



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 August 31, 2004

Once again, as in July, income-producing securities outperformed equities in August. High Yield Bonds, as measured by the Merrill Lynch Master II Index, were the best performing asset class, posting a total return of +1.82%. Income Trusts, as measured by the Scotia Capital Income Trust Index Overall (SCITI), posted a total return of +1.57%, and the S&P TSX, a broad measure of equity performance, had a total return of +0.29%.

Fund Activity

The Trust continued to add to existing positions. Canadian Apartment REIT, IBI Income Fund and Gildan Activewear were new names added to the portfolio, in August. Trading in the high yield component consisted primarily of name-specific relative value swaps.

Outlook & Strategy

Looking forward to the second half of 2004, consumer and business spending should remain healthy and growth in the Canadian economy should be in the 3.0% to 3.5% range. Improving corporate profitability, corporate spending and the strength of the Canadian dollar, even in a potentially modestly increasing interest rate environment, support a positive outlook for the Canadian equity and income trust markets throughout the rest of 2004. South of the border, inflation (vis-à-vis escalating oil prices), the state of the U.S. labour market and the improvement in corporate fundamentals will continue to compete for the attention of the high yield bond market. In this environment and as always, we will look for relative value ideas at ratings, sector and issuer levels to maximize returns and preserve capital.

FAIRWAY DIVERSIFIED INCOME AND GROWTH TRUST (FDT.UN)

Top 10 Holdings

as of August 31, 2004

	% Of Mkt Value
BCE Inc.	3.20
Toronto Dominion Bank	2.94
ARC Energy Trust Unit	2.82
BFI Canada Income Fund	2.60
Petro Canada	2.31
Bank of Nova Scotia	2.23
Superior Plus Income Fund	2.10
Connors Brothers Income Trust	2.09
Davis & Henderson Income Trust Units	2.08
Shiningbank Energy Income Fund	2.08



Portfolio Details

as of August 31, 2004

