



FAIRWAY INVESTMENT GRADE INCOME FUND

Investment Objective

The Investment Objectives of the fund are to provide Unitholders with stable monthly distributions, while mitigating the impact of significant interest rate increases on the value of the portfolio, and preserving and enhancing the NAV per Unit.

MFC Global Investment Management

Monthly Commentary for the Period Ending January 31, 2006

The Canadian bond market, as measured by Scotia Capital Market Universe (SCMU), returned -0.63% in January. The yield curve for government of Canada bonds steepened; yields on two-year bonds remained unchanged, at 3.86%, while 30-year bonds increased by 20 basis points, to 4.24%. Canadian bonds underperformed their U.S. counterparts, except for two-year bonds, which outperformed by five basis points. However, both bond markets sold off. Canadian equities, as measured by the S&P/TSX Index, rose 6.06%. The best-performing sectors were Materials, returning 12.78%, and Energy, returning 12.33%, and the worst were Utilities, returning -5.57%, and Consumer Staples, returning -1.88%.

The Bank of Canada continued tightening, raising the bank rate to 3.5%. However, the Bank's statement referred to a more tame inflation environment and expressed a less hawkish stance. This suggested the tightening cycle is near an end, which helped long-term bond yields rise. The U.S. Fed made one more rate hike before chairman Alan Greenspan retired on January 30. The Fed's statement left room for further increases, but indicated the tightening cycle in the United States will soon end.

For the Fund's bond portfolio, the managers have removed most of their flattening bias, but remain positioned to benefit from a flattening in the front end of the curve. The Fund's equity portfolio outperformed in January, primarily due to stock selection in Energy, Materials, and Industrials. No significant changes were made to sector exposures, and the managers, remaining positive on Canadian equity markets, foresee no need for such changes.



Sovereign Asset Management

Monthly Commentary for the Period Ending January 31, 2006

Treasuries moved significantly in January as the Federal Reserve raised rates by 1/4 point to 4.50%, its fourteenth rate hike in a row. The ten-year yield began to show signs of weakening, hitting a low of 4.32% mid-month and ending January at 4.52%.



Although treasuries sold off during the month, preferreds performed well due to the strength of the utility sector. The Dow Utility Index and the S&P Utility Index returned 2.16% and 2.34%, respectively. Furthermore, tax advantage preferreds, particularly DRD-eligible issuances, had a strong month as did fully taxable preferreds, which make up the majority of the Fairway funds.



General Motors preferreds performed well in January, primarily due to their recently announced price-cutting programs and attractive prices. Renaissance RE and PLC Capital Trust posted solid results, as they began to recover from recent hurricane and insurance claims. The Royal Bank of Scotland also contributed positively to the portfolio, as foreign holdings in general enjoyed a strong run in January.

FAIRWAY INVESTMENT GRADE INCOME FUND (FGF.UN)

Top 20 Holdings

as of January 31, 2006



	% Of Mkt Value
FPC Capital I 7.10% May 13/39 Series A	4.5%
FPL Group Capital Trust I 5.88% Mar 15/44	4.2%
Great Plains Energy Incorporated 8.00% Feb 16/07	3.6%
Nexen Inc. 7.35% Nov 01/43	3.4%
The Thomson Corporation 5.20% Dec 01/14	3.1%
CU Inc. 5.10% Nov 18/14	3.1%
Bell Canada 5.00% Feb 15/17	3.1%
Virginia Power Capital Trust 7.38% Jul 30/42	3.1%
YPG Holdings Inc. 5.71% Apr 21/14	3.1%
Aegon NV 6.38%	3.0%
Sun Life Assurance of Canada 6.15% Jun 30/22	2.9%
Westcoast Energy 8.30% Dec 20/13	2.9%
Morgan Stanley Capital Trust V 5.75% Jul 15/33	2.8%
The Phoenix Companies, Inc. 7.45% Jan 15/32	2.7%
Telephone & Data Systems, Inc. 6.63% Mar 31/45	2.7%
BNY Capital V 5.95% May 01/33 Series F	2.6%
PLC Capital Trust V 6.13% Jan 27/34	2.6%
SLM Corporation 6.00% Dec 15/43	2.6%
Provident Financial Group Inc. 7.75%	2.5%
J.P. Morgan Chase Capital X 7.00% Feb 15/32	2.5%

Portfolio Details

as of January 31, 2006

