



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.

Market Review

First Quarter for the period ending March 31, 2006

The first quarter started the year off strongly for investors. The S&P TSX, which represents a broad measure of Canadian equity performance, posted a total return of +7.98% on the back of very strong returns from the Energy and Resource sectors. Income Trusts, as measured by the Scotia Capital Income Trust Index (SCITI), posted a total return of +6.61%. High yield bonds returned 2.57% (as measured by the Merrill Lynch Master II Constrained Index, in USD) as they tightened 52 bps on average to treasuries and the US 10-year bond backed up, gaining 0.46% of yield. Double-B and single-B rated bonds tightened by a similar amount in Q1, although single-Bs outperformed their higher-rated brethren by 92 bps due to their inherent yield advantage.

During the quarter, the U.S. FOMC met twice and raised administered interest rates twice for a total of 50 bps. The U.S. yield curve flattened slightly during the quarter as the 30-year bond added 34 bps of yield but the 3-month added 49 bps.

In Canada, the Bank of Canada also continued to raise its target for the overnight rate with two consecutive twenty-five basis point increases, from 3.25% to 3.75%. Long-term bond yields moved up as well causing the yield curve to steepen slightly.

Portfolio composition remained relatively constant. The Fund continues to hold an underweight position in the energy sector. A large weight in energy is inconsistent with the Fund's goal of long-term capital preservation as the assets of energy stocks are declining in nature. Also, as the Fund is interest-sensitive, in an environment of continued interest rate increases, the Managers would shift the Fund's asset mix to favor equities over bonds.

Credit spreads are tight by historical standards although the underlying economic environment is healthy and expected to stay that way for the intermediate term. Defaults are also at historical low levels, although we expect a modest increase later this year as some questionable deals were made in the recent past... A further steepening of the yield curve is likely as economic growth is healthy, although higher energy prices will undermine consumer spending. The war in Iraq and rebuilding in Louisiana are adding to the U.S. deficit and increased Treasury issuance should place some upward pressure on interest rates. The Fed is likely to raise rates another 25 bps in May and their recent policy statements suggest they may not be at the end of their current tightening cycle.

We will continue to look for securities that are under-valued and that provide the Fund with the best risk-return profile.

FAIRWAY DIVERSIFIED INCOME AND GROWTH TRUST (FDT.UN)

Top 20 Holdings

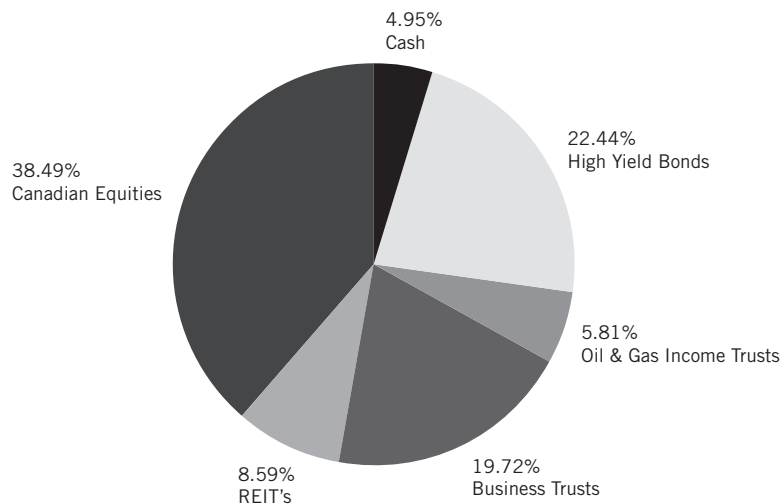
as of March 31, 2006

	% Of Mkt Value
Petro Canada	4.10
BCE Inc	3.78
State Street R 4.200 Apr/03/06	3.76
Toronto Dominion Bank	3.62
Bfi Canada Income Fund	2.63
Royal Bank of Canada	2.43
Bank of Nova Scotia	2.28
Summit Real Estate Inv Tr-Ut	2.23
Power Corporation of Canada Sv	2.21
Livingston Intl Income Fund	2.19
Arc Energy Trust Unit	2.19
Sun Life Financial Svcs Can	2.17
Brookfield Asset Man CI A	1.89
Western Finl Bank 9.625% May/15/2012	1.89
Cdn Imperial Bank Commerce	1.86
Telus Corp	1.84
Riocan Real Estate Invst Tr	1.77
Northern Reit	1.72
Davis & Henderson Income Trust Units	1.67
Bonavista Energy Trust	1.63



Portfolio Details

as of March 31, 2006



For more information please contact FAIRWAY CAPITAL MANAGEMENT.

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