



**EAGLE CAPITAL
GROWTH
FUND, INC.**

Eagle Capital Growth Fund, Inc.
Annual Report

December 31, 2019

Top Ten Holdings (as of December 31, 2019)

<u>Company</u>	<u>Market Value</u>	<u>Percentage of Equity Portfolio</u>
Berkshire Hathaway Inc. B	\$ 6,115,500	16.3%
Diamond Hill Investment Group	\$ 2,628,147	7.0%
Franklin Resources, Inc.	\$ 1,779,630	4.7%
Paychex, Inc.	\$ 1,701,200	4.5%
T. Rowe Price Group Inc.	\$ 1,681,392	4.5%
Colgate-Palmolive Co.	\$ 1,652,160	4.4%
Illinois Tool Works Inc.	\$ 1,616,670	4.3%
eBay Inc.	\$ 1,549,119	4.1%
Markel Corp.	\$ 1,486,121	4.0%
Waters Corp.	\$ 1,401,900	3.7%

Fellow Shareholders,

The most recent calendar year provided terrific returns, although the primary driver was an increase in price/earnings multiples (rather than increases in earnings). For 2019 our Fund was up 21.4%, which lagged the S&P 500 (total return) index which notched a 31.5% return. This is not unusual---our Fund will lag in strong up markets, but should perform relatively better in flat to declining markets. **Our focus is on preservation of capital, while enjoying acceptable returns.**

“Path to profitability” is the meme of the day. Uber, Lyft, WeWork, among others, have now gotten religion. Investors are no longer willing to give companies unlimited funds to continue to grow the top line, all at the expense of the bottom line. A number of these companies are aiming to get to profitability by the end of 2021, assuming that everything goes as planned.

We don’t believe in a “path to profitability”; we believe in a “history of profitability”. Putting aside some non-cash write-offs of goodwill, we can’t remember a single one of our portfolio companies losing money on a cash basis in a single quarter. We’re simply not interested in unprofitable companies. (Obviously, there are a few companies that are extremely seasonal, such as Intuit (TurboTax software) and H. & R. Block (tax preparation), and they have to be analyzed very differently.)

We were recently researching a company until it showed a significant quarterly loss. That was the death knell of the research, at least for the time being. Companies that can’t produce significant cash earnings on a regular and consistent basis are dangerous for investors; usually this reflects that either the company has a management problem or doesn’t enjoy much of an “economic moat”.

Paying a high price today for anticipated or expected earnings in the distant future is a fool’s game. Sometimes it works out, but all too often the rosy projections don’t materialize for one reason or another. This was the fate of the 3-dimensional printing (3D printing) companies that rose to prominence in 2013 and 2014 amid high hopes for a transformative industry.

Three-dimensional printing, also known as additive manufacturing, has wonderful technology, and is producing innovative products for medical, design, manufacturing and other purposes. We have nothing but good things to say about the technology and its applications; our problem is with the valuations of companies providing the technology.

In the April 2014 *Better Investing* magazine, I wrote a Letter to the Editor about the euphoria surrounding 3D Systems (NYSE: DDD), one of the major publicly-traded 3-D printing companies, and questioned whether DDD would produce enough earnings in the future to justify the then-high price-earnings multiples. As this letter noted,

“At a current price of \$78 a share, DDD is trading at approximately 81x 2013 earnings per share and 61x analysts’ estimates of 2014 earnings per share. Yes, the implied growth in per-share earnings is approximately 32 percent. If (and that is a big ‘if’) DDD can continue to provide earnings growth at this rate, then perhaps it can justify these nosebleed levels.”

What happened to DDD over the next five years? Set forth below is a brief summary of DDD's actual performance over the following 5-year period. Note that the 2015 results include a \$537 Million charge for goodwill impairment.

In millions of US dollars, rounded:

	2014	2015	2016	2017	2018
Revenues:	\$ 654	\$ 666	\$ 633	\$ 646	\$ 688
Gross margin:	317	292	310	305	325
Net profit (loss)	12	(664)	(39)	(65)	(45)

As of the close of business on January 10, 2020, DDD was trading at \$9.99 a share, down from the \$80's at the time of the letter, and is currently losing money (so no price/earnings multiple makes sense). Clearly the market's assessment in early 2014 for DDD was far off. This is why we invest on the basis of historic earnings (and reasonable extrapolation going forward), rather than forecasts and hopes for the future.

While we pride ourselves on being long-term "buy and hold" investors, we don't believe that investors can ignore changing realities. Our Fund owns sizable stakes in AutoZone (AZO) and O'Reilly Automotive (ORLY), but we continue to ruminate about how both of these companies will fare in a substantially all-electric vehicle world. Obviously, this is not an immediate concern, but the implications for AZO and ORLY are unclear. Electric vehicles have fewer parts, and less wear. Further, a number of companies, Uber, Lyft and others, are seeking to establish taxi fleets, providing car services for rent. Should those fleets be built, much of the maintenance and upkeep for these vehicles could well be handled at a centralized facility, thus displacing dealerships and repair shops. We intend to keep a watchful eye on these developments.

As always, we love hearing from our Fund shareholders. As we constantly remind you, we won't comment on any Fund portfolio purchase or sale that hasn't been publicly reported, or that is contemplated. With that one caveat, all other topics are fair game.



Luke E. Sims
Email: luke@simscapital.com
Phone: 414/530-5680



David C. Sims, CFA
Email: dave@simscapital.com
Phone: 414/765-1107

January 28, 2020

Eagle Capital Growth Fund, Inc.
Statement of Assets, Liabilities and Shareholders' Equity
As of December 31, 2019

Assets

Common stock--at market value (cost \$19,183,580)	\$	32,191,728	
Money market funds		5,320,759	
Short-term interest receivable		7,477	
Dividends receivable		50,420	
Prepaid fees		13,999	
			\$ 37,584,383

Liabilities

Accounts payable	\$	5,847	
Investment advisor fee payable		24,765	
Accrued expenses		23,500	
			\$ 54,112
Total net assets			\$ 37,530,271

Shareholders' Equity

Common stock- \$0.001 par value per share; authorized 50,000,000 shares, outstanding 4,074,321 shares	\$	4,074	
Paid-in capital		24,447,764	
Undistributed net investment income		70,285	
Unrealized appreciation on investments		13,008,148	
Shareholders' equity			\$ 37,530,271
Net asset value per share	\$		9.21

See Notes to Financial Statements.

Eagle Capital Growth Fund, Inc.
Statement of Operations
For the Year Ended December 31, 2019

Investment Income

Dividends	\$ 726,380	
Interest	<u>71,725</u>	
Total investment income		\$ 798,105

Expenses

Advisory fees	\$ 268,411	
Legal fees	3,477	
Insurance	13,094	
Transfer agent	45,199	
Audit fees	23,500	
Directors' fees and expenses	70,500	
Custodian fees	6,799	
Listing fee	15,000	
Other fees and expenses	<u>13,561</u>	
Total expenses		<u>\$ 459,541</u>

Net investment income		\$ 338,564
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Realized Gain and Unrealized Appreciation on Investments

Realized gain on investments:

Proceeds from sale of investment securities	\$ 12,649,051	
Less: cost of investment securities sold	<u>10,757,341</u>	
Net realized gain on investments		\$ 1,891,710

Unrealized appreciation on investments:

Unrealized appreciation at end of period	\$ 13,008,148	
Less: unrealized appreciation at beginning of period	<u>8,616,600</u>	
Net change in unrealized appreciation on investments		<u>\$ 4,391,548</u>

Net realized gain and unrealized appreciation on investments		<u>\$ 6,283,258</u>
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Net increase from operations		\$ 6,621,822
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See Notes to Financial Statements.

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

	Year Ended December 31, 2018	Year Ended December 31, 2019
From Operations:		
Net investment income	\$ 366,198	\$ 338,564
Net realized gain on investments	1,632,696	1,891,710
Net change in unrealized appreciation on investments	<u>(3,588,439)</u>	<u>4,391,548</u>
Net increase (decrease) from operations	\$ (1,589,545)	\$ 6,621,822
Distributions to Shareholders from:		
Net investment income	(343,086)	(288,206)
Net realized gain from investment transactions	<u>(1,632,696)</u>	<u>(1,891,710)</u>
Total distributions	\$ (1,975,782)	\$ (2,179,916)
From Capital Stock Transactions:		
Reinvested capital from distribution of shares	\$ 1,213,044	\$ 1,376,635
Total Net Assets:		
Beginning of year	\$ 34,064,014	\$ 31,711,730
End of period (including undistributed net investment income of \$19,927 and \$70,285)	\$ 31,711,730	\$ 37,530,271
Shares:		
Shares at beginning of year	3,727,891	3,892,707
Shares issued to shareholders from the distribution	<u>164,816</u>	<u>181,614</u>
Shares at end of period	3,892,707	4,074,321

See Notes to Financial Statements.

Eagle Capital Growth Fund, Inc.

Financial Highlights

For the periods ended December 31:	2015	2016	2017	2018	2019
Net asset value at beginning of year	\$ 9.00	\$ 8.52	\$ 8.26	\$ 9.14	\$ 8.15
Net investment income	\$ 0.04	\$ 0.01	\$ -	\$ 0.10	\$ 0.09
Net realized gain and unrealized appreciation (loss) on investments	\$ 0.04	\$ 0.99	\$ 1.44	\$ (0.52)	\$ 1.61
Total from investment operations	\$ 0.08	\$ 1.00	\$ 1.44	\$ (0.42)	\$ 1.70
Distribution from:					
Net investment income	\$ (0.05)	\$ (0.01)	\$ -	\$ (0.09)	\$ (0.07)
Realized gains	\$ (0.45)	\$ (1.18)	\$ (0.51)	\$ (0.44)	\$ (0.49)
Total distributions	\$ (0.50)	\$ (1.19)	\$ (0.51)	\$ (0.53)	\$ (0.56)
Dilution from share issuance	\$ (0.06)	\$ (0.07)	\$ (0.05)	\$ (0.04)	\$ (0.08)
Net asset value at end of period	\$ 8.52	\$ 8.26	\$ 9.14	\$ 8.15	\$ 9.21
Per share market price, end of period (A)	\$ 7.59	\$ 7.35	\$ 7.94	\$ 7.30	\$ 8.02
Total Investment Return:					
Average annual return, based on market value:					
1 Year	(7%)	12%	15%	(1%)	18%
5 Year	12%	10%	12%	6%	7%
10 Year	6%	7%	7%	12%	11%
From inception	9%	9%	9%	9%	9%
Average annual return, based on net asset value:					
1 Year	1%	12%	18%	(4%)	21%
5 Year	11%	12%	13%	7%	9%
10 Year	7%	6%	8%	12%	11%
From inception	9%	9%	9%	9%	9%
Net assets, end of year (000s omitted)	\$ 27,788	\$ 29,641	\$ 34,064	\$ 31,712	\$ 37,530
Ratios to average net assets (B):					
Expenses to average net assets	1.43%	1.41%	1.36%	1.34%	1.29%
Net investment income to average net assets	0.42%	0.17%	0.00%	1.10%	0.95%
Portfolio turnover	26%	59%	50%	42%	26%
Average commission paid per share	\$0.01	\$0.01	\$0.04	\$0.05	\$0.05

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

(B) 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. For the years ended December 31, 2015, 2017, 2018, and 2019 there would have been no increase in the expense ratio.

See Notes to Financial Statements.

Eagle Capital Growth Fund, Inc.
Portfolio of Investments (as of December 31, 2019)

Common Stock (85.8% of total investments)			LEVEL ONE		% of Total Investments
Industry	Shares	Cost	Market Value		
Automotive					
General Motors Company	10,000	\$ 368,800	\$ 366,000		1.0%
			\$ 366,000		
Brokerage					
Charles Schwab Corp.	10,000	435,800	\$ 475,600		1.3%
			\$ 475,600		
Consumer					
Colgate-Palmolive Co.	24,000	810,965	\$ 1,652,160		6.4%
Kimberly-Clark Corp.	3,500	352,236	481,425		
Procter & Gamble Company	2,000	145,879	249,800		
			\$ 2,383,385		
Data Processing					
Automatic Data Processing, Inc.	6,000	169,333	\$ 1,023,000		7.3%
Paychex, Inc.	20,000	628,288	1,701,200		
			\$ 2,724,200		
Drug/Medical Device					
Johnson & Johnson	4,000	45,500	\$ 583,480		5.1%
Stryker Corp.	6,400	27,100	1,343,616		
			\$ 1,927,096		
Food					
Kraft Heinz Company	29,000	772,000	\$ 931,770		6.1%
PepsiCo, Inc.	10,000	168,296	1,366,700		
			\$ 2,298,470		
Industrial					
Illinois Tool Works Inc.	9,000	379,352	\$ 1,616,670		8.0%
Waters Corp.*	6,000	302,341	1,401,900		
			\$ 3,018,570		
Insurance					
Berkshire Hathaway Inc. B*	27,000	4,422,265	\$ 6,115,500		20.3%
Markel Corp.*	1,300	831,360	1,486,121		
			\$ 7,601,621		
Mutual Fund Managers					
Diamond Hill Investment Group	18,711	3,067,845	\$ 2,628,147		16.2%
Franklin Resources, Inc.	68,500	2,097,546	1,779,630		
T. Rowe Price Group Inc.	13,800	960,374	1,681,392		
			\$ 6,089,169		
Restaurant					
Starbucks Corp.	15,000	735,540	\$ 1,318,800		3.5%
			\$ 1,318,800		
Retail					
AutoZone Inc.*	750	398,783	\$ 893,483		8.8%
eBay Inc.	42,900	1,072,754	1,549,119		
O'Reilly Automotive Inc.*	2,000	407,379	876,520		
			\$ 3,319,122		
Software					
Alphabet, Inc. A*	500	583,844	\$ 669,695		1.8%
			\$ 669,695		
Total common stock investments			\$ 32,191,728		
Money Market Funds (14.2% of total investments)			LEVEL ONE		
			Market Value	% of Total Investments	
Morgan Stanley Inst. Liquidity Fund, Treasury, 1.51%			\$ 5,320,759		
			\$ 5,320,759	14.2%	
Total investments			\$ 37,512,487		
All other assets			71,896		
Accrued investment advisory fees			(24,765)		
All other liabilities			(29,347)		
Total net assets			\$ 37,530,271		

*Non-dividend paying security

See Notes to Financial Statements.

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. From inception to December 31, 2019, 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).

The following information is based upon the Federal income tax basis of equity portfolio investments as of December 31, 2019:

Gross unrealized appreciation	\$ 13,793,231
Gross unrealized depreciation	<u>(785,083)</u>
Net unrealized appreciation	\$ 13,008,148
Federal income tax basis	\$19,183,580

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.

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, Secretary, Treasurer, 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 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) or from AST, the DRIP agent.

(5) *Distributions to Shareholders*

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. The amount and timing of distributions are determined in accordance with federal income tax regulations.

On November 7, 2019, a distribution of \$0.56 per share aggregating \$2,179,916 was declared from net investment income and long-term capital gains. The dividend was paid on December 26, 2019, to shareholders of record on November 22, 2019. The tax character of distributions paid during 2018 and 2019 was as follows:

	<u>2018</u>	<u>2019</u>
Distributions paid from:		
Net investment income:	\$ 343,086	\$ 288,206
Long-term capital gains:	1,632,696	1,891,710

In 2018, the distribution was paid in shares of the Fund, with the option for shareholders to elect to receive cash. As a result of the distribution, 164,816 shares were issued to shareholders and \$762,738 in cash was paid to shareholders. The Fund issued shares at \$7.36 per share. The 2018 issuance price was determined as the arithmetic average of the closing market price on December 10th, 11th, 12th, and 13th, as detailed in the Notice to Shareholders.

In 2019, the distribution was paid in shares of the Fund, with the option for shareholders to elect to receive cash. As a result of the distribution, 181,614 shares were issued to shareholders and \$803,282 in cash was paid to shareholders. The Fund issued shares at \$7.58 per share. The 2019 issuance price was determined as the arithmetic average of the closing market price on December 9th, 10th, 11th, and 12th, as detailed in the Notice to Shareholders.

As of December 31, 2019, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income:	\$ 70,285
Net unrealized appreciation:	\$ 13,008,148

(6) *Fund Investment Transactions*

Purchases and sales of securities, other than short-term securities, for the twelve-month period ended December 31, 2019, were \$9,162,239 and \$12,649,051, respectively.

(7) *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.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Eagle Capital Growth Fund, Inc.

Opinion on the Financial Statements

We have audited the accompanying statement of assets, liabilities, and shareholders' equity, including the portfolio of investments, of Eagle Capital Growth Fund, Inc. (the "Fund") as of December 31, 2019; the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended; and the related notes to the financial statements (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2019 and the results of its operations for the year then ended, the changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The Fund's management is responsible for these financial statements. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion.

To the Shareholders and Board of Directors
Eagle Capital Growth Fund, Inc.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Plante & Morse, PLLC

We have served as the Fund's auditor since 2002.
Auburn Hills, Michigan
February 21, 2020

Directors Who Are Interested Persons of the Fund and Officers

Name, Address and Age	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years (in addition to positions held in the Fund)	Number of Portfolios in Fund Complex Overseen by Director or Nominee for Director	Other Directorships Held by Director or Nominee for Director (Public Companies)
David C. Sims*, age 38	CFO, CCO, Treasurer, Secretary and Director	Term of office expires 2021 (Class II). Served as a director since 2015.	President of Sims Capital Management LLC (investment advisor to the Fund); Manager of Peregrine Investment Fund LLC (private investment fund); and roles with the Fund as previously identified.	One	None
Luke E. Sims**, age 70	President, CEO and Director	Term of office expires 2022 (Class III). Served as a director since 2002.	President and Chief Executive Officer of the Fund; Chairman of Sims Capital Management LLC (the Advisor to the Fund); and Retired Partner of Foley & Lardner LLP (national law firm) where he was affiliated from 1976 through 2010.	One	None

*The address of Mr. David Sims is the address of the principal executive office of the Fund. David C. Sims is an Interested Person within the meaning of Section 2(a) (19) of the Investment Company Act of 1940 because he is the Chief Financial Officer, Chief Compliance Officer, Treasurer, and Secretary of the Fund, and he is affiliated with the Fund's investment advisor, Sims Capital Management LLC (the "Advisor" or "SCM"). David C. Sims is the son of Luke E. Sims, the President, Chief Executive Officer, and a Director of the Fund.

**The address of Mr. Luke Sims is the address of the principal executive office of the Fund. Luke E. Sims is an Interested Person within the meaning of Section 2(a) (19) of the Investment Company Act of 1940 because he is the President and Chief Executive Officer of the Fund, beneficially owns in excess of five percent (5%) of the Fund's outstanding shares of common stock, and he is affiliated with the Fund's investment advisor, Sims Capital Management LLC (the "Advisor" or "SCM"). Luke E. Sims is the father of David C. Sims, the Chief Financial Officer, Chief Compliance Officer, Secretary, Treasurer, and a Director of the Fund.

Directors Who Are Not Interested Persons

Name, Address and Age*	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios in Fund Complex Overseen by Director or Nominee for Director	Other Directorships Held by Director or Nominee for Director (Public Companies)
Robert M. Bilkie, Jr., age 59	Chairman; Director	Term of office expires 2020 (Class I); nominee for director. Served as a director since 2006.	President and Chief Executive Officer of Sigma Investment Counselors, Inc. (a registered investment advisor) since 1987; member of the NAIC/Better Investing Securities Review Committee and of the NAIC/Better Investing Editorial Advisory Committee (non-remunerative).	One	None
Phillip J. Hanrahan, age 80	Director	Term of office expires 2020 (Class I); nominee for director. Served as a director since 2008.	Retired partner of Foley & Lardner LLP (law firm) since February 2007 and, prior thereto, active partner of that firm since 1973.	One	None
Carl A. Holth, age 87	Director	Term of office expires 2021 (Class II). Served as a director since 1989.	Retired.	One	None
Peggy L. Schmeltz, age 92	Director	Term of office expires 2021 (Class II). Served as a director since 1989.	Retired; Former Trustee of NAIC.	One	None
Donald G. Tyler, age 67	Director	Term of office expires 2022 (Class III). Served as a director since 2010.	Retired. Director of Administrative Services, County of Milwaukee, 2012 to 2014. Retired Interim President & Executive Director, Milwaukee Symphony Orchestra 2010; Vice President of Investment Products and Services, Northwestern Mutual, 2003-2010.	One	None
Neal F. Zalenko, age 74	Director	Term of office expires 2022 (Class III). Served as a director since 2008.	Retired; Founder and Managing partner of Zalenko & Associates, P.C. (accounting firm), that merged with Baker Tilly in early 2005.	One	None

*The address of each is the address of the principal executive office of the Fund.

Compensation.

The following tables identify the aggregate compensation paid to all directors and nominees in 2019. Directors' fees are only payable to directors who are not officers of the Fund or affiliated with the Advisor. For 2019, Fund directors who are entitled to receive directors' fees received an annual retainer of \$11,000, paid quarterly, together with \$1,000, paid quarterly, for service on the Audit Committee. The Audit Committee Chairman received an additional \$500 annual retainer, paid quarterly. The fees will be unchanged for 2020.

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 \$268,411 by the Fund in 2019. 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.

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

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	\$11,000	None	None	\$11,000
Phillip J. Hanrahan, Director	\$12,000	None	None	\$12,000
Carl A. Holth, Director	\$12,000	None	None	\$12,000
Peggy L. Schmeltz, Director	\$11,000	None	None	\$11,000
Donald G. Tyler, Director	\$12,000	None	None	\$12,000
Neal F. Zalenko, Director	\$12,500	None	None	\$12,500

Board of Directors

Robert M. Bilkie, Jr. Chairman of the Board Northville, 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 Milwaukee, WI
Donald G. Tyler Director Shorewood, WI	Neal F. Zalenko Director Birmingham, MI	

EAGLE CAPITAL GROWTH FUND, INC. (“Fund”) DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN (“Plan”)

ADVANTAGE OF THE PLAN

Participants in the Plan have the ability to have cash dividends from the Fund reinvested in additional Fund shares. Participants may also make cash contributions to the Plan to acquire additional Fund shares.

JOINING THE PLAN

You can enroll in the Plan by going to www.amstock.com or calling American Stock Transfer & Trust Company (the “Plan Agent”) at 877-739-9994. Plan information is also available at the Fund’s website at www.eaglecapitalgrowthfund.com/drip.html.

COSTS OF PARTICIPATION IN THE PLAN

You are not charged any fee or expense for enrolling in the Plan. Shareholders depositing certificated shares are charged a fee of \$7.50. Sales of shares incur a sales commission of \$15.00, plus \$0.10 per share. In the event a shareholder sends in a check to buy more shares and the check is returned, a \$35.00 charge will apply. Fees may change from time to time; please contact AST for information about current fees.

REINVESTMENT OF FUND DISTRIBUTIONS

If the Fund pays a distribution in Fund shares, Participants’ accounts under the Plan will be credited with newly-issued Fund shares at the distribution price, which is the price described in the distribution notice to shareholders. These shares will be held by the Plan Agent pursuant to the Plan.

The Fund may pay distributions in cash. In the event that the Fund makes a cash distribution, the Plan will first seek to buy shares on the open market up to and including the most recent net asset value (“NAV”) of each Fund share. The NAV of each Fund share shall be calculated within forty-eight hours of the distribution, excluding Sundays and holidays. Should the market price rise to or above the calculated NAV per share, the Fund may issue new shares to the Plan at the greater of NAV per share or 95% of the market price. For purposes of the Plan, the market price is the most recently traded price of a Fund share on the NYSE American Exchange. The reinvestment of cash distributions will occur as soon as practicable, and in no case later than 30 days after the Plan Agent’s receipt of the cash distributions, except where necessary to comply with federal securities laws.

In the event that the open market purchases take more than one day, the Fund will recalculate the NAV on a daily basis. Such recalculated NAV will be used to determine whether the market price per share has risen to or above the calculated NAV per share. If the Plan Agent terminates open market purchases based on the recalculated NAV and the Fund issues new shares to the Plan at the greater of NAV per share or 95% of the market price, the number of shares received by the participant in respect of the cash dividend or distribution will be based on the weighted average of prices paid for shares purchased in the open market and the price at which the Fund issues remaining shares.

VOLUNTARY CASH PAYMENTS

Plan participants may make voluntary cash payments of not less than \$50 per month (but in any event not more than \$250,000 in any year) for the purpose of acquiring additional Fund shares.

Voluntary cash payments received by the Plan Agent on or prior to the last day of any month will be invested beginning on or about the first (1st) business day of the following month (the “Investment Date”). The Plan will purchase Fund shares in the open market. If the Plan Agent has not completed its open market purchase of Fund shares within thirty (30) days of the Investment Date, then the balance of such voluntary cash payments will be returned to participants on a pro rata basis. All cash received by the Plan Agent in connection with the Plan will be held without earning interest or income.

Optional cash payments may be made online at **www.amstock.com**. You will need to know your 10-digit Plan account number to access your account. The Fund recommends that participants making voluntary cash payments send their cash payments so that they reach the Plan Agent as close as possible but prior to the Investment Date. A participant should be aware of possible delays in the mail if payment is to be made in that manner. Accordingly, it is recommended that a participant mail the voluntary cash payment no later than ten days prior to an Investment Date, or make cash payments online.

HOLDING OF SHARES

For your convenience, AST will hold in safekeeping all Fund shares you own by reason of your participation in the Plan. Upon your request (whether online at **www.amstock.com**, by mail, or telephonically to the Plan Agent at (877) 739-9994), AST will send you a physical stock certificate representing a specified number of whole shares acquired or held the Plan in your account.

The Plan Agent will allow you to deposit with it for safekeeping under the Plan any additional stock certificates for Fund shares that you may hold. Such shares, once deposited, will be retained in "book-entry" form under the Plan.

STATEMENT OF ACCOUNT

At least annually, a detailed statement of transactions in your Plan account for each calendar year will be sent to you by the Plan Agent. You may also access your account information online at **www.amstock.com**. You will also receive the customary Internal Revenue Service Form 1099 to report taxable income as a result of Fund distributions with respect to Fund shares held in your Plan account.

FEDERAL INCOME TAX CONSIDERATIONS

You should consult your accountant or tax advisor with respect to the Federal and/or other tax consequences resulting from participating in the Plan. However, as a general rule, participants are taxed on Fund distributions, whether those distributions are paid directly in additional Fund shares, or are in cash (whether such cash is used to purchase additional Fund shares in the open market or otherwise).

SHAREHOLDERS' RIGHTS

Plan participants enjoy the same rights as Fund shareholders generally with respect to Fund shares held in the Plan, including, without limitation, rights with respect to stock dividends, stock splits, and voting rights. In the event of a major corporate event affecting the Fund, such as a stock split or a stock dividend, the resulting Fund shares will be properly credited to your Plan account. In the event that a Plan participant holds shares in both a Plan account and individually in his or her own name, any Fund shares resulting from a major corporate event affecting the Fund will be distributed to the Plan account and the participant individually on a pro rata basis. AST reserves the right to delay, curtail or suspend any action otherwise required of it under the Plan during the pendency of any major corporate action affecting the Fund.

ADDITIONAL INFORMATION

If you have any questions regarding participation in the Plan, please visit the Plan Agent online at **www.amstock.com**, call the Plan Agent at (877) 739-9994, or write the Plan Agent at:

American Stock Transfer & Trust Company
DRP Plan
P. O. Box 922, Wall Street Station
New York, NY 10269-0560

**ADDITIONAL TERMS AND CONDITIONS OF PARTICIPATION IN THE EAGLE CAPITAL
GROWTH FUND, INC. DIVIDEND REINVESTMENT AND CASH PAYMENT PLAN**

1. By enrolling in the Plan, all of the participant's cash distributions from the Fund and/or voluntary cash payments will be reinvested in additional Fund shares.

If the Fund declares a distribution in Fund shares but includes a provision allowing shareholders to elect to receive cash in lieu of Fund shares, the Plan Agent will receive the distribution in Fund shares on behalf of each Plan participant with respect to the Fund shares the participant holds through the Plan, provided that if you (as a Plan participant) desire to elect to receive cash in lieu of Fund shares, you must promptly terminate your participation in the Plan in accordance with paragraph 5 below. You must also notify the Fund in writing of your election to receive cash. Such written notice to the Plan and to the Fund must be received at least three business days prior to the cut-off election date in order to be effective prior to the receipt of the declared dividend. If a Plan participant beneficially owns Fund shares outside of the Plan and desires to elect to receive cash in lieu of Fund shares, the participant must individually make this election.

2. The Plan Agent may commingle participant funds in connection with the receipt of cash distributions from the Fund, and from voluntary cash payments from participants. The Plan Agent will allocate purchased Fund shares among participant accounts based upon the average price paid (net of any costs).

3. The Plan Agent shall hold shares for participants in its own name or in the name of its nominee. The Plan Agent will acquire Fund shares in the open market at such price or prices then reasonably available to it. Participants understand that from time to time Fund shares may not be available for purchase, or may not be available for purchase at a reasonable price. Moreover, any temporary or continued closing of the securities trading generally might require the temporary curtailment or suspension of the Plan Agent's efforts to purchase Fund shares. The Plan Agent is not responsible or liable for, and shall not be accountable for, any inability on such its part to purchase Fund shares.

4. With respect to the voting of Fund shares held in the Plan, the Plan Agent will provide participants with proxy solicitation materials and request their direction. If a participant does not direct the Plan Agent as to the manner of voting, the Plan Agent will not vote such participant's shares.

5. Plan participation may be terminated upon request to the Plan Agent. A participant may terminate by providing written notice to the Plan Agent (the tear-off section at the bottom of participant's account statement is available for this purpose). Such written notice must be signed by all persons who are listed on the Plan account. If a request is received fewer than three business days prior to the cut-off election date in the case of a share distribution, or three days prior to the ex-dividend date in the case of a cash dividend, then the termination will begin after the receipt of Fund shares or reinvestment of the declared dividend, as applicable. The Plan Agent will send to a participant who has terminated participation in the Plan a certificate(s) representing the number of full shares held by the Plan Agent in such participant's account under the Plan. In case of termination, a participant's interest in a fractional share will be converted to, and remitted in cash, in an amount based upon the then current market value of the share (less service fees).

However, the foregoing does not apply to voluntary cash payments held for investment on the Investment Date as a result of voluntary cash payments. A participant may request the return of any voluntary cash payment, if the participant makes a separate written request which is received by the Plan Agent at the address above at least forty-eight (48) hours prior to the time when such voluntary cash payment is scheduled to be invested. If a participant so requests, the Plan Agent may sell a terminating participant's shares and remit the proceeds (less related brokerage commissions and service fees).

6. The Plan Agent shall not be liable for any action taken in good faith or for any good faith failure to act, including without limitation, any claim of liability (a) arising out of a failure to terminate the participant's account upon the participant's death, prior to receipt of notice in writing of such death and submission of documentation, by the personal representative of the deceased participant, in form and substance satisfactory to the Plan Agent and (b) with respect to the price or prices at which Fund shares are purchased or sold for a participant's account and/or the timing of such purchases and/or sales.

7. The Fund reserves the right to amend or terminate the Plan effective upon thirty (30) days written notice (from the date of mailing) to all Plan participants. All inquiries with respect to the Plan should be directed to the Plan Agent at the addresses and phone numbers identified in the Plan.

8. The Plan shall be governed by, and construed in accordance with, the internal laws of the State of Wisconsin.

9. The Plan has been last amended and revised as of February 15, 2018.

Shareholder Information

Trading. Fund shares trade under the symbol GRF on the NYSE American Exchange.

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) or by contacting American Stock Transfer & Trust Company LLC, 6201 15th 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 & Trust Company LLC, 6201 15th 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) or the Fund's website (www.eaglecapitalgrowthfund.com), or by calling the Fund at (414) 765-1107 (collect) or by sending an e-mail request (to dave@simscapital.com).

Fund Privacy Policy/Customer Privacy Notice (January 1, 2020). *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 has historically filed a complete schedule of its portfolio holdings with the Securities and Exchange Commission (SEC) on SEC Form N-Q as of the end of the first and third calendar quarter. Commencing during 2020, the Fund is required to file a complete schedule of its portfolio holdings monthly with the SEC on SEC Form N-PORT, although only these forms for the first and third calendar quarter will be available to the investing public generally. You can obtain copies of these public filings, and other information about the Fund, from the SEC's website (www.sec.gov), from the Fund's website (www.eaglecapitalgrowthfund.com), or by calling the Fund at (414) 765-1107. The Fund's historic Forms N-Q and public Forms N-PORT 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 SEC's Public Reference Room by calling the SEC at (800) 732-0330.

Approval of Renewal of Investment Advisory Agreement. At its December 9, 2019 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 the 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. 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).