



## 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 Commentary for the Period Ending June 30, 2005*

The Canadian Bond market outperformed the U.S. market in the front end of the curve while matching the decline in rates at the 10-year point. Ten-year yields in both countries declined about 56 basis points, while long rates fell 57 basis points in the States vs a Canadian long bond yield decline of 52 basis points. The strong rally in both countries was coupled with significant yield curve flattening particularly south of the border. Corporate spreads tightened modestly during the quarter.

The Fed picture remains unchanged. The Federal Reserve considers longer-term inflation expectations well contained while more immediate pressure on inflation is being addressed through “measured” increases. After 3 quarterly increases, as at quarter-end, the Fed Funds rate now stands at 3.25% while the Bank of Canada remains on hold with overnight rates fixed at 2.50%. Both markets continue to watch employment and inflation data carefully for clues to future market direction.

## John Hancock Advisers LLC

### *Monthly Commentary for the Period Ending June 30, 2005*

During June, the Fairway Investment Grade Income Fund performed very well.

Preferreds and Treasuries moved higher as most investors concluded we were in an environment of slower economic growth, with moderate inflation, and that the Federal Reserve was near the end of its tightening cycle. This rally was also aided by a stronger dollar, and the rejection by France and The Netherlands of the European Union constitution. Corporate profits and margins also remained strong and healthy.

During the month, investors continued to worry about a flattening yield curve and record high oil prices, as oil prices hit a 22-year high. The yield curve continued its flattening trend as the 10-year note fell faster than the 2-year note, creating the flattest yield curve since March 2001. The 10-year Treasury note rose and its yield fell, to 3.922% at month end.

The Federal Reserve raised the Fed Funds rate twice during the quarter, in the expected "measured" manner, to 3.25%. The last increase on the 29th of June marked the ninth increase since June, 2004. One year ago, the funds rate was at 1%, a 46-year low. The Fed stated that they believed rates remained low enough to support economic expansion, citing labor force growth.

Lower rates in the marketplace caused companies to issue a slew of new preferreds. New issues were created amongst a number of sectors, including REITS, banks, insurance companies, and utilities. While the magnitude of new issuances caused preferreds not to rally as much as Treasuries, it gave us an opportunity to add a number of new names to the portfolio at what we believe were attractive prices. The new supply of preferreds contributed to the widening gap in yields between long-term Treasuries and preferreds, as many of the new issues had attractive coupons. Demand for the new issues was significant, allowing the market to adequately digest the new supply.

During the month, our higher yielding preferreds and our public utility preferreds performed well, as the Dow Jones Utilities Index hit a 52-week high as underlying valuations increased. Several of our insurance and banking holdings also performed well. Fully taxable preferreds sold off during the month due to the large supply of these types of issuances within the market. Great Plains Energy, Bank of Scotland, and ING GROEP were three securities that aided performance during June. Hawaiian Electric, Wachovia Corp., and PFGI Capital Corp. detracted from performance.

Holdings discussed in this report are presented to illustrate examples of some of the securities in which the investment strategy has invested, and may not be representative of the strategy's current or future investments. The securities discussed in this report may or may not have been profitable. The performance of future holdings may or may not be comparable. This is not a recommendation for the purchase or sale of these securities.

## FAIRWAY INVESTMENT GRADE INCOME FUND (FGF.UN)

### Top 10 Holdings

as of June 30, 2005

**MFC Global**  
Investment Management

*John Hancock*  
JOHN HANCOCK ADVISERS

	% Of Mkt Value
FPC Capital I PRF	2.80%
USB Capital VI PRF	2.30%
Virginia Power Capital Trust II PRF	2.10%
Bell Canada 5.0% Feb/15/2017 MTN	2.00%
CU Inc 5.10% Nov/18/2014 MTN	2.00%
HBOS Capital Funding N1 LP	2.00%
YPG Holdings Inc 5.71% Apr/21/2014	2.00%
FPL Group Capital Turst I PRF	2.00%
Sun Life Assurance of Canada 6.15% Jun/30/2002	1.90%
The Phoenix Companies Inc	1.90%

### Portfolio Details

as of June 30, 2005

