



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.

Market Review

[Market Commentary for the period ending July 31, 2006.](#)

During July, income trusts, as measured by the Scotia Capital Income Trust Index, was the leading asset class, returning 2.59%. Bonds, as measured by the Scotia Capital Bond Universe, posted a total return of 2.05%. The S&P/TSX Index, a broad measure of Canadian equity performance, was the laggard, returning 2.03%.

In the United States, high-yield bonds, as measured by the Merrill Lynch Master II High Yield Index, Constrained, returned 0.95%, in U.S. dollar terms, while the ten-year U.S. Treasury traded up, with its yield falling by 16 basis points to end the month at 4.98%. High-yield spreads widened modestly, by 12 basis points, on average, against U.S. Treasuries. Higher-quality (and more interest rate-sensitive) BB bonds returned 1.12%, widening by five basis points against Treasuries. At the other end of the high-yield spectrum, triple-C rated bonds widened by 17 basis points and returned 0.89%. Year-to-date, lower-quality bonds have outperformed higher-quality, although this trend is reversing. Defaults are expected to increase slightly later this year, but still remain well below historical averages.

At its July 11 meeting, the Bank of Canada announced it would maintain its target for the overnight rate at 4.25%. It was the first time since July 2005 that the Bank of Canada did not raise its target. In the U.S., the Federal Reserve did not meet in July, and is scheduled to next meet on August 8. While concerns about rising inflation still exist as the economy nears capacity, it appears the Fed may be close to ending its monetary tightening actions. In the near term, economic data pertaining to the strength of economic activity and inflation will carry a greater influence over market movements. The Canadian dollar, which depreciated by 1.40% against the U.S. dollar in July, is expected to remain relatively stable.

Few major changes were made to the portfolio during the month, apart from the addition of Bell Aliant Regional Communications Income Fund, which was spun out of BCE Inc. The fund's asset mix was altered slightly. The most material change was a slight decrease in the cash component of the fund in favour of income trusts. However, the risk profile of the fund has not changed significantly from that which is detailed in the prospectus.

FAIRWAY DIVERSIFIED INCOME AND GROWTH TRUST (FDT.UN)

Top 20 Holdings

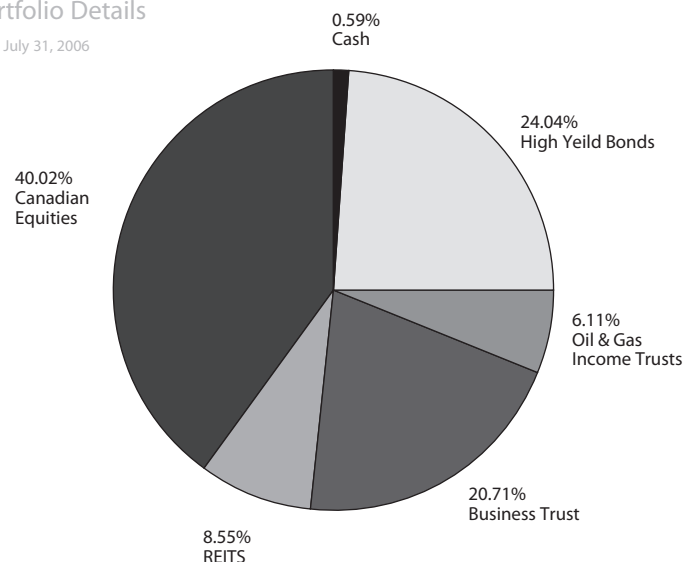
as of July 31, 2006

	% Of Mkt Value
PETRO CANADA	3.87
TORONTO DOMINION BANK	3.51
BFI CANADA INCOME FUND	3.27
LIVINGSTON INTL INCOME FUND	2.89
ROYAL BANK OF CANADA	2.78
B C E INC NEW	2.75
TELUS CORP	2.68
ARC ENERGY TRUST UNIT	2.59
BANK OF NOVA SCOTIA	2.32
BROOKFIELD ASSET MAN CL A	2.25
POWER CORPORATION OF CANADA SV	2.19
SUMMIT REAL ESTATE INV TR-UT	2.17
DAVIS & HENDERSON INCOME TRUST UNITS	2.06
SUN LIFE FINANCIAL SVCS CAN	2.05
BONAVISTA ENERGY TRUST	2.02
CDN IMPERIAL BANK COMMERCE	1.88
NORTHERN REIT	1.72
POWER FINANCIAL CORP COM	1.58
TRANSCANADA CORP	1.56
CRESCENT POINT ENERGY TRUST	1.50



Portfolio Details

as of July 31, 2006



For more information please contact F AIRWAY CAPITAL MANAGEMENT.

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