



## 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 October 31, 2005*

The Canadian bond market, as measured by the Scotia Capital Market Universe, produced a return of  $-0.87\%$  in October, and the yield curve for Government of Canada bonds flattened. The Canadian bond market outperformed its U.S. counterpart in the 10- and 30-year areas, but underperformed it in the two- and five-year areas. In the Canadian equity market, the S&P/TSX Index fell  $-5.65\%$ , with all ten sectors declining. The best performers were Financials returning  $-1.44\%$  and Industrials returning  $-2.18\%$ , and the worst were Energy returning  $-12.26\%$  and Telecommunication Services returning  $-7.73\%$ .

The Bank of Canada resumed tightening, increasing the bank rate by 25 basis points on October 18, to  $3.00\%$ ; hawkish statements indicate the tightening bias is well established. This pushed up short-term bond yields; the longer end of the Canadian yield curve also moved up, but to a lesser extent. In the United States, the Fed continued its measured pace, raising interest rates by another 25 basis points, to  $4.00\%$ , on November 1.

The Canadian equity component underperformed the benchmark, primarily due to stock selection in Energy and Financials. Sector allocation adjustments left the portfolio at market weight in the resources, consumer, industrials, and interest-sensitive sectors.

Higher than expected growth numbers and a strong October ISM survey have led fixed-income investors to worry about higher inflation rates and reduce bond exposures. The equity portfolio continues to compare favourably to the benchmark in terms of price-to-earnings ratio, profitability, earnings growth, surprises, and analyst estimate revisions.

## John Hancock Advisers LLC

### *Monthly Commentary for the Period Ending October 31, 2005*

The Global Preferred Trust account struggled in October.

Preferred prices slipped over the month due to a weakening treasury market during the period. Preferreds generally move in the same direction as long term treasuries. Much of the decline in the treasury market can be attributed to inflation fears. The drop in preferred prices can also be attributed to the significant number of new issues saturating the market, as not all new securities were immediately absorbed.

The utility market also had a poor month, adding to the weakness in preferreds. Utility common stocks experienced a sell off due to profit taking and a drop in the price of oil. In general, electricity prices follow those of oil and gas.

Towards the end of the month, investors began to anticipate the high probability that the Fed would raise rates in early November. This contributed to a further sell off in late October.

Ford Motor Credit performed well in October. The credit financing arm of Ford remains very profitable, and exhibits excellent future growth potential. Great Plains Energy detracted from performance, as its shares traded ex-dividend on October 28th. The weakness in the price of the holding can be attributed to the timing of the ex dividend.

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

### Top 20 Holdings

as of October 31, 2005

**MFC Global**  
Investment Management

*John Hancock*  
JOHN HANCOCK ADVISERS

	% Of Mkt Value
FPC Capital I PRF	2.70%
USB Capital VI PRF	2.20%
The Thompson Corp 5.20% Dec/01/14	2.00%
Bell Canada 5.0% Feb/15/2017 MTN	2.00%
CU Inc 5.10% Nov/18/2014 MTN	2.00%
Virginia Power Capital Trust II PRF	2.00%
YPG Holdings Inc 5.71% Apr/21/2014	2.00%
FPL Group Capital Trust I PRF	2.00%
HBOS Capital Funding N1 LP	1.90%
Sun Life Assurance of Canada 6.15% Jun/30/2022	1.90%
Great Plains Energy Inc 8.00% Feb/16/07	1.90%
Westcoast Energy 8.30% Dec/20/13	1.90%
National Rural Utilities Cooperative Finance Corp PRF	1.80%
The Phoenix Companies PRF	1.80%
SLM Corp PRF	1.80%
Nexen Inc PRF	1.70%
Provident Financial Group, Inc 7.75%	1.70%
J.P Morgan Chase Capital X	1.70%
ING Group NV PRF	1.70%
Merrill Lynch Preferred Capital Trust V	1.60%

### Portfolio Details

as of October 31, 2005

