



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, 2005*

Canadian investors benefited in August as higher energy prices boosted Canadian stocks and the yield curve fell due to a number of factors. Early in the month, concerns about the possible impact of hurricanes in the southern U.S. and their potential to disrupt energy supply caused interest rates to reverse direction and move down. Later in the month, significant decreases in U.S. inflation and manufacturing data produced additional momentum for interest rates to drop. Finally, the devastating impact of Hurricane Katrina caused investors to reduce their expectations regarding future interest rate hikes by the Bank of Canada and the U.S. Federal Reserve. The net effect was a 15 bp rally in the 10-year Government of Canada bonds and a 28 bp rally in comparable U.S. Treasuries.

Income Trusts, as measured by the Scotia Capital Income Trust Index (SCITI), posted a strong total return of +3.61%. The S&P TSX, which represents a broad measure of Canadian equity performance, posted a total return of +2.50%. High Yield Bonds, as measured by the Merrill Lynch Master II Index appreciated 0.36% as high yield spreads widened 36 bp on average to U.S. Treasuries. This may be attributable in part to GM and Ford as their credit ratings were again downgraded.

Outlook & Strategy

Looking forward, we continue to see a stable environment for longer-term interest rates. The bond markets in both Canada and the U.S. have actually rallied significantly, causing yields to fall, as a result of the horrific devastation of Hurricane Katrina. Without losing sight of the massive human tragedy caused by Katrina, the substantial economic impact – on oil and natural gas production and refining capacity, agricultural and base metal transportation – may give the Fed reason to pause on further interest rate hikes.

FAIRWAY DIVERSIFIED INCOME AND GROWTH TRUST (FDT.UN)

Top 10 Holdings

as of August 31, 2005

	% Of Mkt Value
State Street Repo	4.37%
BCE Inc	4.32%
Petro Canada	3.67%
Toronto Dominion Bank	3.21%
BFI Canada Income Fund	2.69%
Shiningbank Energy Income Fund	2.55%
Power Corporation of Canada	2.18%
Bank of Nova Scotia	2.06%
Royal Bank of Canada	2.06%
Summit Real Estate Inv	2.05%



Portfolio Details

as of August 31, 2005

