



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, 2005*

The second quarter proved, once again, to be a strong quarter for investors. All of the asset classes posted positive total returns during the quarter. Income Trusts, as measured by the Scotia Capital Income Trust Index Overall (SCITI), were the best performing asset class, posting a total return of +6.85%. The S&P TSX, a broad measure of Canadian equity performance, posted a total return of +3.58%. High Yield Bonds, as measured by the Merrill Lynch Master II Index, was the laggard asset class, posting a total return of 2.62% (U.S.). The average credit spread of high yield bonds widened 33 basis points to U.S. Treasuries as the 10-year U.S. T-bond in turn shed 56 basis points of yield in the second quarter. Particular strength in BB bonds over B and lower rated securities was positive for Trust performance.

Fund Activity

A stabilization of interest rates and a continued strong energy commodity environment proved to be positive for interest-sensitive securities such as Income Trusts. While not all sectors were positive, the best performing sectors were Utility & Infrastructure at +9.39% and REITS at +8.91%. Only the Consumer sector, at -0.55%, finished the quarter with negative results. On a consolidated basis, sector allocations were relatively unchanged during the quarter as most of the trading activity included intra-sector high yield bond swaps to pick-up relative value. One new addition to the Trust was the 6.8% of 2009 bonds of ArvinMeritor, an automotive components manufacturer. We opportunistically bought bonds when they were caught in the downdraft that accompanied the ratings downgrades of GM and Ford. Late-quarter bargain hunting by like-minded investors caused automotive bonds to firm considerably from earlier lower trading levels.

FAIRWAY DIVERSIFIED INCOME AND GROWTH TRUST (FDT.UN)

Outlook & Strategy

Market consensus is for the Bank of Canada to remain on hold until at least autumn as the softening Canadian dollar has afforded some room to maneuver administered rates. Commentary from the U.S. Federal Reserve suggests their posture remains unchanged and that the market should expect additional increases. We expect investor's appetite for higher yielding securities to remain fairly robust in this low interest rate environment. Spreads for such securities should remain fairly high by historic standards supported by a moderately buoyant economy contributing to strong balance sheets and earnings.



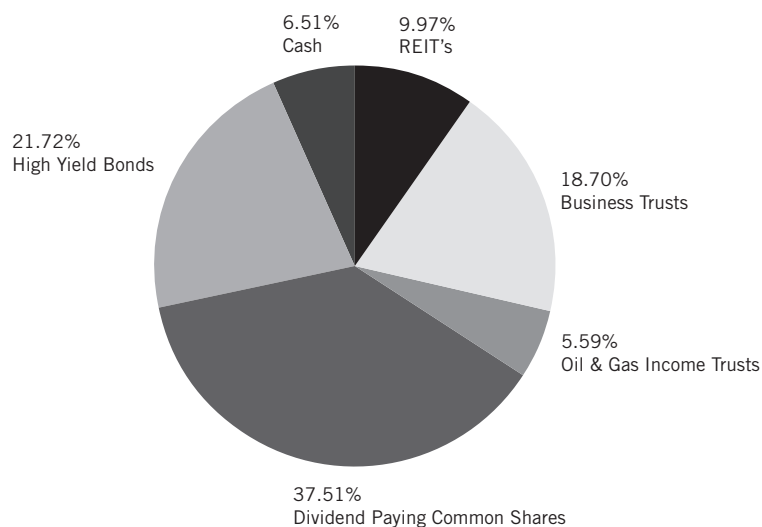
Top 10 Holdings

as of June 30, 2005

	% Of Mkt Value
BCE Inc	4.24%
Toronto Dominion Bank	3.31%
Petro Canada	3.21%
BFI Canada Income Fund	2.62%
Shiningbank Energy Income Fund	2.38%
Power Corporation Of Canada	2.21%
Bank Of Nova Scotia	2.15%
Royal Bank Of Canada	2.04%
Sun Life Financial SVCS Can	1.97%
Livingston Intl Income Fund	1.93%

Portfolio Details

as of June 30, 2005



For more information please contact FAIRWAY CAPITAL MANAGEMENT.

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