



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 February 28, 2006

The Canadian bond market as measured by Scotia Capital Market Universe (SCMU) produced a positive return of 0.54% in February. The yield curve for government of Canada bonds flattened as the 2 – 30 spread narrowed by 18 bps. The yield on two-year bonds moved up by 7 bps to 3.95%, while 30-year bond yields declined by 10 bps to 4.15%.

Bank of Canada, is expected to raise interest rates by 25 bps on March 07 to 3.75%. The strength of the Canadian dollar however, has created a heated debate among investors on how many more rate hikes, if any, is required to bring inflationary expectations under control. Federal Reserve Open Market Committee is also expected to raise the Fed Funds rate by 25 bps on March 28. Fed officials are signaling that any further policy tightening will be data dependent. Economic data released to date indicate that the first quarter GDP in the US will be much stronger than the anemic 1.6% growth experienced in the fourth quarter of 2005.

The Canadian bond market outperformed its US counterpart in the two, five and ten year parts of the curve by 4, 9 and 4 bps respectively. The US Treasury after a five-year hiatus reintroduced the long bond on February 09. The new 30-year bond was initially greeted with much enthusiasm and traded as much as 14 bps through the old long bond. By month end however, it gradually lost its appeal in the secondary market and traded at only 10 bps through the old bond.

We are also concerned about the impact of central bank activities in Europe and Japan. The European Central Bank (ECB) raised its rate by 25 bps on March 2 to 2.5% to control energy induced inflationary pressures. Japan's economic revival with 5.5% Q4 GDP growth is finally gaining traction and has caused Bank of Japan (BOJ) to contemplate removing its easy monetary policy that has been a fixture of global financial markets for nearly a decade.

The TRR Universe mandates are 0.05-year short duration and although we have removed most of our flattening bias, we are still positioned to benefit from a flattening in the front end of the curve.



Sovereign Asset Management

Monthly Commentary for the Period Ending February 28, 2006



The Treasury markets were mostly flat in February, although there was a decline in the yield of the 30 year bond due to a recent \$14 billion auction, the government's first sale of these securities since 2001. Interest rate volatility across the treasury yield curve hit historic lows over the month.

Lower volatility in the Treasury markets is generally considered positive news for the prices of callable securities, including preferred stocks. With risk premiums currently low, valuations in the preferred market experienced rich levels in February. The Dow Utility Index and the S&P Utility index were flat with returns of .17% and .85%, respectively.

Supply of preferred stocks increased over the month as a number of new issues came to market. There was also significant redemption activity.

Telephone & Data Systems (TDS) preferred issues performed well over the month. Business revenues for communications providers as a whole are expected to grow as rates in existing long distance contracts converge with market rates. The Royal Bank of Scotland (RBS-K) also contributed positively to the portfolio, as foreign holdings in general continued their strong run through February.

FAIRWAY INVESTMENT GRADE INCOME FUND (FGF.UN)

Top 20 Holdings

as of February 28, 2006



	% Of Mkt Value
FPC Capital I 7.10% May 13/39 Series A	3.0%
FPL Group Capital Trust I 5.88% Mar 15/44	2.9%
Great Plains Energy Incorporated 8.00% Feb 16/07	2.3%
Nexen Inc. 7.35% Nov 01/43	2.2%
CU Inc. 5.10% Nov 18/14	2.1%
Bell Canada 5.00% Feb 15/17	2.1%
YPG Holdings Inc. 5.71% Apr 21/14	2.1%
Virginia Power Capital Trust 7.38% Jul 30/42	2.1%
Aegon NV 6.38%	2.0%
Telephone & Data Systems, Inc. 6.63% Mar 31/45	2.0%
The Thomson Corporation 5.20% Dec 01/14	1.9%
Sun Life Assurance of Canada 6.15% Jun 30/22	1.9%
Westcoast Energy 8.30% Dec 20/13	1.9%
Morgan Stanley Capital Trust V 5.75% Jul 15/33	1.9%
The Phoenix Companies, Inc. 7.45% Jan 15/32	1.8%
PLC Capital Trust V 6.13% Jan 27/34	1.8%
BNY Capital V 5.95% May 01/33 Series F	1.8%
SLM Corporation 6.00% Dec 15/43	1.7%
Provident Financial Group Inc. 7.75%	1.7%
J.P. Morgan Chase Capital X 7.00% Feb 15/32	1.7%

Portfolio Details

as of February 28, 2006

