

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

EAGLE CAPITAL GROWTH FUND, INC.  
Form N-CSRS  
August 23, 2018

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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, 2018

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ITEM 1. REPORT TO STOCKHOLDERS

Eagle Capital Growth Fund, Inc.  
Semiannual Report

June 30, 2018

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Top Ten Holdings (as of June 30, 2018)

Company	Market Value	Percentage of Portfolio	
Colgate-Palmolive Co.	\$ 4,491,333	13.6	%
Procter & Gamble Company	\$ 2,888,220	8.8	%
PepsiCo, Inc.	\$ 1,818,129	5.5	%
Paychex, Inc.	\$ 1,742,925	5.3	%
Automatic Data Processing, Inc.	\$ 1,716,992	5.2	%
Kraft Heinz Company	\$ 1,696,140	5.1	%
Stryker Corp.	\$ 1,621,056	4.9	%
Franklin Resources, Inc.	\$ 1,602,500	4.9	%
T. Rowe Price Group Inc.	\$ 1,602,042	4.9	%
eBay Inc.	\$ 1,555,554	4.7	%

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Fellow Shareholder,

The S&P 500 (total return) rose 2.65% for the first six months of 2018, while our Fund's net asset value fell 3.17%. The Fund performed okay, in light of the current enthusiasm for high-growth technology stocks, including the so-called FAANG stocks (Facebook, Apple, Amazon, Netflix and Google), which accounted for most of the S&P 500's gain in the first half of the year. Some consumer stocks' prices dimmed as they which are viewed as staid and boring; the attractive prices created investment opportunities, though the lower prices dragged on performance in the period.

We started the year with a cash balance of almost 10% of the Fund. After trimming our T. Rowe Price and selling the White Mountains shares, the cash balance rose further. With a number of high-quality companies' shares "on sale", we easily spent the cash balance. New investments in Kimberly-Clark, Procter & Gamble, and Kraft Heinz were made, along with adding to our investment in PepsiCo. Their brands offer economic moats to protect the quality of their businesses. With less market enthusiasm for stable companies, shares were available at attractive prices. One reason for the reasonable prices is Amazon: its huge retail business is upending the prior way consumers select and receive products. We acknowledge that concern with eyes open--- Amazon and the shift to online retail are changing consumers' habits--- though we feel discounts in the share prices were disproportionate to the likely long-term shift in consumer behavior.

Pepsi began in 1893, Kimberly-Clark was founded in 1872, Procter & Gamble was started in 1837, and Heinz dates to 1879. None has blistering growth prospects, due to prior success and current size. Each has solid established brands which instill confidence in the future: each brand, via its use and a little marketing, reaffirms the quality of the products. With size and long track records, the companies have attractive profit margins and healthy returns on capital. In short, we love their products, we love their businesses, we love the prices we paid. Our only disappointment was not being able to buy more.

We love hearing from Fund shareholders. To our longstanding shareholders the following caveat will seem awfully redundant---we won't comment on any undisclosed Fund portfolio security position, nor will we discuss whether or not we are purchasing or selling any Fund security. All Fund disclosures with respect to security purchases and sales are made to the investing public at the same time. With that minor exception noted above, we welcome all comments and questions from shareholders.

Luke E. Sims

David C. Sims

Email: [luke@simscapital.com](mailto:luke@simscapital.com) Email: [dave@simscapital.com](mailto:dave@simscapital.com)

Phone: (414) 530-5680

Phone: (414) 765-1107

August 1, 2018

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Eagle Capital Growth Fund, Inc.  
Statement of Assets, Liabilities and Shareholders' Equity  
As of June 30, 2018 (unaudited)

Assets

Common stock--at market value (cost \$22,555,189)	\$32,779,536	
Money market funds	196,616	
Short-term interest receivable	215	
Dividends receivable	31,864	
Prepaid fees	14,163	
		\$33,022,394

Liabilities

Investment advisor fee payable	\$20,548	
Accrued expenses	4,500	
		\$25,048
Total net assets		\$32,997,346

Shareholders' Equity

Common stock- \$0.001 par value per share; authorized 50,000,000 shares, outstanding 3,727,891 shares	\$3,728	
Paid-in capital	21,858,431	
Undistributed net investment income	177,006	
Undistributed capital gains	733,834	
Unrealized appreciation on investments	10,224,347	
Shareholders' equity		\$32,997,346
Net asset value per share		\$8.85

See Notes to Financial Statements.

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Eagle Capital Growth Fund, Inc.  
 Statement of Operations  
 For the Six Months Ended June 30, 2018 (unaudited)

Investment Income

Dividends	\$396,765	
Interest	4,393	
Total investment income		\$401,158

Expenses

Advisory fees	\$124,514	
Legal fees	13,762	
Insurance	6,492	
Transfer agent	21,791	
Directors' fees and expenses	32,000	
Custodian fees	3,987	
Listing fee	7,439	
Other fees and expenses	10,982	
Total expenses		\$220,967

Net investment income \$180,191

Realized Gain and Unrealized Appreciation on Investments

Realized gain on investments:

Proceeds from sale of investment securities	\$5,672,271	
Less: cost of investment securities sold	4,938,437	
Net realized gain on investments		\$733,834

Unrealized appreciation on investments:

Unrealized appreciation at end of period	\$10,224,347	
Less: unrealized appreciation at beginning of period	12,205,039	
Net change in unrealized appreciation on investments		\$(1,980,692)
Net realized gain and unrealized appreciation on investments		\$(1,246,858)

Net decrease from operations \$(1,066,667)

See Notes to Financial Statements.

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

	Year Ended December 31, 2017	Six Months Ended June 30, 2018 (Unaudited)
From Operations:		
Net investment income	\$ 1,022	\$ 180,191
Net realized gain on investments	1,785,189	733,834
Net change in unrealized appreciation on investments	3,372,458	(1,980,692 )
Net increase (decrease) from operations	\$ 5,158,669	\$ (1,066,667 )
Distributions to Shareholders from:		
Net investment income	\$ (4,322 )	--
Net realized gain from investment transactions	(1,826,056 )	--
Total distributions	\$ (1,830,378 )	--
From Capital Stock Transactions:		
Reinvested capital from distribution of shares	\$ 1,094,641	--
Total Net Assets:		
Beginning of year	\$ 29,641,082	\$ 34,064,014
End of period	\$ 34,064,014	\$ 32,997,346
Shares:		
Shares issued to shareholders under the Dividend Reinvestment and Cash Purchase Plan	138,914	--
Shares at beginning of year	3,588,977	3,727,891
Shares at end of period	3,727,891	3,727,891

See Notes to Financial Statements.

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Eagle Capital Growth Fund, Inc.  
Financial Highlights

	2013	2014	2015	2016	2017	June 30, 2018 Six months (unaudited)
For the periods ended December 31:						
Net asset value at beginning of year	\$7.61	\$8.69	\$9.00	\$8.52	\$8.26	\$ 9.14
Net investment income	\$0.03	\$0.02	\$0.04	\$0.01	-	\$ 0.05
Net realized gain and unrealized appreciation on investments	\$2.07	\$0.66	\$0.04	\$0.99	\$1.44	\$ (0.34 )
Total from investment operations	\$2.10	\$0.68	\$0.08	\$1.00	\$1.44	\$ (0.29 )
Distribution from:						
Net investment income	\$(0.07 )	\$(0.02 )	\$(0.05 )	\$(0.01 )	\$(0.00 )	-
Realized gains	\$(0.95 )	\$(0.35 )	\$(0.45 )	\$(1.18 )	\$(0.51 )	-
Total distributions	\$(1.02 )	\$(0.37 )	\$(0.50 )	\$(1.19 )	\$(0.51 )	-
Dilution from share issuance	-	-	\$(0.06 )	\$(0.07 )	\$(0.05 )	-
Net asset value at end of period	\$8.69	\$9.00	\$8.52	\$8.26	\$9.14	\$ 8.85
Per share market price, end of period last traded price	\$8.19	\$8.70	\$7.59	\$7.35	\$7.94	\$ 7.55
Total Investment Return:						
Average annual return, based on market value:						
1 Year	30 %	11 %	(7 %)	12 %	15 %	2 %
5 Year	18 %	15 %	12 %	10 %	12 %	9 %
10 Year	7 %	8 %	6 %	7 %	7 %	9 %
From inception	9 %	9 %	9 %	9 %	9 %	9 %
Average annual return, based on net asset value:						
1 Year	28 %	8 %	1 %	12 %	18 %	7 %
5 Year	17 %	13 %	11 %	12 %	13 %	10 %
10 Year	7 %	7 %	7 %	6 %	8 %	10 %
From inception	9 %	9 %	9 %	9 %	9 %	9 %
Net assets, end of year (000s omitted)	\$27,164	\$28,114	\$27,788	\$29,641	\$34,064	\$ 32,997
Ratios to average net assets (annualized):						
Ratio of expenses to average net assets (A)	1.37 %	1.40 %	1.43 %	1.41 %	1.36 %	1.34 %
Ratio of net investment income to average net assets	0.34 %	0.27 %	0.42 %	0.17 %	0.00 %	1.09 %
Portfolio turnover (annualized)	44 %	6 %	26 %	59 %	50 %	34 %
Average commission paid per share	\$0.01	\$0.01	\$0.01	\$0.01	\$0.04	\$ 0.05



(A) Expense ratio does not reflect fees and expenses incurred by the Fund as a result of its investments in shares of investment companies. If fees for Fund investments in investment companies were included in the expense ratio, the net impact would be an increase of approximately 0.21% for the year ended December 31, 2016, 0.06% for the year ended December 31, 2014, and 0.07% for the year ended December 31, 2013. For the years ended December 31, 2015 and 2017, and six-month period ending June 30, 2018, there would have been no increase in the expense ratio.

See Notes to Financial Statements.

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Eagle Capital Growth Fund, Inc.

Portfolio of Investments (as of June 30, 2018) (unaudited)

Common Stock (99.4% of total investments)			LEVEL ONE	
Industry	Shares	Cost	Market Value	% of Total Investments
<b>Consumer</b>				
Colgate-Palmolive Co.	69,300	\$4,136,399	\$4,491,333	
Kimberly-Clark Corp.	7,000	704,472	737,380	
Procter & Gamble Company	37,000	2,807,985	2,888,220	
			\$8,116,933	24.6
<b>Data Processing</b>				
Automatic Data Processing, Inc.	12,800	565,306	1,716,992	
Paychex, Inc.	25,500	947,525	1,742,925	
			\$3,459,917	10.5
<b>Drug/Medical Device</b>				
Abbott Laboratories Inc.	7,500	175,588	457,425	
Johnson & Johnson	4,000	45,500	485,360	
Stryker Corp.	9,600	40,950	1,621,056	
			\$2,563,841	7.8
<b>Food</b>				
Kraft Heinz Company	27,000	1,736,415	1,696,140	
PepsiCo, Inc.	16,700	818,796	1,818,129	
			\$3,514,269	10.7
<b>Industrial</b>				
Illinois Tool Works Inc.	9,000	379,352	1,246,860	
Waters Corp.*	6,000	302,341	1,161,540	
			\$2,408,400	7.3
<b>Insurance</b>				
Berkshire Hathaway Inc. B*	8,000	590,996	1,493,200	
Markel Corp.*	1,300	831,360	1,409,655	
			\$2,902,855	8.8
<b>Mutual Fund Managers</b>				
Diamond Hill Investment Group	8,000	1,541,203	1,555,440	
Franklin Resources, Inc.	50,000	1,726,934	1,602,500	
T. Rowe Price Group Inc.	13,800	960,374	1,602,042	
			\$4,759,982	14.4
<b>Restaurant</b>				
Starbucks Corp.	28,600	1,558,617	1,397,110	
			\$1,397,110	4.2
<b>Retail</b>				
AutoZone Inc.*	1,500	797,565	1,006,395	
eBay Inc.*	42,900	1,072,753	1,555,554	
O'Reilly Automotive Inc.*	4,000	814,758	1,094,280	
			\$3,656,229	11.1
Total common stock investments			\$32,779,536	
<b>Money Market Funds (0.6% of total investments)</b>			<b>LEVEL ONE</b>	
			Market Value	% of Total Investments
Morgan Stanley Inst. Liquidity Fund, Treasury, 1.73%			\$196,616	
			\$196,616	0.6

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Total investments	\$ 32,976,152
All other assets	46,242
Accrued investment advisory fees	(20,548 )
All other liabilities	(4,500 )
Total net assets	\$ 32,997,346

\*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.

Dividends and distributions—Dividends and distributions paid to the Fund from portfolio investments are recorded on the ex-dividend date.

Investments— Investments in equity securities are valued at the closing market price as of the close of regular trading 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. Since inception in 1990 through period end on June 30, 2018, the Fund has not held a security which required an illiquid pricing valuation.

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).

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In 2017, the Fund sent more to shareholders in distributions than was required. While distributing 100% of the net realized capital gains, the Fund overdistributed its net investment income by \$3,184. For the six months ended June 30, 2018, the Fund had \$177,006 of undistributed net investment income of the \$32,997,346 in total Fund net assets.

The following information is based upon the Federal income tax basis of equity portfolio investments as of June 30, 2018:

Gross unrealized appreciation	\$ 11,018,325
Gross unrealized depreciation	(793,978 )
Net unrealized appreciation	\$ 10,224,347
Federal income tax basis	\$ 22,555,189

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.

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.

The Fund's financial statements, other than investments, consist of receivables and payables due in the near term. Fair value of those instruments approximates historical cost.

### (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.

Sims Capital Management LLC ("SCM") is 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, Secretary, and Director of the Fund and the son of Luke E. Sims, owns the remaining 50% of SCM.

Custodian—US Bancorp serves as the Fund's custodian pursuant to a custodian agreement. As the Fund's custodian, US Bancorp receives fees and compensation of expenses for services provided including, but not limited to, an annual account charge and security transaction fees.

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 ("DRIP").

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

The Fund has a Dividend Reinvestment and Cash Purchase Plan ("DRIP") 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.

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(5) Fund Investment Transactions

Purchases and sales of securities, other than short-term securities, for the six-month period ended June 30, 2018 were \$8,330,098 and \$5,672,271, 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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2018 Annual Shareholder Meeting

The Fund's 2018 annual meeting of shareholders ("Annual Meeting") was held on April 19, 2018, 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, 2018.

The following directors were elected under Proposal 1: Carl A. Holth, Peggy L. Schmeltz, and David C. Sims. Under Proposal 2, shareholders ratified the selection of Plante & Moran, PLLC as the Fund's independent registered public accountants for the 2018 calendar year.

Tabulation Report

Proposal 1 – Election of Directors

	For	Withheld
Carl A. Holth	2,376,033	79,239
Peggy L. Schmeltz	2,424,308	30,964
David C. Sims	2,180,940	274,332

Proposal 2 – Selection of Plante & Moran, PLLC

For	Against	Abstain
2,443,339	13,942	173

Total shares issued and outstanding on record date: 3,727,891

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Compensation.

The following table sets forth the aggregate compensation paid to all Fund directors for the period ended June 30, 2018. Directors who are not Interested Persons of the Fund received an annual retainer of \$10,000 a year, paid in equal quarterly installments, and committee members were paid \$500 for each meeting held. 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, Secretary and Director. 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 \$124,514 by the Fund in 2018. 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, Secretary and Director, owns the remaining 50% of SCM.

Sims Capital Management, the Fund's advisor, serves as the investment advisor to two mutual funds, Eagle Capital Growth Fund, Inc. (NYSE American: GRF), a closed-end fund, and Sims Total Return Fund, Inc. (SIMFX), an open-end fund. For purposes of the tables below and on the next page, "complex" refers to the two funds collectively.

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Directors who are Interested Persons of the Fund:

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:

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 Dearborn, MI	Phillip J. Hanrahan Director Whitefish Bay, WI
Peggy L. Schmeltz Director Bowling Green, OH	Luke E. Sims President & CEO Milwaukee, WI	David C. Sims CFO, CCO, Treasurer, Secretary & Director Bayside, WI
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 American.

**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 (877) 739-9994.

**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 (877) 739-9994.

**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, 2018).** 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.

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Approval of Renewal of Investment Advisory Agreement. At its December 4, 2017 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 reviewed various 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.

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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. 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).

#### 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.

(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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