Fairway
CAPITAL MANAGEMENT

NUVEEN SENIOR FLOATING RATE INCOME FUND
SENIOR FLOATING RATE INCOME TRUST

First Quarter Report

(Unaudited)

Period ended March 31, 2005

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NUVEEN SENIOR FLOATING RATE INCOME FUND
SENIOR FLOATING RATE INCOME TRUST

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MARKET UPDATE

The U.S. loan market continued its strong performance during the first quarter of 2005. Leveraged loans registered positive returns each month, bringing the number of consecutive monthly gains to 29. Rising short-term interest rates and low default rates continue to make leveraged loans an attractive asset class for investors. Macroeconomic trends remained positive during the quarter. Analysts expect U.S. real gross domestic product ("GDP") to be in the 3.5% range in 2005 and job creation to continue growing steadily. However, volatile oil prices and commodity costs continue to undermine corporate profits and contribute to inflationary concerns. The U.S. Federal Reserve Board boosted the benchmark interest rate by 75 basis points ("bps") during the quarter to ward off the threat of rising inflation. The U.S. Consumer Price Index ("CPI") was flat for the fourth quarter of 2004, and then began to increase in the first quarter of 2005. The U.S. CPI rose 0.2% in January, 0.3% in February, and 0.4% in March adding to investors' concern.

In aggregate, the U.S. economy continued its steady pace of growth during the quarter and credit fundamentals strengthened accordingly. Loan fund inflows began to slow relative to new loan supply in March. However, for the quarter as a whole, inflows far outweighed leveraged loan supply underscoring robust demand for the asset class. Leveraged loan assets as measured by the CSFB Leveraged Loan Index posted a 1.62% total quarterly return in the first quarter of 2005 versus a gain of 1.77% in the same period of 2004.

Increased institutional issuance significantly buoyed secondary trading during the quarter. By quarter end, the average price for all par term loans rose to 101.06 compared to 100.78 at the end of the fourth quarter. Loans that trade above par made up 80% of trading volume while loans above 102 made up 6% at one point during the quarter. B-rated spreads tightened 41 bps from the year ago period and BB-rated spreads tightened 32 bps. B and BB-rated spreads ended the quarter at 252 bps and 194 bps respectively. These levels underscore strong demand for the leveraged loan asset class.

MARKET OUTLOOK 2005

Our outlook remains optimistic on the loan market. We continue to believe that rising interest rates and low corporate default rates will contribute to strong demand for senior loans in 2005.

Symphony Asset Management, LLC
Portfolio Manager, Senior Floating Rate Income Trust

Statement of Net Assets

(Unaudited)

		As at March 31, 2005		As at December 31, 2004
Assets				
Common Share Portfolio, at market value (Note 6)	$	74,811,759	$	76,053,403
Cash and cash equivalents		205,269		431,857
Receivable for partial settlement of Forward Agreement (Note 7)		494,277		619,702
Accrued interest and dividends		11		24
		75,511,316		77,104,986
Liabilities				
Forward Agreement, at market value (Note 6)		1,234,853		2,673,336
Management fees payable (Note 4)		133,139		55,594
Accounts payable and accrued liabilities		141,395		582,603
Distributions payable		412,125		412,125
		1,921,512		3,723,658
Net assets, at market value	**$**	**73,589,804**	**$**	**73,381,328**
Number of units outstanding (Note 5)		**7,850,000**		**7,850,000**
Net asset value per unit	**$**	**9.37**	**$**	**9.35**

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

Andrew A. McKay
Director

Paul Perrow
Director

Statement of Operations

(Unaudited)

From January 1, 2005 to March 31, 2005

Investment income		
Interest	$	1,147
		1,147
Expenses (Note 4)		
Forward Agreement fees		110,168
Management fees		125,636
Administration		38,453
		274,257
Net investment loss		**(273,110)**
Realized and unrealized gain on investments		
Net realized gain on partial settlement of Forward Agreement (Note 7)		18,210
Change in unrealized appreciation on Forward Agreement (Note 6)		1,699,751
Net gain on investments		1,717,961
Increase in net assets from operations	$	1,444,851
Increase in net assets from operations per unit	**$**	**0.1841**

The accompanying notes are an integral part of these financial statements

Statement of Changes in Net Assets

(Unaudited)

From January 1, 2005 to March 31, 2005

Increase in net assets from operations	$	1,444,851
Distributions to unitholders		(1,236,375)
Increase in net assets during the period		208,476
Net assets, beginning of period		73,381,328
Net assets, end of period	**$**	**73,589,804**

The accompanying notes are an integral part of these financial statements

Statement of Net Assets

(Unaudited)

		As at March 31, 2005		As at December 31, 2004
Assets (Note 9)				
Total Return Agreement, at market value	$	717,531	$	329,236
Cash and cash equivalents		73,247,429		73,749,445
Accrued interest		194,291		–
		74,159,251		74,078,681
Liabilities				
Management fees payable (Note 4)		64,647		66,236
Accounts payable and accrued liabilities		23,421		12,676
Distributions payable		494,277		619,702
		582,345		698,614
Net assets, at market value	**$**	**73,576,906**	**$**	**73,380,067**
Number of units outstanding (Note 5)		**7,850,000**		**7,850,000**
Net asset value per unit	**$**	**9.37**	**$**	**9.35**

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

Andrew A. McKay
Director

Paul Perrow
Director

Statement of Operations

(Unaudited)

From January 1, 2005 to March 31, 2005

Investment income		
Interest	$	1,411
Income on Total Return Agreement (Note 9)		582,000
		583,411
Expenses		
Total Return Agreement fees (Note 4)		1,347,982
Management fees (Note 4)		190,778
Administration		25,034
		1,563,794
Net investment loss		**(980,383)**
Realized and unrealized gain (loss) on investments		
Realized gain on Total Return Agreement (Note 9)		1,817,133
Change in unrealized appreciation on Total Return Agreement (Note 9)		882,260
Realized foreign exchange loss		(1,049)
Net gain on investments		2,698,344
Increase in net assets from operations	$	1,717,961
Increase in net assets from operations per unit	**$**	**0.2188**

The accompanying notes are an integral part of these financial statements

Statement of Changes in Net Assets

(Unaudited)

From January 1, 2005 to March 31, 2005

Increase in net assets from operations	$	1,717,961
Distributions to unitholders		(1,521,122)
Increase in net assets during the period		196,839
Net assets, beginning of period		73,380,067
Net assets, end of period	$	**73,576,906**

The accompanying notes are an integral part of these financial statements

Notes to Financial Statements

March 31, 2005 *(Unaudited)*

1. THE TRUSTS

Nuveen Senior Floating Rate Income Fund (the "Fund") is a closed-end investment trust established under the laws of the Province of Ontario by an Amended and Restated Declaration of Trust dated October 28, 2004.

Senior Floating Rate Income Trust (the "Trust") is an investment trust established under the laws of the Province of Ontario by a Declaration of Trust dated October 28, 2004.

The Fund and the Trust (collectively, the "Trusts") were established on October 28, 2004 ("Date of Inception").

The manager and trustee of the Trusts 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 Trusts in the preparation of their 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 approximate 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.

(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 Agreement

The value of the Forward Agreement (see Note 6) is the gain or loss that would be realized if, on the valuation date, the position in the Forward Agreement was closed out in accordance with its terms. The unrealized gains or losses on the Forward Agreement are reported as part of unrealized appreciation or depreciation of the Forward Agreement until it is closed out.

(f) Total Return Agreement

The value of the Total Return Agreement (see Note 9) is the gain or loss that would be realized if, on the valuation date, the position in the Total Return Agreement was closed out in accordance with its terms. The unrealized gains or losses on the Total Return Agreement are reported as part of unrealized appreciation or depreciation of the Total Return Agreement in the statement of operations until it is closed out or partially settled.

(g) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management 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 Trusts by the corresponding total number of units outstanding of the respective Trust on the valuation date.

3. TAXATION

The Fund qualifies as a "mutual fund trust" within the meaning of the Income Tax Act (Canada). A mutual fund 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.

The 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.

The Fund has non-capital losses available to be carried forward as at December 31, 2004 of $159,269. Non-capital losses may be applied against future taxable income. These non-capital losses will expire December 31, 2014 unless previously applied.

4. EXPENSES OF THE FUND AND THE TRUST

(a) Management fees

Pursuant to the Fund's Amended and Restated Declaration of Trust, the Manager provides all administrative and management services required by the Fund, including the appointment of investment advisors to the Fund.

Pursuant to the Fund's Amended and Restated Declaration of Trust, the Manager receives a fee payable monthly at the annual rate of 0.10%, plus applicable taxes, of the value of the reference portfolio (the "Senior Floating Rate Portfolio") which is used for purposes of calculating payments under the Total Return Agreement (see Note 9). The management fee is calculated and payable monthly in arrears. The Manager is responsible for payment of the investment management fees of the Fund's investment advisor out of the annual management fees.

Pursuant to the Declaration of Trust of the Trust, the Manager provides all administrative and management services required by the Trust, including the appointment and of investment advisor and portfolio manager to the Senior Floating Rate Income Trust.

In return, the Manager receives a fee payable monthly at the annual rate of 0.40%, plus applicable taxes, of the value of the Senior Floating Rate Portfolio. The management fee is calculated and payable monthly in arrears. The Manager is responsible for payment of the investment management fees of the Trust's investment advisor and portfolio manager out of the annual management fees.

(b) Forward Agreement fees

Under the Forward Agreement (see Note 6), the Fund pays the counterparty an annual fee of approximately 0.50% of the net asset value of the corresponding number of units of the Trust, plus a fee which may vary based on hedging costs incurred in connection with the Common Share Portfolio, calculated and payable monthly in arrears.

(c) Total Return Agreement fees
Under the Total Return Agreement (see Note 9), the Trust pays the counterparty monthly payments calculated on a floating rate basis of LIBOR plus a spread negotiated on commercial terms of the value of the Senior Floating Rate Portfolio minus the amount of the cash collateral pledged by the Trust to the counterparty to the Total Return Agreement.

(d) Other expenses
The Trusts are responsible for all other expenses incurred in connection with their 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 Fund will pay to registered dealers an annual Service Fee equal to 0.40% of the net asset value of units of the Fund held by clients of the sales representatives of such dealers calculated and payable semi-annually in arrears.

5. UNITHOLDERS' EQUITY

The Fund is authorized to issue an unlimited number of transferable, redeemable units of one class, each of which represents an equal, undivided interest in the net assets of the Fund. On termination of the Fund, which is expected to be November 30, 2014, holders of units will be entitled to receive their pro rata share of all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses.

On November 15, 2004 the Fund completed an initial public offering of 7,500,000 units at $10 per unit for total gross cash proceeds of $75,000,000. The Fund's units are listed on the Toronto Stock Exchange under the symbol FSL.UN. On November 29, 2004 an over-allotment option granted to agents was exercised for 350,000 units at $10 per unit for total gross cash proceeds of $3,500,000. Total issue unit costs were $4,921,250. As at March 31, 2005, there were 7,850,000 units outstanding.

The Fund will terminate operations on November 30, 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 of the Fund may be surrendered for redemption not more than 60 days, and at least 20 business days, prior to the second last business day of November (the "Valuation Date"), in any year. Unitholders will receive a redemption price per unit equal to the net asset value per unit of the Fund determined as of the Valuation Date, less any expenses incurred by the Fund to partially settle the Forward Agreement in order to fund such redemption, not to exceed 1% of the Net Asset Value per unit.

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 the Trust. Unitholders are entitled to redeem their units daily, at the net asset value per unit on such date. On November 15, 2004, the Trust completed a private placement of 7,500,000 units at $9.42831 per unit for cash proceeds of $70,712,325. On November 29, 2004, the Trust completed a further private placement of 350,000 units at $8.475 per unit for additional cash proceeds of $2,966,250. As at March 31, 2005, there were 7,850,000 units outstanding. Units of the Trust may be surrendered for redemption at any time at a redemption price calculated in reference to the net asset value of the Trust.

6. FORWARD AGREEMENT

To provide the Fund with the means to meet its investment objectives, the Fund invested the net proceeds of its initial public offering in a portfolio of common shares (the "Common Share Portfolio") and entered into a forward purchase and sale agreement (the "Forward Agreement") with The Bank of Nova Scotia (the "Counterparty"). The Counterparty has agreed to pay to the Fund on or about the Termination Date as the purchase price for the Common Share Portfolio an amount equal to 100% of the redemption proceeds of a corresponding number of units of the Trust. The Fund will partially settle the Forward Agreement prior to the Termination Date in order to fund monthly distributions as well as redemptions of units by unitholders from time to time and expenses of the Fund. The obligations of the Counterparty under the Forward Agreement are guaranteed by The Bank of Nova Scotia. As general and continuing collateral security for the Trust's obligations under the Forward Agreement, the Trust has granted the Counterparty a security interest over the securities held in the Common Share Portfolio.

As at March 31, 2005, the Common Share Portfolio of the Fund was comprised as follows:

Number of Shares	Description	Market Value ($)
	Canada	
98,177	Gildan Activewear Inc.	5,037,462
533,109	CoolBrands International Inc.	4,771,326
51,358	Precision Drilling Corporation	4,647,899
404,668	Geac Computer Corporation Limited	4,362,321
283,565	CanWest Global Communications Corp.	4,168,406
327,338	The Forzani Group Ltd.	4,013,164
77,863	Inco Limited	3,740,539
129,912	Hummingbird Ltd.	3,706,389
457,436	CGI Group Inc.	3,499,385
280,550	Compton Petroleum Corp.	3,408,683
85,977	Dorel Industries Inc.	3,406,409
114,565	Cott Corporporation	3,367,065
202,513	Celestica Inc.	3,292,861
156,649	ATI Technologies Inc.	3,270,831
176,566	Telesystem International Wireless Inc.	3,262,940
174,982	Biovail Corporation	3,184,672
965,250	Nortel Networks Corporation	3,175,673
184,097	QLT Inc.	2,851,663
149,682	Angiotech Pharmaceuticals, Inc.	2,791,569
456,951	Tembec Inc.	2,650,316
1,129,326	Zarlink Semiconductor Inc.	2,202,186
Value of Common Share Portfolio		**74,811,759**

7. NET REALIZED GAIN ON PARTIAL SETTLEMENT OF FORWARD AGREEMENT

For the year ended March 31, 2005 the net realized gain on the partial settlement of the Forward Agreement for the Fund was as follows:

Proceeds from partial settlement of Forward Agreement	$ 1,521,222
Cost of Forward Agreement, settled:	
Cost of Forward Agreement, beginning of period	73,058,847
Forward Agreement contracts entered into during the period	–
	73,058,847
Less: Cost of Forward Agreement, end of period	71,555,935
Cost of Forward Agreement settled during the period	1,502,912
Net realized gain on partial settlement of Forward Agreement	**$ 18,210**

8. DISTRIBUTIONS

The Fund endeavours to make monthly cash distributions to unitholders, consisting of capital gains and returns of capital, which will fluctuate with changes in short-term interest rates. These monthly distributions will be paid to unitholders of record on or about the last business day of each month. The monthly distribution declared to unitholders of record, at the end of each month of the period, was $0.0525 per unit.

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

9. TOTAL RETURN AGREEMENT

To provide the Trust with the means to meet its investment objectives, the Trust has entered into a total return swap agreement (the "Total Return Agreement") with The Bank of Nova Scotia which will provide the Trust with economic exposure to the total return on a portfolio comprised primarily of senior loans and other debt securities (the "Senior Floating Rate Portfolio"). Under the Total Return Agreement, The Bank of Nova Scotia will agree to make monthly payments to the Trust of all interest, fees and realized capital gains on Senior Floating Rate Portfolio after deduction of a monthly fee calculated on a floating rate basis by reference to interest rates and any expenses associated with Senior Floating Rate Portfolio transactions. To the extent the fee payable to The Bank of Nova Scotia under the Total Return Agreement exceeds the amount of interest, fees and realized capital gains, the Trust will be required to make a payment to The Bank of Nova Scotia equal to the amount of the deficiency. In addition to monthly payments received by the Trust under the Total Return Agreement, the Trust may partially settle the Total Return Agreement prior to the Termination Date in order to fund monthly distributions by the Fund as well as redemptions of the Fund's units. The terms of the Total Return Agreement impose restrictions on the composition of the Senior Floating Rate Portfolio and failure to meet those restrictions may result in early termination of the Total Return Agreement.

The Trust is provided leverage through the Total Return Agreement at a floating rate based on LIBOR.

Through the Forward Agreement, the Fund will have exposure to any leverage incurred by the Trust.

As general and continuing collateral security for its obligations under the Total Return Agreement, the Trust has granted the Counterparty a security interest in assets of the Trust, including cash collateral of $73,193,325 (compared to $70,787,804 as of December 31, 2004) deposited with the Counterparty.

As at March 31, 2005, the Senior Floating Rate Portfolio was comprised as follows:

Securities	Description	Market Value ($)
Senior Loans		
1,991,562	24 Hour Fitness Worldwide, Inc. *Term Loan B*	2,448,243
4,706,980	Alderwoods Group, Inc. *Term Loan B2*	5,786,325
3,024,364	Allegheny Energy Supply Company *Term Loan*	3,713,300
4,250,000	Allied Waste North America, Inc. *Term Loan*	5,193,302
2,920,189	Amsted Industries Inc. *Term Loan B1*	3,592,018
383,214	Celanese AG Delayed Draw *Term Loan*	7,533
1,615,469	Celanese AG *Term Loan B*	1,997,817
5,969,925	Charter Communications Operating LLC Tranche B *Term Loan*	7,266,333
5,767,823	Conseco, Inc. *Term Loan*	7,116,592
1,326,667	Constellation Brands, Inc. *Term Loan B*	1,632,219
1,833,520	Dex Media East LLC *Term Loan B*	2,257,541
3,000,000	Dole Holding Company Second Lien *Term Loan*	3,783,182
2,963,051	Dresser Rand, Inc. *Term Loan B*	3,651,461
6,076,000	El Paso Corporation *Term Loan B*	7,462,381
3,000,000	Fidelity National *Term Loan*	3,646,189
5,986,546	General Growth Properties (GGP L.P. & GGPLP, LLC) *Term Loan B*	7,372,061
4,000,000	Graham Packaging Company, L.P. *Tranche C*	4,996,863
4,000,000	Huntsman LLC *Term Loan*	4,931,141
3,990,000	Jarden Corporation *Term Loan*	4,895,887
4,850,000	Jostens, Inc. *Term Loan C*	5,968,864
5,707,950	K&F Industries, Inc. *Term Loan B*	7,031,211
2,647,520	Kinetic Concepts, Inc. *Term Loan B-2*	3,246,610
4,000,000	LNR Property Corp. *Term Loan*	4,910,427
1,969,603	Loews Cineplex Entertainment Corporation *New Term Loan B*	2,427,018
3,980,000	Nortek, Inc. *Term Loan*	4,892,644
2,992,938	Opbiz, L.L.C. *Term Loan A*	3,629,460
7,062	Opbiz, L.L.C. *Term Loan B*	8,564
1,985,013	R.H. Donnelley, Inc. *Term Loan D*	2,444,830
3,979,900	Regal Cinemas, Inc. *Term Loan*	4,903,696
2,000,000	Reliant Energy Resources Corp. *Term Loan B*	2,451,918
3,000,000	Resorts International Hotel And Casino, Inc. *Term Loan B*	3,704,554
4,000,000	Rockwood Specialties Group Inc. *Term Loan D*	4,945,744

(Continued)

Securities	Description	Market Value ($)
Senior Loans		
99,710	Smurfit-Stone Container Corp. *Deposit Funded Loan*	123,045
1,263,818	Smurfit-Stone Container Corp. *Term Loan B*	1,559,513
636,472	Smurfit-Stone Container Corp. *Term Loan C*	785,595
584,615	Texas Genco LLC *Delayed Draw Term Loan*	10,608
1,411,846	Texas Genco LLC *Term Loan*	1,733,458
342,000	Venetian Casino Resorts LLC *Term B Delayed Draw*	419,260
1,658,000	Venetian Casino Resorts LLC *Term B Funded*	2,032,927
Total Senior Loans		**138,980,334**

Bonds		
4,000,000	Cablevision Systems Corp. *7.88% Dec 15/07*	5,056,339
2,000,000	Chesapeake Energy *8.13% Jan 04/11*	2,576,556
4,000,000	MGM Grand Inc. *9.75% Jun 01/07*	5,225,691
3,600,000	Navistar International *9.38% Jun 01/06*	4,561,592
4,000,000	Park Place Entertainment *9.38% Feb 15/07*	5,159,160
4,000,000	Solectron Corp. *9.63% Feb 15/09*	5,237,787
4,000,000	Tesoro Petroleum Corp. *8.00% Apr 15/08*	5,080,532
Total Bonds		**32,897,657**
Total Senior Floating Rate Portfolio		**171,877,991**

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund's investment activities, through its exposure to the Trust via the Forward Agreement, expose it to various types of risk associated with the financial instruments in which the Trust has positions. In addition to the risks of investing in senior loan and other debt markets generally, the Trust is subject to other risks, including the following:

Currency risk

The Fund and the Trust invest in securities denominated in currencies other than their reporting currency, the Canadian dollar. Consequently, the Fund and the Trust are 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 Fund's and the Trust's assets. The Fund and the Trust manage a portion of their currency risk through foreign currency hedging strategies.

Interest rate risk

The Fund and the Trust invest in interest-bearing securities. The income of the Fund and the Trust may be affected by changes in interest rates relevant to particular securities or as a result of the Manager 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 Fund and the Trust. Credit risk is managed by dealing with counterparties the Fund and the Trust believe to be creditworthy and by regular monitoring of credit exposures. The Fund's significant credit concentration is with The Bank of Nova Scotia under the Forward Agreement (see Note 6). The Trust's significant credit concentration is with The Bank of Nova Scotia under the Total Return Agreement (see Note 9).

11. 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 Fund's Amended and Restated Declaration of Trust and compliance with any applicable regulatory requirements, the Fund 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 Fund did not repurchase any units for cancellation under its mandatory purchase program.

Corporate Information

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Listed
The Toronto Stock Exchange

Ticker Symbol
FSL.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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