



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 Market Commentary for the period ending October 31, 2006

October marked the biggest utility rally of the year, with many utility stocks hitting 52 week highs. Longer duration preferreds continued their upward trend fueled by a treasury rally late in the month. The lower treasury yields drove preferred prices higher as encouraging economic reports validated a slowing economic picture. The benchmark 10-year note yield ended the month at 4.57%, down from October's high of 4.83%. The best performing preferreds continued to be tax-advantaged issues, as investors recognized the relative value of DRD and QDI securities versus fully taxables.

The Merrill Lynch Hybrid preferred index moved higher still in October by 1.10% while the Merrill Lynch DRD index was up 1.23%. Preferreds narrowed to treasuries as investors continue to be convinced that the Fed is done tightening. On utilities specifically, the number of growing call-outs aided the continuing preferred rally, while the growing number of retiring baby-boomers continued to look for strong yield. Hedge fund short covering and the growing number of ETF's adding utilities to their portfolios were additional factors in October's strong performance.

BGE B 6.20% (Constellation Energy) was a solid performer for both funds. ABN Amro and Keycorp preferreds were very strong for the month as finance and investment banking firms soared on the strong financial rally trend. DRE K 6.5% and DRE L 6.6 were strong contributors to earnings as REITS continued their strong third quarter performance into October. Other winners were JSM 6% (SLM Corp), Morgan Stanley's MWR 6.25% and SWX B 7.7 (Southwest Gas). As in September, almost all the preferreds were up for the month of October.

FAIRWAY INVESTMENT GRADE INCOME FUND (FGF.UN)

Sovereign Asset Management

Monthly Market Commentary for the period ending October 31, 2006

The Canadian bond market, as measured by the Scotia Capital Market Universe, returned 0.42% in October. The Government of Canada yield curve flattened by seven basis points. The yield on two-year bonds moved up by seven basis points, to 3.97%, while 30-year bond yields were unchanged, at 4.08%. Demand for long-duration assets with positive yield spread drove provincial spreads tighter. Long Ontario spreads, for example, narrowed by more than four basis points, to 42.3 basis points. Corporate bonds also outperformed Government of Canada bonds. Issuers such as Hydro One Inc. and Greater Toronto Airport Authority were the prime beneficiaries. The Canadian government bond market underperformed its U.S. counterpart across the yield curve by four to five basis points.

The Bank of Canada (BOC) held rates unchanged, at 4.25%, at its October 17 meeting. In its Semiannual Monetary Policy Report, released on October 19, BOC reduced projected GDP growth rates to 2.8% for 2006 and 2.5% for 2007. BOC also lowered its assumption for potential growth for 2006-08 to 2.8%. One of the major challenges now facing policymakers is the uneven pace of growth and inflation in Canada. While western Canada is facing rapid growth and inflation, central Canada is suffering from job losses and a stagnating economy.

At its October 25 meeting, the U.S. Federal Reserve also left rates unchanged, at 5.25%. The Fed is still not comfortable with the stickiness of inflation. Despite 425 basis points of rate hikes since June 2004, the core consumer price index in the U.S. has actually crept up to 2.9%, the highest level since 1995. Housing is still weak, but the magnitude of its impact on consumption and the rest of the economy remains a subject of debate. Recent jobs data and surveys by the American Institute for Supply Management indicate weakness in construction and manufacturing, while the service sector is growing at a healthy pace.

The Total Rate of Return Universe mandates currently have a 0.4 year long duration. In October, the fund managers benefited from spread compressions in the corporate and provincial sectors, and from flattening in the front end of the yield curve. They are maintaining a flattening bias in the very short and very long end of the curve.

FAIRWAY INVESTMENT GRADE INCOME FUND (FGF.UN)

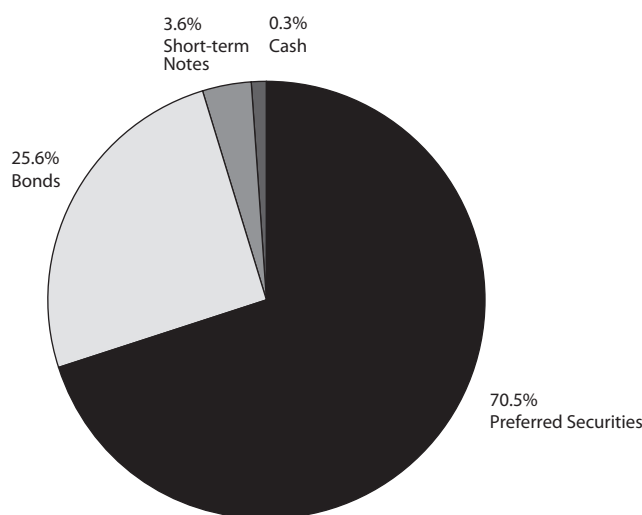
Top 20 Holdings

as of October 31, 2006

	% Of Mkt Value
SLM Corporation 6.00% Dec 15/43	3.1
Virginia Power Capital Trust 7.38% Jul 30/42	3.0
Great Plains Energy Incorporated 8.00% Feb 16/07	2.9
Provident Financial Group, Inc. 7.75%	2.9
Nexen Inc. 7.35% Nov 01/43	2.8
BNY Capital V 5.95% May 01/33 Series F	2.6
Georgia Power Capital Trust VII 5.88% Jan 15/44	2.4
ING Groep NV 7.05%	2.2
Aegon NV 6.38%	2.2
Household Finance Corporation 6.88%	2.2
The Phoenix Companies, Inc. 7.45% Jan 15/32	2.2
CU Inc. 5.10% Nov 18/14	2.2
Bell Canada 5.00 Feb 15/17	2.1
YPG Holdings Inc. 5.71% Apr 21/14	2.1
Verizon New England Inc. 7.00% May 15/42 Series B	2.1
Entergy Mississippi Inc. 7.25% Dec 01/32	2.1
Lehman Brothers Holdings Capital Trust V 6.00% Apr 22/53	2.0
Heco Capital Trust III 6.50% Mar 18/34	2.0
Telephone & Data Systems, Inc. 6.63% Mar 31/45	2.0
Structured Repackaged Asset-Backed Trust Securities for Dominion Resources, Inc. 5.90% Dec 15/32 Series D	2.0

Portfolio Details

as of October 31, 2006



For more information please contact FAIRWAY CAPITAL MANAGEMENT.

1-866-299-7929 www.fairwaycapital.com

