

Edgar Filing: EAGLE CAPITAL GROWTH FUND, INC. - Form N-CSRS

EAGLE CAPITAL GROWTH FUND, INC.  
Form N-CSRS  
August 29, 2016

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United States  
Securities and Exchange Commission

Washington, D.C. 20549

Form N-CSRS  
Certified Shareholder Report of Registered Management  
Investment Companies

Investment Company Act file number: 811-05807

Eagle Capital Growth Fund, Inc.  
(Exact name of registrant as specified in charter)

225 East Mason Street, Suite 802, Milwaukee, WI 53202  
(Address of principal executive offices) (zip code)

Luke E. Sims, President and Chief Executive Officer  
Eagle Capital Growth Fund, Inc.  
225 East Mason Street, Suite 802  
Milwaukee, WI 53202  
(Name and address of agent for service)

Registrant's telephone number, including area code: (414) 765-1107

Date of fiscal year end: December 31

Date of reporting period: June 30, 2016

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ITEM 1. REPORT TO STOCKHOLDERS

Eagle Capital Growth Fund, Inc.  
Semiannual Report

June 30, 2016

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Top Ten Holdings (as of June 30, 2016)

Company	Market Value	Percentage of Fund	
Franklin Resources, Inc.	\$ 2,719,655	9.3	%
Berkshire Hathaway Inc. B	\$ 2,461,430	8.4	%
Wells Fargo & Company	\$ 2,082,520	7.1	%
Paychex, Inc.	\$ 1,547,000	5.3	%
Automatic Data Processing, Inc.	\$ 1,378,050	4.7	%
AFLAC Corp.	\$ 1,371,040	4.7	%
Full Circle Capital Corp.	\$ 1,356,124	4.6	%
Illinois Tool Works Inc.	\$ 1,354,080	4.6	%
T. Rowe Price Group, Inc.	\$ 1,349,945	4.6	%
Stryker Corp.	\$ 1,318,130	4.5	%

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Fellow Shareholders,

The first couple months of 2016 were rocky, but performance improved as the year wore on. Our Fund's net asset value rose 5.6% while the S&P 500 total return index logged a gain of 3.8%. It was a wild first half, with the severe oil price drop, concerns about China's economy, and the Brexit vote. There were many major headline events in the last six months, despite few events which brought economic change.

We seek to ignore the headlines in favor of long-term trends and valuations. With a negative headline and attractive prices, we're interested in buying; with positive headlines and optimistic prices, we're looking for the exits.

Interest rates are generally boring, serving only to spice up a banker's day. However, with economic malaise around the globe, central bankers have brought interest rates to the mainstream. In a competition to spur economic activity by providing cheap capital, central bankers have fallen over each other to cut interest rates. On the plus side, buying a home has never been as inexpensive; on the negative side, saving money has never been so unattractive. And, in one of the more surprising results, many countries have issued debt at negative interest rates. If that seems odd, confusing, and economically irrational, you're not alone. Central bankers believe no rate is too low, failing to honor the rational boundary at 0%. We are not sure how this odd situation is distorting peoples' decisions, but we are confident bad decisions are being made with cheap money.

Only time will tell how negative interest rates are encouraging bad behavior. But, it seems obvious that low-cost capital is respected less than normal-cost capital; like any product prone to overconsumption, capital will be wasted while its cost is low. The difficulty is that the poor decisions of today are unlikely to be clear until years later. It will be an uncomfortable hangover. We are scrutinizing our portfolio companies to ensure that our capital is not being risked without adequate return.

#### Turnover

Portfolio turnover describes how often a manager buys and sells positions, to provide shareholders insight into activity in a fund. High activity managers will have high turnover numbers while low activity managers will have low turnover. From a tax perspective, it can also provide some insight into the tax impact of investing with a manager; higher turnover may indicate higher tax costs. However, it is a number which provides a summary of things, rather than specifics. Shareholders should take the turnover number as a starting point to learn about a manager, rather than accept the number at face value.

Our turnover in the first half of 2016 was 68%, annualized. It's a high rate for long-term investors. It was the result of taking advantage of the market hiccup in January/February to lower the tax basis of some shares, while also trimming positions as the market rose. We also invested cash in special situations to increase returns, further increasing the turnover rate. Lowering tax consequences and increasing returns are beneficial to shareholders; if we have the opportunity to do either we intend to do so, regardless of its impact on the turnover rate.

As always, we love hearing from our shareholders. However, we won't comment on any undisclosed purchases or sales that the Fund has made or is considering. With that caveat in mind, all other issues are on the table.

Luke E. Sims

David C. Sims

E-mail: [luke@simscapital.com](mailto:luke@simscapital.com) E-mail: [dave@simscapital.com](mailto:dave@simscapital.com)

414/755-6790

414/765-1107

July 15, 2016

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Eagle Capital Growth Fund, Inc.  
 Statement of Assets and Liabilities  
 As of June 30, 2016 (unaudited)

Assets

Common stock--at market value (cost \$18,839,721)	\$27,715,195	
Money market funds	1,617,818	
Short-term interest receivable	79	
Dividends receivable	49,750	
Prepaid fees	14,124	
		\$29,396,966

Liabilities

Investment advisor fee payable	\$21,067	\$21,067
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Total net assets \$29,375,899

Shareholders' Equity

Common stock- \$0.001 par value per share; authorized 50,000,000 shares, outstanding 3,263,314 shares	\$3,263	
Paid-in capital	18,298,989	
Undistributed net investment income	30,151	
Undistributed capital gains	2,168,022	
Unrealized appreciation on investments	8,875,474	

Shareholders' equity \$29,375,899

Net asset value per share \$9.00

See Notes to Financial Statements.

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Eagle Capital Growth Fund, Inc.  
 Statement of Operations  
 For the Six Months Ended June 30, 2016 (unaudited)

Investment Income

Dividends	\$243,771	
Interest	2,017	
Total investment income		\$245,788

Expenses

Advisory fees	\$105,549	
Legal fees	1,555	
Insurance	6,512	
Transfer agent	27,315	
Directors' fees and expenses	32,000	
Custodian fees	3,750	
Listing fee	7,458	
Other fees and expenses	11,738	
Total expenses		\$195,877

Net investment income \$49,911

Realized Gain and Unrealized Appreciation on Investments

Realized gain on investments:		
Proceeds from sale of investment securities	\$9,260,879	
Less: cost of investment securities sold	7,092,857	
Net realized gain on investments		\$2,168,022
Unrealized appreciation on investments:		
Unrealized appreciation at end of period	\$8,875,474	
Less: unrealized appreciation at beginning of period	9,505,416	
Net change in unrealized appreciation on investments		\$(629,942 )
Net realized gain and change in unrealized appreciation on investments		\$1,538,080
Net increase from operations		\$1,587,991

See Notes to Financial Statements.

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Eagle Capital Growth Fund, Inc.  
Statements of Changes in Net Assets

	Year Ended December 31, 2015	Six Months Ended June 30, 2016 (unaudited)
From Operations:		
Net investment income	\$ 118,237	\$ 49,911
Net realized gain on investments	1,404,503	2,168,022
Net change in unrealized appreciation on investments	(1,273,308	) (629,942 )
Net increase from operations	\$ 249,432	\$ 1,587,991
Distributions to Shareholders from:		
Net investment income	\$ (158,060	) --
Net realized gain from investment transactions	(1,404,502	) --
Total distributions	\$ (1,562,562	) --
From Capital Stock Transactions:		
Reinvested capital from distribution of shares	\$ 986,674	--
Total Net Assets:		
Beginning of year	\$ 28,114,364	\$ 27,787,908
End of period (including undistributed net investment income of (\$19,760) and \$49,911)	\$ 27,787,908	\$ 29,375,899
Shares:		
Shares issued to shareholders from distribution of shares	138,190	--
Shares at beginning of year	3,125,124	3,263,314
Shares at end of period	3,263,314	3,263,314

See Notes to Financial Statements.

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Eagle Capital Growth Fund, Inc.  
Financial Highlights

For the periods ended December 31:	2011	2012	2013	2014	2015	2016 (six months) (unaudited)	
Net asset value at beginning of year	\$7.81	\$7.12	\$7.61	\$8.69	\$9.00	\$ 8.52	
Net investment income	\$0.09	\$0.06	\$0.03	\$0.02	\$0.04	\$ 0.01	
Net realized gain and unrealized appreciation on investments	\$0.27	\$0.79	\$2.07	\$0.66	\$0.04	\$ 0.47	
Total from investment operations	\$0.36	\$0.85	\$2.10	\$0.68	\$0.08	\$ 0.48	
Distribution from:							
Net investment income	\$(0.09 )	\$(0.03 )	\$(0.07 )	\$(0.02 )	\$(0.05 )	-	
Realized gains	\$(0.96 )	\$(0.33 )	\$(0.95 )	\$(0.35 )	\$(0.45 )	-	
Total distributions	\$(1.05 )	\$(0.36 )	\$(1.02 )	\$(0.37 )	\$(0.50 )	-	
Dilution from share issuance	-	-	-	-	\$(0.06 )	-	
Net asset value at end of period	\$7.12	\$7.61	\$8.69	\$9.00	\$8.52	\$ 9.00	
Per share market price, end of period last traded price (A)	\$7.00	\$7.10	\$8.19	\$8.70	\$7.59	\$ 7.76	
Total Investment Return:							
Average annual return, based on market value:							
1 Year	21	% 7	% 30	% 11	% -7	% 4	%
5 Year	4	% 3	% 18	% 15	% 12	% 11	%
10 Year	4	% 4	% 7	% 8	% 6	% 7	%
From inception	8	% 8	% 9	% 9	% 9	% 8	%
Average annual return, based on net asset value:							
1 Year	5	% 12	% 28	% 8	% 1	% 7	%
5 Year	1	% 4	% 17	% 13	% 11	% 10	%
10 Year	3	% 6	% 7	% 7	% 7	% 7	%
From inception	8	% 9	% 9	% 9	% 9	% 9	%
Net assets, end of year (000s omitted)	\$22,243	\$23,796	\$27,164	\$28,114	\$27,788	\$ 29,376	
Ratios to average net assets (annualized):							
Ratio of expenses to average net assets (B)	1.42	% 1.43	% 1.37	% 1.40	% 1.43	% 1.43	%
Ratio of net investment income to average net assets (annualized):	1.16	% 0.83	% 0.34	% 0.27	% 0.42	% 0.36	%
Portfolio turnover (annualized)	25	% 22	% 44	% 6	% 26	% 68	%
Average commission paid per share	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$ 0.01	



(A) If there was no sale on the valuation date, the bid price of GRF shares for each such date is shown.

(B) Expense ratio does not reflect fees and expenses incurred indirectly by the Fund as a result of its investments in shares of other investment companies. If these fees were included in the expense ratio the net impact would be an increase of approximately 0.06% for the year ended December 31, 2014, 0.07% for the year ended December 31, 2013, 0.07% for the year ended December 31, 2012, and 0.13% for the year ended December 31, 2011. There would have been no increase in the expense ratio for the year ended December 31, 2015 or for the six months ended June 30, 2016.

See Notes to Financial Statements.

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Eagle Capital Growth Fund, Inc.

Portfolio of Investments (as of June 30, 2016) (unaudited)

Common Stock (94.5% of total investments)				LEVEL ONE	
	Shares	Cost	Market Value	% of Total Investments	
<b>Bank</b>					
Wells Fargo & Company	44,000	\$1,961,150	\$2,082,520	(7.1	%)
			\$2,082,520		
<b>Consumer</b>					
Colgate-Palmolive Co.	12,000	72,938	878,400		
PepsiCo, Inc.	10,000	168,296	1,059,400		
Procter & Gamble Company	15,000	1,038,636	1,270,050	(10.9	%)
			\$3,207,850		
<b>Data Processing</b>					
Automatic Data Processing, Inc.	15,000	455,833	1,378,050		
Paychex, Inc.	26,000	663,645	1,547,000	(10.0	%)
			\$2,925,050		
<b>Drug/Medical Device</b>					
Abbott Laboratories Inc.	7,500	175,588	294,825		
Johnson & Johnson	4,000	45,500	485,200		
Stryker Corp.	11,000	47,141	1,318,130	(7.2	%)
			\$2,098,155		
<b>Industrial</b>					
CSW Industrials, Inc.*	25,750	756,821	839,707		
Deere & Company	10,000	793,483	810,400		
Emerson Electric Co.	18,000	810,169	938,880		
Illinois Tool Works Inc.	13,000	583,134	1,354,080		
Waters Corp.*	6,000	302,341	843,900	(16.3	%)
			\$4,786,968		
<b>Insurance</b>					
AFLAC Corp.	19,000	1,018,259	1,371,040		
Berkshire Hathaway Inc. B*	17,000	1,303,475	2,461,430		
Markel Corp.*	1,300	831,360	1,238,614		
White Mountains Insurance Group, Ltd.	1,000	730,019	842,000	(20.2	%)
			\$5,913,084		
<b>Mutual Fund Managers</b>					
Franklin Resources, Inc.	81,500	3,081,528	2,719,655		
T. Rowe Price Group, Inc.	18,500	1,291,871	1,349,945	(13.9	%)
			\$4,069,600		
<b>Retail</b>					
eBay Inc.*	54,500	1,368,944	1,275,845	(4.3	%)
			\$1,275,845		
<b>Business Development Company</b>					
Full Circle Capital Corp.*	502,268	1,339,590	1,356,124	(4.6	%)
			\$1,356,124		
Total common stock investments			\$27,715,195		
<b>Money Market Funds (5.5% of total investments)</b>				LEVEL ONE	
				Market Value	% of Total Investments
Federated Government Oblig. #5 Inst.0.25%				\$1,617,818	

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	\$ 1,617,818	(5.5	%)
Total investments	\$ 29,333,013		
All other assets	63,953		
Accrued investment advisory fees	(21,067	)	
Total net assets	\$ 29,375,899		

\*Non-dividend paying security

See Notes to Financial Statements.

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Notes to Financial Statements

(1) Organization.

Eagle Capital Growth Fund, Inc., a Maryland corporation (“Fund”), is a diversified closed-end investment company subject to the Investment Company Act of 1940.

(2) Significant Accounting Policies.

The following is a summary of the significant accounting policies followed by the Fund not otherwise set forth in the Notes to the Financial Statements:

**Dividends and distributions**—Distributions to shareholders from the Fund’s net investment income and realized net long- and short-term capital gains will be declared and distributed at least annually.

**Investments**— Investments in equity securities are valued at the closing market price (as of the close of regular trading on the New York Stock Exchange) on the applicable valuation date. If no such closing market price is available on the valuation date, the Fund uses the then most recent closing market price.

In the unlikely event that there is no current or recent closing market price for a portfolio security (whether equity or debt) traded in the over-the-counter market, then the Fund uses the most recent closing bid price. If there is no closing bid price for a portfolio security for a period of ten (10) consecutive trading days, then the Fund’s Audit Committee or other appropriate committee shall determine the value of such illiquid security.

Investment security purchases and sales are accounted for on a trade date basis. Interest income is accrued on a daily basis while dividends are included in income on the ex-dividend date.

**Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Federal income taxes**—The Fund intends to comply with the general qualification requirements of the Internal Revenue Code applicable to regulated investment companies such as the Fund. The Fund plans to distribute annually at least 90% of its taxable income, including net long-term capital gains, to its shareholders. In order to avoid imposition of the excise tax applicable to regulated investment companies, the Fund intends to declare as dividends in each calendar year an amount equal to at least 98% of its net investment income and 98% of its net realized capital gains (including undistributed amounts from previous years).

The following information is based upon the Federal income tax basis of equity portfolio investments as of June 30, 2016:

Gross unrealized appreciation	\$9,369,124
Gross unrealized depreciation	(493,650 )
Net unrealized appreciation	\$8,875,474

Federal income tax basis \$18,839,721

**Expenses**— The Fund’s service providers bear all of their expenses in connection with the performance of their services. The Fund bears all of its expenses incurred in connection with its operations including, but not limited to, investment

advisory fees (as discussed in Note 3), legal and audit fees, taxes, insurance, shareholder reporting and other related costs. As noted in Note 3, the Fund's investment advisor, as part of its responsibilities under the Investment Advisory Agreement, is required to provide certain internal administrative services to the Fund at such investment advisor's expense. The Investment Advisory Agreement provides that the Fund may not incur annual aggregate expenses in excess of two percent (2%) of the first \$10 million of the Fund's average net assets, one and a half percent (1.5%) of the next \$20 million of the average net assets, and one percent (1%) of the remaining average net assets for any fiscal year. Any excess expenses are the responsibility of the investment advisor.

Fair Value Accounting— Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provides a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

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In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access. All of the Fund's investments are classified as Level 1.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

### (3) Certain Service Providers Arrangements

**Investment advisor**—For its services under the Investment Advisory agreement, the investment advisor receives a monthly fee calculated at an annual rate of three-quarters of one percent (0.75%) of the weekly net asset value of the Fund, as long as the weekly net asset value is at least \$3.8 million. The investment advisor is not entitled to any compensation for any week in which the average weekly net asset value falls below \$3.8 million. Pursuant to the Investment Advisory Agreement, the investment advisor is required to provide certain internal administrative services to the Fund at the investment advisor's expense.

Effective June 1, 2007, following shareholder approval of the Investment Advisory Agreement, Sims Capital Management LLC ("SCM") began serving as the Fund's investment advisor. Pursuant to the Investment Advisory Agreement, SCM is responsible for the management of the Fund's portfolio, subject to oversight by the Fund's Board of Directors. Luke E. Sims, a Director, President and Chief Executive Officer of the Fund and owner of more than five percent of the Fund's outstanding shares, owns 50% of SCM. David C. Sims, the Chief Financial Officer, Chief Compliance Officer and Secretary of the Fund and the son of Luke E. Sims, owns the remaining 50% of SCM.

**Custodian**— Bank of America Corporation serves as the Fund's custodian pursuant to a custodian agreement. As the Fund's custodian, Bank of America receives fees and compensation of expenses for services provided including, but not limited to, an annual account charge, annual security fee, security transaction fee and statement of inventory fee.

**Transfer Agent**— American Stock Transfer & Trust Company ("AST") serves as the Fund's transfer agent and dividend disbursing agent. AST receives fees for services provided including, but not limited to, account maintenance fees, activity and transaction processing fees and reimbursement for its out-of-pocket expenses. AST also acts as the agent under the Fund's Dividend Reinvestment and Cash Purchase Plan.

### (4) Dividend Reinvestment and Cash Purchase Plan.

The Fund has a Dividend Reinvestment and Cash Purchase Plan ("Plan") which allows shareholders to reinvest cash dividends and make cash contributions. Pursuant to the terms of the DRIP, cash dividends may be used by the DRIP agent to either purchase shares from the Fund or in the open market, depending on the most favorable pricing available to DRIP participants. Voluntary cash contributions from DRIP participants are used to purchase Fund shares in the open market. A complete copy of the DRIP is available on the Fund's website ([www.eaglecapitalgrowthfund.com](http://www.eaglecapitalgrowthfund.com)) or from AST, the DRIP agent.

### (5) Fund Investment Transactions

Purchases and sales of securities, other than short-term securities, for the six-month period ended June 30, 2016 were \$9,297,006 and \$9,260,879, respectively.

(6) Financial Highlights.

The Financial Highlights present a per share analysis of how the Fund's net asset value has changed during the periods presented. Additional quantitative measures expressed in ratio form analyze important relationships between certain items presented in the financial statements. The total investment return based on market value assumes that shareholders bought into the Fund at the bid price and sold out of the Fund at the bid price. In reality, shareholders buy into the Fund at the asked price and sell out of the Fund at the bid price. Therefore, actual returns may differ from the amounts shown.

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2016 Annual Shareholder Meeting

The Fund's 2016 annual meeting of shareholders ("Annual Meeting") was held on April 21, 2016, for the following purposes:

1. To elect three (3) Directors to the Board.
2. To ratify the selection of Plante & Moran, PLLC as the independent registered public accountants of the Fund for the calendar year ending December 31, 2016.

The following directors were elected under Proposal 1: Luke E. Sims, Donald G. Tyler, and Neal F. Zalenko. Under Proposal 2, shareholders ratified the selection of Plante & Moran, PLLC as the Fund's independent registered public accountants for the 2016 calendar year.

Tabulation Report

Proposal 1 – Election of Directors

	For	Withheld
Luke E. Sims	1,750,982	252,939
Donald G. Tyler	1,824,470	179,451
Neal F. Zalenko	1,826,494	177,427

Proposal 2 – Selection of Plante & Moran, PLLC

For	Against	Abstain	Withheld
1,981,009	20,481	3,263	0

Total shares issued and outstanding on record date: 3,263,314.

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Compensation.

The following table sets forth the aggregate compensation paid to all Fund directors for the period ended June 30, 2016. Directors who are not Interested Persons of the Fund received an annual retainer of \$10,000 a year, paid in equal quarterly installments, and directors attending committee meetings were paid \$500 for each meeting. Directors who are Interested Persons of the Fund are not entitled to receive directors' fees. Directors are reimbursed for out-of-pocket expenses in connection with attending Board meetings.

Luke E. Sims and David C. Sims, who are deemed to be Interested Persons of the Fund, are not entitled to receive directors' fees from the Fund.

No Fund officer receives compensation in his capacity as an officer of the Fund. Fund officers are: Luke E. Sims, President and Chief Executive Officer; and David C. Sims, Chief Financial Officer, Chief Compliance Officer, Treasurer and Secretary. Robert M. Bilkie, Jr. is the Fund's Chairman, which is not an executive officer position.

Sims Capital Management LLC ("SCM"), the investment advisor for the Fund, was paid \$105,549 by the Fund in 2016. SCM is 50% owned by Luke E. Sims, the President, CEO and a Director of the Fund, as well as an owner of more than five percent of the Fund's outstanding shares. David C. Sims, the Fund's Chief Financial Officer, Chief Compliance Officer, Treasurer and Secretary, owns the remaining 50% of SCM.

The Fund is not part of a family of investment companies.

Directors who are Interested Persons of the Fund, for the six-month period ended June 30, 2016:

Name, Position	Aggregate Compensation From Fund	Pension or Retirement Benefits Accrued as part of Fund Expenses	Estimated Annual Benefits upon Retirement	Total Compensation from Fund and Complex paid to Directors
David C. Sims, Director, CFO, CCO, Treasurer, Secretary	None	None	None	None
Luke E. Sims, Director, President, CEO	None	None	None	None

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Directors who are not Interested Persons of the Fund, for the six-month period ended June 30, 2016:

Name, Position	Aggregate Compensation From Fund	Pension or Retirement Benefits Accrued as part of Fund Expenses	Estimated Annual Benefits upon Retirement	Total Compensation from Fund and Complex paid to Directors
Robert M. Bilkie, Jr., Director	\$ 5,000	None	None	\$ 5,000
Phillip J. Hanrahan Director	\$ 5,500	None	None	\$ 5,500
Carl A. Holth, Director	\$ 5,500	None	None	\$ 5,500
Peggy L. Schmeltz, Director	\$ 5,000	None	None	\$ 5,000
Donald G. Tyler, Director	\$ 5,500	None	None	\$ 5,500
Neal F. Zalenko, Director	\$ 5,500	None	None	\$ 5,500

Board of Directors

Robert M. Bilkie, Jr. Chairman of the Board Southfield, MI	Carl A. Holth Director Clinton Twp., MI	Phillip J. Hanrahan Director Whitefish Bay, WI
Peggy L. Schmeltz Director Bowling Green, OH Bayside, WI	Luke E. Sims President & CEO Milwaukee, WI	David C. Sims CFO, CCO, Treasurer & Secretary
Donald G. Tyler Director Shorewood, WI	Neal F. Zalenko Director Birmingham, MI	

## Shareholder Information

**Trading.** Fund shares trade under the symbol GRF on the NYSE MKT.

**Fund Stock Repurchases.** The Fund is authorized, from time to time, to repurchase its shares in the open market, in private transactions or otherwise, at a price or prices reasonably related to the then prevailing market price.

**Dividend Reinvestment and Cash Purchase Plan.** By participating in the Fund's Dividend Reinvestment and Cash Purchase Plan ("Plan"), you can automatically reinvest your cash dividends in additional Fund shares without paying brokerage commissions. A copy of the plan is included earlier in the Annual Report.

Alternatively, you can secure a copy of the Plan from the Fund's website ([www.eaglecapitalgrowthfund.com](http://www.eaglecapitalgrowthfund.com)) or by contacting American Stock Transfer & Trust Company, 6201 15<sup>th</sup> Avenue, Brooklyn, NY 11219, telephone number (800) 937-5449.

**Dividend Checks/Stock Certificates/Address Changes/Etc.** If you have a question about lost or misplaced dividend checks or stock certificates, have an address change to report, or have a comparable shareholder issue or question, please contact the Fund's transfer agent, American Stock Transfer and Trust Company, 6201 15<sup>th</sup> Avenue, Brooklyn, NY 11219, telephone number (800) 937-5449.

**Proxy Voting.** The Fund typically votes by proxy the shares of portfolio companies. If you'd like information about the policies and procedures that the Fund follows in voting, or how the Fund has voted on a particular issue or matter during the most recent 12-month period ended June 30, you can get that information (Form N-PX) from the SEC's website ([www.sec.gov](http://www.sec.gov)) or the Fund's website ([www.eaglecapitalgrowthfund.com](http://www.eaglecapitalgrowthfund.com)), or by calling the Fund at (414) 765-1107 (collect) or by sending an e-mail request (to [dave@simscapital.com](mailto:dave@simscapital.com)).

**Fund Privacy Policy/Customer Privacy Notice (January 1, 2016).** We collect nonpublic personal information about you from the following sources: (i) information we receive from you on applications or other forms and (ii) information about your transactions with us or others. We do not disclose any nonpublic personal information about you to anyone, except as permitted by law, and as follows. We may disclose all of the information we collect, as described above, to companies that perform marketing services on our behalf or to other financial institutions with whom we have joint marketing agreements. If you decide to close your account(s) or no longer be a shareholder of record, we will adhere to the privacy policies and practices as described in this notice. We restrict access to your personal and account information to those employees who need to know that information to provide services to you. We maintain physical, electronic, and procedural safeguards to guard your nonpublic personal information. In this notice, the term "we" refers to the Fund, Eagle Capital Growth Fund, Inc.

**Additional Information.** The Fund files a complete schedule of its portfolio holdings with the Securities and Exchange Commission (SEC) as of the end of the first and third calendar quarters on SEC Form N-Q. You can obtain copies of these filings, and other information about the Fund, from the SEC's website ([www.sec.gov](http://www.sec.gov)) or from the Fund's website ([www.eaglecapitalgrowthfund.com](http://www.eaglecapitalgrowthfund.com)), or by calling the Fund at (414) 765-1107. The Fund's Forms N-Q can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C., and you can obtain information about the operation of the Public Reference Room by calling the SEC at (800) 732-0330.

**Approval of Renewal of Investment Advisory Agreement.** At its November 30, 2015 Board meeting, the Board of Directors approved the renewal of the Fund's Investment Advisory Agreement with SCM (with Directors Luke E. Sims and David C. Sims abstaining). The Board was pleased that, over SCM's tenure, the Fund had outperformed the S&P 500 Index (total return basis). The Board reviewed other factors in determining to retain SCM as investment advisor including, among other things, the nature, extent and quality of services provided by SCM, the cost of services provided by SCM (and benefits to be realized by SCM as a result of its relationship with the Fund), the economies of scale that may be realized as the Fund grows, whether fee level reflects the economies of scale for the benefit of Fund investors, the investment philosophy of SCM, the Fund's portfolio turnover, best execution and trading costs,

personnel considerations, resources available to SCM, SCM's ability to satisfy compliance obligations and other relevant factors. Overall, the Board remained satisfied with the nature, extent and quality of services provided by SCM.

Electronic Distribution of Shareholder Reports and Other Communications. If you'd like to receive copies of the Fund's annual report, semiannual report, proxy statement, press releases and other comparable communications electronically, please provide your e-mail address to [dave@simscapital.com](mailto:dave@simscapital.com). By providing your e-mail address to the Fund, you are consenting to the Fund sending the identified materials to you by e-mail.

General Inquiries. If you have a question or comment on any matter not addressed above, please contact the Fund at: Eagle Capital Growth Fund, Inc., 225 East Mason Street, Suite 802, Milwaukee, WI 53202-3657, telephone number (414) 765-1107, or the Fund's investment advisor, Sims Capital Management LLC ([dave@simscapital.com](mailto:dave@simscapital.com)).

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ITEM 2. CODE OF ETHICS

The Fund has adopted a Code of Ethics that applies to the Fund's principal executive officer, principal financial officer, and others performing similar duties. A copy of the Code of Ethics is not required for the semi-annual report.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT

Not required for the semi-annual report.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Not required for the semi-annual report.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS

Not required for the semi-annual report.

ITEM 6. INVESTMENTS

The Fund's investments are included as part of the report to shareholders filed under Item 1 of this Form.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED END MANAGEMENT INVESTMENT COMPANIES

Not required for the semi-annual report.

ITEM 8. INVESTMENTS

(a) Not required for the semi-annual report.

(b) There have been no changes to the Fund's Portfolio Managers.

ITEM 9. PURCHASE OF EQUITY SECURITIES BY CLOSED END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS

Not applicable.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 11. CONTROLS AND PROCEDURES

(a) The Fund's principal executive office and principal financial officer have evaluated the Fund's disclosure controls and procedures (as defined in Rule 30a-2(c) under the Investment Company Act) within 90 days of this filing and have concluded, based on such evaluation, that the Fund's disclosure controls and procedures were effective in ensuring that information required to be disclosed by the Fund in this Form N-CSRS was recorded, organized, and reported within the time period specified in the Securities and Exchange Commission's rules and forms.

(b) There were no changes to the Fund's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act) that occurred during the Fund's second fiscal quarter covered by this report that have

materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

(A)(1) Not applicable.

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(A)(2)(i) Certification of principal executive officer as required by Rule 30a-2(a) under the Act, — attached hereto as Exhibit 99.1.

(A)(2)(ii) Certification of principal financial officer as required by Rule 30a-2(a) under the Act, — attached hereto as Exhibit 99.2.

(A)(2)(iii) Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002, — attached hereto as Exhibit 99.906 CERT .

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