



FAIRWAY DIVERSIFIED INCOME AND GROWTH TRUST



First Quarter Report

(Unaudited)

Period ended March 31, 2005

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FAIRWAY DIVERSIFIED INCOME AND GROWTH TRUST

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Market Commentary

MARKET UPDATE

Canadian asset classes posted positive total returns during the quarter, while U.S. high yield bonds slipped slightly. Income trusts, as measured by the Scotia Capital Income Trust Index (SCITI), posted a total return of +4.34%. The S&P TSX Index, a broad measure of Canadian equity performance, was the best performing asset class, posting a total return of +4.75%. The laggard asset class was high yield bonds which, as measured by the Merrill Lynch Master II Index, posted a total return of -1.44%. The average credit spread of high yield bonds widened 42 basis points (“bps”) to U.S. Treasuries, as the 10-year U.S. T-bond in turn added 28 bps of yield in the first three months of the year. This triggered only the second negative quarterly return for high yield bonds since the third quarter of 2002.

PORTFOLIO UPDATE

A stabilization of interest rates and a continued strong energy commodity environment proved to be positive for income trusts and dividend stocks. While not all sectors were positive, the best performing sectors were resources (+16.81%) and energy (+6.63%), while power trusts were weakest (-3.21%). High yield bond performance was soft across most sectors. The return differential between BB and B-rated bonds was thin, which was neutral to the Trust’s performance, although our shorter duration stance added value. On a consolidated basis, the Trust’s sector allocations were relatively unchanged during the first quarter as most of the trading activity included intra-capital structure or intra-sector high yield bond swaps to pick up relative value. Two new BB-rated additions to the high yield component of the Trust were the 8.75% of 2011 bonds of Chemed Corp., and the 6.625% of 2015 bonds of Noble Group. Chemed is organized along two disparate business lines: Roto-Rooter, which provides residential and commercial plumbing services, and Vitas Healthcare which runs palliative care facilities. Chemed recently

refinanced its capital structure and has lots of liquidity and operating momentum. Noble Group is a commodities trading company leveraged to continued economic growth in China and India.

MARKET OUTLOOK 2005

We continue to believe that the biggest risk to interest sensitive securities is a significant rise in interest rates in a short period of time. However, we feel the eventual increase in interest rates will be in a slow stable manner and do not foresee a dramatic spike upwards anytime in the near future. This should give income trusts time to grow their distributions. Additionally, the continuing strong economic environment that would accompany rising rates should translate into better credit strength (and lower default rates), thereby supporting high yield bonds. We view that market’s retrenchment as a good chance to add to high quality names at more attractive valuations.

MFC Global Investment Management (Canada)
Investment Advisor, Fairway Diversified Income and Growth Trust

FAIRWAY DIVERSIFIED INCOME AND GROWTH TRUST

Statement of Net Assets

(Unaudited)

	As at March 31, 2005	As at December 31, 2004
Assets (Note 9)		
Investments, at market value (<i>cost</i> – \$105,377,994; 2004 – \$124,239,624) \$	117,138,348	\$ 137,773,163
Cash and cash equivalents (Note 3)	16,823,591	4,773,115
Due from brokers	10,563,853	–
Accrued interest, dividends and distributions from trusts	1,148,056	1,284,415
Prepaid interest on loan	61,922	57,811
	<u>145,735,770</u>	<u>143,888,504</u>
Liabilities		
Redemption payable (Note 7)	39,631,862	–
Loan facility payable (Note 9)	12,000,000	12,000,000
Due to brokers	1,175,300	135,499
Management fees payable (Note 5)	409,941	263,497
Accounts payable and accrued liabilities	21,125	33,574
Distributions payable	728,434	728,015
	<u>53,966,662</u>	<u>13,160,585</u>
Net assets, at market value	\$ 91,769,108	\$ 130,727,919
Number of units outstanding (Note 7)	8,678,866	12,487,398
Net asset value per unit	\$ 10.57	\$ 10.47

Approved on behalf of the Board of Directors of the Manager:



Andrew A. McKay
Director



Paul Perrow
Director

Statement of Operations

(Unaudited)

	January 1, 2005 to March 31, 2005	February 26, 2004 (Date of Inception) to March 31, 2004
Investment income		
Interest	\$ 654,070	104,767
Dividends and distributions	1,602,687	245,883
	<u>2,256,757</u>	<u>350,650</u>
Expenses		
Management fees (Note 5)	526,383	74,349
Administration	82,351	3,412
Interest expense (Note 9)	88,407	–
	<u>697,141</u>	<u>77,761</u>
Net investment income	1,559,616	272,889
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on sale of investments (Note 8)	2,950,050	(18,939)
Change in unrealized appreciation (depreciation) on investments	(1,773,185)	142,679
Realized foreign exchange gain	31,200	60,687
Change in unrealized appreciation on foreign currency	16,069	16,268
Net gain on investments	<u>1,224,134</u>	<u>200,695</u>
Increase in net assets from operations	\$ 2,783,750	473,584
Increase in net assets from operations per unit	\$ 0.2236	0.0395

The accompanying notes are an integral part of these financial statements

Statement of Changes in Net Assets

(Unaudited)

	January 1, 2005 to March 31, 2005	February 26, 2004 (Date of Inception) to March 31, 2004
Increase in net assets from operations	\$ 2,783,750	473,584
Distributions to unitholders		
Income	(2,184,909)	-
	(2,184,909)	-
Capital unit transactions (Note 7)		
Proceeds from issue of trust units	-	120,000,000
Issue costs	-	(7,025,000)
Reinvested trust units	74,210	-
Redeemed trust units	(39,631,862)	-
	(39,557,652)	112,975,000
Increase (decrease) in net assets during the period	(38,958,811)	113,448,584
Net assets, beginning of period	130,727,919	-
Net assets, end of period	\$ 91,769,108	113,448,584

Statement of Cash Flows

(Unaudited)

	January 1, 2005 to March 31, 2005	February 26, 2004 (Date of Inception) to March 31, 2004
OPERATING ACTIVITIES		
Increase in net assets from operations	\$ 2,783,750	473,584
Items not affecting cash:		
Gain on sale of investments	(2,870,472)	17,496
Change in unrealized depreciation on investments	1,773,185	(142,679)
	1,686,463	348,401
Net change in non-cash assets and liabilities	204,954	(254,905)
Cash flows provided by operating activities	1,891,417	93,496
FINANCING ACTIVITIES		
Distributions paid to unitholders	(2,184,490)	-
Net proceeds from issuance of trust units	-	112,975,000
Cash flows used in financing activities	(2,184,490)	112,975,000
INVESTING ACTIVITIES		
Proceeds from sale of investments	23,706,855	(17,496)
Purchases of investments	(11,363,549)	(66,474,441)
Cash flows provided by investing activities	12,343,549	(66,491,937)
Net increase in cash during the period	12,050,476	46,576,559
Cash and cash equivalents, beginning of period	4,773,115	-
Cash and cash equivalents, end of period	\$ 16,823,591	46,576,559

The accompanying notes are an integral part of these financial statements

Statement of Investments

(Unaudited)

As at March 31, 2005

Number of Shares	Description	Average Cost (\$)	Market Value (\$)	% of Net Assets
EQUITIES				
Canada				
25,000	Alcan Inc.	1,314,181	1,150,000	1.25
180,844	BCE Inc.	5,045,180	5,470,531	5.96
38,000	Brascan Corporation Cl. A Limited Voting	1,325,051	1,736,600	1.89
27,000	Canadian Imperial Bank of Commerce	1,879,144	1,980,720	2.16
23,000	Enbridge Inc.	1,250,909	1,430,600	1.56
20,000	Finning International Inc.	598,100	657,600	0.72
29,048	First Capital Realty Inc.	483,017	552,783	0.60
22,400	Gildan Activewear Inc. Cl. A Sub. Voting	835,520	1,149,344	1.25
20,000	IGM Financial Inc.	652,800	753,000	0.82
16,800	IPSCO Inc.	422,138	1,044,456	1.14
12,000	Magna International Inc. Cl. A Sub. Voting	1,228,052	972,000	1.06
17,000	Manitoba Telecom Services Inc.	725,730	786,930	0.86
20,000	National Bank of Canada	885,474	1,047,400	1.14
48,500	Petro-Canada	2,837,800	3,407,125	3.71
44,852	PetroKazakhstan Inc.	1,677,049	2,186,535	2.38
74,000	Power Corporation of Canada	1,907,350	2,217,780	2.42
49,000	Power Financial Corporation	1,359,651	1,570,450	1.71
30,500	Royal Bank of Canada	1,947,353	2,243,580	2.44
54,397	Sun Life Financial Inc.	1,956,920	2,145,962	2.34
37,000	Teck Cominco Limited Cl. B Sub. Voting	848,404	1,659,450	1.81
55,125	TELUS Corporation	1,304,113	2,143,811	2.34
80,000	The Bank of Nova Scotia	2,824,616	3,164,000	3.45
83,000	The Toronto-Dominion Bank	3,861,185	4,158,300	4.53
54,500	TimberWest Forest Corp.	678,423	805,510	0.88
47,000	TransCanada Corporation	1,365,425	1,401,540	1.53
		39,213,585	45,836,007	49.95
United States				
110,000	Keystone North America Inc.	1,100,000	1,111,000	1.21
		1,100,000	1,111,000	1.21
Total Equities		40,313,585	46,947,007	51.16
BONDS				
Canada				
204,000	Abitibi - Consolidated Inc. 7.40% Apr 01/18	231,539	218,390	0.24
600,000	Avenor Inc. 10.85% Nov 30/14	708,000	735,000	0.80
500,000	Baytex Energy Ltd. 9.63% Jul 15/10	699,581	644,139	0.70
520,000	Cascades Inc. 7.25% Feb 15/13	725,353	647,889	0.71
100,000	Celestica Inc. 7.88% Jul 01/11	135,690	123,082	0.13
498,000	CP Ships Limited 10.38% Jul 15/12	781,721	691,261	0.75
300,000	General Motors Nova Scotia Finance Company 6.85% Oct 15/08	377,699	348,603	0.38
500,000	Intrawest Corporation 7.50% Oct 15/13	690,196	609,361	0.66
250,000	Rogers Wireless Inc. 8.00% Dec 12/12	333,588	312,241	0.34
563,000	The Jean Coutu Group (PJC) Inc. 8.50% Aug 01/14	738,536	664,859	0.73
500,000	Videotron Ltee 6.88% Jan 15/14	688,391	610,874	0.67
		6,110,294	5,605,699	6.11

Statement of Investments (continued)

(Unaudited)

As at March 31, 2005

Par Value (\$)	Description	Average Cost (\$)	Market Value (\$)	% of Net Assets
BONDS				
United States				
40,000	Affinia Group Inc. 9.00% Nov 30/14	47,704	44,999	0.05
500,000	Allied Waste North America 7.88% Apr 15/13	718,945	606,337	0.66
680,000	Brand Services, Inc. 12.00% Oct 15/12	1,048,494	917,157	1.00
500,000	Calpine Corporation 8.75% Jul 15/13	612,174	459,667	0.50
896,000	Charter Communications Holdings LLC 10.25% Sep 15/10	1,186,032	1,110,943	1.21
200,000	Chemed Corporation 8.75% Feb 24/11	269,312	264,309	0.29
150,000	Cincinnati Bell Inc. 7.00% Feb 15/15	187,135	173,282	0.19
15,000	Cincinnati Bell Inc. 8.38% Jan 15/14	18,977	17,963	0.02
400,000	CSC Holdings Inc. 7.63% Series B Apr 01/11	569,647	505,634	0.55
100,000	Del Laboratories Inc. 8.00% Feb 01/12	121,920	116,731	0.13
150,000	Del Monte Corporation 6.75% Feb 15/15	186,989	177,819	0.19
500,000	Dex Media West LLC 9.88% Aug 15/13	741,891	677,404	0.74
550,000	Dollar Financial Group Inc. 9.75% Nov 15/11	781,885	711,879	0.78
275,000	Foot Locker, Inc. 8.50% Jan 15/22	383,798	362,593	0.40
500,000	FTD, Inc. 7.75% Feb 15/14	677,584	622,970	0.68
500,000	Giant Industries, Inc. 8.00% May 15/14	652,703	607,849	0.66
200,000	Gregg Appliances Inc. 9.00% Feb 01/13	247,360	231,043	0.25
600,000	HEALTHSOUTH Corporation 7.63% Jun 01/12	756,883	700,388	0.76
25,000	Ingram Micro Inc. 9.88% Aug 15/08	37,698	32,207	0.03
500,000	Iron Mountain Incorporated 7.75% Jan 15/15	712,805	600,289	0.65
500,000	Mandalay Resort Group 7.63% Jul 15/13	730,798	638,091	0.70
275,000	Mobile Mini, Inc. 9.50% Jul 01/13	403,726	375,899	0.41
170,000	Mueller Industries, Inc. 6.00% Nov 01/14	207,400	199,986	0.22
600,000	Noble Group Limited 6.63% Mar 17/15	715,870	675,723	0.74
100,000	Offshore Logistics, Inc. 6.13% Jun 15/13	130,241	115,522	0.13
125,000	PanAmSat Corporation 9.00% Aug 15/14	166,125	160,279	0.17
500,000	Refco Finance Holdings LLC 9.00% Aug 01/12	663,664	644,139	0.70
500,000	Rite Aid Corporation 8.13% May 01/10	718,713	616,922	0.67
250,000	Standard Commercial Corporation 8.00% Apr 15/12	332,738	349,287	0.38
500,000	Starwood Hotels & Resorts Worldwide, Inc. 7.88% May 01/12	756,141	663,796	0.72
500,000	Technical Olympic USA, Inc. 9.00% Jul 01/10	711,392	629,018	0.69
100,000	The AES Corporation 8.75% Jun 15/08	137,373	128,525	0.14
500,000	The AES Corporation 9.00% May 15/15	740,786	668,332	0.73
193,410	The FINOVA Group Inc. 7.50% Nov 15/09	160,246	102,357	0.11
300,000	Thornburg Mortgage, Inc. 8.00% May 15/13	389,645	379,226	0.41
1,000,000	Unisys Corporation 7.88% Apr 01/08	1,374,536	1,221,747	1.33
215,000	United Rentals North America Inc. 7.75% Nov 15/13	278,019	253,573	0.28
600,000	Western Financial Group Inc. 9.63% May 15/12	894,260	809,256	0.88
		19,471,609	17,573,141	19.15
Foreign				
580,000	Royal Caribbean Cruises Ltd. 6.88% Dec 01/13	779,298	734,923	0.80
		779,298	734,923	0.80
Total Bonds		26,361,201	23,913,763	26.06

Statement of Investments (continued)

(Unaudited)

As at March 31, 2005

Number of Units	Description	Average Cost (\$)	Market Value (\$)	% of Net Assets
INCOME TRUSTS				
Canada				
100,000	Algonquin Power Income Fund	1,036,270	941,000	1.03
299,650	ARC Energy Trust	4,730,236	5,438,647	5.93
53,735	Armtec Infrastructure Income Fund	543,236	730,796	0.80
128,900	BFI Canada Income Fund	2,280,273	3,143,871	3.43
49,000	Bonavista Energy Trust	1,043,831	1,476,370	1.61
49,900	Chemtrade Logistics Income Fund	907,877	771,454	0.84
50,000	Cineplex Galaxy Income Fund	526,555	750,000	0.82
47,300	CML Healthcare Income Fund	548,933	643,280	0.70
100,000	Connors Bros. Income Fund	1,708,823	1,815,000	1.98
118,500	Davis + Henderson Income Fund	2,124,615	2,607,000	2.84
19,968	Fording Canadian Coal Trust	1,062,514	2,213,852	2.41
72,100	Gateway Casinos Income Fund	1,176,067	1,483,097	1.62
45,550	H&R REIT	740,980	829,010	0.90
64,000	Hardwoods Distribution Income Fund	629,200	832,000	0.91
23,000	IBI Income Fund	237,438	254,150	0.28
100,000	Innergex Power Income Fund	1,151,255	1,325,000	1.44
75,500	InnVest REIT	826,016	856,925	0.93
118,700	Livingston International Income Fund	2,018,465	2,498,635	2.72
20,000	North West Company Fund	495,000	615,000	0.67
100,000	Northern Property REIT	1,459,065	1,770,000	1.93
111,600	O&Y REIT	1,396,350	1,751,004	1.91
120,000	Osprey Media Income Fund	1,204,920	1,020,000	1.11
46,200	Pembina Pipeline Income Fund	540,877	608,916	0.66
102,000	Richards Packaging Income Fund	1,023,895	1,196,460	1.30
106,285	RioCan REIT	1,536,597	1,929,074	2.10
139,000	Shiningbank Energy Income Fund	2,352,073	2,987,110	3.25
95,000	Summit REIT	1,692,032	1,755,600	1.91
50,800	Superior Plus Income Fund	1,318,184	1,517,396	1.65
115,200	The Data Group Income Fund	1,152,000	1,209,600	1.32
106,700	Yellow Pages Income Fund	1,239,631	1,421,244	1.55
Total Income Trusts		38,703,208	46,391,491	50.55
FUTURES				
United States				
313	Canadian Dollar Currency Future <i>expiry date Jun 14/05</i>	–	(113,913)	(0.13)
TOTAL INVESTMENTS		105,377,994	117,138,348	127.64
Liabilities less other assets			(25,369,240)	(27.64)
NET ASSETS, AT MARKET VALUE			91,769,108	100.00

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

March 31, 2005 (*Unaudited*)

1. THE TRUST

Fairway Diversified Income and Growth Trust (the "Trust") is a closed-end investment trust established under the laws of the Province of Ontario by a Declaration of Trust dated February 26, 2004 ("Date of Inception") and amended May 31, 2004 (the "Declaration of Trust").

The Manager and Trustee of the Trust is Fairway Advisors Inc. (the "Manager").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of significant accounting policies followed by the Trust in the preparation of its financial statements:

(a) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term, interest bearing notes with a term to maturity of less than three months from the date of purchase.

(b) Valuation of Investments

Investments in publicly traded securities are valued at the closing market price from the relevant exchange. Investments in securities for which closing market prices are not readily available are valued at the last reported sales price. If no sales price can be ascertained or if the securities are not quoted on an exchange, the value is based on the average of the last bid and ask prices quoted by a major dealer in such securities. Securities for which no such information is readily available are valued at fair value as determined by the Manager. The difference between market value and average cost, as recorded in the accounts, is shown as change in unrealized appreciation (depreciation) on investments.

Short-term investments, including notes and money market instruments, will be valued at cost plus accrued interest which approximates market value.

The value of any bonds, debentures and other debt obligations will be valued by taking the average of the bid and ask prices on the valuation date.

(c) Investment transactions and income recognition

All investment transactions are accounted for on the trade date. Realized gains and losses from investment transactions and unrealized appreciation or depreciation in the value of investments are calculated on an average cost basis.

Interest income and expenses are recognized daily on an accrual basis.

Dividend income is recognized on the ex-dividend date.

Distributions from income trusts which are treated as dividend income, interest income, or capital gains for tax purposes are included as dividend income, interest income, or capital gains distributed from income trusts, as appropriate, in the statement of operations.

Distributions from income trusts which are treated as return of capital for income tax purposes reduce the average cost of the investment in the Trust on the statement of investments and are included as a reduction of "investments purchased during the period" in Note 8.

(d) Foreign currency translation

Investments at market value and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange applicable on the valuation date. Investment transactions and income and expenses are translated at the rate of exchange on the date of such transactions.

(e) Forward foreign currency contracts

Forward foreign currency contracts are included in the statement of investments and are valued at current market value on each valuation day. Gains or losses incurred when forward foreign currency contracts entered into by the Trust, which are of the nature of a general hedge of the currency exposure of the underlying portfolio of investments, mature or are closed out are included in "realized foreign exchange gain (loss)" in the statement of operations.

Notes to Financial Statements (continued)

March 31, 2005 (Unaudited)

(f) Futures contracts

The value of a futures contract is the gain or loss that would be realized if, on the valuation date, the position in the futures contract was closed out. Margin paid or deposited in connection with futures contracts is reflected on the statement of investments. The unrealized gains or losses on futures contracts are reported as part of unrealized appreciation or depreciation of futures until the contracts are closed out. Realized gains and losses from futures contracts that are specific hedges are accounted for in the same manner as the underlying instrument being hedged. All other realized gains and losses on futures contracts are accounted for as gains or losses.

(g) Accounting estimates

Allocations of distributions received from income trusts among dividends, interest and other income, capital gains, or return of capital are based on estimates of the categorization of distribution provided by those income trusts. These allocations may change once final categorizations of the distributions are received from the respective income trusts.

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

(h) Net asset value per unit

The net asset value per unit is computed by dividing the net assets of the Trust by the total number of units outstanding on the valuation date.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include \$2,073,033 that represents cash margin held by brokers for futures contracts entered into by the Trust. Accordingly, the use of this cash is restricted.

4. TAXATION

The Trust qualifies as a “mutual fund trust” within the meaning of the Income Tax Act (Canada). The Trust is subject to applicable federal and provincial taxes on the amount of its net income for tax purposes for the period, including net realized taxable capital gains, to the extent such net income for tax purposes has not been paid or made payable to unitholders in the period.

No provision for income taxes has been recorded in the accompanying financial statements as all income and net realized capital gains are distributed to the unitholders.

5. EXPENSES OF THE TRUST

(a) Management fees

Pursuant to the Declaration of Trust, the Manager provides all administrative services required by the Trust, including the appointment of investment advisors to the Trust.

Pursuant to the Declaration of Trust, the Manager receives a monthly fee at the annual rate of 1.10%, plus applicable taxes, of the net asset value of the Trust, calculated and payable monthly in arrears. The Manager is responsible for payment of the investment management fees of the Trust’s investment advisors out of its annual management fees.

(b) Other expenses

The Trust is responsible for all other expenses incurred in connection with its operation and administration, such as custody, valuation, transfer agent, reporting, audit and legal fees. Brokerage commissions paid on securities transactions are not considered to be part of total expenses. These commissions are included in the cost of purchasing, or netted out of the proceeds from selling securities. The Trust will pay to registered dealers an annual service fee equal to 0.40% annually of the net asset value of units held by clients of the sales representatives of such dealers, calculated and payable semi-annually in arrears.

Notes to Financial Statements (continued)

March 31, 2005 (Unaudited)

6. UNITHOLDERS' EQUITY

The Trust is authorized to issue an unlimited number of voting, transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Trust. On termination of the Trust, which is expected to be March 31, 2014, unitholders will be entitled to receive their pro rata share of all of the assets of the Trust remaining after payment of all debts, liabilities and liquidation expenses. The Trust's units are listed on the Toronto Stock Exchange under the symbol FDT.UN.

The Trust will terminate operations on March 31, 2014 (the "Termination Date") and the net assets will be distributed pro rata to unitholders unless an alternative later termination date is approved by the unitholders.

Units may be surrendered for redemption not more than 45 days, and at least 10 business days, prior to the second last business day of March in any year. Unitholders will receive a redemption price per unit equal to the net asset value per unit of the Trust determined as of the valuation date.

Additionally, and in accordance with the Declaration of Trust, unitholders are entitled to a monthly redemption at a redemption price equal to the lesser of: (a) 90% of the average of the daily weighted unit trading price for the 10 business days prior to the second last business day of the month and (b) the closing unit market price on the second last business day of the month. Such redemption right must be exercised at least seven business days before month-end.

7. NET CAPITAL TRANSACTIONS

Net capital transactions for the Trust for the period from January 1, 2005 to March 31, 2005, consisted of the following:

	Units	\$
Balance, beginning of period	12,487,398	118,334,508
Distribution		
Reinvestment Plan	7,177	74,210
Redemptions	(3,815,709)	(39,631,862)
Purchase and cancellation of		
units (Note 13)	-	-
Balance, end of period	8,678,866	78,776,856

Net capital transactions for the Trust for the period from Date of Inception to March 31, 2004 consisted of the following:

	Units	\$
Number of units outstanding,		
beginning of period	12,000,000	120,000,000
Subscriptions	-	-
Distribution Reinvestment Plan	-	-
Redemptions	-	-
Purchase and cancellation of		
units (Note 13)	-	-
Issue expenses (including agents' fees)	-	(7,025,000)
Number of units outstanding,		
 end of period	12,000,000	112,975,000

8. NET REALIZED GAIN ON SALE OF INVESTMENTS

For the period from January 1, 2005 to March 31, 2005, the net realized gain on the sale of investments for the Trust was as follows:

Net realized gain on sale of investments	
Proceeds from sale of investments	\$ 34,270,708
Cost of Investments sold:	
Cost of investments, beginning of period	124,239,624
Investments purchased during the period	12,538,606
	136,778,230
Less: Cost of investments, end of period,	
excluding short-term investments	105,377,994
Cost of investments sold during the period	31,400,236
Gain on futures contracts	79,578
Net realized gain on sale of investments	\$ 2,950,050

For the period from Date of Inception to March 31, 2004, the net realized gain on the sale of investments for the Trust was as follows:

Proceeds from sale of investments	\$ (17,496)
Cost of Investments sold:	
Cost of investments, beginning of period	-
Investments purchased during the period	78,901,552
	78,901,552
Less: Cost of investments, end of period,	
excluding short-term investments	78,901,552
Less: Cost of investments sold	
during the period	-
Loss on futures contracts	(1,443)
Net realized loss on sale of investments	\$ (18,939)

Notes to Financial Statements (continued)

March 31, 2005 (Unaudited)

9. LOAN FACILITY

The Manager, on behalf of the Trust, has entered into a revolving term credit facility with The Bank of Nova Scotia ("BNS"). The aggregate amount of borrowings under the credit facility and other forms of leverage may not exceed 25% of the total assets of the Trust at the time the borrowing or other transaction is entered into. The Trust has entered into a general security agreement providing BNS with a first charge on the assets of the Trust as collateral for indebtedness arising out of the credit facility.

As at March 31, 2005, the Manager, on behalf of the Trust, has drawn down loans in the aggregate amount of \$12,000,000. The first loan was in the amount of \$2,000,000 with an interest rate of 2.65%, and maturing on May 4, 2005. The second loan was in the amount of \$10,000,000 with an interest rate of 2.67%, and maturing on May 24, 2005.

10. SECURITIES LENDING

In order to generate additional returns, the Trust may enter into securities lending agreements with borrowers deemed acceptable to the Trust. Under a securities lending agreement, the borrower must pay the Trust a negotiated securities lending fee, provide compensation to the Trust equal to any distributions received by the borrower on the securities borrowed and the Trust must receive collateral security of 102% for the loaned security.

There were no securities lending transactions during the period.

11. DISTRIBUTIONS

The Trust endeavours to make monthly cash distributions to unitholders consisting primarily of distributions received on securities in the investment portfolio and, in certain circumstances, of net realized capital gains from the investment portfolio. These monthly distributions will be paid to unitholders on or about the last business day of each month. The monthly distribution declared to unitholders of record, at the end of each month in the period, was \$0.0583 per unit.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Trust's investment activities expose it to various types of risk associated with the financial instruments in which it invests directly. In addition to the risks of investing in equity, income trust, bond and option markets generally, the Trust is subject to other risks, including the following:

Currency risk

The Trust invests in securities denominated in currencies other than its reporting currency, the Canadian dollar. Consequently, the Trust is exposed to risks that the exchange rate of the Canadian dollar relative to the other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Trust's assets. The Trust manages its currency risk through foreign currency hedging strategies.

Interest rate risk

The Trust invests in interest-bearing securities. The income of the Trust may be affected by changes in interest rates relevant to particular securities or as a result of the investment advisors being unable to secure similar returns on the expiry or sale of securities.

Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of a counterparty on its obligation to the Trust. Credit risk is managed by dealing with counterparties the Trust believes to be creditworthy and by regular monitoring of credit exposures.

13. MANDATORY REPURCHASE PROGRAM

If at any time the market price at which the units are then offered for sale is less than 95% of the net asset value per unit determined as at the close of business on the immediately preceding business day, subject to certain exceptions contained in the Declaration of Trust and compliance with any applicable regulatory requirements, the Trust will be obligated to purchase for cancellation any such units at the then prevailing market price up to a maximum amount in any three-month period of 1.25% of the number of units outstanding at the beginning of such period. During the period, the Trust did not repurchase units for cancellation under its mandatory purchase program.

Corporate Information

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Listed

The Toronto Stock Exchange

Ticker Symbol

FDT.UN

About Fairway

Fairway is a specialized financial services firm focused on the creation, marketing, distribution and management of investment products in both traditional and alternative asset classes. Fairway's products are structured to provide yield enhancement, tax advantages and other benefits that complement the needs of Canadian investors. Fairway's principals are experienced investment professionals who share a strong track record as innovators in the Canadian securities industry.

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