



## GLOBAL PREFERRED TRUST



### **Annual Report**

Year ended December 31, 2005

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# Annual Management Report of Fund Performance

For the Year Ended December 31, 2005

This annual management report of the fund performance for Global Preferred Trust (the "Trust") contains financial highlights and is included with the annual financial statements in the annual report of the Trust. You may request a copy of the Trust's current proxy voting policies and procedures, or quarterly portfolio disclosure at no cost from Fairway Advisors Inc., by calling toll free (1-866) 299-7929, or locally (416) 507-4110, by writing to us at: BCE Place, 181 Bay Street, Suite 3740 P.O. Box 750, Toronto, ON M5J 2T3, or by visiting our website at [www.fairwaycapital.com](http://www.fairwaycapital.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

The Trust's proxy voting disclosure record for the period ending June 30, 2006 will be available free of charge upon request at any time after August 31, 2006, by visiting our website at [www.fairwaycapital.com](http://www.fairwaycapital.com).

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### *Investment Objective and Strategies*

Global Preferred Trust is a closed-end non-offering investment trust. The Trust serves as the investment portfolio through which the distributions and expenses of Global Preferred Securities Trust, a closed-end exchange traded fund operated by the Manager, are funded. Fairway Advisors Inc. is the manager (the "Manager") and trustee (the "Trustee") to the Trust.

The Trust's investment objectives are to meet the funding requirements of Global Preferred Securities Trust. In order to meet these objectives, the Trust has used the proceeds from subscription, together with any borrowings under the Trust's Loan Facility see (*Borrowings*), to invest in a portfolio (the "Preferred Portfolio") consisting primarily of preferred shares and other preferred securities of global issuers, including convertible preferred shares and hybrid preferred shares.

### *Risk*

The Trust's investment activities expose it to various types of risk associated with the financial instruments in which Global Preferred Trust has positions. In addition to the risks of investing in preferred securities markets generally, the Trust is subject to other risks, including the following:

- *Currency risk:* Global Preferred 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 that has an adverse effect on the reported value of that portion of the Trust's assets. Global Preferred Trust manages a portion of 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 to interest rates relevant to particular securities or as a result of management 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.

### *Results of Operations*

The net asset value per unit of the Trust as at December 31, 2005 was \$9.24 compared to \$9.96 at the end of 2004. Net assets decreased to \$24.6 million at the end of 2005 from \$30.5 million at the end of 2004. The change in net assets is attributed to the various components of the net asset value as outlined below. For a further analysis as to the impact to the net asset value on a per unit basis, please see the section on *Financial Highlights*.

### *Managed Portfolio*

A discussion by the portfolio manager to the Trust – John Hancock Advisers, LLC ("John Hancock") (the "Portfolio Manager")

### *Market Review*

The Treasury market was volatile in 2005 due to inflation and interest rate concerns, creating a difficult environment for preferreds, as their prices generally move in the same direction as long-term treasuries. By year end, the yield curve was flat or even slightly inverted, with the yield on the ten-year treasury slightly ahead of the two-year. However, we anticipate that the ten-year treasury could move somewhat lower, and that short term rates could also move somewhat lower, and return the curve to its traditional slope in the next few months.

# Annual Management Report of Fund Performance (continued)

For the Year Ended December 31, 2005

The Federal Reserve raised rates eight times in 2005, ending the year at 4.25%. We anticipate that the rate increases are at or very close to their end. It is possible that rates may have to be reduced in the later half of the year. The most important factors driving interest rate decisions will likely be employment data and the status of the housing market.

In volatile markets, investors tend to look to utilities as a “safe harbor.” For most of the period, utilities were a very resilient group of stocks. The strong performance for the sector was due to its improving financial condition. A number of utilities began regular dividend increases in their common stock and engaged in stock repurchases. Towards the end of 2005, utilities began to weaken due to falling energy prices and a robust round of profit taking.

Automotive preferreds faltered over the past year, as General Motors and Ford were downgraded to below investment grade. We feel comfortable with our small level of exposure to the auto preferreds because of their high coupons. It is important to note that GMAC (the financing subsidiary of GM) and Ford Motor Credit were not downgraded to below investment grade: only the operating companies were.

The three major hurricanes that affected the Gulf Coast of the U.S. this year had a major impact on reinsurance preferreds, of which we hold several issues. Investors were concerned about liabilities due to damage from the storms.

New supply of preferreds was low in the first half of the year, but increased toward the second half. As interest rates rose, new preferreds came to market with higher yields than the older securities, making them less desirable and putting downward pressure on their prices, especially among REITs. Therefore, the best performing preferreds were the higher coupon (6-7% or more), shorter duration securities.

## Portfolio

One of the Trust's best performing holdings for the year was Public Service Enterprise Group, an energy and energy services company with customers in New Jersey. The security was boosted by its pending merger with Exelon, a larger and more profitable electric utility company.

As of December 31, 2005, John Hancock's sector allocation of the Trust was as follows: approximately 67% was in financial companies, 18% in utilities, 7% in telecom, 4% in energy, and 4% in other industries. On a country allocation basis, three quarters of the assets were invested in North America and the balance primarily in European countries.

## Outlook & Strategy

With the amount of economic uncertainty in the market today, given high oil prices and a slowing economy, John Hancock remains optimistic about preferreds, as investors historically have favored preferreds and treasuries during ambiguous times.

John Hancock also believes the long-term demographics for the preferred marketplace are favorable, given the potential demand for income generating securities among the first wave of baby boomers about to retire over the next fifteen to twenty years. This desire for lower risk, income oriented investments will drive demand for bonds and preferred stocks.

## ***Income, Expenses and Distributions***

For the year ended December 31, 2005, Global Preferred Trust generated income from investments in the form of interest and dividends in the amount \$2.4 million.

The Trust paid management fees and operating expenses of \$0.7 million including interest carrying charges of \$0.3 million on its Loan Facility. The management expense ratio (“MER”) of the Trust was 1.30% (2004 – 1.52%).

The Trust distributed \$2.2 million to unitholders during the year.

The 2005 calendar year was the first full year of operations for the Trust.

## ***Borrowings***

The Manager, on behalf of Global Preferred 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. Global Preferred 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.

# Annual Management Report of Fund Performance (continued)

For the Year Ended December 31, 2005

As at December 31, 2005, the Manager on behalf of the Trust had drawn down loans in the aggregate principal amount of U.S. \$6,089,000 (CAD \$7,099,467 equivalent) which, when converted to Canadian dollars, represented approximately 22.1% of the total assets of Global Preferred Trust (2004 – 21.3%). The largest amount drawn down during 2005 was U.S. \$7,089,000; the lowest amount was U.S. \$6,089,000. Proceeds from the draw down of the Loan Facility are used to purchase investments for Global Preferred Trust.

## **Unitholder Activity**

Units of Global Preferred Trust may be surrendered for redemption at any time at a redemption price calculated in reference to the net asset value per unit of the Trust. Unitholder redemptions for the year ended December 31, 2005 were in the amount of \$3.8 million.

## **Recent Developments**

In December 2005, Impax Capital Corp. (“Impax”) acquired all of the issued and outstanding shares of Fairway Capital Management Corp., the parent company of the Manager. Fairway Advisors Inc. continues in its role as manager and trustee to the Trust. MFC Global Investment Management (Canada) (the “Advisor”) continues in its role as Investment Advisor for the Trust. Impax plans to continue the Fairway business and brand with a focus on creating new and innovative investment products in both traditional and alternative asset classes.

Effective December 31, 2005, John Hancock had its investment management and support teams reorganized into its sister company Sovereign Asset Management LLC. Both companies along with MFC Global Investment Management (Canada) are subsidiaries of Manulife Financial Corporation. Effective December 31, 2005, Sovereign Asset Management LLC has assumed the Portfolio Manager responsibilities for Global Preferred Trust. The portfolio management professionals and support staff previously with John Hancock have assumed the same roles with Sovereign Asset Management LLC and continue in managing the portfolio of the Trust.

## **Related Party Transactions**

The Manager provides all administrative services required by the Trust, including the appointment of the Advisor and the Portfolio Manager. The Manager receives a monthly fee at the annual rate of 0.85%, 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 each of the Investment Advisor and the Portfolio Manager out of its annual management fee. For additional information, see *Management Fees*.

## **Forward Looking Statements**

The matters discussed in this management report of fund performance (“MRFP”) include certain forward looking statements. Forward looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements. Forward looking statements may be identified, without limitation, by the use of such words as “anticipates”, “estimates”, “expects”, “intends”, “plans”, “predicts”, “projects”, “believes”, or words or phrases of similar meaning. Readers should not rely on forward looking statements as they involve risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward looking statements. Market fluctuations and redemption levels are unpredictable and outside the control of the Trust. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors. The Trust makes no commitment to disclose any revisions to forward looking statements, or any facts, events or circumstances after the date of this MRFP that may bear upon forward looking statements.

# Annual Management Report of Fund Performance (continued)

For the Year Ended December 31, 2005

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Trust and are intended to help you understand the Trust's financial performance since its inception on May 31, 2004. This information is derived from the Trust's audited annual financial statements.

### Global Preferred Trust's net asset value per unit for the years ended December 31,

	2005	2004
Net asset value, beginning of year <sup>(2)</sup>	\$9.96	\$9.30
<b>Increase from operations:</b>		
Total revenue	0.83	0.38
Total expenses	(0.23)	(0.11)
Realized gains for the period	0.43	1.29
Unrealized losses for the period	(0.98)	(0.47)
<b>Total increase from operations<sup>(1)</sup></b>	<b>0.05</b>	<b>1.09</b>
<b>Distributions:</b>		
From income (excluding dividends)	(0.01)	(1.11)
From return of capital	(0.72)	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.73)</b>	<b>(1.11)</b>
<b>Net asset value at December 31,</b>	<b>\$9.24</b>	<b>\$9.96</b>

<sup>(1)</sup> Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase from operations is based on the weighted average number of units outstanding over the financial period.

<sup>(2)</sup> Net asset value, beginning of year for 2004 represents the original investment amount as at June 18, 2004.

<sup>(3)</sup> Distributions were paid in cash, reinvested in additional units of Global Preferred Trust, or both.

### Ratios and Supplemental Data

	2005	2004
Net assets (000's) <sup>(1)</sup>	\$24,641	\$30,480
Number of Units outstanding <sup>(1)</sup>	2,667,000	3,061,522
Management expense ratio <sup>(2)</sup>	1.30%	1.52%
Management expense ratio before waivers or absorptions	1.30%	1.52%
Portfolio turnover rate <sup>(3)</sup>	18.30%	14.51%
Trading expense ratio <sup>(4)</sup>	0.03%	0.12%

<sup>(1)</sup> This information is provided as at December 31 of the year shown.

<sup>(2)</sup> Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period. For the 2004 period, the management expense ratio is annualized from the date of inception to December 31.

<sup>(3)</sup> The portfolio turnover rate indicates how actively Global Preferred Trust's Portfolio Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to Global Preferred Trust buying and selling all of the securities in its portfolio once in the course of the year. The higher the portfolio turnover rate in a year, the greater the trading costs payable by Global Preferred Trust in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of Global Preferred Trust.

<sup>(4)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

## MANAGEMENT FEES

The Trust's MER consists of all of its operating expenses such as custody, valuation, transfer agent, reporting, audit and legal fees. In addition to these operational and administrative expenses, other significant components of the MER are fees that are calculated as a percentage of the net asset value of the Trust. These are the management fees. Highlights of the key components of the Trust's MER are listed in the table below:

Description – % of	2005 (000's)	2004 (000's)
<b>Net Asset Value (NAV)</b>		
Manager of the Trust – annual rate of 0.85% of NAV <sup>(1)</sup>	251	143

<sup>(1)</sup> The Manager is responsible for payment of the investment management fees of the Trust to the Advisor and the Portfolio Manager out of its annual management fees. These fees are not additional expenses incurred by the Trust.

## PAST PERFORMANCE

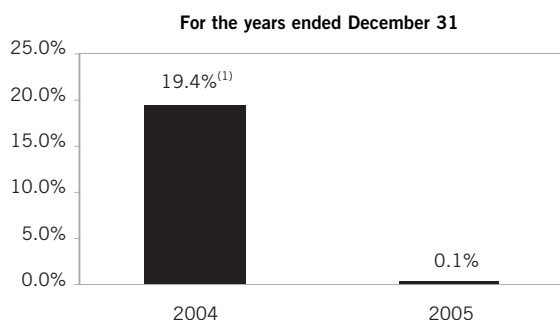
### General

The performance information shown assumes that all distributions made by the Trust in the periods shown were reinvested in additional securities of the Trust.

The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns on performance. The Trust's past performance is no guarantee of how it will perform in the future.

### Year-by-Year Returns

The following bar chart shows the Trust's annual performance for each of the years shown, and illustrates how the Trust's performance has changed from year to year. The chart shows in percentage terms how an investment made on January 1 would have increased or decreased by December 31 for each year.



<sup>(1)</sup> Return from June 18, 2004 to December 31, 2004

# Annual Management Report of Fund Performance (continued)

For the Year Ended December 31, 2005

## **Annual Compound Returns**

The following table shows the Trust's annual compound return for the periods shown. The annual compound return is also compared to the Merrill Lynch Preferred Stock Hybrid Securities Index on the same compound basis.

<b>Percentage Return:</b>	<b>1 Year</b>	<b>Since Inception<sup>(1)</sup></b>
Global Preferred Trust	0.1%	12.3%
Merrill Lynch Preferred Stock Hybrid Securities Index	0.5%	5.7%

<sup>(1)</sup> Return from June 18, 2004.

The Merrill Lynch Preferred Stock Hybrid Securities Index is an unmanaged index of investment-grade, exchange-traded preferred stocks with outstanding market values of at least U.S. \$30 million and at least one year to maturity.

# Annual Management Report of Fund Performance (continued)

For the Year Ended December 31, 2005

## SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2005

Top 25 Investments	% of Net Assets	Portfolio Composition	% of Net Assets
Nexen Inc. <i>7.35% Nov 01/43</i>	4.03	<b>Preferred Securities</b>	
FPC Capital I <i>7.10% May 13/39 Series A</i>	3.41	United States	89.03
BGE Capital Trust III <i>6.20% Oct 15/43</i>	3.39	United Kingdom	10.54
Telephone & Data Systems, Inc. <i>7.60% Dec 01/41</i>	3.20	Netherlands	9.21
United States Cellular Corporation <i>7.50% Jun 15/34</i>	3.12	Canada	4.03
HSBC Finance Corporation <i>6.88% Jan 30/33</i>	3.07	Spain	2.62
UBS Preferred Funding Trust III <i>7.25%</i>	3.00	France	2.43
ING Groep NV <i>7.05%</i>	2.79	Sweden	2.29
Great Plains Energy Incorporated <i>8.00% Feb 16/07</i>	2.77	Cayman Islands	2.03
The Phoenix Companies, Inc. <i>7.45% Jan 15/32</i>	2.74	Bermuda	1.91
Merrill Lynch Capital Trust V <i>7.28%</i>	2.73	<b>Total Preferred Securities</b>	<b>124.09</b>
Lincoln National Capital VI <i>6.75% Sep 11/52 Series F</i>	2.65	<b>Bonds</b>	
Banco Santander Central Hispano SA <i>6.41%</i>	2.62	France	2.44
SLM Corporation <i>6.00% Dec 15/43</i>	2.47	<b>Total Bonds</b>	<b>2.44</b>
Axa <i>7.10%</i>	2.44	Cash and Cash Equivalents	3.61
BNP Paribas Capital Trust V <i>7.20%</i>	2.43	Liabilities less other assets	(30.14)
Duke Realty Corporation <i>6.50% Series K</i>	2.42	<b>Total Net Assets</b>	<b>100.00</b>
Verizon New England Inc. <i>7.00% May 15/42 Series B</i>	2.41	<b>Total Net Asset Value</b>	<b>\$24,640,556</b>
HBOS Capital Funding L.P. <i>6.85%</i>	2.41		
Lloyds TSB Bank PLC <i>6.90%</i>	2.41		
Aegon NV <i>6.38%</i>	2.39		
Morgan Stanley Capital Trust III <i>6.25% Mar 01/33</i>	2.31		
Svensk Exportkredit AB <i>5.40%</i>	2.29		
ABN Amro Capital Funding Trust V <i>5.90%</i>	2.24		
The Royal Bank of Scotland Group PLC ADR <i>5.75% Series L</i>	2.18		
<b>Top 25 Investments</b>	<b>67.92</b>		
Other Investments	58.61		
Cash and Cash Equivalents	3.61		
Liabilities less other assets	(30.14)		
<b>Total Net Assets</b>	<b>100.00</b>		

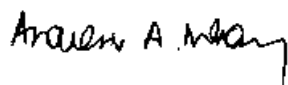
The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available within 60 days of each quarter end.

# Management's Responsibility for Financial Reporting

The accompanying financial statements of Global Preferred Trust (the "Trust") are the responsibility of the manager and trustee to the Trust, Fairway Advisors Inc. (the "Manager"). They have been prepared in accordance with Canadian generally accepted accounting principles using information available and include certain amounts that are based on the Manager's best estimates and judgments.

The Manager has developed and maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to produce relevant, reliable and timely financial information, including the accompanying financial statements.

These financial statements have been approved by the Board of Directors of the Manager and have been audited by Ernst & Young LLP, Chartered Accountants, on behalf of the unitholders. The auditors' report outlines the scope of their audit and their opinion on the financial statements.



Andrew A. McKay  
*Chief Executive Officer*  
*Fairway Advisors Inc.*



Steven J. Hawkins  
*President & Chief Operating Officer*  
*Fairway Advisors Inc.*

April 21, 2006

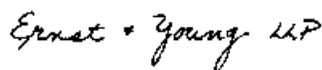
## Auditors' Report

### TO THE UNITHOLDER OF GLOBAL PREFERRED TRUST

We have audited the statement of investments of Global Preferred Trust [the "Trust"] as at December 31, 2005, the statements of net assets as at December 31, 2005 and 2004 and the statements of operations, changes in net assets and cash flows for the periods then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the investments of the Trust as at December 31, 2005, its net assets as at December 31, 2005 and 2004 and the results of its operations, the changes in its net assets and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.



**Chartered Accountants**

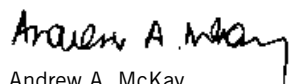
Toronto, Canada  
**March 17, 2006.**

## GLOBAL PREFERRED TRUST

### Statement of Net Assets

As at December 31,	2005	2004
<b>ASSETS</b> (Note 7)		
Investments, at market value ( <i>cost</i> – \$35,270,442; 2004 – \$38,752,217) \$	31,176,665	\$ 36,985,486
Cash and cash equivalents	889,841	2,616,682
Receivable for open forward contracts	–	353,876
Accrued interest, dividends and distributions from trusts	49,794	59,067
	32,116,300	40,015,111
<b>LIABILITIES</b>		
Due to brokers	–	600,458
Management fees payable (Note 4)	–	23,404
Accounts payable and accrued liabilities	33,803	66,556
Payable for open forward contracts	163,092	–
Loan facility payable (Note 7)	7,099,467	8,528,777
Distributions payable	179,382	316,347
	7,475,744	9,535,542
<b>Net assets, at market value</b>	<b>\$ 24,640,556</b>	<b>\$ 30,479,569</b>
<b>Number of units outstanding</b> (Note 6)	<b>2,667,000</b>	<b>3,061,522</b>
<b>Net asset value per unit</b>	<b>\$ 9.24</b>	<b>\$ 9.96</b>

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



Andrew A. McKay  
Director



Steven J. Hawkins  
Director

### Statement of Operations

	Period from January 1, 2005 to December 31, 2005	Period from May 31, 2004 (Date of Inception) to December 31, 2004
<b>Investment income</b>		
Interest	\$ 320,631	\$ 204,040
Dividends (net of withholding taxes)	2,061,055	935,963
	2,381,686	1,140,003
<b>Expenses</b> (Note 4)		
Management fees	250,579	142,860
Administration	58,645	64,022
Audit	24,999	5,411
Custodian	15,002	15,000
Legal	4,869	–
Securityholders	1,890	440
Other	2,268	10,186
Interest (Note 7)	296,077	86,018
	654,329	323,937
<b>Net investment income</b>	<b>1,727,357</b>	<b>816,066</b>
<b>Realized and unrealized gain (loss) on investments</b>		
Net realized loss on sale of investments	(291,361)	(676,168)
Change in unrealized depreciation on investments	(2,327,046)	(1,766,731)
Realized foreign exchange gain	1,507,299	4,606,545
Change in unrealized appreciation (depreciation) on foreign currency	(467,449)	337,476
<b>Net gain (loss) on investments</b>	<b>(1,578,557)</b>	<b>2,501,122</b>
<b>Increase in net assets from operations</b>	<b>\$ 148,800</b>	<b>\$ 3,317,188</b>
<b>Increase in net assets from operations per unit</b>	<b>\$ 0.0520</b>	<b>\$ 1.0929</b>

The accompanying notes are an integral part of these financial statements

## Statement of Changes in Net Assets

	Period from January 1, 2005 to December 31, 2005	Period from May 31, 2004 (Date of Inception) to December 31, 2004
<b>Increase in net assets from operations</b>	\$ 148,800	\$ 3,317,188
<b>Distributions to unitholders</b>		
Income	(30,179)	(3,391,050)
Return of capital	(2,152,037)	-
	(2,182,216)	(3,391,050)
<b>Capital unit transactions</b> (Note 6)		
Proceeds from issue of trust units	-	28,493,500
Reinvested trust units	-	2,059,931
Redeemed trust units	(3,805,597)	-
	(3,805,597)	30,553,431
<b>Increase (decrease) in net assets during the period</b>	(5,839,013)	30,479,569
<b>Net assets, beginning of period</b>	30,479,569	-
<b>Net assets, end of period</b>	<b>\$ 24,640,556</b>	<b>\$ 30,479,569</b>

## Statement of Cash Flows

	Period from January 1, 2005 to December 31, 2005	Period from May 31, 2004 (Date of Inception) to December 31, 2004
<b>OPERATING ACTIVITIES</b>		
Increase in net assets from operations	\$ 148,800	\$ 3,317,188
Add items not affecting cash:		
Loss on sale of investments	305,479	629,233
Change in unrealized depreciation on investments	2,327,046	1,766,731
	2,781,325	5,713,152
Net change in non-cash assets and liabilities	(46,884)	2,090,824
<b>Cash provided by operating activities</b>	<b>2,734,441</b>	<b>7,803,976</b>
<b>FINANCING ACTIVITIES</b>		
Borrowing of loan indebtedness	-	8,528,777
Repayment of loan indebtedness	(1,429,310)	-
Distributions paid to unitholders	(2,319,181)	(3,074,703)
Net proceeds from issuance of trust units	-	28,493,500
Payments for redemption and/or repurchase of trust units	(3,805,597)	-
<b>Cash provided by (used in) financing activities</b>	<b>(7,554,088)</b>	<b>33,947,574</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	9,891,695	1,676,127
Purchases of investments	(6,798,889)	(40,810,995)
<b>Cash provided by (used in) investing activities</b>	<b>3,092,806</b>	<b>(39,134,868)</b>
<b>Net increase (decrease) in cash during the period</b>	<b>(1,726,841)</b>	<b>2,616,682</b>
Cash and cash equivalents, beginning of period	2,616,682	-
<b>Cash and cash equivalents, end of period</b>	<b>\$ 889,841</b>	<b>\$ 2,616,682</b>

The accompanying notes are an integral part of these financial statements

# Statement of Investments

As at December 31, 2005

Number of Shares	Description	Average Cost (\$)	Market Value (\$)	% of Net Assets
<b>PREFERRED SECURITIES</b>				
<b>Bermuda</b>				
20,000	Renaissance Holdings Limited 6.08% Series C	587,813	471,044	1.91
		<b>587,813</b>	<b>471,044</b>	<b>1.91</b>
<b>Canada</b>				
33,000	Nexen Inc. 7.35% Nov 01/43	1,118,731	993,459	4.03
		<b>1,118,731</b>	<b>993,459</b>	<b>4.03</b>
<b>Cayman Islands</b>				
17,000	Repsol International Capital Limited 7.45% Series A	561,802	499,493	2.03
		<b>561,802</b>	<b>499,493</b>	<b>2.03</b>
<b>France</b>				
500,000	BNP Paribas Capital Trust V 7.20%	692,742	598,475	2.43
		<b>692,742</b>	<b>598,475</b>	<b>2.43</b>
<b>Netherlands</b>				
20,000	ABN Amro Capital Funding Trust V 5.90%	597,902	552,427	2.24
10,000	ABN Amro Capital Funding Trust VII 6.08%	307,757	284,491	1.16
20,000	Aegon NV 6.38%	613,877	589,038	2.39
5,400	ING Groep NV 6.20%	173,502	156,144	0.63
23,000	ING Groep NV 7.05%	774,107	686,243	2.79
		<b>2,467,145</b>	<b>2,268,343</b>	<b>9.21</b>
<b>Spain</b>				
22,000	Banco Santander Central Hispano SA 6.41%	697,750	644,915	2.62
		<b>697,750</b>	<b>644,915</b>	<b>2.62</b>
<b>Sweden</b>				
500,000	Svensk Exportkredit AB 5.40%	595,710	563,645	2.29
		<b>595,710</b>	<b>563,645</b>	<b>2.29</b>
<b>United Kingdom</b>				
13,000	Abbey National PLC 7.25%	447,873	384,996	1.56
16,000	Abbey National PLC ADR 7.38% Series B	559,630	492,311	2.00
500,000	HBOS Capital Funding L.P. 6.85%	657,019	592,818	2.40
500,000	Lloyds TSB Bank PLC 6.90%	665,191	592,685	2.40
20,000	The Royal Bank of Scotland Group PLC ADR 5.75% Series L	602,625	537,503	2.18
		<b>2,932,338</b>	<b>2,600,313</b>	<b>10.54</b>
<b>United States</b>				
10,000	BAC Capital Trust II 7.00% Feb 01/32	339,910	296,851	1.20
5,000	BAC Capital Trust V 6.00% Nov 03/34	154,436	140,614	0.57
28,000	BGE Capital Trust III 6.20% Oct 15/43	895,372	835,753	3.39
10,000	BNY Capital IV 6.88% Dec 01/28	331,062	293,236	1.19
3,500	BNY Capital V 5.95% May 01/33 Series F	99,170	98,878	0.40
9,900	Citigroup Capital VIII 6.95% Sep 15/31	337,141	291,112	1.18
5,000	Citigroup Capital IX 6.00% Feb 14/33	147,971	141,196	0.57
15,000	Consumers Energy Company Financing IV 9.00% Jun 30/31	522,638	443,177	1.80
5,200	Corporate-Backed Trust Certificates 6.00% Feb 15/34	157,124	140,963	0.57
14,000	Countrywide Capital IV 6.75% Apr 01/33	460,575	411,837	1.67
400,000	Dominion Resources Capital Trust I 7.83% Dec 01/27	572,170	499,520	2.03
5,000	Duke Realty Corporation 6.63% Aug 25/08 Series J	157,725	143,587	0.58
21,000	Duke Realty Corporation 6.50% Series K	657,524	595,229	2.42
6,900	Energy East Capital Trust I 8.25% Jul 31/31	242,086	206,436	0.84

# Statement of Investments (continued)

As at December 31, 2005

Number of Shares	Description	Average Cost (\$)	Market Value (\$)	% of Net Assets
<b>PREFERRED SECURITIES (continued)</b>				
<b>United States</b>				
200	Entergy Mississippi Inc. 7.25% Dec 01/32	6,289	6,044	0.02
4,500	Fleet Capital Trust VII 7.20% Dec 15/31	154,669	132,324	0.54
15,000	Ford Motor Credit Company 7.38% Oct 15/31	508,897	344,713	1.40
28,594	FPC Capital I 7.10% May 13/39 Series A	928,403	840,814	3.41
16,500	FPL Group Capital Trust I 5.88% Mar 15/44	484,842	464,794	1.89
17,500	General Electric Capital Corporation 5.88% Feb 18/33	558,061	497,452	2.02
5,000	General Motors Corporation 7.25% Jul 15/41	167,108	81,383	0.33
13,000	General Motors Corporation 7.38% May 15/48	433,849	216,750	0.88
10,000	General Motors Corporation 7.38% Oct 01/51	299,420	164,399	0.67
13,000	Georgia Power Company 6.00% Oct 15/33 Series R	405,702	379,085	1.54
23,500	Great Plains Energy Incorporated 8.00% Feb 16/07	741,772	681,981	2.77
10,000	Hartford Life Capital II 7.63% Feb 15/50 Series B	312,012	297,084	1.21
5,300	Heco Capital Trust III 6.50% Mar 18/34	173,810	159,401	0.65
25,000	HSBC Finance Corporation 6.88% Jan 30/33	846,593	757,284	3.07
4,000	J.P. Morgan Chase Capital X 7.00% Feb 15/32	135,684	118,600	0.48
15,000	J.P. Morgan Chase Capital XIV 6.20% Oct 15/34	469,344	434,958	1.77
5,000	J.P. Morgan Chase Capital XVI 6.35% Jun 01/35	157,856	145,860	0.59
5,000	KeyCorp Capital VI 6.13% Dec 15/33	143,873	141,080	0.57
5,000	Kimco Realty Corp. 6.65% Series F	153,615	149,825	0.61
5,000	Laclede Capital Trust I 7.70% Dec 01/32	178,747	149,883	0.61
8,900	Lehman Brothers Holdings Capital Trust III 6.38% Mar 15/52 Series K	292,971	260,358	1.06
13,900	Lehman Brothers Holdings Capital Trust V 6.00% Apr 22/53	410,370	387,664	1.57
22,100	Lincoln National Capital VI 6.75% Sep 11/52 Series F	734,316	651,917	2.65
11,700	Merrill Lynch Capital Trust III 7.00%	370,649	349,498	1.42
22,100	Merrill Lynch Capital Trust V 7.28%	769,425	673,047	2.73
20,000	Morgan Stanley Capital Trust III 6.25% Mar 01/33	630,915	568,750	2.31
4,700	Morgan Stanley Capital Trust V 5.75% Jul 15/33	138,837	124,614	0.51
16,700	National Rural Utilities Cooperative Finance Corporation 5.95% Feb 15/45	476,059	459,524	1.86
5,900	Northern States Power Company 8.00% Jul 01/42	210,609	177,068	0.72
10,000	NVP Capital III 7.75% Sep 30/38	315,259	293,470	1.19
6,461	PLC Capital Trust V 6.13% Jan 27/34	189,375	179,215	0.73
15,000	Prudential PLC 6.75%	493,462	450,698	1.83
11,000	Public Storage, Inc. 6.45% Series F	311,761	296,268	1.20
4,400	Public Storage, Inc. 8.00% Series R	152,378	129,845	0.53
5,400	Puget Sound Energy Capital Trust II 8.40% Jun 30/41	187,019	158,977	0.65
22,000	SLM Corporation 6.00% Dec 15/43	669,321	607,926	2.47
6,600	Southwest Gas Capital II 7.70% Sep 15/43	228,168	201,693	0.82
10,200	Suntrust Capital V 7.05% Dec 15/31	344,204	301,004	1.22
6,800	Teco Capital Trust I 8.50% Jan 31/41	235,104	201,859	0.82
27,000	Telephone & Data Systems, Inc. 7.60% Dec 01/41	913,641	789,220	3.20
23,100	The Phoenix Companies, Inc. 7.45% Jan 15/32	779,638	676,029	2.74
25,000	UBS Preferred Funding Trust III 7.25%	859,010	738,921	3.00
26,200	United States Cellular Corporation 7.50% Jun 15/34	878,484	769,807	3.12
11,000	USB Capital VII 5.88% Aug 15/35	310,750	299,089	1.21
20,000	Verizon New England Inc. 7.00% May 15/42 Series B	681,657	594,634	2.41
10,300	Virginia Power Capital Trust 7.38% Jul 30/42	356,570	307,678	1.25
4,700	Wells Fargo Capital Trust IV 7.00% Sep 01/31	159,752	138,533	0.56
15,000	Wells Fargo Capital Trust V 7.00% Dec 01/31	507,370	447,025	1.81
		<b>24,942,524</b>	<b>21,936,434</b>	<b>89.03</b>
<b>Total Preferred Securities</b>		<b>34,596,555</b>	<b>30,576,121</b>	<b>124.09</b>

## Statement of Investments (continued)

As at December 31, 2005

Par Value (\$)	Description	Average Cost (\$)	Market Value (\$)	% of Net Assets
	<b>BONDS</b>			
	<b>France</b>			
500,000	Axa 7.10% May 29/2049	673,887	600,544	2.44
<b>Total Bonds</b>		<b>673,887</b>	<b>600,544</b>	<b>2.44</b>
<b>TOTAL INVESTMENTS</b>		<b>35,270,442</b>	<b>31,176,665</b>	<b>126.53</b>
<b>Liabilities less other assets</b>			<b>(6,536,109)</b>	<b>(26.53)</b>
<b>NET ASSETS, AT MARKET VALUE</b>			<b>24,640,556</b>	<b>100.00</b>

The accompanying notes are an integral part of these financial statements

# Notes to Financial Statements

December 31, 2005

## 1. THE TRUST

Global Preferred Trust (the "Trust") is an investment trust established under the laws of the Province of Ontario by a Declaration of Trust dated May 31, 2004 (Date of Inception).

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been 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) of the investment portfolio.

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

The value of any bonds, debentures and other debt obligations are 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.

### *(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.

### *(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 contracts until the futures 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 and are included in net gains (losses) on investments in the Statement of Operations.

# Notes to Financial Statements (continued)

December 31, 2005

## **(g) Accounting estimates**

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 each of the Trust by the corresponding total number of units outstanding of the Trust on the valuation date.

### **3. TAXATION**

Global Preferred Trust is a “unit trust” within the meaning of the Income Tax Act (Canada). A unit trust is subject to applicable federal and provincial taxes on the amount of its net income for tax purposes for the year, 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 year.

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.

Capital losses realized over and above realized capital gains in the current taxation year can be carried forward indefinitely and may be applied against future years' taxable capital gains. Non-capital losses may be carried forward for a period of ten years and applied against future years' taxable income. If the non-capital losses are not applied within ten years from the taxation year in which the non-capital loss was realized, the non-capital loss will expire.

As at December 31, 2005, Global Preferred Trust had no capital or non-capital losses to carry forward into future years.

### **4. EXPENSES OF THE TRUST**

#### **(a) Management fees**

Pursuant to Global Preferred Trust's Declaration of Trust, the Manager provides all administrative services required by Global Preferred Trust, including the appointment of the investment advisor to the Trust.

In return, the Manager receives a monthly fee at the annual rate of 0.85%, plus applicable taxes, of the net asset value of Global Preferred Trust, calculated and payable monthly in arrears. The Manager is responsible for payment of the investment management fees of each of the Investment Advisor and the portfolio manager out of its annual management fee.

#### **(b) Other expenses**

The Trust is responsible for all other expenses incurred in connection with its operation and administration, such as custodian, 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. For the year ended December 31, 2005, brokerage commissions were \$9,567 (2004 – \$19,045).

### **5. UNITHOLDERS' EQUITY**

The Trust is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of Global Preferred Trust. Unitholders are entitled to redeem their units daily, at the net asset value per unit on such date. Units of Global Preferred Trust may be surrendered for redemption at any time at a redemption price calculated in reference to the net asset value per unit of the Trust.

# Notes to Financial Statements (continued)

December 31, 2005

## 6. NET CAPITAL TRANSACTIONS

Net capital transactions for Global Preferred Trust for the year from January 1, 2005 to December 31, 2005 consisted of the following:

	Units	\$
Number of units outstanding, beginning of year	3,061,522	30,553,431
Redemptions	(394,522)	(3,805,597)
<b>Number of units outstanding, end of year</b>	<b>2,667,000</b>	<b>26,747,834</b>

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

	Units	\$
Number of units outstanding, beginning of period	–	–
Subscriptions	3,061,522	28,493,500
Distribution Reinvestment Plan	–	2,059,931
<b>Number of units outstanding, end of period</b>	<b>3,061,522</b>	<b>30,553,431</b>

## 7. 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. Global Preferred 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 December 31, 2005, the Manager on behalf of the Trust has drawn down loans in the aggregate principal amount of U.S. \$6,089,000 (CAD \$7,099,467 equivalent) (2004 – U.S. \$7,089,000, CAD \$8,528,777 equivalent). The first loan, with a payable amount of U.S. \$2,238,000, has an interest rate of 4.61%, maturing on January 4, 2006 (2004 – U.S. \$2,238,000 2.74% 1/31/2005). The second loan, with a payable amount of U.S. \$3,851,000, has an interest rate of 4.79%, maturing on January 30, 2006 (2004 – U.S. \$4,851,000 2.82% 1/31/2005).

The highest amount drawn down on the loan facility in 2005 was U.S. \$7,089,000 (2004 – U.S. \$7,089,000). The lowest amount drawn down on the loan facility in 2005 was U.S. \$6,089,000 (2004 – nil).

## 8. DISTRIBUTIONS

Global Preferred Trust endeavours to make monthly distributions to its unitholders in accordance with its investment objectives.

## 9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Trust's investment activities expose it to various types of risk associated with the financial instruments in which Global Preferred Trust has positions. In addition to the risks of investing in preferred securities markets generally, the Trust is also subject to other risks, including the following:

### *Currency risk*

Global Preferred 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 a portion of 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 to interest rates relevant to particular securities or as a result of management 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.

## 12. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2005 financial statements.

# Corporate Information

Manager and Trustee

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Bay Wellington Tower

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Registrar & Transfer Agent

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Toronto, Ontario M5J 2Y1

Listed

**The Toronto Stock Exchange**

Ticker Symbol

**GPT.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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