Focussed on Canada

CGI CANADIAN GENERAL INVESTMENTS, LIMITED

2023 Interim Report

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

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

RESPONSIBILITY STATEMENT

In accordance with the Disclosure and Transparency Rules (DTRs) of the United Kingdom Financial Services Authority, the Board of Directors confirms that to the best of its knowledge:

i. the financial statements have been prepared in accordance with International Financial Reporting Standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;

ii. the interim Management Report of Fund Performance includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

iii. the interim Management Report of Fund Performance includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties transactions and changes therein).

The financial statements and Management Report of Fund Performance were approved by the Board of Directors on July 20, 2023.

Vanessa L. Morgan
Chair

This interim management report of fund performance contains financial highlights and should be read in conjunction with the interim financial report of the Company that follows this report. You can get a copy of Company's annual financial statements at your request, and at no cost, by calling 416-366-2931 (Toll-free 1-866-443-6097), by writing to the Company at 10 Toronto Street, Toronto, Ontario M5C 2B7 or by visiting the Company's website at www.canadiangeneralinvestments.ca or SEDAR at www.sedar.com.

Securityholders may also contact the Company using one of these methods to request a copy of the Company's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

This report may contain forward-looking statements about the Company and markets that reflect the Manager's current expectations of future events. Forward-looking statements include statements that are predictive in nature, depend upon future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or similar expressions. Forward-looking statements are subject to risks, uncertainties and assumptions with respect to the Company and economic factors and actual results may differ materially for many reasons, including, but not limited to, market and general economic conditions, interest rates, foreign exchange rates, changes in government regulations and catastrophic events. As a result, the reader is cautioned not to place undue reliance on forward-looking statements. Further, any forward-looking information is current only as of the date of this report and there should be no expectation that such information will be updated as a result of new information, changing circumstances or future events, unless required by applicable law.

Management Discussion Of Fund Performance

Results of Operations

Performance

Following a protracted correction period most major global equity markets troughed in October 2022. Since then, markets have done quite well, with a decent rebound from those lows, with several of the more developed markets carrying through resilience and momentum into 2023. A select few have posted very healthy gains year to date whereas the S&P/TSX Composite Index (S&P/TSX) gains have been more muted. This difference in recovery is due to the less dramatic comparative reduction experienced in 2022 by the S&P/TSX setting up the potential for a catch-up trade.

The strength shown by equity markets through this period has surprised quite a few investors as many of the headwinds that took down the markets not long ago remain in play, a scenario that would normally lead to the more customary inference of further retreat rather than an advance.

The war rages on in Ukraine and shows no signs of resolution near term. In addition to the direct human suffering and lives lost, various global commodities and trading routes have been greatly affected by the invasion and remain under duress. Although adjustments have been made over time, the effect of the conflict permeates throughout the world and its escalation or expansion remains a high-level threat to all.

The COVID pandemic finally seems to be releasing its tight grip on humanity, but in its aftermath, the world has probably changed forever in many ways. Its abrupt halt to the global economy, followed by an uneven, hesitant, and ongoing restart, which is finally nicely underway, has come with repercussions that include supply chains that are still in need of repair. Disruption on an even grander scale is also in the works as the pandemic caused complete business models to be reassessed, suggesting a reworking of prior globalization theories. Adopting these new practices could be costly and would take years to complete. As for the global reopening, China was a country that had a very restrictive and, at times, damaging zero-COVID policy. The move away from that policy was welcomed, as it was widely anticipated that the loosening of restrictions would foster and accelerate the re-emergence of its manufacturing and exporting prowess and reignite global economic growth. Unfortunately, this remains an aspiration and has not yet met expectations.

One of the dominant consequences in the aftermath of COVID has been pervasive inflation. A fallout from the closure of economies along with huge fiscal imbalances skewed demand over supply, the situation that was left to fester longer than usual for fear of economic calamity. This resulted in high, widespread inflation readings which prompted central banks around the world to start to tighten financial conditions, mainly through interest rate policy. The Bank of Canada and the U.S. Federal Reserve have followed a similar pattern, taking an aggressive approach in terms of pace and size of increases to tamp down inflation. Over the past year, there has been some progress made in reducing inflation levels, but they have been stubbornly persistent and further reductions are necessary to achieve target levels. The situation remains fluid, outcomes are uncertain and complex, and concerns remain as to duration and peak terminal rates. One of the greatest fears is that central banks will overdo corrective measures and tip economies into recession. There are already signs of a slowdown, and it will be a delicate balance to achieve desirable outcomes without destructive consequences.

Despite these issues, the Canadian economy has shown incredible resilience so far. Unemployment rates are near all-time lows, the Canadian consumer appears strong and in decent financial shape and fears of a major downturn in the all-important housing sector have not come to fruition. But could good news also be bad news? These are the types of factors that affect the data used to make future decisions and, if their interpretation is mistaken, could result in unintended and overly punishing consequences. The final outcome remains unclear at time of writing.

As have many of its peers, the S&P/TSX has shown noteworthy resilience in the last few months and had a positive total return of 5.7% in the first half of 2023. By comparison, CGI exhibited its impressive recovery potential after the disappointing 2022 and posted a very favourable net asset value (NAV) return, with dividends reinvested, of 16.4%. In the general sense, returns have been hard to get but easy to give away. The first half journey taken by the S&P/TSX is best described as a rollercoaster ride incorporating two large and distinctive waves. A good upswing to the start of the year soon gave way to disappointment when it became apparent that inflation wasn't cooling as much as expected. The subsequent downswing was compounded further in March when the failure of a couple of regional banks in the U.S. prompted fears of a globally contagious, systemic financial banking crisis and prior gains for the year were soon eliminated. As the concerns settled down, markets began to climb again and eventually made it back to those intra-year highs only to be pulled down once again. This time it was the growing perception that the Bank of Canada would need to begin increasing rates again in its fight against its inflation nemesis and that was enough to cool investor enthusiasm. In summary, the positive results are encouraging but the way they arrived indicate that investors remain nervous, and markets are delicate.

Sectors within the S&P/TSX have performed differently relative to each other compared to the recent past. One of the most noticeable changes involves the Energy sector, an area of great influence in the Canadian market as the second largest group in the S&P/TSX. After sitting atop sector rankings with spectacular outperformance in 2021 and 2022, the volatile Energy group has done a complete reversal and has had the worst year-to-date decrease to June 30, 2023. After an incredible run, Energy stocks have been retreating from their mid-2022 peaks as they follow along with declines in oil and natural gas pricing as supply concerns initially raised following the onset of the Ukraine war diminished. In addition, there has been a growing shift in sentiment away from the worries of a potential supply deficit to expectations of a surplus, a viewpoint that implies slowing global economic growth, or worse, recession. On the flipside to Energy's reversal has been the turnaround in Information Technology. After an abysmal 2022, the group has had a strong start to 2023, benefitting from investors rotating into riskier asset categories. Both trends have been positive for CGI as the portfolio remains underweight Energy and significantly overweight Information Technology.

The table below illustrates the weightings of the five largest sectors in CGI's portfolio at June 30, 2023, compared with year end 2022, and with the S&P/TSX. The weightings for CGI represent the market value of each sector as a percentage of the total investment portfolio. At June 30, 2023 the portfolio was overweight Consumer Discretionary, Industrials, Information Technology and Materials, and underweight Energy, as compared to the sector weightings in the S&P/TSX. CGI's overweighting of Information Technology, almost three times that of the S&P/TSX, and overall significant outperformance of the benchmark, was largely due to the Company's investment guidelines allowing for up to 25% of its investment portfolio invested in U.S. securities, which provides for much greater opportunities in technology stocks than are available in the Canadian market.

Importantly, the Canadian market is showing a better balance in return availability from both sector and individual constituent perspectives. CGI has a diversified portfolio and has been handicapped the last couple of years by the narrowness of the underlying drivers of S&P/TSX performance. Although difficult at times, maintaining a commitment to a time-tested winning philosophy designed to create shareholder value over time has proven invaluable. Once again, this patient approach is being rewarded as Energy dominance has now given way to the potential for a greater variety of choice and opportunity. Although not a guarantee for success, as good choices must still be made, it has usually been an environment in which CGI's selective, sometimes unique, positioning has done very well.

By design and in context of the market, trading activity has been limited. Earlier in the year there were a couple of smaller additions made in Energy. After suspending our buying program back in early 2022 on speculation that a pullback in Energy was due and having waited through the long and large retracement since then, it has become an interesting consideration once again. At the very least, it has made for some interesting and attractive valuations and the portfolio is still underweight by a large measure.

	CGI		S&P/TSX	
SECTOR	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Information Technology	23.4%	17.3%	7.9%	5.7%
Industrials	21.4%	21.5%	13.7%	13.3%
Materials	16.4%	17.2%	11.7%	12.0%
Consumer Discretionary	11.0%	12.2%	3.9%	3.7%
Energy	10.2%	11.8%	16.6%	18.1%

The potential for another up-cycle later in the year seems a realistic possibility and it is reasonable to expect some upside from the occasional addition at these lower levels. We added to our current holding of Canadian Natural Resources Ltd. and will likely continue to build onto it at some point. Canadian Natural is a natural fit for CGI and is one of Canada's premium quality, senior energy companies with good liquidity, a highly respected management team and a market capitalization of over $90 billion. The company not only attracts domestic investors but is a go-to name for foreigners who may be looking for exposure to the Canadian oilpatch. A small starter position was initiated in Precision Drilling Corporation which is the largest onshore energy driller in Canada with greater than 30% market share and fourth-largest onshore U.S. and so has a diversified North American platform to participate in the energy drilling and service industry. With a market capitalization greater than $800 million and decent liquidity, it is the likely choice for Canadian investors to participate in an oil service company. A new position was initiated in ATS Corporation. ATS is a global company with more than 6,000 employees and 50 manufacturing facilities spread around the world and its customer base is diversified, with North America (51%) and Europe (38%) accounting for the majority of its revenues. ATS is a growth company in the automation industry and should benefit from tailwinds of a changing supply chain dynamic to "onshoring" and "friendshoring". It will also benefit from the ongoing desire of companies trying to improve their efficiencies and productivity levels in a time of heightened scarcity of workers and higher cost labour. Margin improvement, M&A upside, record backlogs and a recent U.S. listing should attract new investors to its solid foundation and bodes well for its future prospects.

The subdued market has resulted in a mix of individual performances, but a good majority of CGI's holdings have been able to post gains in the year-to-date period. Leading on the upside have been a few of the technology stocks like NVIDIA Corporation (+183%), purchased in 2016, Shopify Inc. (+82%), Apple Inc. (+46%), Open Text Corporation (+39%) and Constellation Software (+33%) which have rebounded very strongly so far this year. It is also encouraging that several stocks in other areas have performed well including Parex Resources Inc. (+36%), an oil stock, Air Canada (+29%), FirstService Corporation (+23%) and Boyd Group Services Inc. (+21%). On the downside, much of the damage has been done by several of the Energy related stocks, including Enerplus Corporation (-19%) and Whitecap Resources Inc. (-11%), but there has also been some uncharacteristic weakness shown by banking stocks like Toronto-Dominion (-4%) and Bank of Montreal (0%) due, in part, to an apparent over-reaction by investors on possible contagion effects from the high profile but contained U.S. regional bank turmoil.

Dividend and interest income was $11,452,000 for the six months, up 19.7% from 2022 due to increased special distributions from Tourmaline Oil Corp. and Constellation Software Inc., as well as general dividend rate increases. Management fees, interest and financing charges, and dividends on preference shares are the largest expenses of the Company. Management fees decreased slightly by 0.9% to $7,215,000 due to lower average portfolio assets during the period. Interest and financing charges increased 203.2%, as a result of the increasing rates on the borrowing facility, compared to the previous year, as well as an increase in the average amount of borrowings during the first six months of 2023, as compared to the same period in 2022.

Leverage

The Company has a prime brokerage services agreement with a Canadian chartered bank. Amounts borrowed under this agreement bear interest at the one-month Canadian Dollar Offered Rate (CDOR) plus 0.60% per annum. The agreement requires the Company to pledge securities as collateral for margin borrowings and may be terminated immediately by the prime broker upon the occurrence and continuation of an event of default, as defined in the agreement, or by either party with 30 days' notice. Amounts borrowed under this facility during the six months ranged from $75.0 million to $175.0 million (2022 - $70 million to $100.0 million). As of June 30, 2023, the $175.0 million outstanding under the borrowing facility represented 15.1% of CGI's net assets at June 30, 2023 (December 31, 2022 – 7.5%).

In addition to the amount borrowed under the facility, at December 31, 2022, CGI also had outstanding $75 million 3.75% cumulative, redeemable Class A preference shares, Series 4. On June 12, 2023, the Company redeemed the Series 4 shares and replaced the borrowing with an increase to the borrowing facility of $75 million.

Both the borrowing facility and the preference shares act as leverage to common shareholders. As at June 30, 2023, the leverage represented 15.1% of CGI's net assets (December 31, 2022 – combined leverage of 14.9%). This leverage served to increase the effect of overall portfolio returns, positively impacting CGI's NAV return for the six months ended June 30, 2023 and negatively impacting it in the six months ended June 30, 2022.

Taxation

As a corporate entity, CGI is subject to tax on its taxable income – primarily realized gains on the sale of investments – at an effective rate of approximately 20%. As a result of its investment corporation status under Canadian tax law, CGI can recover taxes paid or payable on its realized taxable capital gains through the payment of capital gains dividends to shareholders. To the extent that taxes paid or payable on taxable income and capital gains in a year are greater than taxes recovered on the payment of capital gains dividends, there will be a negative impact on net assets of the fund. For the six months ended June 30, 2023, there was a refundable income tax recovery of $190,000, compared to a recovery of $839,000 in the prior year. Taxes paid or payable on realized taxable capital gains may be recovered through the payment of capital gains dividends in future years.

As at June 30, 2023, the Company had federal refundable capital gains taxes on hand of approximately $8,373,000 (December 31, 2022 – $8,373,000), which are refundable on payment of capital gains dividends of approximately $60.0 million (December 31, 2022 – $60.0 million) and Ontario refundable capital gains taxes on hand of approximately $4,222,000 (December 31, 2022 – $4,222,000), which are refundable on payment of capital gains dividends of approximately $73.0 million (December 31, 2022 – $73.0 million).

As at June 30, 2023, the Company has approximately $14,982,000 (December 31, 2022 – $14,782,000) in unused non-capital losses for tax purposes, which can be used to offset income taxes otherwise payable in future years. These losses expire in 2042.

Recent Developments

Outlook

Despite the turmoil of a push and pull experience in the first half of 2023, investors' confidence should be bolstered by the durability and resilience shown by equity markets. This encouraging development has helped to steady investors nerves and reinvigorate their appetite for stocks, but it remains a challenging market. Sticky inflation will force central banks to keep interest rate policy tight and its effect on the global economic recovery is indeterminable, a combination that is not typically market friendly. Headline inflation appears to have peaked in most regions and many central banks have become less aggressive in raising interest rates with expectations for a conclusion to the upward cycle, but economic data remains uneven and the debate as to the likelihood of a recession remains active. The scenario remains fluid and complex and even though uncertainty prevails with upside potential tempered by downside risks, there is scope for favourable returns going forward.

Related Party Transactions

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

Third Canadian General Investment Trust Limited (Third Canadian), a private, Ontario-based corporation under common control with the Company, has an approximate 37% (December 31, 2022 – 37%) ownership interest in the Company. As a result of its ownership position in the Company, during the six months ended June 30, 2023, Third Canadian received dividends from net investment income of $3,662,000 (2022 – $3,510,000).

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, 2023 and the prior five years.

The Company's Net Assets per Share [1]

	6 months ended June 30, 2023	2022	2021	2020	2019	2018
Net assets - beginning of period	$48.24	$61.35	$50.02	$36.98	$28.87	$33.14
Increase (decrease) from operations						
Total revenue	0.57	1.00	0.74	0.78	0.89	0.82
Total expenses (excluding common share dividends)	(0.58)	(0.98)	(0.99)	(0.83)	(0.80)	(0.74)
Realized gains (losses) for the period	0.28	(0.12)	3.95	1.81	1.61	1.36
Unrealized gains (losses) for the period	(7.62)	(12.18)	8.93	12.15	7.34	(4.91)
Refundable income tax recovery (expense)	0.01	0.09	(0.42)	(0.03)	(0.13)	(0.04)
Total increase (decrease) from operations[2]	7.90	(12.19)	12.21	13.88	8.91	(3.51)
Dividends paid to common shareholders						
Taxable dividends	(0.48)	(0.92)	(0.44)	(0.63)	(0.40)	(0.57)
Capital gains dividends	-	-	(0.44)	(0.21)	(0.40)	(0.19)
Total dividends[3]	(0.48)	(0.92)	(0.88)	(0.84)	(0.80)	(0.76)
Net assets - end of period	$55.66	$48.24	$61.35	$50.02	$36.98	$28.87

(1) This information is derived from the Company's audited annual financial statements and unaudited interim financial statements.

(2) 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 and may not match the financial statements due to rounding.

(3) Dividends were paid in cash.

Ratios and Supplemental Data

	Six months ended June 30, 2023	2022	2021	2020	2019	2018
Total net asset value (000's) [1]	$1,161,202	$1,006,312	$1,279,896	$1,043,463	$771,549	$602,163
Number of shares outstanding [1]	20,861,141	20,861,141	20,861,141	20,861,141	20,861,141	20,861,141
Management expense ratio [2] [3] [6]	2.20%	1.89%	1.72%	2.11%	2.27%	2.15%
Trading expense ratio [4] [6]	0.01%	0.01%	0.03%	0.04%	0.05%	0.03%
Portfolio turnover rate [5]	1.00%	2.10%	6.17%	10.14%	8.00%	2.31%
Net asset value per share [1]	$55.66	$48.24	$61.35	$50.02	$36.98	$28.87
Closing market price [1]	$34.78	$32.60	$44.05	$34.81	$26.21	$20.51

(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 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 (dividends on preference shares and interest and financing charges), the Company's MERs were as follows: 2023 (to June 30, 2023, annualized) – 1.44%, 2022 – 1.38%, 2021 - 1.37%, 2020 - 1.48%, 2019 - 1.53%, 2018 - 1.48%.

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

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

(6) Ratios for the six months ended June 30, 2023 have been annualized.

Management Fees

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

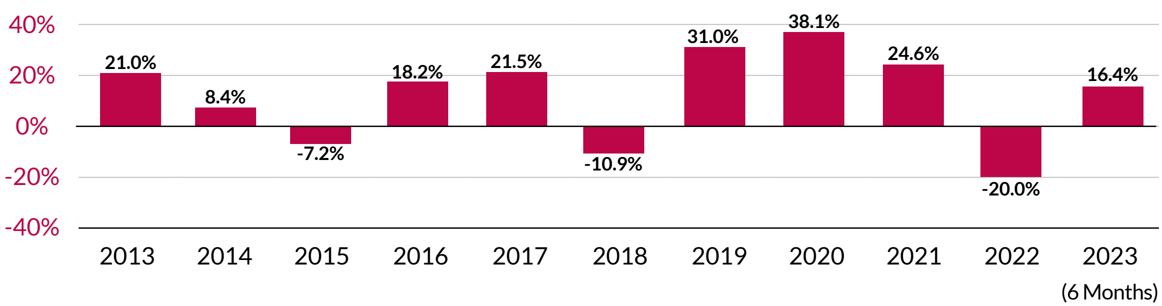
Past Performance

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

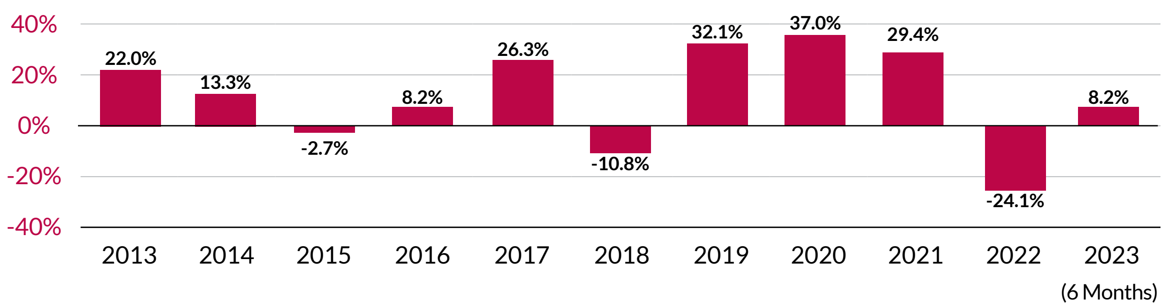
Year-by-Year Returns

The following bar charts show the Company's performance for each of the years shown, as well as the interim performance for the six months ended June 30, 2023, and illustrate how the Company's performance has changed from year to year. The bar charts show, in percentage terms, how much an investment made on the first day of each year would have grown or decreased by the last day of each financial period.

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



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



Summary Of Investment Portfolio

As at June 30, 2023

Top 25 Holdings

Issuer	Sector	% of Net Asset Value*	% of Investment Portfolio
NVIDIA Corporation	Information Technology	8.1	7.0
Canadian Pacific Kansas City Limited	Industrials	5.3	4.6
West Fraser Timber Co. Ltd.	Materials	5.0	4.3
First Quantum Minerals Ltd.	Materials	4.9	4.2
Franco-Nevada Corporation	Materials	4.7	4.1
Apple Inc.	Information Technology	4.6	4.0
TFI International Inc.	Industrials	4.5	4.0
The Descartes Systems Group Inc.	Information Technology	3.7	3.2
WSP Global Inc.	Industrials	3.5	3.1
Mastercard Incorporated	Information Technology	3.5	3.0
Bank of Montreal	Financials	2.8	2.5
Royal Bank of Canada	Financials	2.7	2.3
FirstService Corporation	Real Estate	2.5	2.2
Shopify Inc.	Information Technology	2.5	2.2
Amazon.com, Inc.	Consumer Discretionary	2.4	2.1
Dollarama Inc.	Consumer Discretionary	2.4	2.1
Teck Resources Limited	Materials	2.3	2.0
AutoZone, Inc.	Consumer Discretionary	2.3	2.0
Enerplus Corporation	Energy	2.2	1.9
BRP Inc.	Consumer Discretionary	2.2	1.9
Parex Resources Inc.	Energy	2.2	1.9
Constellation Software Inc.	Information Technology	2.1	1.9
StorageVault Canada Inc.	Real Estate	2.0	1.8
Air Canada	Industrials	2.0	1.7
SiteOne Landscape Supply, Inc.	Industrials	1.9	1.7
		82.3*	71.7
Total Net Asset Value* ($000's)			$1,161,202
Total Investment Portfolio* ($000's)			$1,334,274

* Total Net Asset Value represents Total Investment Portfolio adjusted for leverage ($175.0 million) in the form of a borrowing facility, other assets and other liabilities.

Sector Allocation	% of Net Asset Value*	% of Investment Portfolio
Information Technology	26.8	23.4
Industrials	24.6	21.4
Materials	18.8	16.4
Consumer Discretionary	12.6	11.0
Energy	11.8	10.2
Financials	11.0	9.6
Real Estate	5.5	4.7
Communication Services	2.3	2.0
Health Care	0.8	0.7
Cash & Cash Equivalents	0.7	0.6

Asset Allocation	% of Net Asset Value*	% of Investment Portfolio
Canadian Equities	87.0	75.7
Foreign Equities	27.2	23.7
Cash & Cash Equivalents	0.7	0.6

* Total Net Asset Value represents Total Investment Portfolio adjusted for leverage ($175.0 million) in the form of a borrowing facility, other assets and other liabilities.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Company. The most recent quarterly portfolio disclosure may be obtained by visiting the Company's web site at www.canadiangeneralinvestments.ca, by calling 416-366-2931 (Toll-free: 1-866-443-6097), or by writing to the Company at 10 Toronto Street, Toronto, Ontario, Canada, M5C 2B7.

Interim Financial Report

June 30, 2023

The auditor of the Company has not reviewed this interim financial report.

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

As at June 30, 2023 (Unaudited) and December 31, 2022
(in thousands of Canadian dollars, except per share amounts)

	Note	June 30, 2023	December 31, 2022
Assets			
Current assets			
Investments	5	1,325,677	1,150,182
Cash		8,597	3,598
Interest and dividends receivable		1,678	1,876
Other assets		215	292
Income taxes recoverable		2,091	1,901
Total assets		1,338,258	1,157,849
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	2,056	1,513
Accrued dividends on preference shares		-	123
Borrowing facility	6	175,000	75,000
Preference shares	7	-	74,901
Total liabilities		177,056	151,537
Net assets		1,161,202	1,006,312
Equity			
Share capital	8	128,568	128,568
Retained earnings		1,032,634	877,744
Total equity		1,161,202	1,006,312
Net assets per common share		55.66	48.24

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

Statements of Comprehensive Income

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

	Note	2023	2022
Income			
Net gains (losses) on investments			
Dividend income		11,445	9,570
Interest		7	1
Net realized gain on sale of investments		6,076	1,288
Net change in unrealized gain on investments		158,907	(330,932)
Net gains (losses) on investments		176,435	(320,073)
Securities lending revenue	**13**	453	464
Total net income (loss)		176,888	(319,609)
Expenses			
Management fees	**12**	7,216	7,280
Interest and financing charges	**6,7**	2,832	934
Dividends on preference shares	**7**	1,266	1,399
Listing and regulatory costs		171	171
Legal fees		153	29
Directors' fees and expenses	**12**	149	130
Withholding taxes	**10**	91	90
Custodial fees		82	83
Investor relations		50	32
Transaction costs on purchases and sales		44	99
Audit fees		36	35
Independent review committee fees and expenses	**12**	30	19
Security holder reporting costs		7	30
Other		49	23
Total operating expenses		12,176	10,354
Investment income (loss) before income taxes		164,712	(329,963)
Refundable income tax recovery	**9**	(190)	(839)
Increase (decrease) in net assets from operations		164,902	(329,124)
Increase (decrease) in net assets from operations, per common share		7.90	(15.78)

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

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

	Share Capital	Retained Earnings	Total
At December 31, 2021	128,568	1,151,328	1,279,896
Decrease in net assets from operations	-	(329,124)	(329,124)
Dividends paid to common shareholders from net investment income	-	(9,594)	(9,594)
At June 30, 2022	128,568	812,610	941,178
At December 31, 2022	128,568	877,744	1,006,312
Increase in net assets from operations	-	164,902	164,902
Dividends paid to common shareholders from net investment income	-	(10,012)	(10,012)
At June 30, 2023	128,568	1,032,634	1,161,202

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

Statements of Cash Flows

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

	Note	2023	2022
Cash flows from (used in) operating activities			
Increase (decrease) in net assets from operations		164,902	(329,124)
Adjustments for:			
Amortization of financing charge	7	99	103
Net realized gain on sale of investments		(6,076)	(1,288)
Net change in unrealized gain on investments		(158,907)	330,932
Purchases of investments		(23,051)	(12,872)
Proceeds of disposition of investments		12,539	48,119
Interest on margin facility		2,735	831
Dividends paid to preference shareholders		1,266	1,399
Interest and dividends receivable		198	(174)
Other assets		77	(31)
Income taxes payable/recoverable	9	(190)	(9,667)
Accounts payable and accrued liabilities		177	(389)
Net cash flows from (used in) operating activities		(6,231)	27,839
Cash flows from (used in) financing activities			
Proceeds from margin facility		100,000	-
Repayment of margin facility		-	(30,000)
Redemption of preference shares		(75,000)	-
Interest on margin facility		(2,369)	(725)
Dividends paid to common shareholders		(10,012)	(9,594)
Dividends paid to preference shareholders		(1,389)	(1,406)
Net cash flows from (used in) financing activities		11,230	(41,725)
Net increase (decrease) in cash		4,999	(13,886)
Cash at the beginning of the period		3,598	16,599
Cash at the end of the period		8,597	2,713
Items classified as operating activities			
Interest received		7	1
Dividends received, net of withholding taxes		11,500	9,315
Income taxes paid - net	9	-	8,829

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

As at June 30, 2023

Number of Shares	Investment	Cost	Fair Value
		(in thousands of dollars)	
	Communication Services (2.0%)		
	Diversified Telecommunication Services		
440,000	TELUS Corporation	6,057	11,343
	Wireless Telecommunication Services		
250,000	Rogers Communications Inc., B NV	3,506	15,110
	Total Communication Services	9,563	26,453
	Consumer Discretionary (11.0%)		
	Broadline Retail		
162,000	Amazon.com, Inc.	6,764	27,938
310,000	Dollarama Inc.	1,065	27,813
	Distributors		
35,000	Pool Corporation	9,651	17,363
	Leisure Products		
230,000	BRP Inc.	14,551	25,757
	Specialty Retail		
8,000	AutoZone, Inc.	4,864	26,413
52,000	Home Depot, Inc.	8,741	21,390
	Total Consumer Discretionary	45,636	146,674
	Energy (10.2%)		
	Energy Equipment & Services		
80,000	Precision Drilling Corporation	5,904	5,174
	Oil, Gas & Consumable Fuels		
2,250,000	Baytex Energy Corp.	12,460	9,720
200,000	Canadian Natural Resources Limited	14,963	14,896
275,000	Enbridge Inc.	2,830	13,541
1,350,000	Enerplus Corporation	12,038	25,919
950,000	Parex Resources Inc.	11,085	25,231
226,000	TC Energy Corporation	6,260	12,100
295,000	Tourmaline Oil Corp.	9,930	18,414
1,263,661	Whitecap Resources Inc.	11,827	11,714
	Total Energy	87,297	136,709

Number of Shares	Investment	Cost	Fair Value
		(in thousands of dollars)	
	Financials (9.6%)		
	Banks		
275,000	Bank of Montreal	10,640	32,900
245,000	Royal Bank of Canada	10,190	30,997
260,000	Toronto-Dominion Bank	5,599	21,349
	Capital Markets		
265,000	Brookfield Corporation	11,405	11,819
76,900	Economic Investment Trust Limited	3,851	10,052
	Consumer Finance		
185,000	goeasy Ltd.	17,140	20,457
	Total Financials	58,825	127,574
	Health Care (0.7%)		
	Health Care Providers & Services		
572,000	Neighbourly Pharmacy Inc.	13,986	9,152
	Total Health Care	13,986	9,152
	Industrials (21.4%)		
	Commercial Services & Supplies		
65,000	Boyd Group Services Inc.	13,064	16,429
100,000	Waste Connections, Inc.	11,183	18,933
	Construction & Engineering		
235,000	WSP Global Inc.	10,389	41,130
	Electrical Equipment		
725,000	Ballard Power Systems Inc.	15,253	4,205
	Industrial Conglomerates		
21,000	Roper Technologies, Inc.	10,060	13,370
	Machinery		
165,000	ATS Corporation	9,427	10,057
220,000	Westport Fuel Systems Inc.	13,135	2,242
3,220,000	Xebec Adsorption Inc.	14,313	-
	Marine Transportation		
332,000	Algoma Central Corporation	2,555	5,030
	Passenger Airlines		
920,000	Air Canada	4,739	22,991

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

Schedule of Investment Portfolio

As at June 30, 2023

Number of Shares	Investment	Cost	Fair Value
		(in thousands of dollars)	
	Industrials (21.4%) Continued		
	Road & Rail		
90,000	Canadian National Railway Company	10,947	14,438
575,000	Canadian Pacific Kansas City Limited	6,352	61,525
350,000	TFI International Inc.	5,029	52,826
	Trading Companies & Distributors		
100,000	SiteOne Landscape Supply, Inc.	8,233	22,161
	Total Industrials	134,679	285,337
	Information Technology (23.4%)		
	IT Services		
78,000	Mastercard Incorporated, A	5,467	40,622
344,000	Shopify Inc.	1,819	29,453
	Semiconductors & Semiconductor Equipment		
167,000	NVIDIA Corporation	2,942	93,544
	Software		
9,000	Constellation Software Inc.	11,599	24,703
400,000	The Descartes Systems Group Inc.	10,317	42,448
310,000	Lightspeed Commerce Inc.	6,502	6,947
27,003	Lumine Group Inc..	377	491
330,000	Open Text Corporation	4,916	18,183
16,738	Topicus.com Inc.	0	1,819
	Technology Hardware, Storage & Peripherals		
208,000	Apple Inc.	1,971	53,424
	Total Information Technology	45,910	311,634

Number of Shares	Investment	Cost	Fair Value
		(in thousands of dollars)	
	Materials (16.4%)		
	Containers and Packaging		
240,000	CCL Industries Inc., B NV	6,628	15,629
	Metals & Mining		
1,800,000	First Quantum Minerals Ltd.	11,567	56,412
290,000	Franco-Nevada Corporation	13,258	54,755
480,000	Teck Resources Limited, B SV	15,477	26,755
	Paper & Forest Products		
300,000	Interfor Corporation	10,727	7,494
507,125	West Fraser Timber Co. Ltd.	26,691	57,716
	Total Materials	84,348	218,761
	Real Estate (4.7%)		
	Real Estate Management & Development		
80,000	Colliers International Group Inc.	14,699	10,400
145,000	FirstService Corporation	20,352	29,583
4,000,000	StorageVault Canada Inc.	10,600	23,400
	Total Real Estate	45,651	63,383
	Transaction costs	(928)	-
	Total investments (99.4%)	524,967	1,325,677
	Cash (0.6%)		8,597
	Investment portfolio (100.0%)		1,334,274

NV: non-voting

SV: subordinate voting

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

1 General Information

Canadian General Investments, Limited (CGI or the Company) is domiciled in Canada and incorporated under the laws of Ontario, Canada. The address of its registered office is 10 Toronto Street, Toronto, Ontario, Canada, M5C 2B7.

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

The Company's investment and administration activities are managed by Morgan Meighen & Associates Limited (the Manager).

The Company's common shares are publicly listed and trade on the Toronto Stock Exchange and on the London Stock Exchange (symbol CGI). The closing price of the common shares on June 30, 2023 was $34.78.

These financial statements were authorized for issue by the Board of Directors on July 20, 2023.

2 Basis of Presentation

The Company's interim financial statements for the six months ended June 30, 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS), including the application of International Accounting Standard 34 Interim Financial Reporting, and follow the same accounting policies and methods of computation as the most recent annual financial statements.

3 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

3.1 Financial assets and financial liabilities

Classification

The Company recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Investment transactions are recorded on the trade date. The Company measures securities at fair value through profit or loss (FVTPL). The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Company and the Manager are primarily focussed on fair value information and use that information to assess the assets' performance and to make decisions. The Company has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Consequently, all investments are measured at FVTPL.

All other financial assets and liabilities are classified at amortized cost or financial liabilities, as applicable, and are measured at amortized cost and reflect the amount to be received or paid, discounted, when appropriate, at the contract's effective interest rate.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. Publicly listed securities are valued at the last traded market price on the reporting date, where the last traded price falls within the day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Company's policy is to recognize transfers into and out of the fair value hierarchy as of the date of the event or change in circumstances giving rise to the transfer.

Unlisted securities that trade on an over-the-counter market and other securities, in special circumstances where a market quotation is not readily available or is considered inappropriate (such as a stale price), are valued using available sources of information and commonly used valuation techniques, using primarily observable inputs. The Company considers observable inputs to be market data that is readily available, regularly distributed or updated, reliable and verifiable, and provided by independent sources.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

3.2 Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at period-end exchange rates. Purchases and sales of investments, investment income and expenses are calculated at the exchange rates prevailing on the dates of the transactions. The Canadian dollar is the Company's functional and presentation currency.

3.3 Investment income

Dividend income is recorded on the ex-dividend date. Interest is recognized on an accrual basis. Securities lending revenue is recognized as earned.

3.4 Securities lending

Securities lent are not derecognized in the Company's statement of financial position as the Company retains substantially all the risks and rewards of ownership.

3.5 Cash

Cash is comprised of demand deposits with reputable financial institutions.

3.6 Increase (decrease) in net assets from operations, per common share

The increase (decrease) in net assets from operations, per common share is calculated by dividing increase (decrease) in net assets from operations by the weighted-average number of common shares outstanding during the period.

3.7 Taxation

The Company qualifies as an investment corporation under Section 130 of the Income Tax Act (Canada) (the Act) and, as such, is subject to a reduced rate of income tax on its net investment income other than dividends received from taxable Canadian corporations. Taxes paid on taxable dividends paid from corporations resident in Canada are refundable on the payment of taxable dividends to shareholders related to these dividends.

Income taxes are paid by the Company on net capital gains realized at the rate of approximately 20%. These income taxes are recoverable by the Company as long as it continues to qualify as an investment corporation and pays out sufficient dividends related to these realized gains. Refundable income taxes paid or recovered are recorded as an expense or recovery in the period in which such tax becomes payable or receivable.

In addition, temporary differences between the carrying values of assets and liabilities for accounting and income tax purposes give rise to deferred income tax assets and liabilities. The most significant temporary difference is that between the reported fair value of the Company's investment portfolio and its adjusted cost base (ACB) for income tax purposes. To the extent that the fair value of the Company's portfolio exceeds its ACB, a deferred tax liability arises which is fully offset by the future refundable taxes available to the Company as an investment corporation. Conversely, when the ACB exceeds the fair values of the portfolio, a deferred tax asset is generated. A deferred tax asset is also generated to the extent that the Company has available and unutilized capital and non-capital tax losses. However, these net deferred tax assets have not been recorded in the statements of financial position since, with the exception of refundable income taxes described above, the Company does not record income taxes since it is, in substance, not taxable.

3.8 Investment in associates and subsidiaries

The Company has determined that it meets the definition of "investment entity". An investment entity is an entity that (i) obtains funds from one or more investors for the purpose of providing them with investment management services; (ii) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and (iii) measures and evaluates the performance of substantially all of its investments on a fair value basis. The most significant judgement that the Company has made in determining that it meets this definition is that fair value is used as the primary measurement attribute to measure and evaluate the performance of substantially all of its investments.

Subsidiaries are entities over which the Company has control through its exposure or rights to variable returns and has the ability to affect those returns through its power over the entities. As the Company meets the definition of an investment entity, all subsidiaries, if any, are measured at FVTPL. The Company's investments may also include associates over which the Company has significant influence and these are measured at FVTPL. As at June 30, 2023 and December 31, 2022, the Company has no investment in associates or subsidiaries.

4 Critical Accounting Estimates & Judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

5 Financial Risk Management

5.1 Financial risk factors

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 (including interest rate risk, currency risk and price risk). Market prices and the fair value of investments in the Company's portfolio fluctuate on a daily basis as a result of changes in interest rates, economic conditions, market and company news, political conditions, natural disasters, and public health emergencies, including an epidemic or pandemic. 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 ongoing monitoring of the Company's positions and market events, and by diversifying the investment portfolio within the policies and guidelines set by the Board of Directors of the Company, in a manner consistent with the investment objective. Pursuant to the Manager's bottom-up selection mandate, security selection is the primary criteria for managing risk. In order to mitigate risk, depending on conditions, the Manager considers other criteria such as asset class, industry, country and currency.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main exposure to credit risk may consist of investments in debt instruments, including short-term securities, bonds, preferred shares, interest and dividends receivable, amounts due from brokers, securities on loan as part of the Company's securities lending program, as well as securities held in a separate control account with the Company's custodian, as part of its margin facility. The fair value of debt instruments includes consideration of the creditworthiness of the debt issuer. The carrying amount of cash, interest and dividends receivable and other assets represents the maximum credit risk exposure as at June 30, 2023 and December 31, 2022. As at June 30, 2023 and December 31, 2022, the Company had no investments in debt instruments.

Credit risk related to cash is considered low as it is held at AA-rated Canadian banks (consistent with prior year). 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.

Credit risk with respect to the Company's securities lending program is considered minimal given the nature of the collateral, as well as the indemnification provided by the agent administering the program (note 13).

Credit risk related to the Company's margin facility is considered low given the nature of the tri-party agreement between the Company, its custodian, and the bank (note 6).

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 $175 million (December 31, 2022 – $75 million) borrowed through a margin facility. On June 12, 2023, the Company redeemed its $75,000,000, 3.75% cumulative, redeemable Class A preference shares, Series 4. Included in the Series 4 preference share provisions was a restriction which precluded payment of a common share dividend unless, after giving effect thereto, the ratio of assets to obligations (both as defined in the preference share prospectus) exceeded 2.5 times. At December 31, 2022 the ratio was 7.7 times. As at June 30, 2023, the leverage represented 15.1% of CGI's net assets (December 31, 2022 – combined leverage of 14.9%). As at December 31, 2022, the preference shares represented 7.4% of CGI's net assets and the borrowing facility represented 7.5% of CGI's net assets.

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 schedule of investment portfolio. There was one unlisted security and no restricted securities as at June 30, 2023 and December 31, 2022.

Leverage decisions, whether in the form of a borrowing facility or bond or preference share issues from treasury, are at the discretion of the Company's Board of Directors.

As at June 30, 2023 and December 31, 2022, all financial liabilities of the Company fall due within twelve months.

Market risk

The Company's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses that show how the net assets would have been affected by a possible change in the relevant risk at each reporting date. In practice, the actual results may differ and the differences could be material.

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 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, 2023 and December 31, 2022, the Company had no investments in debt instruments.

The Company's most significant financial liability is its borrowing facility with interest rates on these borrowings are short-term. The amount of borrowings on the facility may be reduced at any time. For the six months ended June 30, 2023, a 1% increase or decrease in the interest rate, with all other variables held constant, would have resulted in the interest and financing charges increasing or decreasing, respectively, by approximately $875,000 (June 30, 2022 – $500,000).

Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar. 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, 2023, the Company`s investment portfolio had a 23.7% (December 31, 2022 – 18.7%) weighting in U.S. dollars. As at June 30, 2023, had the Canadian dollar strengthened or weakened by 5% in relation to all currencies represented in the portfolio, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $15,811,000 or approximately 1.4% (December 31, 2022 – $10,806,000 or approximately 1.1%).

Price risk

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 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.

As at June 30, 2023, a 5% increase or decrease in market prices in the investment portfolio, excluding cash and short-term securities, with all other variables held constant, would have resulted in the Company's net assets increasing or decreasing, respectively, by approximately $66,284,000 or approximately 5.7% (December 31, 2022 – $57,509,000 or approximately 5.7%).

Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Company's concentration by sector in the investment portfolio:

Industry sector	June 30, 2023	December 31, 2022
Information Technology	23.4%	17.3%
Industrials	21.4%	21.5%
Materials	16.4%	17.2%
Consumer Discretionary	11.0%	12.2%
Energy	10.2%	11.8%
Financials	9.6%	11.1%
Real Estate	4.7%	5.0%
Communication Services	2.0%	2.4%
Health Care	0.7%	1.2%
Cash	0.6%	0.3%
	100.0%	100.0%

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

5.2 Capital risk management

The Company considers capital to be composed of its equity, as well as its borrowing facility. The Company's primary objective when managing its capital is to ensure that activities are carried out in accordance with the investment objective of the Company, as described in note 1. With respect to the borrowing facility, the Company is required to maintain sufficient collateral in the form of securities in a separate control account with the Company's custodian, based on margin requirements established by the prime broker. There has been no event of default since the prime brokerage services agreement was entered into effective May 12, 2021.

5.3 Fair value measurements

The Company classifies its investments within a fair value hierarchy, based on the inputs used in their fair value measurement. The hierarchy of inputs is summarized below:

Level 1: Unadjusted quoted prices at the measurement date in active markets for identical assets

Level 2: Directly or indirectly observable inputs other than quoted prices included in Level 1, such as quoted prices for identical or similar assets in markets that are not active

Level 3: Inputs for the assets that are not based on observable market data

Level 2 investments include positions that are not traded in active markets and/or subject to transfer restrictions, and valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information and commonly used valuation techniques.

All other financial instruments of the Company, which may include cash, receivable on investments sold or payable on investments purchased, interest and dividends receivable, accounts payable and accrued liabilities, accrued dividends on preference shares, borrowing facility and preference shares are carried at amortized cost. Except in respect of the preference shares, amortized cost approximates fair value given the short-term nature of the financial instruments. As at December 31, 2022, the preference shares fair value using the closing quoted market price from the TSX was $73,710,000.

(in thousands of dollars)	Level 1	Level 2	Level 3	Total
As at June 30, 2023				
Financial assets at FVTPL:				
Investments	1,325,677	-	-	1,325,677
As at December 31, 2022				
Financial assets at FVTPL:				
Investments	1,150,182	-	-	1,150,182

During the six months ended June 30, 2023, there were no investments transferred between the levels.

During the year ended December 31, 2022, an investment with a fair value of $1,642,000 was transferred from Level 1 to Level 2 as a result of a trading suspension, then subsequently from Level 2 to Level 3 at a value of $225,000 as a result of the delisting of the security. The fair value of the security, while classified as Level 3, was nil.

The Manager is responsible for performing fair value measurements included in the financial statements of the Company, including Level 3 measurements, if any. The Manager obtains pricing from a third party pricing vendor.

6 Borrowing Facility

Subject to approval by the Board of Directors, the Company may use various forms of leverage, including by way of a margin facility with a prime broker or a loan facility with a bank.

The Company has a prime brokerage services agreement with a Canadian chartered bank. Amounts borrowed under this agreement bear interest at the one-month Canadian Dollar Offered Rate (CDOR) plus 0.60% per annum. The agreement requires the Company to pledge securities as collateral for margin borrowings and may be terminated immediately by the prime broker upon the occurrence and continuation of an event of default, as defined in the agreement, or by either party with 30 days' notice.

As at June 30, 2023, the Company had pledged securities as collateral to the prime broker equal to $214,962,000 (December 31, 2022 – $90,211,000) on the outstanding borrowings of $175,000,000 (December 31, 2022 – $75,000,000) plus accrued interest of $698,000 (December 31, 2022 – $333,000).

7 Preference Shares

The Company is authorized to issue, in series, a class of preference shares. On June 12, 2023, the Company redeemed its $75,000,000, 3.75% cumulative, redeemable Class A preference shares, Series 4. No shares are outstanding as at June 30, 2023. As at December 31, 2022, these shares had deferred issuance costs, net of amortization, of $99,000.

8 Share Capital

Common shares

The Company is authorized to issue an unlimited number of common shares. As at June 30, 2023, there are 20,861,141 (December 31, 2022 – 20,861,141) common shares issued and outstanding with no par value.

Subsequent to June 30, 2023, the Company declared a quarterly dividend of $0.24 per share payable on September 15, 2023 to common shareholders of record at the close of business on August 31, 2023.

9 Income Taxes

As at June 30, 2023, the Company had federal refundable capital gains taxes on hand of approximately $8,373,000 (December 31, 2022 – $8,373,000), which are refundable on payment of capital gains dividends of approximately $60.0 million (December 31, 2022 – $60.0 million) and Ontario refundable capital gains taxes on hand of approximately $4,222,000 (December 31, 2022 – $4,222,000), which are refundable on payment of capital gains dividends of approximately $73.0 million (December 31, 2022 – $73.0 million).

As at June 30, 2023, the Company has approximately $14,982,000 (December 31, 2022 – $14,782,000) in unused non-capital losses for tax purposes, which can be used to offset income taxes otherwise payable in future years. These losses expire in 2042.

The Company is also subject to a special tax of 38-1/3% 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 $0.3833 for each $1 of such dividends paid. The Company has $430,000 of refundable dividend tax on hand as at June 30, 2023 (December 31, 2022 – $620,000).

The Company's refundable income tax expense (recovery) during the period is determined as follows:

(in thousands of dollars)	2023	2022
Provision for (recovery of) income taxes on investment income before income taxes		
Provision for (recovery of) income taxes based on combined Canadian federal and provincial income tax rate of 39.5%	65,062	(130,334)
Increase (decrease) in income taxes resulting from:		
Dividends from taxable Canadian companies	(4,280)	(3,543)
Dividends on preference shares	500	552
Net change in unrealized gain	(62,768)	130,718
Non-taxable portion of net realized gain on sale of investments	(2,400)	(509)
Decrease in refundable dividend tax on hand	(190)	(839)
Non-recoverable taxes on taxable loss	3,886	3,116
Refundable income tax recovery	(190)	(839)

In accordance with the Act, a corporation can qualify as an investment corporation if certain tests are satisfied. One of the tests is that the corporation cannot have specified shareholders. A specified shareholder is generally a shareholder, who, along with certain persons to whom the shareholder is considered to be related, has a greater than 25% shareholding. The Company has had specified shareholders since June 20, 1996. The specified shareholder rules of the Act generally allow the Company to maintain its investment corporation status as long as it does not have any specified shareholders other than those specified shareholders existing on June 20, 1996. In addition, the specified shareholders as at June 20, 1996 cannot, after that date, contribute capital or acquire additional shares of the Company other than through certain specified transactions.

10 Withholding Taxes

The Company incurs withholding taxes imposed by certain countries on investment income. Such income or gains are recorded gross of withholding taxes in the statements of comprehensive income. Withholding taxes are shown as a separate item in the statements of comprehensive income. During the six months ended June 30, 2023, the average withholding tax rate paid by the Company was 15.0% (December 31, 2022 – 15.0%).

11 Financial Instruments by Category

All of the Company's financial assets were carried at amortized cost, with the exception of Investments which is carried at FVTPL. All the Company's financial liabilities were carried at amortized cost. All gains and/or losses recorded on the statement of comprehensive income relate to investments measured at fair value through profit or loss.

12 Related Party Information

Third Canadian General Investment Trust Limited (Third Canadian) owns 36.6% of the common shares of the Company, and is therefore considered a related party. Jonathan A. Morgan and Vanessa L. Morgan, both directors and executive officers of the Company, beneficially own directly or indirectly or exercise control or direction over an aggregate of 100% of the common shares of Third Canadian. Including the holding by Third Canadian, Mr. Morgan and Ms. Morgan together own directly or indirectly or exercise control or direction over an aggregate of 52.5% of the outstanding common shares of the Company, making them the ultimate controlling party.

Transactions with related entities

Management fees

The Company's activities are managed by the Manager pursuant to a management agreement dated July 18, 2018. Mr. Morgan and Ms. Morgan together own directly or indirectly 100%, and are both directors and executive officers, of the Manager. Management fees are paid monthly to the Manager for services received in connection with the management of the Company's financial accounts and investment portfolio, among other services. These fees are calculated monthly at 1% per annum of the fair value of the Company's investments adjusted for cash, portfolio accounts receivable and portfolio accounts payable. Values for fee calculation purposes are determined on the basis of the financial statements of the Company as at the last day of the applicable month.

During the six months ended June 30, 2023, $7,046,000 (2022 – $7,636,000) was paid to the Manager with $1,258,000 accrued and included in accounts payable and accrued liabilities as at June 30, 2023 (December 31, 2022 – $1,088,000).

Dividends

As a result of its ownership position in the Company, during the six months ended June 30, 2023, Third Canadian received dividends from net investment income of $3,662,000 (2022 – $3,510,000).

Key management personnel compensation

No compensation was paid or is payable by the Company to any executive of the Manager in his or her capacity as a director or officer of the Company.

During the six months ended June 30, 2023, the independent directors of the Company received directors' fees aggregating $137,000 (2022 – $124,000) from the Company. No other compensation was paid or is payable to the directors of the Company for the six months ended June 30, 2023, except for compensation paid by the Company in respect of such persons acting as members of the Independent Review Committee for the Company, aggregating $29,000 (2022 – $19,000).

13 Securities Lending

The Company participates in a securities lending program with its custodian, CIBC Mellon Trust Company. Collateral is held by the custodian as agent for the Company and generally comprises Canadian or provincial government-guaranteed securities or obligations of other governments with appropriate credit ratings, and other short-term securities, of at least 105% of the fair value of securities on loan. In the event that any of the loaned securities are not returned to the Company and the value of the collateral held is less than the fair value of the securities not returned, the custodian shall indemnify the Company for any such shortfall.

At June 30, 2023, the Company had loaned securities with a fair value of $33,791,000 (December 31, 2022 – $46,532,000) and the custodian held collateral of $35,778,000 (December 31, 2022 – $49,700,000). This collateral is not reflected in the statements of financial position and consisted of the following:

	June 30, 2023	December 31, 2022
Securities lending collateral		
Federal government debt securities	66.7%	41.2%
Provincial government debt securities	23.1%	57.7%
U.S. government debt securities	10.1%	1.1%
	100.0%	100.0%

A reconciliation of the gross earnings from securities lending to the net earnings from securities lending is as follows:

(in thousands of dollars)	June 30, 2023		June 30, 2022	
Gross securities lending earnings	773	100.0%	818	100.0%
Fees	(190)	(24.5%)	(202)	(24.7%)
Withholding taxes	(130)	(16.9%)	(152)	(18.6%)
Net securities lending earnings	453	58.6%	464	56.7%

U.K. SHAREHOLDER INFORMATION

Shore Capital Stockbrokers Limited is the Company's official stockbrokers in the United Kingdom. It can be contacted for market-making and share trading on the London Stock Exchange. It can be reached at:

Shore Capital
Cassini House
57-58 St James's Street
London SW1A 1LD
+44 (0) 207 408 4090

Recent research reports are available on the Company's website or directly from Shore Capital Stockbrokers Limited and Edison Investment Research Limited:

Edison Investment Research Limited
280 High Holborn
London
WC1V 7EE
United Kingdom
+44 (0)20 3077 5700

DIVIDENDS AND WITHHOLDING TAX

CGI pays two types of dividends to common shareholders: regular (taxable) dividends and capital gains dividends. At present, for dividend payments to U.K. shareholders, regular dividends are generally subject to withholding tax of 15%, whereas capital gains dividends are not subject to any withholding tax.

Managed by:

MORGAN MEIGHEN & ASSOCIATES Investment Management

CANADIAN GENERAL INVESTMENTS, LIMITED

10 Toronto Street, Toronto, Ontario, Canada M5C 2B7
Telephone: (416) 366-2931 Toll Free: 1-866-443-6097 Fax: (416) 366-2729
e-mail: cgifund@mmainvestments.com
website: www.canadiangeneralinvestments.ca