CGI
CANADIAN GENERAL INVESTMENTS, LIMITED

2017 INTERIM REPORT

Canadian General Investments, Limited (CGI) is a closed-end equity fund focussed on medium- to long-term investments in 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

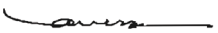
In accordance with the Disclosure and Transparency Rules (DTRs) of the United Kingdom Financial Services Authority, the Board of Directors confirms that to the best of its knowledge:

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 26, 2017.



Vanessa L. Morgan
Chairman

Certain financial information contained in this report, including investment growth rates, rates of return and other such statistical information are historical values; past performance is no assurance or indicator of future returns. Share prices, net asset values and investment returns will fluctuate. Stated historical returns assume the reinvestment of all distributions. Such financial information does not reflect any broker commissions, transaction costs or such other fees and expenses which may have been applicable nor income taxes payable by any shareholder, which would have the effect of reducing such historical returns. Stated returns for periods greater than one year are compound average annual rates of return. Further information concerning risk can be found in the Company's Annual Information Form which is available on the Company's website at www.canadiangeneralinvestments.ca or on SEDAR at www.sedar.com.

The Company is an investment fund, and as such, this Interim Report to Shareholders carries a variety of information concerning stocks and other investments, all for informational purposes only. The reader should assume that the Company and all individuals and entities (including the Manager and members of its staff) who have contributed to this publication may have a conflict of interest. Readers should therefore not rely solely on this Report in evaluating whether or not to buy or sell securities discussed herein.

Management Report of Fund Performance

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

The Canadian equity market has been in a "holding pattern" so far this year, unable to build on last year's substantial gains but also unwilling to relinquish many of its prior gains either. This contrasts with other members in its major world equity indices peer group, which have continued to make positive advances so far in 2017. Usually this sort of divergence will dissipate to some extent over time due to the longer-term group correlation but the effect of this change of fortune has flipped the ranking of the S&P/TSX Composite Total Return Index (S&P/TSX) from last year's leader to this year's laggard and may cause Canadian markets to temporarily lose some of their comparative appeal. Global investors who trade in the short term may lose interest and begin to look elsewhere but for domestic and global investors with longer-term horizons, this may provide a compelling and timely opportunity for an investment in Canadian General Investments, Limited (CGI) as an attractive proxy for the Canadian market.

It was apparent that investors in the Canadian markets took a collective pause in the first half of

2017, while awaiting further developments on a number of issues before deciding on their next course of action. This hesitation weighed on the markets and caused the S&P/TSX's trading pattern to be bound in a fairly narrow channel on either side of the flat line. Many of the issues causing this behaviour related to the newly elected President of the United States and a number of the new administration's policy initiatives.

As Canada and the U.S. are each other's largest export markets with long-standing processes and integration, there are many policy changes that could be quite meaningful and influential for economic prospects on both sides of the border. Although the renegotiation of NAFTA may be the biggest issue overhanging Canada's trade prospects with the U.S., it is just a subset of the topic of trade protectionism that, if pursued aggressively, could impact global trade as a whole and affect economic growth around the world. Other concerns affecting investor behaviour have included a potential border adjustment tax, threats of additional tariffs and duties, a reduction of U.S. corporate taxes and a simplified and less costly regulatory regime which could make similar Canadian companies less competitive. As well, initiatives continue to be discussed regarding the desirability of U.S. energy self-sufficiency and ideas have been floated about ways to promote and create a more favourable environment in the American domestic oil and gas industry.

All of these factors have implications for the Energy sector of the S&P/TSX but, perhaps more significant is the oil price decline. While OPEC and other oil-producing allies have pared back output since January, rising production from the U.S. has prolonged worries that supply will continue to outstrip demand and pricing will continue to be under pressure. Consequently, the price of oil has fallen recently, with a decline of more than 20% from its peak attained earlier in the year. Energy stocks have suffered and the sector has been the most influential of the S&P/TSX groups with a 13.3% drop. CGI has been underweight the group for a number of years now but did reduce further with the disposal of Painted Pony Energy Ltd. midterm and is now at about 15.5% compared to the index weight of 20.0%. Although this has helped on the relative measure, the bulk of the negative returns in the portfolio so far this year have come from this group, including Raging River Exploration, Whitecap Resources Inc. and Secure Energy Services Inc., hurting overall portfolio return.

The table below illustrates the weightings of the five largest sectors in CGI's portfolio at June 30, 2017, compared with year end 2016, 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, 2017 the portfolio was overweight Consumer Discretionary, Information Technology and Materials, and underweight Energy and Financials, as compared to the sector weightings in the S&P/TSX.

	CGI		S&P/TSX	
SECTOR	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Materials	18.9%	18.3%	11.5%	11.8%
Consumer Discretionary	16.3%	15.0%	5.4%	5.0%
Energy	15.5%	20.7%	20.0%	21.4%
Information Technology	14.0%	10.4%	3.3%	2.7%
Financials	13.4%	13.3%	34.5%	35.0%

The Materials sector had a very good year in 2016 but not much of a follow-through with only a slightly positive performance year to date. In the group, base metal producers have mostly checked back and this includes the First Quantum Minerals Ltd. and Hudbay Minerals Inc. holdings. The Lundin Mining Corporation position provided some counterbalance as one of the few stocks that had positive returns in the subset. Participation in a good rally for the Forest Products area allowed Norbord Inc. to make a strong contribution to overall portfolio returns and Franco-Nevada Corporation, one of the largest investments in the portfolio and the core gold holding, once again outperformed its group average by a wide margin and was one of the portfolio's top ten performers.

Along with concerns mentioned earlier, the subdued market return overall was indicative of an absence of any particular macro driver or drivers among stock groups. Last year's broad resources strength carried a disproportionate influence on Canadian market returns. This year much performance has hinged on having made good choices in particular stocks. There has been wide diversity among stock returns, providing an opportunity for CGI to benefit from the Manager's bottom-up selection process and the portfolio's diversification mandate. This has resulted in CGI performing well both absolutely and relatively, with a NAV return of 4.6% year to date versus an S&P/TSX benchmark return of 0.7%.

The breakdown of the best performers in the portfolio has been indicative of the wide variety and dispersion of returns that has occurred in the market so far this year. Shopify Inc., provider of a global e-commerce platform for retailers bought late in 2016, was the number one performer, doubling in price from its cost. Dollarama Inc., the dominant Canadian discount retailer and CGI's largest holding, continues to post impressive financial results and made a top three contribution to returns in the period. Amazon.com, Inc. continues to impress with its combination of a formidable presence in retail and cloud services, becoming one of CGI's largest holdings. Air Canada, Rogers Communications Inc. and CCL Industries Inc. were other top ten performers that illustrate the broad spectrum of return generators for the portfolio. Brookfield Canada Office Properties (BOX) units jumped in price as a result of a takeout offer. Originally bought in 2001, the investment in BOX was predicated on its ownership of many premium office properties in Canada and provided CGI with both income and growth through the years. BOX had many of the attributes that the Manager seeks – long-term potential, quality metrics, growth, income, uniqueness, management skill and competitive barriers. Although replication is difficult, constant search should ensure that additions are made to maintain the integrity and further the success of CGI.

Leverage employed by CGI in the form of both preference shares issued by the Company as well as a credit facility served to enhance the effect of the overall positive portfolio return, positively impacting CGI's NAV return.

Dividend and interest income was $6,189,000 for the six months, down 8.8% from the first six months of 2016, primarily as a result of a one-time distribution by BOX of $987,000 in April 2016. Management fees and dividends on preference shares are the largest expenses of the Company. Management fees increased by 16.4% to $4,252,000, as a result of higher average monthly portfolio values compared to 2016. The dividends on preference shares decreased 48.2%, due to the redemption of the $75 million 3.90% cumulative, redeemable Class A preference shares, Series 3 at par by CGI on June 10, 2016. The leverage offered by the Series 3 shares was replaced with a $75 million non-revolving, three-year fixed-rate credit facility that bears interest at 2.28% and is fully drawn. Interest expense on the credit facility partially offset the decrease in dividends on preference shares.

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, 2017, there was a net recoverable related to tax of $706,000, compared to a net recoverable of $2,794,000 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, 2017, the Company had refundable capital gains tax on hand of approximately $1,276,000 (June 30, 2016 - $453,000), which is refundable on payment of capital gains dividends of approximately $12.5 million (June 30, 2016 - $7.9 million). The Company has no refundable dividend tax on hand as at June 30, 2017 (June 30, 2016 – $289,000), which is refundable on the payment of taxable dividends. As at June 30, 2016, the Company has approximately $3,108,000 (June 30, 2016 - $4,359,000) 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 2037.

RECENT DEVELOPMENTS

Outlook

Many of the issues that have been holding back the Canadian markets should be addressed in the near-to-medium term. NAFTA negotiations are set to get underway soon, the U.S. administration is working its way through its policy agenda and economic indicators should confirm that global growth prospects remain favourable.

A saying that "the one constant is change" applies directly to equity markets and adjustments will occur as both real and perceived changes are incorporated into markets. It seems that there has been an overly negative bias built into the outlook for the Canadian market compared to other markets and, if the overriding concerns are resolved, their alleviation has the potential to greatly improve prospects.

Fortunately, even if the market remains hesitant going forward, the past half-year has shown that CGI has the potential to drive forward under those conditions and succeed in its mandate to provide better than average long-term returns to its shareholders.

Related Party Transactions

The Company is managed by Morgan Meighen & Associates 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, 2016 – 37%) ownership interest in the Company. As a result of its ownership position in the Company in the six months ended June 30, 2017, Third Canadian received dividends from net investment income of $2,747,000 (2016 - $2,442,000).

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, 2017 and the prior five financial years.

The Company's Net Assets per Share [1]

	6 months ended June 30, 2017	2016	2015	2014	2013	2012
Net assets - beginning of period	$27.98	$24.38	$27.05	$25.65	$21.87	$20.37
Increase (decrease) from operations						
Total revenue	0.30	0.65	0.61	0.65	0.71	0.68
Total expenses (excluding common share dividends)	(0.34)	(0.67)	(0.71)	(0.74)	(0.71)	(0.67)
Realized gains for the period	0.58	0.90	1.49	1.20	1.48	0.77
Unrealized gains (losses) for the period	0.73	3.40	(3.26)	1.05	3.13	1.38
Refundable income tax (expense) recovery	0.03	0.08	(0.04)	-	(0.07)	-
Total increase (decrease) from operations[2]	1.30	4.36	(1.91)	2.16	4.54	2.16
Dividends paid to common shareholders						
Taxable dividends	(0.36)	(0.48)	(0.28)	(0.24)	(0.26)	(0.24)
Capital gains dividends	-	(0.28)	(0.48)	(0.52)	(0.50)	(0.52)
Total dividends[3]	(0.36)	(0.76)	(0.76)	(0.76)	(0.76)	(0.76)
Income taxes recoverable on dividends from net realized gain on investments	-	-	-	-	-	0.10
Net increase in refundable dividend tax on hand	-	-	-	-	-	(0.03)
Increase in refundable income taxes on net realized gain on investments	-	-	-	-	-	(0.04)
	-	-	-	-	-	0.03
Net assets - end of period[4]	$28.92	$27.98	$24.38	$27.05	$25.65	$21.80

(1) This information is derived from the Company's audited annual financial statements and unaudited interim financial statements. For financial years beginning before January 1, 2013, the financial statements of the Company were prepared in accordance with Canadian generally accepted accounting principles applicable to public enterprises (Previous Canadian GAAP), whereas for financial periods beginning January 1, 2013, the financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). As related to the Company, the primary difference between IFRS and Previous Canadian GAAP relates to valuation differences between the two sets of accounting principles for investments that trade in an active market. Previous Canadian GAAP generally required the use of bid price to establish fair value, while IFRS requires fair value to be a price within the bid-ask spread.

(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.

(3) Dividends were paid in cash.

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

Ratios and Supplemental Data

	Six months ended June 30, 2017	2016	2015	2014	2013	2012
Total net asset value (000's) [1]	$603,203	$583,644	$508,528	$564,382	$535,055	$456,149
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]	2.34%	2.66%	2.63%	2.63%	2.95%	3.08%
Trading expense ratio [4] [6]	0.02%	0.12%	0.08%	0.07%	0.12%	0.08%
Portfolio turnover rate [5]	4.58%	21.45%	16.37%	13.11%	23.80%	13.06%
Net asset value per share [1]	$28.92	$27.98	$24.38	$27.05	$25.65	$21.87
Closing market price [1]	$21.10	$19.45	$18.75	$20.05	$18.40	$15.75

(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: 2017 (to June 30, annualized) – 1.56%, 2016 - 1.65%, 2015 - 1.57%, 2014 - 1.58%, 2013 - 1.66%, 2012 - 1.66%.

(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, 2017 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.

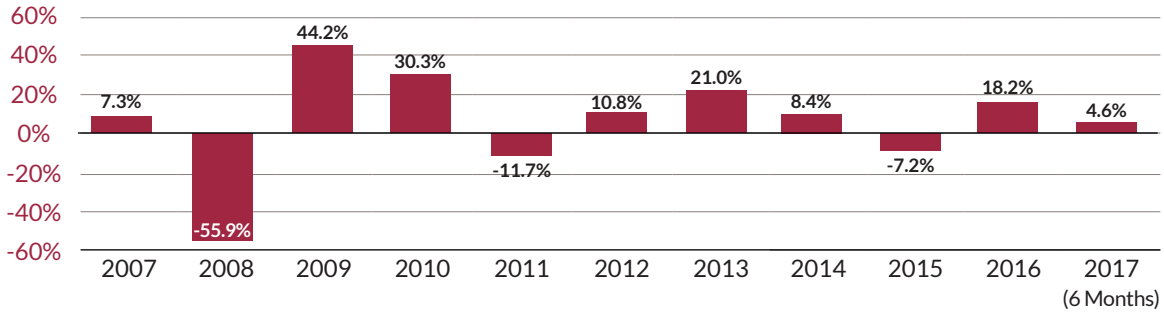
PAST PERFORMANCE

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.

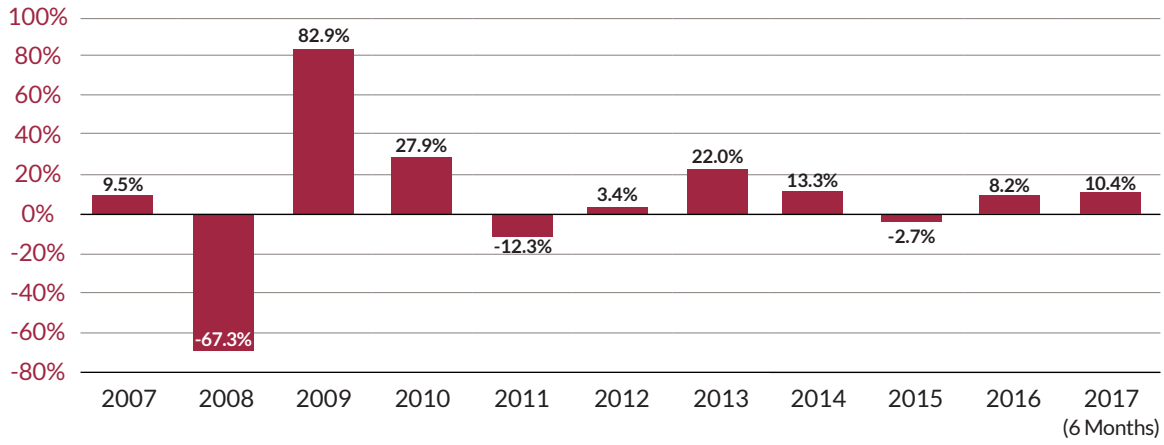
YEAR-BY-YEAR RETURNS

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, 2017, 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, 2017

Top 25 Holdings

Issuer	Sector	% of Net Asset Value*	% of Investment Portfolio
Dollarama Inc.	Consumer Discretionary	6.8	5.4
Franco-Nevada Corporation	Materials	4.9	3.9
NVIDIA Corporation	Information Technology	4.7	3.8
Cash	Cash & Cash Equivalents	4.6	3.7
Bank of Montreal	Financials	4.3	3.5
CCL Industries Inc.	Materials	4.1	3.3
Canadian Pacific Railway Limited	Industrials	4.0	3.2
Royal Bank of Canada	Financials	3.8	3.1
Open Text Corporation	Information Technology	3.8	3.1
Amazon.com, Inc.	Consumer Discretionary	3.6	2.9
Shopify Inc.	Information Technology	3.5	2.8
Air Canada	Industrials	3.3	2.7
First Quantum Minerals Ltd.	Materials	3.3	2.6
Norbord Inc.	Materials	3.1	2.5
Enbridge Inc.	Energy	2.9	2.3
Toronto-Dominion Bank	Financials	2.8	2.3
Mastercard Incorporated	Financials	2.7	2.2
Methanex Corporation	Materials	2.6	2.1
Rogers Communications Inc.	Telecommunication Services	2.5	2.0
HudBay Minerals Inc.	Materials	2.5	2.0
Alimentation Couche-Tard Inc.	Consumer Staples	2.5	2.0
Parex Resources Inc.	Energy	2.3	1.9
TransCanada Corporation	Energy	2.3	1.9
Raging River Exploration Inc.	Energy	2.2	1.8
Gildan Activewear Inc.	Consumer Discretionary	2.2	1.8
		85.3*	68.8
Total Net Asset Value* ($000's)			$603,203
Total Investment Portfolio* ($000's)			$751,099

* Total Net Asset Value represents Total Investment Portfolio adjusted for leverage ($148.7 million) in the form of preference shares and bank loan, other assets and other liabilities. The Total Investment Portfolio includes a payable on securities purchased, net of a receivable on securities sold of $12.7 million.

Sector Allocation	% of Net Asset Value*	% of Investment Portfolio
Materials	23.5	18.9
Consumer Discretionary	20.3	16.3
Energy	19.3	15.5
Information Technology	17.4	14.0
Financials	16.7	13.4
Industrials	15.0	12.1
Cash & Cash Equivalents	4.6	3.7
Telecommunication Services	4.2	3.3
Consumer Staples	2.5	2.0
Real Estate	1.8	1.4
Utilities	1.3	1.1

Asset Allocation	% of Net Asset Value*	% of Investment Portfolio
Canadian Equities	101.9	81.8
Foreign Equities	20.1	16.2
Cash & Cash Equivalents	4.6	3.7

* Total Net Asset Value represents Total Investment Portfolio adjusted for leverage ($148.7 million) in the form of preference shares and bank loan, other assets and other liabilities. The Total Investment Portfolio includes a payable on securities purchased, net of a receivable on securities sold of $12.7 million.

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, 2017

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.

Statements of Financial Position

As at June 30, 2017 (Unaudited) and December 31, 2016
(in thousands of Canadian dollars, except per share amounts)

	Note	June 30, 2017	December 31, 2016
Assets			
Current assets			
Investments	5	736,319	716,821
Cash		27,464	13,655
Receivable on securities sold		3,332	-
Interest and dividends receivable		835	943
HST receivable		180	180
Income taxes recoverable		649	1,554
Total assets		768,779	733,153
Liabilities			
Current liabilities			
Payable on securities purchased		16,016	-
Accounts payable and accrued liabilities		784	841
Accrued dividends on preference shares		115	123
Total current liabilities		16,915	964
Bank loan	6	74,868	74,835
Preference shares	7	73,793	73,710
		148,661	148,545
Total liabilities		165,576	149,509
Net assets		603,203	583,644
Equity			
Share capital	8	128,568	128,568
Retained earnings		474,635	455,076
Total equity		603,203	583,644
Net assets per common share		28.92	27.98

The notes on pages 19-32 are an integral part of the financial statements.

Statements of Comprehensive Income

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

	Note	2017	2016
Income			
Net gains on investments			
Dividend income		6,326	5,895
Interest for distribution purposes		(137)	890
Net realized gain (loss) on sale of investments		12,077	(9,138)
Net change in unrealized gain on investments		15,302	18,594
Net gains on investments		33,568	16,241
Securities lending revenue	**13**	30	351
Total net income		33,598	16,592
Expenses			
Management fees	**12**	4,252	3,653
Dividends on preference shares		1,399	2,699
Interest and financing charges	**6,7**	964	188
Listing and regulatory costs		170	155
Directors' fees and expenses	**12**	103	120
Investor relations		80	116
Transaction costs on purchases and sales		76	354
Withholding taxes	**10**	57	44
Custodial fees		46	47
Audit fees		29	28
Legal fees		15	16
Independent review committee fees and expenses	**12**	10	21
Security holder reporting costs		9	6
Other		25	50
Total operating expenses		7,235	7,497
Investment income before income taxes		26,363	9,095
Refundable income tax recovery	**9**	(706)	(2,794)
Increase in net assets from operations		27,069	11,889
Increase in net assets from operations, per common share		1.30	0.57

The notes on pages 19-32 are an integral part of the financial statements.

Statements of Changes in Net Assets

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

	Share Capital	Retained Earnings	Total
At December 31, 2015	128,568	379,960	508,528
Increase in net assets from operations	-	11,889	11,889
Dividends paid to common shareholders from net investment income	-	(6,675)	(6,675)
At June 30, 2016	128,568	385,174	513,742
At December 31, 2016	128,568	455,076	583,644
Increase in net assets from operations	-	27,069	27,069
Dividends paid to common shareholders from net investment income	-	(7,510)	(7,510)
At June 30, 2017	128,568	474,635	603,203

The notes on pages 19-32 are an integral part of the financial statements.

Statements of Cash Flows

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

	Note	2017	2016
Cash flows from operating activities			
Increase in net assets from operations		27,069	11,889
Adjustments for:			
Amortization of financing charge	6, 7	116	91
Net realized (gain) loss on sale of investments		(12,077)	9,138
Net change in unrealized gain on investments		(15,302)	(18,594)
Purchases of investments		(18,265)	(75,303)
Proceeds of disposition of investments		38,830	67,406
Dividends paid to preference shareholders		1,399	2,698
Interest and dividends receivable		108	19
Income taxes payable (recoverable)	9	905	(3,745)
Accounts payable and accrued liabilities		(57)	88
Net cash flows from (used in) operating activities		22,726	(6,313)
Cash flows from financing activities			
Preference shares redeemed		-	(75,000)
Proceeds from bank loan		-	74,850
Dividends paid to common shareholders		(7,510)	(6,675)
Dividends paid to preference shareholders		(1,407)	(2,834)
Net cash flows from (used in) financing activities		(8,917)	(9,659)
Net increase (decrease) in cash		13,809	(15,972)
Cash at the beginning of the period		13,655	17,238
Cash at the end of the period		27,464	1,266
Items classified as operating activities			
Interest received		111	795
Dividends received, net of withholding taxes		6,302	5,858
Preference share dividends and interest paid	6,7	2,259	2,832
Income taxes paid (recovered) - net	9	(1,611)	950

The notes on pages 19-32 are an integral part of the financial statements.

Schedule of Investment Portfolio

Number of Shares	Investment	Cost (in thousands of dollars)	Fair Value (in thousands of dollars)
	Consumer Discretionary (16.3%)		
	Auto Components		
145,000	Magna International Inc.	5,244	8,710
	Internet & Direct Marketing Retail		
17,500	Amazon.com, Inc.	14,614	22,005
	Multiline Retail		
330,000	Dollarama Inc.	3,400	40,890
	Specialty Retail		
8,000	AutoZone, Inc.	4,864	5,928
60,000	Home Depot, Inc.	10,085	11,956
25,000	Ulta Beauty, Inc.	8,721	9,331
	Textiles, Apparel & Luxury Goods		
405,000	Canada Goose Holdings Inc.	9,876	10,383
330,000	Gildan Activewear Inc.	6,755	13,151
	Total Consumer Discretionary	63,559	122,354
	Consumer Staples (2.0%)		
	Food & Staples Retailing		
240,000	Alimentation Couche-Tard Inc., B SV	5,051	14,918
	Total Consumer Staples	5,051	14,918
	Energy (15.5 %)		
	Energy Equipment & Services		
1,260,000	Secure Energy Services Inc.	10,396	11,151
	Oil, Gas & Consumable Fuels		
335,000	Enbridge Inc.	3,447	17,305
950,000	Parex Resources Inc.	11,085	14,013
310,500	Peyto Exploration & Development Corp.	9,259	7,303
1,675,000	Raging River Exploration Inc.	7,902	13,551
1,410,000	Storm Resources Ltd.	7,767	5,922
140,000	Suncor Energy Inc.	5,382	5,305
220,000	Tourmaline Oil Corp.	7,446	6,134
226,000	TransCanada Corporation	6,260	13,971
245,000	Vermilion Energy Inc.	10,893	10,079
1,263,661	Whitecap Resources Inc.	11,827	11,702
	Total Energy	91,664	116,436

Number of Shares	Investment	Cost (in thousands of dollars)	Fair Value (in thousands of dollars)
	Financials (13.4%)		
	Banks		
275,000	Bank of Montreal	10,640	26,186
245,000	Royal Bank of Canada	10,190	23,069
260,000	Toronto-Dominion Bank	5,599	16,991
	Capital Markets		
76,900	Economic Investment Trust Limited	3,851	8,997
	Consumer Finance		
105,000	Mastercard Incorporated, A	7,360	16,565
	Thrifts & Mortgage Finance		
254,500	Genworth MI Canada Inc.	5,141	9,081
	Total Financials	42,781	100,889
	Industrials (12.1%)		
	Airlines		
1,150,000	Air Canada	5,923	19,987
	Building Products		
145,000	Masco Corporation	6,590	7,197
	Construction & Engineering		
235,000	WSP Global Inc.	10,389	12,645
	Marine		
372,000	Algoma Central Corporation	2,863	4,821
	Professional Services		
90,000	Stantec Inc.	1,996	2,939
	Road & Rail		
115,000	Canadian Pacific Railway Limited	6,352	23,995
350,000	TFI International Inc.	5,029	9,790
	Trading Companies & Distributors		
375,000	Russel Metals Inc.	3,243	9,735
	Total Industrials	42,385	91,109

The notes on pages 19-32 are an integral part of the financial statements.

Schedule of Investment Portfolio

Number of Shares	Investment	Cost (in thousands of dollars)	Fair Value (in thousands of dollars)
	Information Technology (14.0%)		
	Communications Equipment		
120,000	Applied Optoelectronics, Inc.	8,280	9,632
	Internet Software & Services		
185,000	Shopify Inc.	9,783	20,830
	Semiconductors & Semiconductor Equipment		
150,000	NVIDIA Corporation	10,570	28,168
	Software		
400,000	The Descartes Systems Group Inc.	10,317	12,620
560,000	Open Text Corporation	8,343	22,921
	Technology Hardware, Storage & Peripherals		
58,000	Apple Inc.	2,198	10,851
	Total Information Technology	49,491	105,022
	Materials (18.9%)		
	Chemicals		
275,000	Methanex Corporation	7,109	15,744
	Containers and Packaging		
375,000	CCL Industries Inc., B NV	10,357	24,604
	Metals & Mining		
1,800,000	First Quantum Minerals Ltd.	11,566	19,746
315,000	Franco-Nevada Corporation	14,401	29,475
2,000,000	HudBay Minerals Inc.	11,199	15,000
1,200,000	Lundin Mining Corporation	8,182	8,844
1,000,000	Osisko Mining Inc.	5,453	4,100
525,000	Tahoe Resources Inc.	7,827	5,870
	Paper & Forest Products		
460,000	Norbord Inc.	11,919	18,569
	Total Materials	88,013	141,952
	Real Estate (1.4%)		
	Real Estate Management & Development		
4,000,000	StorageVault Canada Inc.	10,600	10,560
	Total Real Estate	10,600	10,560
	Telecommunication Services (3.3%)		
	Diversified Telecommunication Services		
220,000	TELUS Corporation	6,057	9,849
	Wireless Telecommunication Services		
250,000	Rogers Communications Inc., B NV	3,505	15,313
	Total Telecommunication Services	9,562	25,162
	Utilities (1.1%)		
	Multi-Utilities		
190,000	Canadian Utilities Limited, A NV	2,140	7,917
	Total Utilities	2,140	7,917
	Transaction costs	(625)	-
	Total investments (98.0%)	404,621	736,319
	Cash (3.7%)		27,464
	Receivables for investments sold (0.4%)		3,332
	Payables for securities purchased (-2.1%)		(16,016)
	Investment portfolio (100.0%)		751,099

The notes on pages 19-32 are an integral part of the financial statements.

Notes to the 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 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 and preference shares are publicly listed and trade on the Toronto Stock Exchange (symbols CGI, CGI.PR.D). The common shares also trade on the London Stock Exchange (symbol CGI).

These financial statements were authorized for issue by the Board of Directors on July 26, 2017.

2 BASIS OF PRESENTATION

The Company's interim financial statements for the six months ended June 30, 2017 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's investments are designated as fair value through profit or loss (FVTPL). All other financial assets and liabilities are classified as loans and receivables 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 for distribution purposes is recognized on an accrual basis and represents interest income earned from a real estate income trust (REIT) held by the Company. 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 Preference shares

The Company classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Company has one series of its Class A preference shares in issue: Series 4. The preference shares have priority over the common shares with respect to the payment of dividends and the return of capital and the distribution of assets in the event of liquidation. The preference shares provide investors with the right to require redemption for cash at values and dates set out in the table in note 7 and also in the event of the Company's liquidation.

The preference shares are classified as financial liabilities and are stated at amortized cost using the effective interest method.

3.7 Increase (decrease) in net assets, 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.

3.8 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 corporation 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.

3.9 Investments 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 judgment 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 designated at FVTPL.

3.10 Future accounting changes

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit risk changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of IFRS 9 but has determined it will not adopt the new standard early.

4 CRITICAL ACCOUNTING ESTIMATES AND 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.

Designation of investments at FVTPL is the most significant judgement used by management in the preparation of these financial statements.

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). 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 as well as securities on loan as part of the Company's securities lending program. The fair value of debt instruments includes consideration of the creditworthiness of the debt issuer. The carrying amount of other assets represents the maximum credit risk exposure as at June 30, 2017 and December 31, 2016. As at June 30, 2017 and December 31, 2016, the Company had no investments in debt instruments.

All transactions in securities are settled/paid for on delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the Company's custodian has received payment. Payment is made on a purchase once the securities have been received by the Company's custodian. The trade will fail if either party fails to meet its obligation.

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).

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 one series of Class A preference shares outstanding: Series 4 for $75 million with a redemption date of June 15, 2023 and a $75 million, non-revolving, three-year fixed rate facility that bears interest at 2.28%. Included in the Series 4 preference share provisions is a restriction which precludes payment of a common share dividend unless, after giving effect thereto, the ratio of assets to obligations (both as defined in the preference share provisions) exceeds 2.5 times. At June 30, 2017 the ratio was 5.01 times (December 31, 2016 - 4.87 times). Included in the bank loan covenants is an asset coverage restriction requiring that the net assets divided by the principal amount of the bank loan be greater than 3.0 times. The Company was in compliance during the period ending June 30, 2017.

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 are no restricted securities as at June 30, 2017 or December 31, 2016.

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

All financial liabilities of the Company, except for the Class A preference shares, Series 4, and bank loan as at June 30, 2017 and December 31, 2016, 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 and financial liabilities, except for the Class A preference shares and bank loan, 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, 2017 and December 31, 2016, the Company had no investments in debt instruments.

The Company's Class A preference shares outstanding have a fixed coupon rate and the bank loan has a fixed interest rate. While they themselves do not subject the Company to interest rate risk, any new issues, whether or not in connection with the redemption date of the preference shares or the maturity of the bank loan, will be subject to the prevailing interest rate environment at that time.

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, 2017, the Company`s investment portfolio had a 16.2% (December 31, 2016 – 15.3%) weighting in U.S. dollars. As at June 30, 2017, 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 $6,082,000 or approximately 1.0% (December 31, 2016 - $5,584,000 or approximately 1.0%).

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, 2017, a 5% increase or decrease in market prices in the investment portfolio, excluding short-term securities, with all other variables held constant, would have resulted in the Company's net assets increasing or decreasing, respectively, by approximately $36,816,000 or approximately 6.1% (December 31, 2016 - $35,841,000 or approximately 6.3%).

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 risk:

Industry sector	June 30, 2017	December 31, 2016
Materials	18.9%	18.3%
Consumer Discretionary	16.3%	15.0%
Energy	15.5%	20.7%
Information Technology	14.0%	10.4%
Financials	13.4%	13.3%
Industrials	12.1%	12.2%
Telecommunication Services	3.3%	3.1%
Consumer Staples	2.0%	2.0%
Real Estate	1.4%	2.2%
Utilities	1.1%	0.9%
Cash	3.7%	1.9%
Receivable on securities sold	0.4%	0.0%
Payable on securities purchased	(2.1%)	0.0%
	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 outstanding preference shares and bank loan. 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. In addition, the Company monitors its adherence to the provisions of its outstanding Class A preference shares and bank loan. In particular, included in the preference shares provisions is a dividend payment restriction, which provides that the Company shall not pay a dividend on its common shares unless after giving effect thereto, the ratio of assets to obligations (both as defined in the preference share provisions) exceeds 2.5 times. All common share dividend payments made in 2017 and 2016 were in compliance with this provision. Included in the bank loan covenants is an asset coverage restriction requiring that the net assets divided by the principal amount of the bank loan be greater than 3.0 times. The Company was in compliance with this covenant during the period ending June 30, 2017 and June 30, 2016.

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, 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 securities sold or payable on securities purchased, interest and dividends receivable, accounts payable and accrued liabilities, accrued dividends on preference shares, bank loan and preference shares are carried at amortized cost.

(in thousands of dollars)	Level 1	Level 2	Level 3	Total
As at June 30, 2017				
Financial assets at FVTPL:				
Investments	736,319	-	-	736,319
As at December 31, 2016				
Financial assets at FVTPL:				
Investments	716,821	-	-	716,821

During the six months ended June 30, 2017 and the year ended December 31, 2016, there were no investments transferred between the levels.

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 BANK LOAN

On June 9, 2016, the Company entered into a credit agreement giving it access to $75.0 million and drew down the full amount. The credit facility is a non-revolving, three-year fixed rate facility that bears interest at 2.28% per annum to be paid quarterly. The purpose of the credit facility was to fund the redemption of the Class A preference shares, Series 3. The facility is secured with a first-ranking charge on the Company's property and assets, including the investment portfolio and requires the Company to comply with certain covenants including maintenance of asset coverage ratios. The Company was in compliance with all of the covenants as at June 30, 2017 and December 31, 2016.

Bank loan consists of the following:

	June 30, 2017	December 31, 2016
Secured, non-revolving, 2.28%, three-year fixed rate credit facility, maturing June 9, 2019	75,000	75,000
Less: Unamortized debt issue costs	132	165
	74,868	74,835

7 PREFERENCE SHARES

The Company is authorized to issue, in series, a class of preference shares of which the following are outstanding:

Class A preference shares	June 30, 2017 Number of shares	December 31, 2016 Number of shares	Stated amount per share $	Cumulative annual dividend rate %	Date of issue	June 30, 2017 Amount $ (In thousands)	December 31, 2016 Amount $ (In thousands)
Series 4	3,000,000	3,000,000	25.00	3.75	May 30, 2013	75,000	75,000
						75,000	150,000
Deferred issuance costs (net of amortization of $671,000 (December 31, 2016 - $588,000))						1,207	1,290
						73,793	73,710

On June 10, 2016, the Company redeemed its $75,000,000, 3.90% cumulative, redeemable Class A preference shares, Series 3.

The Company may redeem for cash, the Series 4 shares, in whole or in part, at the following prices during the defined periods:

	$26.00	$25.75	$25.50	$25.25	$25.00
Series 4	June 15, 2018 to June 14, 2019	June 15, 2019 to June 14, 2020	June 15, 2020 to June 14, 2021	June 15, 2021 to June 14, 2022	June 15, 2022 and thereafter (1)

(1) The holders may require the Company to redeem the Series 4 shares on or after June 15, 2023 for a cash price of $25.00 per share.

Subsequent to June 30, 2017, the Company declared a quarterly dividend of $0.23438 per share payable on September 15, 2017 to Series 4 shareholders of record at the close of business on August 31, 2017.

8 SHARE CAPITAL

Common shares

The Company is authorized to issue an unlimited number of common shares. As at June 30, 2017, there are 20,861,141 (December 31, 2016 - 20,861,141) common shares issued and outstanding with no par value.

Subsequent to June 30, 2017, the Company declared a quarterly capital gains dividend of $0.18 per share payable on September 15, 2017 to common shareholders of record at the close of business on August 31, 2017.

9 INCOME TAXES

As at June 30, 2017, the Company had federal refundable capital gains taxes on hand of approximately $556,000 (December 31, 2016 - $527,000), which are refundable on payment of capital gains dividends of approximately $4.0 million (December 31, 2016 - $3.8 million) and Ontario refundable capital gains taxes on hand of approximately $720,000 (December 31, 2016 - $724,000), which are refundable on payment of capital gains dividends of approximately $12.5 million (December 31, 2016 - $12.6 million).

As at June 30, 2017, the Company has approximately $3,108,000 (December 31, 2016 - $nil) 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 2037.

The Company is also subject to a special tax of 38-⅓% 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 no refundable dividend tax on hand as at June 30, 2017 (December 31, 2016 - $651,000).

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

(in thousands of dollars)	2017	2016
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%	10,413	3,592
Increase (decrease) in income taxes resulting from:		
Dividends from taxable Canadian companies	(2,344)	(2,212)
Dividends on preference shares	552	1,120
Net change in unrealized gain	(6,044)	(7,344)
Non-taxable portion of net realized (gains) losses	(4,770)	2,339
Decrease in refundable dividend tax on hand	(649)	(1,524)
Non-recoverable taxes on taxable loss	2,193	1,134
Differences arising from use of different cost bases for income tax and accounting purposes and other items	(57)	101
Refundable income tax recovery	(706)	(2,794)

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, 2017, the average withholding tax rate paid by the Company was 15.0% (December 31, 2016 - 15.0%).

11 FINANCIAL INSTRUMENTS BY CATEGORY

The following tables present the carrying amounts of the Company's financial instruments by category. All the Company's financial liabilities were carried at amortized cost:

(in thousands of dollars)	Financial assets at FVTPL designated at inception	Financial assets at amortized cost	Total
June 30, 2017			
Cash	-	27,464	27,464
Receivable on securities sold	-	3,332	3,332
Investments	736,319	-	736,319
Interest and dividends receivable	-	835	835
	736,319	31,631	767,950
December 31, 2016			
Cash	-	13,655	13,655
Investments	716,821	-	716,821
Interest and dividends receivable	-	943	943
	716,821	14,598	731,419

All gains and/or losses recorded on the statement of comprehensive income relate to investments designated 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 January 1, 2006. Mr. Morgan and Ms. Morgan together own directly or indirectly 85%, 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, 2017 $4,232,000 (2016 - $3,651,000) was paid to the Manager with $708,000 accrued and included in accounts payable and accrued liabilities as at June 30, 2017 (December 31, 2016 -$689,000).

Dividends

As a result of its ownership position in the Company, during the six months ended June 30, 2017, Third Canadian received dividends from net investment income of $2,747,000 (2016 - $2,442,000).

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, 2017, the independent directors of the Company received directors' fees aggregating $91,000 (2016 - $107,000) from the Company. No other compensation was paid or is payable to the directors of the Company for the six months ended June 30, 2017, except for compensation paid by the Company in respect of such persons acting as members of the Independent Review Committee for the Company, aggregating $10,000 (2016 - $21,000).

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.

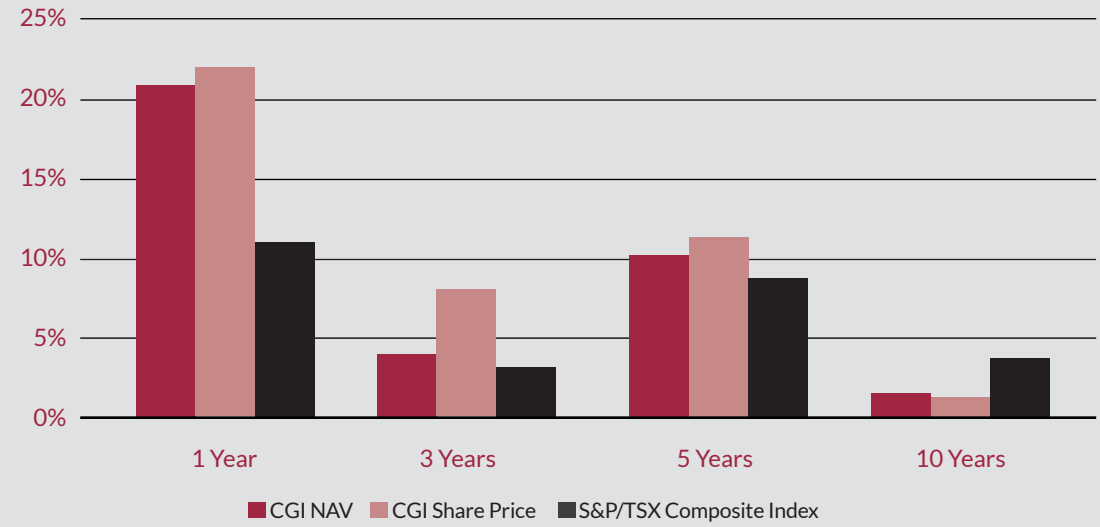
At June 30, 2017, the Company had loaned securities with a fair value of $83,538,000 (December 31, 2016 - $81,668,000) and the custodian held collateral of $88,877,000 (December 31, 2016 - $88,508,000). This collateral is not reflected in the statements of financial position and consisted of the following:

	June 30, 2017	December 31, 2016
Securities lending collateral		
Federal government debt securities	59.9%	27.6%
Provincial government debt securities	30.4%	47.9%
Bankers acceptances	0.0%	24.5%
U.S. government debt securities	9.7%	0.0%
	100.0%	100.0%

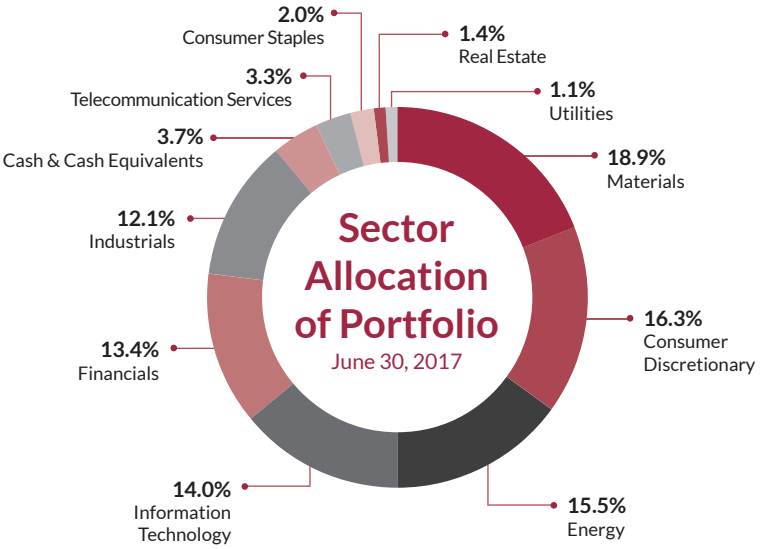
The gross earnings from securities lending during the six months ended June 30, 2017 was $55,000 (2016 - $601,000) and was offset by fees of $25,000 (2016 - $250,000).

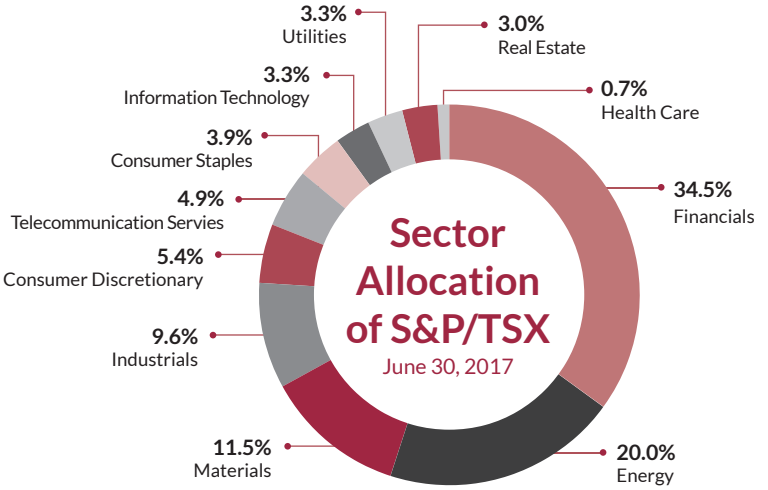
Additional Charts

Compound Annual Returns For The Periods Ending June 30, 2017



Additional Charts





U.K. SHAREHOLDER INFORMATION

Stockdale Securities Limited are the Company's official stockbrokers in the United Kingdom. They can be contacted for market-making and share trading on the London Stock Exchange. They can be reached at:

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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
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