

**VECTOR CANADIAN EQUITY FUND**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

February 27, 2004

**Auditors' Report**

To the Participants of  
Vector Canadian Equity Fund:

We have audited the statements of net assets and investment portfolio of Vector Canadian Equity Fund (the Fund) as at December 31, 2003 and the statements of operations, and changes in net assets for the year then ended. These financial statements are the responsibility of the Fund's Investment Manager. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2003 and the results of its operations and changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

Chartered Accountants  
Toronto, Ontario

# VECTOR CANADIAN EQUITY FUND

## STATEMENTS OF NET ASSETS

As at December 31	2003	2002
<b>Assets</b>		
Investments, at market value	\$ 122,646,508	\$ 124,701,811
Short-term notes	2,593,759	4,787,018
Cash	86,208	97,736
Income receivable	156,059	196,681
Receivable for units subscribed	72,373	6,297
	125,554,907	129,789,543
<b>Liabilities</b>		
Due to broker	-	469,480
Accrued expenses	68,713	41,623
Payable for units redeemed	107,641	21,482
	176,354	532,585
Net assets representing participants' equity (Note 2)	\$ 125,378,553	\$ 129,256,958
Net asset value per unit	\$ 107.34	\$ 83.53
Investments, at average cost (amortized where applicable)	\$ 91,664,774	\$ 113,819,848

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

Approved on behalf of the Investment Manager,  
Guardian Capital Inc.:

Director



Director



ECTOR CANADIAN EQUITY FUND

STATEMENT OF INVESTMENT PORTFOLIO

As At December 31, 2003

<u>Number of Shares/Units</u>	<u>Security</u>	<u>Average Cost</u>	<u>Market Value</u>
<b>Consumer Discretionary-7.1%</b>			
50,900	Astral Media Inc.	\$ 1,211,814	\$ 1,427,745
58,675	Fairmont Hotels & Resorts Inc.	1,804,533	2,068,881
17,600	Magna Int'l Inc. 'A'	1,079,775	1,828,640
71,600	Rogers Communications Inc. 'B'	1,407,204	1,530,092
43,250	Thomson Corp.	1,911,138	2,039,670
		<u>7,414,464</u>	<u>8,895,028</u>
<b>Consumer Staples-8.9%</b>			
57,200	Cott Corp.	1,573,794	2,079,792
37,000	Loblaw Companies Ltd.	1,817,855	2,471,600
59,200	Molson Inc. 'A'	2,103,834	2,137,712
102,600	Shoppers Drug Mart Corp.	2,462,802	3,073,896
13,100	Weston (George) Ltd.	1,281,605	1,358,601
		<u>9,239,890</u>	<u>11,121,601</u>
<b>Energy-14.1%</b>			
55,878	EnCana Corp.	2,180,188	2,849,778
42,400	Petro-Canada	1,100,305	2,709,784
34,500	Precision Drilling Corp.	1,668,997	1,957,875
114,200	ShawCor Ltd.	1,633,060	1,780,378
118,500	Suncor Energy Inc.	2,922,891	3,851,250
36,900	Talisman Energy Inc.	2,000,038	2,712,888
61,000	Western Oil Sands Inc. 'A'	1,661,428	1,799,500
		<u>13,166,907</u>	<u>17,661,453</u>
<b>Financial Services-23.5%</b>			
49,500	Bank of Montreal	1,553,423	2,648,250
60,466	Bank of Nova Scotia	2,036,791	3,972,012
44,200	Canadian Imperial Bank of Commerce	2,014,916	2,828,800
86,200	Manulife Financial Corp.	3,583,937	3,595,402
32,600	National Bank of Canada	990,311	1,406,364
71,600	Power Corp. of Canada	1,978,340	3,443,960
70,700	Royal Bank of Canada	2,908,987	4,369,260
100,800	Sun Life Financial Inc.	3,161,687	3,255,840
90,852	Toronto-Dominion Bank	2,899,767	3,932,983
		<u>21,128,159</u>	<u>29,452,871</u>

<u>Number of Shares/Units</u>	<u>Security</u>	<u>Average Cost</u>	<u>Market Value</u>
<b>Health Care-4.0%</b>			
37,600	Angiotech Pharmaceuticals Inc.	\$ 1,649,161	\$ 2,237,576
71,600	MDS Inc.	1,235,764	1,430,568
55,200	QLT Inc.	2,346,895	1,352,400
		<u>5,231,820</u>	<u>5,020,544</u>
<b>Industrial Products-10.8%</b>			
17,500	Canadian National Railway Co.	1,404,673	1,435,175
66,300	Canadian Pacific Railway Ltd.	1,640,394	2,425,254
75,825	CP Ships Ltd.	1,001,552	2,039,693
76,400	Finning Int'l Inc.	1,881,546	2,299,640
95,700	MacDonald, Dettwiler & Associates Ltd.	2,266,615	2,277,660
60,073	SNC-Lavalin Group Inc.	798,018	3,063,723
		<u>8,992,798</u>	<u>13,541,145</u>
<b>Information Technology-1.2%</b>			
38,500	Cognos Inc.	1,187,933	1,520,750
<b>Materials-23.4%</b>			
56,100	Aber Diamond Corp.	1,548,979	2,637,261
49,700	Alcan Inc.	2,567,806	3,022,257
95,900	Barrick Gold Corp.	2,359,420	2,810,829
69,242	Cameco Corp.	2,219,005	5,158,529
87,600	Domtar Inc.	1,466,757	1,419,996
73,400	Inco Ltd.	1,777,921	3,791,110
61,100	IPSCO Inc.	1,557,949	1,469,455
114,900	Placer Dome Inc.	1,884,662	2,662,233
22,050	Potash Corp. of Saskatchewan Inc.	2,146,199	2,474,671
179,656	Teck Cominco Ltd. 'B'	2,532,474	3,957,822
		<u>20,061,172</u>	<u>29,404,163</u>
<b>Telecommunication Services-1.9%</b>			
82,800	BCE Inc.	2,981,649	2,397,060
<b>Utilities-2.9%</b>			
29,388	Enbridge Inc.	834,096	1,576,078
73,738	TransCanada Corp.	1,425,886	2,055,815
		<u>2,259,982</u>	<u>3,631,893</u>
	<b>Total investments - 97.8%</b>	<b>91,664,774</b>	<b>122,646,508</b>
	<b>Short-term notes - 2.1%</b>	<b>2,593,759</b>	<b>2,593,759</b>
	<b>Other net assets - 0.1%</b>	<b>138,286</b>	<b>138,286</b>
	<b>Total net assets - 100.0%</b>	<b>\$ 94,396,819</b>	<b>\$ 125,378,553</b>

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

# VECTOR CANADIAN EQUITY FUND

## STATEMENTS OF OPERATIONS

Year ended December 31	2003	2002
<b>Investment income:</b>		
Dividends	\$ 1,800,003	\$ 1,999,615
Interest	130,926	123,399
	1,930,929	2,123,014
<b>Operating expenses (Note 3):</b>		
Administration costs	242,203	176,695
Custodian fees	35,851	47,462
Audit fees	34,633	39,361
Professional fees	4,723	2,122
Goods and Services Tax	22,219	18,595
	339,629	284,235
Net investment income	1,591,300	1,838,779
<b>Realized and Unrealized Gain (Loss) on Investments</b>		
Proceeds from sale of investments	65,865,648	57,362,727
Cost of investments, beginning of year	113,819,848	139,535,536
Cost of investments purchased during the year	34,530,104	46,775,383
	148,349,952	186,310,919
Cost of investments, end of year	91,664,774	113,819,848
Cost of investments sold during the year	56,685,178	72,491,071
Gain (loss) on sale of investments	9,184,978	(15,127,391)
Loss on foreign currencies	(4,508)	(953)
Net realized gain (loss) on sale of investments	9,180,470	(15,128,344)
Increase (decrease) in unrealized appreciation (depreciation) of investments	20,099,771	1,827,837
Net realized and unrealized gain (loss) on investments	29,280,241	(13,300,507)
Increase (decrease) in net assets from operations	\$ 30,871,541	\$ (11,461,728)

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

**VECTOR CANADIAN EQUITY FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS**

Year ended December 31	2003	2002
Net assets, beginning of year	\$ 129,256,958	\$ 156,936,155
Increase (decrease) in net assets from operations	30,871,541	(11,461,728)
Distributions to participants:		
From net investment income	1,652,188	1,888,667
Capital transactions:		
Issue of fund units (including reinvested distributions)	10,741,196	7,758,365
Redemption of fund units	43,838,954	22,087,167
	(33,097,758)	(14,328,802)
Net decrease in net assets for the year	(3,878,405)	(27,679,197)
Net assets, end of year	\$ 125,378,553	\$ 129,256,958
<b>Summary of changes in number of outstanding units</b>		
Units, beginning of year	1,547,498	1,702,557
Number of units issued (including reinvested units)	116,897	91,243
	1,664,395	1,793,800
Number of units redeemed	496,364	246,302
Units, end of year	1,168,031	1,547,498

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

# VECTOR CANADIAN EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

### 1. Significant accounting policies:

These financial statements, prepared in accordance with generally accepted accounting principles in Canada, include estimates and assumptions by the Investment Manager that effect the reported amounts of assets, liabilities, income and expenses during the reporting period. The following is a summary of significant accounting policies followed by the Fund.

#### Valuation of investments -

- a) Investments are valued at market values which are determined for each security by the latest available sale price on the recognized stock exchange on which the security is listed or principally traded.
- b) Investments not listed on any exchange are valued in the same manner based upon any available public quotation in common use or at a price estimated to be the true value thereof on such basis and in such manner as may be approved by the Investment Manager, Guardian Capital Inc.
- c) Short-term investments are stated at cost. Interest income is accrued daily and is included in income receivable. In the opinion of the Investment Manager, the cost of the investments, together with the accrued interest which is included in income receivable, approximates their market value.

#### Investment transactions and income recognition -

Investment transactions are accounted for on the trade date. Interest income is accrued daily and dividend income is recognized on the ex-dividend date. Discounts arising on the purchase of short-term notes are recognized as income over the term to maturity. Realized gains (losses) from investment transactions and unrealized appreciation (depreciation) of investments are determined on an average cost basis.

#### Translation of foreign currency transactions and balances -

The market value of investments and other assets and liabilities in foreign currencies are translated into Canadian dollars at the noon rates of exchange at the year end. Purchases and sales of investments, income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains (losses) on completed transactions are included in realized gain (loss) on sale of investments and unrealized gains (losses) are included in unrealized appreciation (depreciation) of investments.

### 2. Participants' equity:

Participants' equity includes the amounts representing the Fund's units, any undistributed net income and realized gain (loss) on sale of investments, and unrealized appreciation (depreciation) of investments. An unlimited number of the Fund's units may be issued, which are redeemable at the participants' option in accordance with the provisions of the Trust Agreement. Unrealized appreciation of investments as at December 31, 2003 was \$30,981,734 (2002 - \$10,881,963).



**3. Operating expenses:**

The Fund is responsible for the payment of its custodian fees and expenses, and other reasonable out-of-pocket expenses incurred in the administration of the Fund. Administration costs, including participant transfer costs, are incurred by the Investment Manager and allocated to this and other funds on an equitable basis.

**4. Income taxes:**

The Fund is not subject to income taxes on its net taxable capital gains and its net income for the year if it allocates such gains and income (less any applicable loss carry forwards) to participants. The taxable income of the Fund is allocated annually to participants so as to eliminate any income taxes otherwise payable by the Fund.

Capital losses in the amount of \$5,831,898 are available to be carried forward and applied against future capital gains.

**5. Financial information summary:**

	<u>Year ended December 31</u>	
	<u>2003</u>	<u>2002</u>
Earnings per unit (based on the weighted average number of units outstanding during the year):		
Net investment income	\$ 1.20	\$ 1.17
Realized gain (loss) on sale of investments	6.90	(9.66)
	<u>\$ 8.10</u>	<u>\$ (8.49)</u>
Distributions per unit (based on the number of units outstanding on the dates of the distributions):		
Net investment income	\$ 1.31	\$ 1.24
Redemption distribution	0.54	-
	<u>\$ 1.85</u>	<u>\$ 1.24</u>

**6. Comparative figures:**

Certain comparative figures have been restated to conform with the current year's presentation.