



FAIRWAY DIVERSIFIED INCOME AND GROWTH TRUST

Investment Objective

The Trust's investment objectives are to provide holders of the units with stable monthly distributions and enhance the total return with capital appreciation.

MFC Global Investment Management *Monthly Commentary for the Period Ending January 31, 2005*

Income Trusts posted positive total returns during January, although both High Yield Bonds and Equities gave up some ground. Income Trusts, as measured by the Scotia Capital Income Trust Index Overall (SCITI) posted a total return of 4.49%. High Yield Bonds, as measured by the Merrill Lynch Master II Index, posted a total return of -0.10% – the first negative monthly return since May 2004. High yield bonds widened 19 basis points to U.S. Treasuries, with most of this spread expansion occurring in the lower-rated credit quality issues. This impact on the Trust was mitigated by the Trust's higher quality, high yield bias. Weakness was especially evident in the Airline and Automotive sectors due to ongoing deterioration in industry fundamentals. Again, the impact was mitigated by the Trust's minimal exposure in those sectors. The S&P TSX, a broad measure of Canadian equity performance, posted a total return of -0.40%.

Fund Activity

There were no significant changes made to the income trust and equity components of the portfolio during the month. High Yield activity included the addition of four positions new to the Trust.

Outlook & Strategy

During the January 25th Bank of Canada meeting, the Bank decided to keep the target overnight rate at 2.5%. This is consistent with our previous view of a continued flattening of the yield curve, which should be mildly positive for interest sensitive securities. In addition, during January, the Canadian dollar depreciated slightly against the US dollar. We believe that in the near term, the Canadian dollar should remain stable, or appreciate slightly against the US dollar. We have eliminated this volatility from the portfolio by hedging the currency exposure of the US dollar-denominated high yield bond positions. This has served to protect investors' capital, as the US dollar has depreciated 10.94% against the Canadian dollar since the Trust's inception.

FAIRWAY DIVERSIFIED INCOME AND GROWTH TRUST (FDT.UN)

Top 10 Holdings

as of January 31, 2005

	% Of Mkt Value
BCE Inc	3.40%
ARC Energy Trust Unit	3.11%
BFI Canada Income Fund	2.87%
Toronto Dominion Bank	2.77%
Fording Canadian Coal Trust	2.32%
Davis & Henderson Income Trust Units	2.27%
Shiningbank Energy Income Fund	2.19%
Bank of Nova Scotia	2.19%
Superior Plus Income Fund	2.19%
Petro Canada	2.15%



Portfolio Details

as of January 31, 2005

