



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 June 30, 2004

The second quarter proved to be a difficult quarter for investors. All of the asset classes held within the Trust posted negative total returns. Canadian equities, as measured by the S&P/TSX Composite Total Return Index, was the best performing asset class with a total return of -0.03%. High Yield Bonds, as measured by the Merrill Lynch Master II Index, posted a total return of -0.80% (in U.S. dollars). The spread, on average, between High Yield Bonds and U.S. treasuries tightened by 28 basis points over the quarter. Income Trusts, as measured by the Scotia Capital Income Trust Index (SCITI), followed with a total return of -2.61%. The downward pressure on market prices started late in the first quarter as the market began to re-adjust to the reality that mid to long term interest rates were beginning to move up. As an example, the yield on the 10-year Government of Canada Bond moved from a low of 4.17% on March 23rd to 4.92% at the end of the second quarter. The initial market reaction was to sell, however by the middle of May the market began to rally as much of the market was oversold. Following the buying in May, June proved to be a positive month for Income Trusts, Equities and High Yield Bonds.

Performance Analysis

The Fairway Diversified Income & Growth Trust benefited from a large cash position at the beginning of the quarter such that quarterly performance was essentially flat. Portfolio activity during the quarter principally involved putting that cash to work at more attractive valuations. During the turmoil, we took the opportunity to make selective purchases in securities that were being sold indiscriminately. Purchases were made within the REIT and Power sectors as the market pendulum swung too far away from Trusts and thus it was the interest-sensitive areas of the market that offered the best values. Within the Income Trust component, we are overweight Business Trusts and underweight Oil & Gas Royalty Trusts, and to a lesser extent, REITs. On a consolidated basis, the Financial Services and cyclical sectors have been emphasized at the expense of Energy. Within the High Yield component, we intend to maintain our overweight position in higher quality BB bonds but selectively increase our single B bond holdings at the periphery to leverage the portfolio to broad economic recovery. At quarter-end, approximately 41% of the Trust's assets were invested in Income Trusts, 35% in Dividend-paying Common Equities and 20% in High Yield Bonds.

FAIRWAY DIVERSIFIED INCOME AND GROWTH TRUST (FDT.UN)

Outlook & Strategy

Shaking off the treasury market fuelled volatility of the early part of the second quarter; the Trust's targeted markets have continued to show signs of stability. Returns could be pressured though should the U.S Federal Reserve Board raise interest rates another 75 basis points by year-end, despite the improved economic environment that should accompany such an increase. As a result, returns could be choppy for the balance of the year and as such, we believe our asset mix and higher quality bias should boost performance. Going forward, we will look to adjust the asset mix and sector allocation, and to employ the leverage available to us, to best position the portfolio for a broad economic recovery.



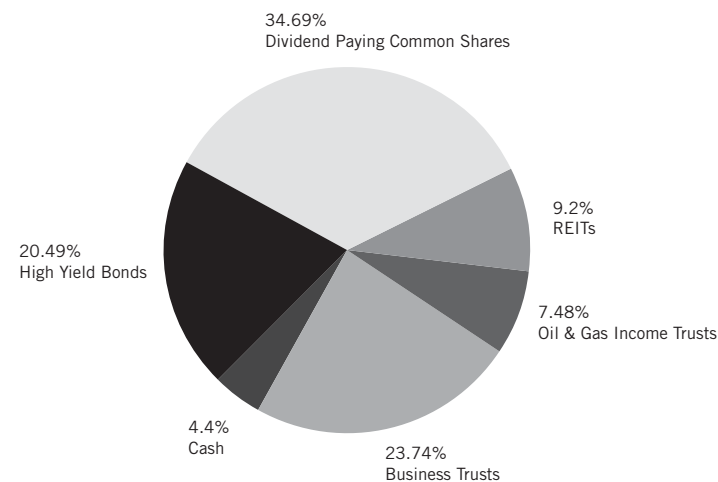
Top 10 Non-cash Holdings

as of June 30, 2004

	% Of Mkt Value
Arc Energy Trust Unit	2.57
Toronto Dominion Bank	2.44
BCE Inc.	2.36
BFI Canada Income Fund	2.15
Bank of Nova Scotia	2.09
Shiningbank Energy Income Fund	1.94
Connors Brothers Income Trust	1.93
Superior Plus Income Fund	1.91
Davis & Henderson Income Trust Units	1.89
Riocan Real Estate Invst Tr	1.84

Portfolio Details

as of June 30, 2004



For more information please contact FAIRWAY CAPITAL MANAGEMENT.

1-866-299-7929 www.fairwaycapital.com