



**EAGLE CAPITAL
GROWTH
FUND, INC.**

Eagle Capital Growth Fund, Inc.
Annual Report

December 31, 2021

Top Ten Equity Holdings (as of December 31, 2021)

| <u>Company</u> | <u>Market Value</u> | <u>Percent of Portfolio</u> |
|---------------------------------------|---------------------|-----------------------------|
| Berkshire Hathaway Inc. B | \$8,372,000 | 19.5% |
| White Mountains Insurance Group, Ltd. | \$2,129,190 | 4.9% |
| Starbucks Corp. | \$2,105,460 | 4.9% |
| Diamond Hill Investment Group, Inc. | \$1,859,946 | 4.3% |
| Franklin Resources, Inc. | \$1,841,950 | 4.3% |
| Colgate-Palmolive Company | \$1,792,140 | 4.2% |
| PepsiCo, Inc. | \$1,737,100 | 4.0% |
| Illinois Tool Works Inc. | \$1,727,600 | 4.0% |
| Markel Corp. | \$1,604,200 | 3.7% |
| Alphabet, Inc. A | \$1,448,520 | 3.4% |

Dear Fellow Shareholders,

The most recent calendar year produced wonderful stock market returns. For 2021 our Fund's net asset value (NAV) was up 24.1%, which lagged the S&P 500 (total return) index which notched a 28.7% return.

A cautionary note----we are almost 13 years into a bull market that has provided terrific returns. Many of the current stock market investors have never experienced a bear market. For those of us with a little gray hair, we know that bear markets lurk around every corner. We won't be surprised to see the stock market go down, and go down in a big way. Current market valuations are fairly high, and thus future returns are likely to be below recent historic numbers (and below the long-term 10% annual gross return that the stock market has provided).

Here is another take on the current market euphoria in certain sectors. A fellow portfolio manager shared with us a chart that shows the number and market value of companies trading at more than 20x **revenues**. Right now, the number and combined market value dramatically exceed the same figures from 2000-2001, just prior to the burst of the Internet bubble. We're reminded of the perspective of Scott McNeely, the then-CEO of Sun Microsystems who was commenting a few years after the Sun Microsystems stock price exceeded 10x revenues (and peaked at \$64) before falling to \$5/share:

At 10 times revenues, to give you a 10-year payback, I have to pay you 100% of revenues for 10 straight years in dividends. That assumes I can get that by my shareholders. That assumes I have zero cost of goods sold, which is very hard for a computer company. That assumes zero expenses, which is really hard with 39,000 employees. That assumes I pay no taxes, which is very hard. And that assumes you pay no taxes on your dividends, which is kind of illegal. And that assumes with zero R&D for the next 10 years, I can maintain the current revenue run rate. Now, having done that, would any of you like to buy my stock at \$64? Do you realize how ridiculous those basic assumptions are? You don't need any transparency. You don't need any footnotes. What were you thinking?

A few of those expensively-valued companies will prove to be good investments. Query: can you confidently pick the one, or two, or three? And what happens to all of the rest?

In our annual shareholder letter from last year, we talked a little about DoorDash (DASH) and its nose-bleed level valuation. As we write this letter, DASH is \$128 a share, down about 36% from its year-ago level. The jury is still out, but we're sticking with our valuation analysis--- companies currently generating profits are easier to value than those promising future profits while sustaining current losses.

Our portfolio isn't immune from holding richly-priced shares. Sure, we bought them at lower levels and have seen them appreciate, but we're still holding high quality companies with price/earnings multiples well into the 20s, and in some cases the 30s. And, yes, that makes us nervous. But we have to balance the certainty of incurring capital gains taxes if we sell against the potential downside risk.

As we've said often before, even high-quality companies can trade at excessive valuations. Coca-Cola (KO) is a good example. Coke is a wonderful company that has

delivered excellent returns for decades. KO has terrific operating metrics, with a gross margin of 61%, an operating margin above 31%, and a pretax margin of 30%. But, right now KO is expensive, and trades at a P/E of 30x, despite low single digit growth expectations going forward. The Coke dividend yield of 2.7% provides some comfort, although the KO payout ratio is about 83% (so there is little opportunity to boost the dividend much in the near future.) [Note: when Buffett and Berkshire Hathaway were accumulating their KO position in the late 1980s they paid approximately 15x earnings.]

The Fund's cash balance reflects our careful attitude about prevailing share prices. We prefer to be fully invested, though there are times when it makes sense to reduce, partially or fully, our investment in portfolio companies. We look forward to finding opportunities where we can deploy that capital to add to our portfolio at reasonable prices.

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
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January 18, 2022

David C. Sims, CFA
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Phone: 414/765-1107



Eagle Capital Growth Fund, Inc.
Statement of Assets, Liabilities and Shareholders' Equity
As of December 31, 2021

Assets

| | | | |
|---|----|------------|---------------|
| Common stock--at market value (cost \$17,223,622) | \$ | 36,505,900 | |
| Money market funds | | 6,524,013 | |
| Short-term interest receivable | | 71 | |
| Dividends receivable | | 45,478 | |
| Prepaid fees | | 13,564 | |
| | | | \$ 43,089,026 |

Liabilities

| | | | |
|--------------------------------|----|--------|---------------|
| Accounts payable | \$ | 28,574 | |
| Investment advisor fee payable | | 31,250 | |
| | | | \$ 59,824 |
| Total net assets | | | \$ 43,029,202 |

Shareholders' Equity

| | | | |
|---|----|------------|---------------|
| Common stock- \$0.001 par value per share; authorized 50,000,000 shares, outstanding 3,991,647 shares | \$ | 3,991 | |
| Paid-in capital | | 23,691,332 | |
| Undistributed net investment income | | 51,601 | |
| Unrealized appreciation on investments | | 19,282,278 | |
| Shareholders' equity | | | \$ 43,029,202 |
| Net asset value per share | | | \$ 10.78 |

See Notes to Financial Statements

Eagle Capital Growth Fund, Inc.
Statement of Operations
For the Year Ended December 31, 2021

Investment Income

| | | |
|-------------------------|------------|------------|
| Dividends | \$ 667,313 | |
| Interest | <u>653</u> | |
| Total investment income | | \$ 667,966 |

Expenses

| | | |
|------------------------------|---------------|-------------------|
| Advisory fees | \$ 324,969 | |
| Legal fees | 10,040 | |
| Insurance | 15,268 | |
| Transfer agent | 45,464 | |
| Directors' fees and expenses | 72,258 | |
| Custodian fees | 9,424 | |
| Listing fee | 15,000 | |
| Other fees and expenses | <u>47,829</u> | |
| Total expenses | | <u>\$ 540,252</u> |

| | | |
|-----------------------|--|------------|
| Net investment income | | \$ 127,714 |
|-----------------------|--|------------|

Realized Gain and Unrealized Appreciation on Investments

Realized gain on investments:

| | | |
|---|------------------|--------------|
| Proceeds from sale of investment securities | \$ 9,318,641 | |
| Less: cost of investment securities sold | <u>5,531,647</u> | |
| Net realized gain on investments | | \$ 3,786,994 |

Unrealized appreciation on investments:

| | | |
|--|-------------------|---------------------|
| Unrealized appreciation at end of year | \$19,282,278 | |
| Less: unrealized appreciation at beginning of year | <u>14,381,254</u> | |
| Net change in unrealized appreciation on investments | | <u>\$ 4,901,024</u> |

| | | |
|---|--|---------------------|
| Net realized gain and unrealized appreciation on investments | | <u>\$ 8,688,018</u> |
|---|--|---------------------|

| | | |
|------------------------------|--|--------------|
| Net increase from operations | | \$ 8,815,732 |
|------------------------------|--|--------------|

See Notes to Financial Statements

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

| | Year Ended December 31, 2020 | Year Ended December 31, 2021 |
|---|---------------------------------|---------------------------------|
| From Operations: | | |
| Net investment income | \$ 200,801 | \$ 127,714 |
| Net realized gain on investments | 1,978,582 | 3,786,994 |
| Net change in unrealized appreciation on investments | <u>1,373,106</u> | <u>4,901,024</u> |
| Net increase from operations | \$ 3,552,489 | \$ 8,815,732 |
| Distributions to Shareholders from: | | |
| Net investment income | \$ (262,295) | \$ (84,904) |
| Net realized gain from investment transactions | <u>(1,978,582)</u> | <u>(3,786,994)</u> |
| Total distributions | \$ (2,240,877) | \$ (3,871,898) |
| From Capital Stock Transactions: | | |
| Reinvested capital from distribution of shares | \$ -- | -- |
| Total Net Assets: | | |
| Beginning of year | \$ 37,530,271 | \$ 38,841,883 |
| End of year (including undistributed net investment income of \$8,791 and \$51,601) | \$ 38,841,883 | \$ 43,029,202 |
| Shares: | | |
| Shares at beginning of year | 4,074,321 | 4,074,321 |
| Shares repurchased | <u>--</u> | <u>(82,674)</u> |
| Shares at end of year (A) | 4,074,321 | 3,991,647 |

(A) On January 25, 2022, 20,416 shares related to the December 2021 distribution were issued, increasing total shares outstanding to 4,012,063.

See Notes to Financial Statements

Eagle Capital Growth Fund, Inc. Financial Highlights

| For the years ended December 31: | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|-----------|-----------|-----------|-----------|----------|
| Net asset value at beginning of year | \$ 8.26 | \$ 9.14 | \$ 8.15 | \$ 9.21 | \$ 9.53 |
| Net investment income | \$ - | \$ 0.10 | \$ 0.09 | \$ 0.05 | \$ 0.03 |
| Net realized gain and unrealized appreciation (loss) on investments | \$ 1.44 | \$ (0.52) | \$ 1.61 | \$ 0.82 | \$ 2.15 |
| Total from investment operations | \$ 1.44 | \$ (0.42) | \$ 1.70 | \$ 0.87 | \$ 2.18 |
| Distribution from: | | | | | |
| Net investment income | \$ - | \$ (0.09) | \$ (0.07) | \$ (0.06) | (\$0.02) |
| Realized gains | \$ (0.51) | \$ (0.44) | \$ (0.49) | \$ (0.49) | (\$0.95) |
| Total distributions | \$ (0.51) | \$ (0.53) | \$ (0.56) | \$ (0.55) | (\$0.97) |
| Dilution from share issuance | \$ (0.05) | \$ (0.04) | \$ (0.08) | \$ - | - |
| Accretion from share purchases | \$ - | \$ - | \$ - | \$ - | \$ 0.04 |
| Net asset value at end of year | \$ 9.14 | \$ 8.15 | \$ 9.21 | \$ 9.53 | \$ 10.78 |
| Per share market price, end of year last traded price | \$ 7.94 | \$ 7.30 | \$ 8.02 | \$ 7.98 | \$ 9.51 |
| Total Investment Return: | | | | | |
| Average annual return, based on Market Value: | | | | | |
| 1 Year | 15.02% | (1.44%) | 18.13% | 6.36% | 30.70% |
| 5 Year | 11.58% | 5.62% | 6.97% | 9.80% | 13.23% |
| 10 Year | 7.39% | 11.84% | 10.88% | 10.73% | 11.55% |
| Average annual return, based on Net Asset Value: | | | | | |
| 1 Year | 17.82% | (4.41%) | 21.35% | 10.75% | 24.05% |
| 5 Year | 13.19% | 6.70% | 9.20% | 11.17% | 13.43% |
| 10 Year | 8.45% | 11.55% | 11.29% | 10.87% | 12.77% |
| Net assets, end of year (000s omitted) | \$34,064 | \$31,712 | \$37,530 | \$38,842 | \$43,029 |
| Ratios to average net assets [^] : | | | | | |
| Expenses to average net assets | 1.36% | 1.34% | 1.29% | 1.30% | 1.26% |
| Net investment income to average net assets | 0.00% | 1.10% | 0.95% | 0.57% | 0.30% |
| Portfolio turnover | 50% | 42% | 26% | 19% | 5% |
| Average commission paid per share | \$0.04 | \$0.05 | \$0.05 | \$0.04 | \$0.01 |

[^] Expense ratio does not reflect fees and expenses incurred by the Fund as a result of its investments in shares of investment companies. During the years reported, the Fund did not have investments in investment companies.

See Notes to Financial Statements

Eagle Capital Growth Fund, Inc.
Portfolio of Investments (as of December 31, 2021)

| Common Stock (84.8% of total investments) | | | | LEVEL ONE | Percent of Total |
|---|---------------|-------------|---------------------|-----------|--------------------|
| <u>Industry</u> | <u>Shares</u> | <u>Cost</u> | <u>Market Value</u> | | <u>Investments</u> |
| Advertising | | | | | |
| Alphabet, Inc. A* | 500 | \$ 583,844 | \$ 1,448,520 | | |
| MediaAlpha, Inc.* | 40,000 | 804,160 | 617,600 | | |
| | | | \$ 2,066,120 | | 4.8% |
| Bank | | | | | |
| Wells Fargo & Co. | 10,000 | 403,661 | \$ 479,800 | | |
| | | | \$ 479,800 | | 1.1% |
| Brokerage | | | | | |
| Charles Schwab | 10,000 | 337,286 | \$ 841,000 | | |
| | | | \$ 841,000 | | 2.0% |
| Consumer | | | | | |
| Colgate-Palmolive Company | 21,000 | 626,458 | \$ 1,792,140 | | |
| Kimberly-Clark Corp. | 3,500 | 352,236 | 500,220 | | |
| Procter & Gamble Company | 2,000 | 145,879 | 327,160 | | |
| | | | \$ 2,619,520 | | 6.1% |
| Credit Card | | | | | |
| Mastercard Inc | 1,000 | 219,636 | \$ 359,320 | | |
| Visa Inc. | 1,500 | 225,957 | 325,065 | | |
| | | | \$ 684,385 | | 1.6% |
| Data Processing | | | | | |
| Automatic Data Processing, Inc. | 3,000 | 82,775 | \$ 739,740 | | |
| Paychex, Inc. | 6,000 | 140,075 | 819,000 | | |
| | | | \$ 1,558,740 | | 3.6% |
| Drug/Medical Device | | | | | |
| Johnson & Johnson | 4,000 | 45,500 | \$ 684,280 | | |
| Stryker Corp. | 4,500 | 19,055 | 1,203,390 | | |
| | | | \$ 1,887,670 | | 4.4% |
| Food | | | | | |
| Kraft Heinz Company | 29,000 | 772,000 | \$ 1,041,100 | | |
| PepsiCo, Inc. | 10,000 | 168,296 | 1,737,100 | | |
| | | | \$ 2,778,200 | | 6.5% |
| Industrial | | | | | |
| Illinois Tool Works Inc. | 7,000 | 295,051 | \$ 1,727,600 | | |
| Waters Corp.* | 2,000 | 100,780 | 745,200 | | |
| | | | \$ 2,472,800 | | 5.7% |
| Insurance | | | | | |
| Berkshire Hathaway Inc. B* | 28,000 | 4,626,534 | \$ 8,372,000 | | |
| Markel Corp.* | 1,300 | 831,360 | 1,604,200 | | |
| White Mountains Insurance Group, Ltd. | 2,100 | 1,785,903 | 2,129,190 | | |
| | | | \$ 12,105,390 | | 28.1% |
| Mutual Fund Managers | | | | | |
| Diamond Hill Investment Group | 9,576 | 1,338,331 | \$ 1,859,946 | | |
| Franklin Resources, Inc. | 55,000 | 1,441,774 | 1,841,950 | | |
| T. Rowe Price Group Inc. | 3,500 | 243,573 | 688,240 | | |
| | | | \$ 4,390,136 | | 10.2% |
| Restaurant | | | | | |
| Starbucks Corp. | 18,000 | 940,052 | \$ 2,105,460 | | |
| | | | \$ 2,105,460 | | 4.9% |

See Notes to Financial Statements

Eagle Capital Growth Fund, Inc.
Portfolio of Investments (as of December 31, 2021), continued

| | <u>Industry</u> | <u>Shares</u> | <u>Cost</u> | <u>LEVEL ONE Market Value</u> | <u>Percent of Total Investments</u> |
|--|-----------------|---------------|-------------|-----------------------------------|---|
| Retail | | | | | |
| AutoZone Inc.* | | 600 | 319,026 | \$ 1,257,834 | |
| eBay Inc. | | 3,000 | 68,886 | 199,500 | |
| O'Reilly Automotive Inc.* | | 1,500 | 305,534 | 1,059,345 | |
| | | | | <u>\$ 2,516,679</u> | 5.8% |
| Total common stock investments | | | | \$ 36,505,900 | |
| Money Market Funds (15.2% of total investments) | | | | <u>LEVEL ONE Market Value</u> | |
| Morgan Stanley Inst. Liquidity Fund, Treasury, 0.01% | | | | <u>\$ 6,524,013</u> | |
| | | | | \$ 6,524,013 | 15.2% |
| Total investments | | | | \$ 43,029,913 | |
| All other assets | | | | 59,113 | |
| Accrued investment advisory fees | | | | (31,250) | |
| All other liabilities | | | | <u>(28,574)</u> | |
| Total net assets | | | | \$ 43,029,202 | |

*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. The Fund has opted into the Maryland Control Share Acquisition Act.

(2) Significant Accounting Policies

The Fund follows the accounting and reporting requirements of investment companies under ASC 946 (ASC 946-10-50-1).

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, 2021, 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, 2021:

| | |
|-------------------------------|------------------|
| Gross unrealized appreciation | \$ 19,468,838 |
| Gross unrealized depreciation | <u>(186,560)</u> |
| Net unrealized appreciation | \$ 19,282,278 |
| Federal income tax basis | \$17,223,622 |

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.

Repurchases—The Fund repurchases shares with the purpose of reducing total shares outstanding. The price paid for the repurchased shares is recorded to reduce common stock and paid-in capital.

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.

Certain impacts from the COVID-19 outbreak may have a significant negative impact on the Fund's operations and performance. These circumstances may continue for an extended period of time, and may have an adverse impact on economic and market conditions. The ultimate economic fallout from the pandemic, and the long-term impact on economies, markets, industries and individual companies, are not known. The extent of the impact to the financial performance and the operations of the Fund will depend on future developments, which are highly uncertain and cannot be predicted.

(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 8, 2021, a distribution of \$0.97 per share aggregating \$3,871,898 was declared from net investment income and net realized long-term capital gains. The dividend was paid on December 23, 2021, to shareholders of record on November 19, 2021. The tax character of distributions paid during 2020 and 2021 was as follows:

| | <u>2020</u> | <u>2021</u> |
|---------------------------------------|-------------|-------------|
| Distributions paid from: | | |
| Net investment income: | \$ 262,295 | \$ 84,904 |
| Net realized long-term capital gains: | 1,978,582 | 3,786,994 |

In 2020 and 2021, the distributions were paid in cash.

For more information about the Fund’s tax information, please refer to Note 2, Federal income taxes.

(6) *Fund Investment Transactions*

Purchases and sales of securities, other than short-term securities, for the twelve-month period ended December 31, 2021, were \$2,201,412 and \$9,318,640, 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 market price and sold out of the Fund at the market 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 and the portfolio of investments, of Eagle Capital Growth Fund, Inc. (the "Company") as of December 31, 2021 and the related statement of operations, and the related notes to the financial statements 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. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021; and the results of its operations for 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 Company's management is responsible for these financial statements. Our responsibility is to express an opinion on the Company'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 Company 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company 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 Company's internal control over financial reporting. Accordingly, we express no such opinion.

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. Our procedures included confirmation of securities owned as of December 31, 2021 by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

A handwritten signature in cursive script that reads "Plante & Moran, PLLC".

We have served as the Company's auditor since 2002.
Auburn Hills, Michigan
February 17, 2022

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 40 | VP, CFO, CCO, Treasurer, Secretary, and Director | Term of office expires 2024 (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 72 | President, CEO and Director | Term of office expires 2022 (Class III); nominee for director. 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) |
|-------------------------------|----------------------------|---|--|---|---|
| Jason W. Allen, age 50 | Director | Term of office expires 2023 (Class I); nominee for director. Served as a director since 2021. | Partner of Foley & Lardner LLP (law firm) where he has been a practicing corporate lawyer since 1999. | One | None |
| Robert M. Bilkie, Jr., age 61 | Chairman; Director | Term of office expires 2023 (Class I). 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 Better Investing Securities Review Committee and of the Better Investing Editorial Advisory Committee (non-remunerative). | One | None |
| Phillip J. Hanrahan, age 82 | Director | Term of office expires 2023 (Class I). 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 89 | Director | Term of office expires 2024 (Class II). Served as a director since 1989. | Retired. | One | None |
| Anne M. Nichols, age 60 | Director | Term of office expires 2024 (Class II); nominee for director. Served as a director since 2021. | Managing director at Fern Capital Inc, an investment advisor. | One | None |
| Donald G. Tyler, age 69 | Director | Term of office expires 2022 (Class III); nominee for director. 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 76 | Director | Term of office expires 2022 (Class III); nominee for director. 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 2021. Directors' fees are only payable to directors who are not officers of the Fund or affiliated with the Advisor. For 2021, 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 for 2022 will be a \$12,000 annual retainer, \$1,250 for serving on the Audit Committee, and \$750 for the Audit Committee Chairman; the 2022 fees will be paid quarterly.

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 \$324,969 by the Fund in 2021. 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 Vice-President, 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, VP, CFO, CCO, Treasurer, Secretary, and Director | 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 |
|---|--|--|--|--|
| Jason W. Allen, Director | \$ 7,792 | None | None | \$ 7,792 |
| 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 |
| Anne M. Nichols, Director | \$ 4,050 | None | None | \$ 4,050 |
| Peggy L. Schmeltz, Director, until 04/2021 | \$ 3,208 | None | None | \$ 3,208 |
| Donald G. Tyler, Director | \$12,000 | None | None | \$12,000 |
| Neal F. Zalenko, Director | \$12,500 | None | None | \$12,500 |

Board of Directors

| | | |
|---|--|--|
| Jason W. Allen Director Fox Point, WI | Robert M. Bilkie, Jr. Chairman of the Board Northville, MI | Phillip J. Hanrahan Director Whitefish Bay, WI |
| Carl A. Holth Director Dearborn, MI | Anne M. Nichols Director Huntington Woods, MI | Luke E. Sims President & CEO Milwaukee, WI |
| David C. Sims VP, Treasurer, CFO, CCO Secretary & Director Milwaukee, WI | Donald G. Tyler Director Whitefish Bay, 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. The Fund has opted into the Maryland Control Share Acquisition Act.

Fund Stock Repurchases. The Fund is authorized 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. The Fund has authorized repurchases up to 1,000,000 shares, with 992,029 shares under its current authorization.

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, 2022). *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 monthly with the Securities and Exchange Commission (SEC) on Form N-PORT, with the first and third calendar quarter 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 public forms 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 6, 2021 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 previously received various information with respect to the proposed continuation of the investment advisory agreement with the Advisor, including a handout in the Board "book" materials which identified certain key issues for the Board to consider in evaluating Sims Capital Management LLC ("SCM") as its Advisor. The Board reviewed these various factors in considering whether to retain the SCM as its 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 to 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, SCM's investment philosophy, 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. The Board regularly considers the various factors that are involved in such a decision. Overall, the Board understands and is satisfied with the investment philosophy and investment performance of the Advisor. Given the relatively

small size of the Fund vis-à-vis other closed-end and other mutual funds, the Advisor's annual fee at 0.75% (75 basis points) of assets under management (AUM) is reasonable (and at the low end of the range for other investment advisors of actively-managed equity funds). There are few economies of scale to be realized by the Fund (as a closed-end fund), primarily because the Fund is required to make distributions to its shareholders of its net investment income and realized capital gains. Pursuant to this requirement, the Fund declared a distribution of \$3.9 Million to its shareholders at the end of December 2021, thereby reducing AUM from slightly over \$47 Million to approximately \$43 Million. The Fund's compliance with law and reporting with respect to the Securities and Exchange Commission and other governmental authorities is fine. The Fund's execution of transactions (including cost) and portfolio turnover are excellent, and clearly consistent with industry practice. As a general rule, the Board is satisfied with the Advisor's personnel, including professional competence, conscientiousness, independence and overall communications.

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).