



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 February 28, 2005*

February was a very good month for the underlying asset classes held within the Trust. Income Trusts, as measured by the Scotia Capital Income Trust Index Overall (SCITI) posted a total return of 2.95%. The S&P TSX, which represents a broad measure of Canadian equity performance, posted a total return of 5.17%. High Yield Bonds, as measured by the Merrill Lynch Master II Index posted a total return of 1.42%. High Yield Bonds tightened 50 basis points (bps) to the U.S. 10-year Treasury bond, which added 24 bps of yield.

Fund Activity

During the month, the only significant addition to the Trust was the addition of Spinrite Income Fund. Other portfolio activity included relative value swaps in the High Yield Bond space as well as some short term trading.

Outlook & Strategy

The flattening of the yield curve carried into high yield, especially so in Telecom, Utilities and Airlines; sectors dominated by longer duration bonds from fallen angel issuers that we have generally under-emphasized. This is consistent with our previous forecast of continued flattening of the yield curve, which should be positive for interest-sensitive securities, and given the perpetual nature of income trusts and dividend-paying common equity, more so for those asset classes. Away from interest rates, we expect to see the increase in merger and acquisition activity in the telecommunications sector in the U.S. to spread into other sectors and cross the border. Over the past three years companies have cleaned up their balance sheets and are now looking for more shareholder-friendly transactions. Additionally, private equity funds are flush with cash and eager to do deals. We view these transactions as opportunities to continue to add value to the Trust.

FAIRWAY DIVERSIFIED INCOME AND GROWTH TRUST (FDT.UN)

Top 10 Holdings

as of February 28, 2005

	% Of Mkt Value
BCE Inc	3.53%
ARC Energy Trust Unit	2.98%
Toronto Dominion Bank	2.84%
BFI Canada Income Fund	2.79%
Fording Canadian Coal Trust	2.25%
Petro Canada	2.25%
Bank of Nova Scotia	2.17%
Superior Plus Income Fund	2.17%
Shiningbank Energy Income Fund	2.16%
Davis & Henderson Income Trust Units	2.12%



Portfolio Details

as of February 28, 2005

