, except per share amounts)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	\$	\$	\$
<b>Assets</b>			
Investments	155,025	145,813	111,334
Cash	1,137	2,166	561
Receivable on securities sold	70	–	–
Accrued interest and dividends	177	219	213
Income taxes recoverable	471	–	–
	<b>156,880</b>	<b>148,198</b>	<b>112,108</b>
<b>Liabilities</b>			
Bank indebtedness	14,929	14,943	14,822
Accounts payable and accrued liabilities	65	79	48
Income taxes payable	–	820	81
	<b>14,994</b>	<b>15,842</b>	<b>14,951</b>
Future income taxes on unrealized net capital gains	12,441	10,745	3,804
	<b>27,435</b>	<b>26,587</b>	<b>18,755</b>
<b>Net Assets</b>	<b>129,445</b>	<b>121,611</b>	<b>93,353</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	84,746	77,052	50,031
Retained earnings	35,514	35,374	34,137
	<b>129,445</b>	<b>121,611</b>	<b>93,353</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>26.93</b>	<b>25.30</b>	<b>19.42</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, 2003. These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements.

# Consolidated Statements of Operations

<i>(Unaudited)</i> <i>(In thousands of dollars, except per share amounts)</i>	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<b>June 30, 2004</b>	June 30, 2003	<b>June 30, 2004</b>	June 30, 2003
	\$	\$	\$	\$
<b>Investment income</b>				
Dividends	606	666	1,258	1,451
Interest and other	342	318	630	609
	948	984	1,888	2,060
<b>Expenses</b>				
Management fees	180	114	338	235
Interest	143	171	291	329
Directors' fees	11	10	25	21
Investor relations	17	14	22	18
Other	21	23	62	65
	372	332	738	668
<b>Investment income before income taxes</b>	576	652	1,150	1,392
<b>Income tax recovery (provision)</b>	(6)	(20)	128	(81)
<b>Net investment income</b>	570	632	1,278	1,311
<b>Realized and unrealized gain (loss) on investments</b>				
Net realized gain (loss) on investments	93	(9)	(841)	(264)
Change in unrealized appreciation of investments	(8,415)	12,473	7,694	7,412
<b>Net gain (loss) on investments</b>	(8,322)	12,464	6,853	7,148
<b>Increase (decrease) in net assets resulting from operations</b>	(7,752)	13,096	8,131	8,459
<b>Increase (decrease) in net assets resulting from operations per share</b>	(1.61)	2.72	1.69	1.76

## Consolidated Statements of Retained Earnings

<i>(Unaudited)</i> <i>(In thousands of dollars, except per share amounts)</i>	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<b>June 30, 2004</b>	June 30, 2003	<b>June 30, 2004</b>	June 30, 2003
	\$	\$	\$	\$
<b>Retained earnings – Beginning of period</b>	<b>34,705</b>	33,951	<b>35,374</b>	33,964
Net investment income for the period	570	632	1,278	1,311
Net realized gain (loss) on investments	93	(9)	(841)	(264)
Dividends	(361)	(361)	(721)	(721)
Recovery of (provision for) refundable dividend tax on hand	507	(76)	424	(153)
<b>Retained earnings – End of period</b>	<b>35,514</b>	34,137	<b>35,514</b>	34,137
<b>Dividends per share</b>	<b>0.075</b>	0.075	<b>0.150</b>	0.150

## Consolidated Statements of Changes in Net Assets

<i>(Unaudited)</i> <i>(In thousands of dollars)</i>	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<b>June 30, 2004</b>	June 30, 2003	<b>June 30, 2004</b>	June 30, 2003
	\$	\$	\$	\$
<b>Increase (decrease) in net assets resulting from operations</b>	<b>(7,752)</b>	13,096	<b>8,131</b>	8,459
Dividends	(361)	(361)	(721)	(721)
Net decrease (increase) in refundable dividend tax on hand	507	(76)	424	(153)
<b>Increase (decrease) in net assets</b>	<b>(7,606)</b>	12,659	<b>7,834</b>	7,585
<b>Net assets – Beginning of period</b>	<b>137,051</b>	80,694	<b>121,611</b>	85,768
<b>Net assets – End of period</b>	<b>129,445</b>	93,353	<b>129,445</b>	93,353

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

<i>(Unaudited)</i> <i>(In thousands of dollars)</i>	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<b>June 30, 2004</b>	June 30, 2003	<b>June 30, 2004</b>	June 30, 2003
	\$	\$	\$	\$
Proceeds from disposition of investments	5,067	967	8,499	2,504
Investments at cost, beginning of period	57,890	57,076	58,016	56,338
Investments purchased during the period	4,901	1,397	9,486	3,988
Investments at cost, end of period	(57,838)	(57,499)	(57,838)	(57,499)
<b>Cost of investments disposed of during the period</b>	<b>4,953</b>	974	<b>9,664</b>	2,827
<b>Realized gain (loss) on disposition of investments before income taxes</b>	<b>114</b>	(7)	<b>(1,165)</b>	(323)
Income tax recovery (provision) on allowable capital losses (realized net taxable capital gains)	(21)	(2)	324	59
<b>Net realized gain (loss) on investments</b>	<b>93</b>	(9)	<b>(841)</b>	(264)
Change in unrealized appreciation of investments	(8,415)	12,473	7,694	7,412
<b>Net gain (loss) on investments</b>	<b>(8,322)</b>	12,464	<b>6,853</b>	7,148

# Consolidated Statement of Investments

June 30, 2004 (*Unaudited*)

<i>Number of Shares or Par Value</i>	<i>Investment – % of Total Market Value</i>	<i>Cost (in thousands of dollars)</i>	<i>Market Value</i>
<b>PRINCIPAL ASSETS – 74.0%</b>			
7,629,811	Canadian General Investments, Limited	\$20,969	\$100,179
1,526,578	Canadian General Investments, Limited wts.	–	10,610
1,120,211	Canadian World Fund Limited	5,601	3,921
<b>TOTAL PRINCIPAL ASSETS</b>		<b>26,570</b>	<b>114,710</b>
<b>CANADIAN-LISTED – 22.0%</b>			
45,000	Advanced Fiber Technologies Income Fund	389	544
35,000	Advantage Energy Income Fund*	683	653
100,000	AltaGas Income Trust	1,112	2,035
70,000	ARC Energy Trust	580	1,074
90,000	Associated Brands Income Fund	814	994
500,000	Canadian Western Bank conv. deb. 5.5% due March 31, 2008	501	650
130,000	Cedara Software Corp.	978	1,339
50,000	Chemtrade Logistics Income Fund	530	924
75,000	Connors Bros. Income Fund	722	1,237
14,400	Corby Distilleries Ltd. B	484	875
30,000	CryptoLogic Inc.*	766	717
40,000	DALSA Corporation	722	904
40,000	Davis + Henderson Income Fund	411	720
70,000	Energy Savings Income Fund	859	1,085
31,450	Enerplus Resources Fund	808	1,191
33,600	First Capital Realty Inc.	519	546
26,880	First Capital Realty Inc. wts. 8/31/08	–	108
10,000	Fording Canadian Coal Trust	302	564
60,000	Home Capital Group Inc.	779	1,335
45,000	Hot House Growers Income Fund	450	507
60,000	The Keg Royalties Income Fund	562	711
60,000	Livingston International Income Fund	987	1,067
60,000	Newalta Income Fund	953	1,128
60,000	Nortel Networks Corporation pfd. series 5	768	1,254
30,000	North West Company Fund	454	763
65,000	Northern Property Real Estate Investment Trust	772	909
85,000	Pembina Pipeline Income Fund	825	994

<i>Number of Shares or Par Value</i>	<i>Investment – % of Total Market Value</i>	<i>Cost (in thousands of dollars)</i>	<i>Market Value</i>
52,500	Prime Restaurants Royalty Income Fund	\$ 524	\$ 515
27,400	Rothmans Inc.	598	918
115,700	Russel Metals Inc.	854	1,273
100,000	Sceptre Investment Counsel Limited	1,860	771
230,000	Sherritt International Corporation conv. deb. 6% due December 15, 2006	177	234
370,000	Sherritt International Corporation conv. deb. 7% due December 15, 2013	370	444
45,200	Shiningbank Energy Income Fund	226	866
39,000	Sierra Wireless, Inc.	1,108	1,937
60,000	Trinidad Energy Services Income Trust	466	463
100,000	Vanguard Response Systems Inc.*	493	430
151,700	Viceroy Homes Limited A	819	775
55,000	Yellow Pages Income Fund	550	624
<b>TOTAL CANADIAN-LISTED</b>		<b>25,775</b>	<b>34,078</b>
<b>U.K.-LISTED – 0.6%</b>			
235,000	UK COAL PLC	461	888
<b>TOTAL U.K.-LISTED</b>		<b>461</b>	<b>888</b>
<b>U.S.-LISTED – 3.4%</b>			
15,000	International Game Technology	828	776
15,000	Juniper Networks, Inc.	545	494
18,000	Littelfuse, Inc.*	833	1,023
500,000	Magna Entertainment Corp. conv. deb. 7.25% due December 15, 2009	792	650
35,000	United Natural Foods, Inc.*	1,148	1,356
9,000	Zebra Technologies Corporation A*	886	1,050
<b>TOTAL U.S.-LISTED</b>		<b>5,032</b>	<b>5,349</b>
<b>TOTAL INVESTMENTS</b>			
– June 30, 2004		\$57,838	\$155,025
– December 31, 2003		\$58,016	\$145,813
– June 30, 2003		\$57,499	\$111,334

*Changes from March 31, 2004: \*New Holdings; †Increased Holdings*

# Corporate Information

## THIRD CANADIAN GENERAL INVESTMENT TRUST LIMITED

### OFFICE OF THE COMPANY

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website: [www.mmainvestments.com](http://www.mmainvestments.com)

### MANAGER

Morgan Meighen & Associates Limited  
Toronto

### AUDITORS

PricewaterhouseCoopers LLP  
Toronto

### BANKERS

Royal Bank of Canada  
Toronto

### SOLICITORS

Blake, Cassels & Graydon LLP  
Toronto

### CANADIAN REGISTRAR AND TRANSFER AGENT

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

### STOCK EXCHANGE LISTING

The Toronto Stock Exchange  
Trading Symbol: THD

### STOCK DATA

June 30, 2004	
Price	\$ 21.25
Net Asset Value	\$ 26.93
Discount	21.1%

### PUBLICATION

Net asset value per share (NAV) and/or market price and market return are published daily/weekly in various media in Canada and the United States. These include: Globe and Mail, National Post, New York Times, Wall Street Journal, and Barron's.

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

The Corporation is a founding member of the Closed-End Fund Association (CEFA) in North America.

