



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 Market Commentary for the period ending May 31, 2006

Canadian bonds, as measured by the Scotia Capital Market Universe, returned 0.37% in May. The gains consisted mainly of coupon income. The yield curve for Government of Canada bonds was mostly unchanged, flattening marginally only in the very short end. Two-year bond yields rose five basis points to 4.18%, while 30-year bond yields fell one basis point to 4.51%.

The Bank of Canada raised interest rates on May 24 by 25 basis points, to 4.25%. However, no reference was made to any need for further rate hikes. First-quarter GDP growth, at 3.8%, was much more robust than forecast. However, growth will likely moderate in the second and third quarters. Accordingly, the Bank will probably pause at its July meeting and monitor the data before deciding on its next move.

On May 11, the U.S. Federal Reserve also raised its rate by 25 basis points, to 5.0%. The minutes of the meeting, making no reference to a pause, appeared more hawkish than had been anticipated, causing a sell-off in the bond market. May's employment statistics were weak, an indication that the U.S. economy is decelerating from its spectacular first-quarter growth rate of 5.3%.

Canadian bonds outperformed their U.S. counterparts across the yield curve, leading in the following areas: two-year, +10 basis points (bp); five-year, +6 bp; 10-year, +2 bp; and 30-year +2 bp.

The Total Rate of Return Universe mandates have a modestly longer than benchmark duration of exposure. The Fund is positioned to benefit from flattening in the front end of the curve and steepening further out.



FAIRWAY INVESTMENT GRADE INCOME FUND (FGF.UN)

Sovereign Asset Management

Monthly Market Commentary for the period ending May 31, 2006

During the month of May, treasury yields rose across the curve on strong economic data and general heightened inflation concerns. There were more new issues in the 2nd quarter (the first two months exceeded the first quarter by over 1 Billion) and this weighed heavily on the existing preferreds outstanding. Additionally, the recently approved 2 year extension on the federal tax withholding for tax-advantaged preferreds made hybrid preferreds (the majority of portfolio) slightly lower valued. The benchmark for this fund, the Merrill Lynch Hybrid preferred index, was flat for the month.

Examples were GPE X 5.875% with poor performance for the quarter – the same with other low coupon, longer duration preferreds. As well as BGE B 6.20% that experience weaker prices due to skepticism in the proposed merger; a result of potential problems with the Maryland regulators. However, strong appreciation in the CAD dollar hedge and the short treasury hedge helped offset lowered preferred and bond prices. Year to date performance on a total fund basis for the preferreds was -3.30%. The ML Hybrid Index was down -0.76 YTD.





FAIRWAY INVESTMENT GRADE INCOME FUND (FGF.UN)

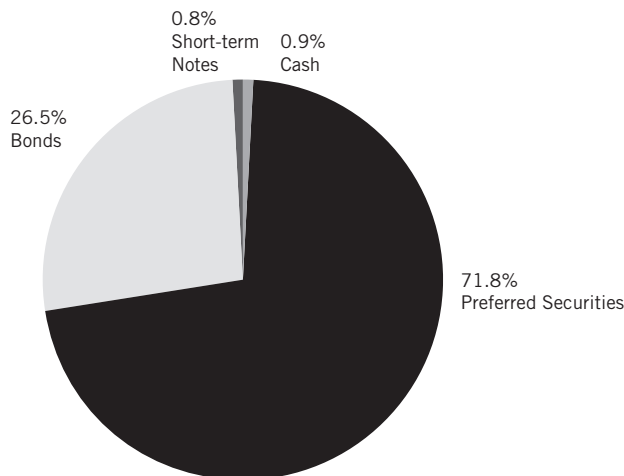
Top 20 Holdings

as of May 31, 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	2.7%
Great Plains Energy Incorporated 8.00%	2.3%
Nexen Inc. 7.35% Nov 01/43	2.3%
CU Inc. 5.10% Nov 18/14	2.2%
Bell Canada 5.00 Feb 15/17	2.2%
YPG Holdings Inc. 5.71% Apr 21/14	2.2%
Virginia Power Capital Trust 7.38% Jul 30/42	2.1%
The Thomson Corporation 5.20% Dec 01/14	2.0%
Westcoast Energy 8.30% Dec 20/13	2.0%
Aegon NV 6.38%	1.9%
The Phoenix Companies, Inc. 7.45% Jan 15/32	1.9%
Sun Life Assurance of Canada 6.15% Jun 30/22	1.8%
Morgan Stanley Capital Trust V 5.75% Jul 15/33	1.8%
Provident Financial Group Inc. 7.75%	1.7%
Hydro One Inc. 5.77% Nov 15/12	1.7%
Merrill Lynch Preferred Capital Trust V 7.28%	1.7%
BNY Capital V 5.95% May 01/33 Series F	1.7%
PLC Capital Trust V 6.13% Jan 27/34	1.7%
SLM Corporation 6.00% Dec 15/43	1.6%

Portfolio Details

as of May 31, 2006



For more information please contact FAIRWAY CAPITAL MANAGEMENT.
1-866-299-7929 www.fairwaycapital.com

