



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 May 31, 2005*

May proved to be a better month for all asset classes. High yield bonds, income trusts and equities all posted positive total returns during the month. Income Trusts, as measured by the Scotia Capital Income Trust Index (SCITI), posted a total return of +3.04%. The S&P TSX, which represents a broad measure of Canadian equity performance, posted a total return of +2.69%. The high yield market, as measured by the Merrill Lynch Master II Index, had its best month of the year, climbing 1.79% as high yield spreads tightened 16 bp on average to U.S. Treasuries. The high yield market has gotten over its concern of "fallen angel" auto paper pressuring the market.

Fund Activity

There were no significant changes made to the portfolio during the month. We did add a small amount of exposure to the Automotive sector on the high yield side to take advantage of spread widening in that sector.

Outlook & Strategy

Looking forward, we continue to see a stable environment for longer-term interest rates, and we cannot foresee a situation, in the near future, that would cause them to ascend rapidly. During their May 25th meeting, the Bank of Canada decided to leave the target for the overnight rate unchanged at 2.5%. The Bank's outlook for the Canadian economy and inflation, presented in January's Monetary Policy Report Update, and the implications for the pace of reduction in monetary stimulus, are essentially unchanged. This is consistent with our previous view of a continued flattening of the yield curve, which should be positive for interest sensitive securities. It is also anticipated that the U.S. Federal Reserve will continue with its measured pace of increases over the near-term.

FAIRWAY DIVERSIFIED INCOME AND GROWTH TRUST (FDT.UN)

Top 10 Holdings

as of May 31, 2005

	% Of Mkt Value
BCE Inc	4.29%
Toronto Dominion Bank	3.31%
Petro Canada	2.82%
BFI Canada Income Fund	2.55%
Shiningbank Energy Income Fund	2.36%
Power Corporation of Canada	2.29%
Bank of Nova Scotia	2.15%
Royal Bank of Canada	2.06%
Livingston Intl Income Fund	2.02%
Sun Life Financial SVCS Can	1.92%



Portfolio Details

as of May 31, 2005

