



CWF

Canadian World Fund
Limited



GLOBAL OPPORTUNITIES

ANNUAL REPORT | 2008

Cover: Spruce lake Sunset, Algoma Highlands of Northern Ontario, Oil on canvas

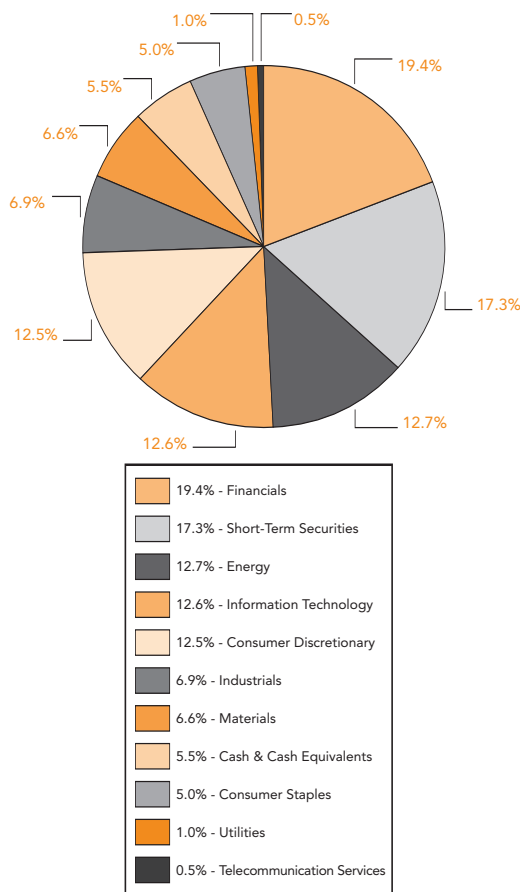
Paul Mantrop is a working artist and founding member of the art collective "drawnonward". Over ten years ago the artists of drawnonward began to travel throughout Canada in order to document its unique and varied regions. Today after over 100,000 kilometres have been travelled by bus, boat, canoe, train, skis and feet, drawnonward has painted from coast to coast. From the Queen Charlotte Islands to the Yukon, from the Gaspé to Newfoundland and throughout the Canadian Arctic. Today Paul keeps a working studio in downtown Collingwood, Ontario to be close to his favourite subject, Georgian Bay. You can learn more about Paul at www.paulmantrop.com.

CORPORATE PROFILE

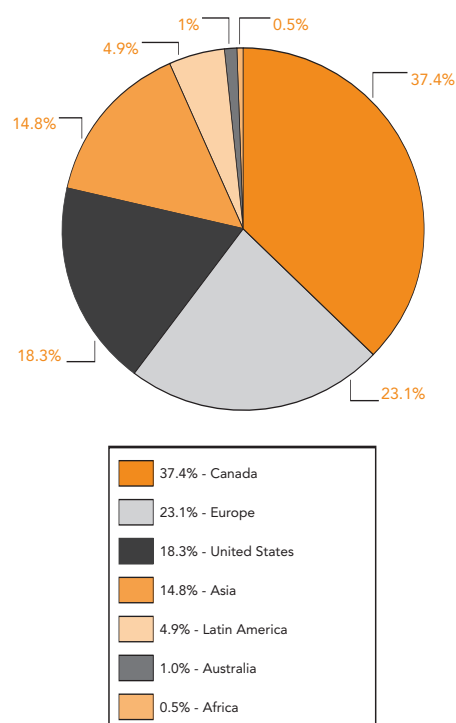
Canadian World Fund Limited (CWF) is a closed-end equity fund that endeavors to provide superior long-term returns by investing globally in securities of primarily publicly traded growth companies. The Company principally utilizes a bottom-up investment style in an effort to achieve this objective. The Company does not employ currency hedging as the portfolio is well diversified and influenced by many currencies, including the Canadian dollar, which is the currency of the Company.

CWF has been managed since its 1994 inception by Morgan Meighen & Associates Limited (website: www.mmmainvestments.com).

Sector Allocation of Portfolio - December 31, 2008



Geographic Allocation of Portfolio - December 31, 2008



Certain financial information contained in this report, including investment growth rates, rates of return and other such statistical information are historical values; past performance is no assurance or indicator of future returns. Share prices, net asset values and investment returns will fluctuate. Stated historical returns assume the reinvestment of all distributions. Such financial information does not reflect any broker commissions, transaction costs or such other fees and expenses which may have been applicable nor income taxes payable by any shareholder, which would have the effect of reducing such historical returns. Stated returns for periods greater than one year are compound average annual rates of return. Further information concerning risk can be found in the Management Report of Fund Performance of this Annual Report to Shareholders.

The Company is an investment fund, and as such, this Annual Report to Shareholders carries a variety of information concerning stocks and other investments, all for informational purposes only. The reader should assume that the Company and all individuals and entities (including the Manager and members of its staff) who have contributed to this publication may have a conflict of interest. Readers should therefore not rely solely on this Report in evaluating whether or not to buy or sell securities discussed herein.

LETTER TO SHAREHOLDERS



Jonathan A. Morgan



Vanessa L. Morgan

At Canadian World Fund, we shared the widely held view that 2008 would prove to be extremely challenging, but we did not anticipate that it would be such a terrible year for the global financial system. We were surprised by the scale of the downturn that now affects the entire global economy. Increased globalization and the widespread use of derivatives were thought to make the global financial system more robust by spreading risk around. It now seems evident that, while these developments did indeed help to mitigate individual shocks, it left us all more susceptible to the sort of systemic crisis we are now experiencing.

Startling but perhaps equally rational, the market price of CWF's shares actually peaked well back in 2007, about eight months before the peak in net assets. The Fund enjoyed a long-term advance in market price after the 9/11 disaster until the 2007 peak. This helps to validate an old theory that listed closed-end funds, with their variable discounts and the emotions of buying and selling, are a leading indicator – in this case before a general peaking in assets in mid-2008. A firm advance in the share price of CWF could be triggered by even modest signs of global recovery and later could evolve as dramatically as the 2008 collapse. After all, ever-growing global business was stifled last year - not terminated. Market strength should resume when fundamentals improve and when banks fully regain their lending function.

CWF has for many years employed reasonable leverage for growth by way of bank borrowings. The negative impact of leverage in a down market was felt, however, and CWF's NAV fell 63.2% and its market price declined 61.7%. While these results are not as bad as those of some now defunct global market participants, they nonetheless compare unfavourably with the Morgan Stanley Capital International All Country World Index (MSCI ACWI), which was down 30.0%, in Canadian dollar terms. The MSCI ACWI is about half U.S. weighted, whereas CWF had 18.5% in U.S. securities at year end. For further comparative purposes, the Morgan Stanley Capital International Emerging Markets Index was

down 43.6%, also in Canadian dollar terms. Investments in emerging markets comprised 22.2% of CWF's portfolio as of December 31, 2008.

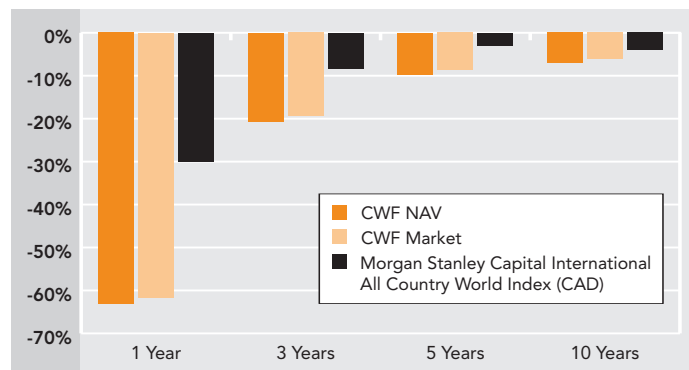
To contain the negative impact of leverage in continuing bear market conditions, CWF eliminated most of its bank borrowings and retained only \$2.5 million at year end. While the facility remains in place to increase leverage should markets recover, the Manager, fully supported by the Board, remains cautious.

We know that CWF's share performance is a disappointment to shareholders, as it is to us personally, as the largest shareholder group. We have seen the value of our shares decline along with all other shareholders and, therefore, have a great incentive to see the shares rise again.

Vanessa L. Morgan
Chairman

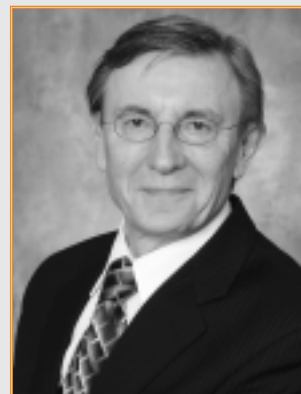
Jonathan A. Morgan
President & CEO

Compound Annual Returns for the Periods to December 31, 2008





Michael A. Smedley



Alex Sulzer

GOODBYE 2008, WE SHALL NOT MISS YOU

Global investors must have been ready to close the door on 2008. After peaking in the first half of the year, the Morgan Stanley Capital International All Country World Index (MSCI ACWI), converted to Canadian dollars, the benchmark for Canadian World Fund (CWF), had dropped 30.0% by year end. Stock index declines everywhere rivalled the worst in half a century.

In the global meltdown, CWF's NAV declined 63.2%, with some of CWF's fall being "aided" by the negative leverage of the bank borrowings it has employed for many years. The portfolio was also penalized for being well invested in the emerging markets, where some declines were double those of advanced markets.

On reflection, however, the action in the markets unfolded rationally. The developed markets led by the U.S. unravelled first on the shocks to their financial systems. The less developed world, where sub-prime troubles and excessive leverage were not as prevalent, collapsed later, with the following after-effects: Distressed funds sold foreign assets to reduce leverage, the great lending freeze set in and confidence in the world economy was shaken.

PORTFOLIO

Although CWF's portfolio is diversified across many countries and many currencies, there were no safe-havens in 2008, as even countries with strongly growing economies saw their stock markets crash. There was little benefit to global diversification.

During the downward spiral in the final quarter, CWF reduced its bank borrowings and moved to a higher than usual cash weighting. Brascan Residential Properties S.A. and SARE Holding, S.A. de C.V., real estate stocks in Brazil and Mexico, respectively, were sold as housing demand and consumer sentiment toward the sector suffered, due to rising interest rates and inflation. Holdings in Thailand were sold due to political troubles. Elsewhere, gas and mining companies such as Orca Exploration Group Inc. and Hochschild Mining plc, though interesting companies, went out of favour and were sold into the fall-off in resources.

Throughout the year at Canadian World Fund, despite realizing mainly losses, we were able to lock in profits in a few of our investments. Standing out, PT Bumi Resources Tbk, the top coal producer in Indonesia was sold for a gain of 244.4% from cost. At year end, PT Bumi's share price had fallen over 90.0% from its peak in June into a "black hole of investor horror", as described recently in the U.K. Financial Times.

DESTABILIZING SHOCKS

The world economy is still trying to digest large destabilizing shocks such as the U.S. housing bust, which is now negatively affecting commercial real estate, and the closely related tightening of credit conditions and de-leveraging pressures. Investors' fear of a "hard landing" in emerging markets now that a recession appears to be advancing in the consuming and investing economies and falling commodity prices and capital values continue to take their toll. However, a fall in aggregate demand is leading to a sharp drop in aggregate supply and this should impact inflationary drivers. Slack labour markets are already dampening wages and labour expectations. Further falls in commodity prices could add to these deflationary pressures.

In the short run, very aggressive monetary and fiscal policy actions, both traditional and experimental, are being undertaken to try to avert a presumed deep recession in 2009 and beyond. Given the severity of the present crisis, financial markets are not likely to mend for a while – not until there are growing signs that the global economy is headed for recovery in 2010.

In portfolio management, we expect to proceed cautiously, as we await the eventual recovery, for which Canadian World Fund, as a listed fund, might serve as a leading indicator.

Michael A. Smedley, *CEO and Chief Portfolio Officer of the Manager*

Alex Sulzer, *Vice-President of the Manager*

MANAGEMENT REPORT OF FUND PERFORMANCE

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

INVESTMENT OBJECTIVE AND STRATEGIES

Canadian World Fund Limited (CWF or the Company) is a closed-end equity fund with the objective of providing its investors with superior long-term returns by investing globally in securities of primarily publicly traded growth companies.

The Manager, Morgan Meighen & Associates Limited (MMA), utilizes a bottom-up investment strategy in an effort to achieve CWF's objective. With this type of investment strategy, the Manager first seeks individual companies with attractive investment potential, then proceeds to consider the larger industry, economic and global trends affecting those companies. This investment style allows for weightings that can differ from those of the benchmark Morgan Stanley Capital International All Country World Index (MSCI ACWI).

RISK

As an equity fund, the primary risk to the Company is market risk – the exposure to market price changes for the securities held within the portfolio. Economic conditions, investor sentiment, global events and many other factors contribute to the day-to-day changes in security prices and the overall trend of the market. Extreme market volatility magnified the level of market risk during 2008. Some of the more significant specific changes or trends in economic conditions through the year and their effects are as follows:

- Continued credit market unrest. 2008 saw a continuation of the asset-backed commercial paper induced turmoil in Canada, decline in liquidity in the marketplace and deleveraging worldwide that began in 2007. The result was the bankruptcy or demise of a number of key U.S. and European banks and brokers. Policy makers have been attempting to revive the illiquid credit markets with infusions of cash and reductions in borrowing rates and eventually bailouts. The Bank of Canada commenced an aggressive interest rate reduction strategy, similar to most of the world's central banks, and as a result the prime bank rate fell from 6.00% to 3.50% by year end.
- Commodity prices. 2008 also saw a dramatic decrease in the prices of commodities. The S&P Goldman Sachs Commodity Index (an index that is comprised of the principal physical commodities of active, liquid markets) was down 46.5% for the year. Two of the worst performing sub sectors of this index were Energy (-52.4%) and Industrial Metals (-49.0%). For commodities-based economies, this had predictable outcomes: a slowing economy and reduction in stock prices.

- Global recession. While the final measurement of the severity of the economic downturn is as yet unknown, there is little room to argue that the world's economy is in one of the worst periods in decades. Countries are reporting flat or negative growth, job losses are soaring, and consumer confidence is at historic lows.

In addition, investing globally may present political and economic considerations not typically found in Canada or the United States markets. Of particular significance is the fact that CWF invests in companies in some emerging markets. The MSCI Emerging Market Index fell 43.6% in 2008, expressed in Canadian dollar terms. At December 31, 2008, 22.2% CWF's investment portfolio was invested in emerging markets, down from the 35.5% weighting at year end 2007. CWF attempts to mitigate this risk by investing in companies in different geographic and economic sectors throughout the global market. For instance, at December 31, 2008, the Company held 9.5% of the investment portfolio in India. In that country, CWF had holdings in three economic sectors, including consumer discretionary, financials and industrials.

Since CWF is a global equity fund, it holds investments denominated in many currencies, and is, therefore, exposed to currency risk. If money must be converted into a different currency to make an investment, changes in the value of the currency relative to the Canadian dollar will affect the total gain or loss on the investment when the money is eventually converted back to Canadian dollars. During 2008, the Canadian dollar weakened relative to most currencies. At December 31, 2008, 60.9% of CWF's investment portfolio was denominated in currencies other than the Canadian dollar versus 73.0% at the end of 2007. The most prominent foreign currencies in the investment portfolio at year end were the U.S. dollar (31.1%), the British pound (10.6%), and the Indian rupee (5.7%). During the year, the U.S. dollar and the Indian rupee appreciated by 23.9%, and 3.1%, respectively, and the British pound depreciated by 8.7%, compared to the Canadian dollar. Overall, foreign currency movements positively impacted returns in 2008. CWF does not employ currency hedging as it does not consider this form of risk management to be cost effective or appropriate for maximizing growth. The global portfolio is well diversified and influenced by many currencies.

Being a closed-end investment fund, CWF's shares generally trade at a discount to the net asset value per share (NAV). As a result, the return experienced by a shareholder (market return) can often differ from the underlying performance of the Company (portfolio performance). The share price is established by competitive markets, which reflect the buying demand and the selling supply of shares. Factors which are thought to influence

MANAGEMENT REPORT OF FUND PERFORMANCE (CONTINUED)

share price, and, therefore, discounts and their converse, premiums, include a fund's relative performance, the liquidity of the fund's shares, dividend yield, the use of a managed distribution policy, confidence in the fund/portfolio manager, investors' perceptions and expectations regarding the outlook of the countries/sectors/markets where the fund invests. Throughout 2008, CWF's shares traded at a discount ranging from 7.0% to 38.6%, ending the year at 20.6%.

Since 1999, CWF has engaged in a leveraging strategy in an effort to enhance returns to shareholders. Leverage (in CWF's case, bank borrowings) magnifies the gain or loss on the cash invested in securities and exposes the Company to interest rate risk. At December 31, 2008 CWF's outstanding borrowings totalled \$2.5 million, representing 12.1% of net assets. As a result of this leverage, a 10% decline in the value of the portfolio will result in approximately a 11.2% decrease in net assets. The reverse is true for a 10% increase in the value of the portfolio. CWF's asset coverage at year end 2008 was almost 9 times, significantly higher than the required borrowing covenant ratio of 2 times.

As the Company is exclusively invested in global equities, CWF is most suitable for investors seeking global exposure and/or long-term capital appreciation. Investors in Canadian World Fund should be willing to tolerate moderate to high market volatility.

RESULTS OF OPERATIONS

Performance

CWF's net asset value at December 31, 2008 was \$20,626,000, representing a 63.2% decrease from the \$56,020,000 at the end of 2007. CWF's NAV at December 31, 2008 was \$2.87, down from \$7.79 at year end 2007, reflecting a return of -63.2%. This compares with a -43.5% total return for the benchmark MSCI ACWI, or -30.0% when expressed in Canadian dollars.

Given the deteriorating global economic conditions and increasingly negative market sentiment as the year progressed, most sectors, both geographic and industry, were down significantly for the year. CWF's underperformance relative to the benchmark can be largely attributed to high portfolio concentrations in smaller capitalization companies and emerging markets and the negative effect of leverage. Investments in smaller cap companies, which have served to enhance portfolio returns in the past, are not included in the market capitalization-based benchmark. Emerging markets suffered extreme market volatility as evidenced by the MSCI Emerging Markets Index return of -43.6%, expressed in

Canadian dollar terms. The leverage provided by the Company's bank borrowings also served to magnify negative portfolio returns.

The portfolio underwent a period of change during the second half of 2008. Specifically, deteriorating market conditions led to an initiative to reduce the leverage in CWF's portfolio and move to a higher than usual weighting in cash and short-term investments. Bank borrowings, which were at a level between \$5.4 million and \$7.0 million during the first half of the year, were reduced to \$2.5 million by year end, with repayments funded through the sale of portfolio investments. Generally fully invested in global equities, CWF's weighting in cash and short-term investments was 22.9% at December 31, 2008.

Management fees, the largest expense of the Company, decreased by 19.2% from 2007 to \$618,000, driven largely by lower portfolio values. Interest, CWF's other key expense, increased by 5.7% over 2007, due primarily to higher average bank borrowings during 2008, prior to the move to deleverage. CWF's \$8.0 million credit facility for investment leverage purposes comprised bankers' acceptances and term loans with interest at a quoted one-year rate or based on the prime bankers' acceptance rate. The Company must comply with specified covenants during the terms of the loans. The bank indebtedness had a combined weighted average interest rate of 4.22% per annum (2007 – 5.24% per annum).

Taxation

As a corporate entity, CWF is generally subject to taxes on its income and realized gains on the sale of investments at the rates of approximately 34% and 17%, respectively. In addition, CWF is subject to future income taxes on unrealized gains on investments at an effective rate of approximately 17%.

As at December 31, 2008, the Company has non-capital loss carry-forwards of approximately \$1,352,000, which can be offset against income in future years, and capital losses of approximately \$6,764,000, which can be utilized against future capital gains. Given the uncertainty that the benefit associated with these non-capital and capital losses will ultimately be realized, no benefit has been recorded in the financial statements.

RECENT DEVELOPMENTS

Adoption of New Accounting Standards

On January 1, 2008, the Company adopted CICA Handbook Section 3862, “Financial Instruments – Disclosures” and Section 3863, “Financial Instruments – Presentation”. These new standards replaced Section 3861, “Financial Instruments - Disclosure and Presentation”, revising and enhancing the Company’s disclosure requirements, and carrying forward unchanged its presentation requirements. The new disclosure standards place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Company manages those risks. Although the standards impact the Company’s disclosures provided, they do not affect the Company’s net assets.

The Company also adopted Section 1535, “Capital Disclosures”, which establishes standards for disclosing information about an entity’s capital and how it is managed.

Changeover to International Financial Reporting Standards

The Canadian Accounting Standards Board confirmed January 1, 2011 as the date International Financial Reporting Standards (IFRS) will replace current Canadian standards and interpretations as Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises, which includes investment funds. Management has established a project team responsible for the development and implementation of a transition plan and commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS.

Independent Review Committee

National Instrument 81-107 (NI 81-107), implemented November 1, 2007, requires the existence of an Independent Review Committee (the “IRC”) to provide oversight of potential conflicts of interest in the management of funds. The Company is one of three closed-end funds (the “Funds”) managed by the Manager. The initial members of each Fund’s IRC were the same three individuals. In the second quarter of 2008, such initial members of the IRC of each of the Funds unanimously determined that it would be beneficial for the composition of each Fund’s IRC to be comprised of the same individuals who serve as independent members of the Board of Directors of the corresponding Fund. As a result, effective June 30, 2008, a restructuring of each Fund’s IRC occurred resulting in the members of CWF’s IRC to being: Thomas W.R. Lunan, Jack H. B. Nederpelt and Richard O’C. Whittall.

RELATED PARTY TRANSACTIONS

The Company is managed by Morgan Meighen & Associates Limited (MMA), a company under common control with CWF. MMA provides continuing advice and investment management services, as well as administration, financial reporting and other ancillary services required by a publicly listed company. For more details concerning the services that are provided by MMA and the management fee that is charged to the Company, see “Management Fees”.

MANAGEMENT REPORT OF FUND PERFORMANCE (CONTINUED)

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Company and are intended to help you understand the Company's financial performance for the five financial years. Per share data is derived from the Company's audited annual financial statements. The net assets per share presented in the financial statements differs from the Company's daily net asset value due to differences in valuation techniques as described in the notes to the financial statements. Ratios and supplemental data are derived from the Company's net asset value.

The Company's Net Assets per Share ⁽¹⁾

	2008	2007	2006	2005	2004
Net assets, beginning of year	\$ 7.76	\$ 7.89	\$ 5.75	\$ 5.49	\$ 4.79
Increase (decrease) from operations:					
Total revenue	0.09	0.10	0.10	0.10	0.10
Total expenses	(0.17)	(0.23)	(0.22)	(0.19)	(0.17)
Income tax recovery	-	0.01	0.04	-	-
Realized gains (losses) for the year	(0.93)	-	0.44	0.64	0.81
Unrealized gains (losses) for the year	(3.90)	0.92	1.83	(0.29)	(0.04)
Total increase (decrease) from operations	(4.91)	0.81	2.19	0.26	0.70
Net assets, end of year ⁽²⁾	\$ 2.85	\$ 7.76	\$ 7.94	\$ 5.75	\$ 5.49

(1) Net assets are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.

(2) This is not a reconciliation of the beginning and ending net assets per share.

Ratios and Supplemental Data

	2008	2007	2006	2005	2004
Total net asset value (000's) ⁽¹⁾	\$ 20,626	\$ 56,020	\$ 32,553	\$ 23,574	\$ 22,526
Number of shares outstanding ⁽¹⁾	7,190,091	7,190,091	4,101,350	4,101,350	4,101,350
Management expense ratio ⁽²⁾⁽³⁾	3.04%	3.00%	3.31%	3.51%	3.33%
Trading expense ratio ⁽⁴⁾	0.22%	0.33%	0.24%	0.58%	0.66%
Portfolio turnover rate ⁽⁵⁾	18.59%	25.88%	30.88%	67.45%	72.22%
Net asset value per share	\$ 2.87	\$ 7.79	\$ 7.94	\$ 5.75	\$ 5.49
Closing market price ⁽¹⁾	\$ 2.28	\$ 5.96	\$ 6.45	\$ 4.35	\$ 4.00

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

(2) Management expense ratio (MER) is based on total expenses (including leverage costs but excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

(3) Excluding leverage costs (interest on bank borrowings), the Company's MERs were as follows: 2008 – 2.44%, 2007 – 2.49%, 2006 – 2.65%, 2005 – 2.89%, 2004 – 2.70%.

(4) 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.

(5) The Company's portfolio turnover rate indicates how actively the Manager manages the Company's portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of a year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year. There is not necessarily a relationship between the turnover rate and the performance of a fund.

MANAGEMENT FEES

The Company pays a management fee that is calculated and paid monthly at 1.5% per annum of the net asset value, excluding a deduction for income tax liabilities. The Company's management fees were used by MMA to pay costs for managing the portfolio and making investment decisions, as well as the provision of administrative services, including making brokerage arrangements for the purchase and sale of securities, calculating the net asset value of the Company, maintaining financial and corporate records, preparing financial statements and all required regulatory filings and assisting in promotion activities. The officers of the Company are remunerated by MMA in their capacity as directors and/or officers of MMA and receive no compensation from CWF.

PAST PERFORMANCE

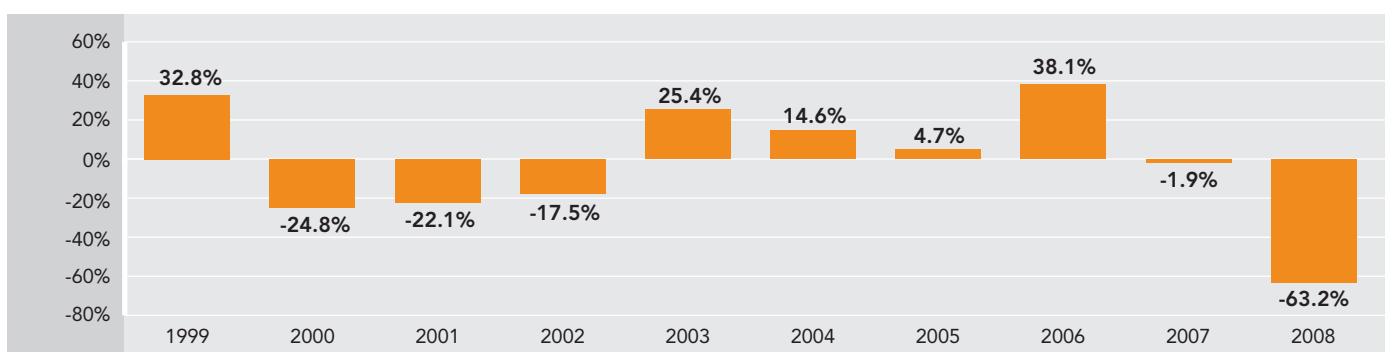
The performance information shown does not take into account broker commissions or other fees potentially payable by holders of the Company's shares that would have reduced returns or performance. How the Company has performed in the past does not necessarily indicate how it will perform in the future.

YEAR-BY-YEAR RETURNS

The following bar charts show the Company's performance for each of the years shown, and illustrate how the Company's performance has changed from year to year. The bar charts show, in percentage terms, how much an investment made on the first day of each year would have grown or decreased by the last day of each year.

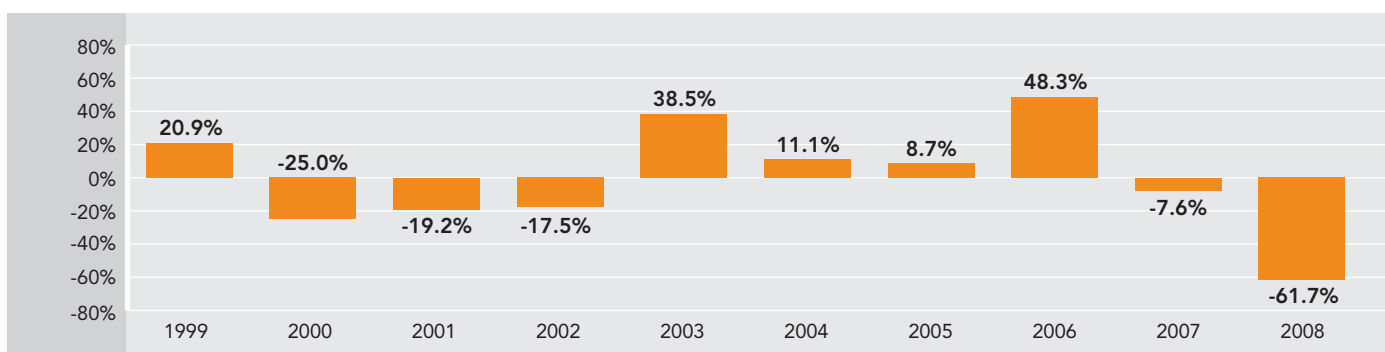
The bar chart below illustrates CWF's net asset value per share return.

Net Asset Value Return



The bar chart below illustrates CWF's market return.

Market Value Return



ANNUAL COMPOUND RETURNS

This table shows the Company's historical annual compound total returns for the periods indicated, compared to the MSCI ACWI in both U.S. and Canadian dollars. The Index return is calculated on a total return basis, assuming that all distributions are reinvested.

	1 Year	3 Years	5 Years	10 Years
Canadian World Fund Limited - NAV	-63.2%	-20.7%	-9.7%	-7.0%
Canadian World Fund Limited - Market	-61.7%	-19.4%	-8.7%	-6.1%
Morgan Stanley Capital International All Country World Index (USD)	-43.5%	-9.7%	-1.9%	-1.8%
Morgan Stanley Capital International All Country World Index (CAD)	-30.0%	-8.3%	-3.0%	-4.0%

The MSCI ACWI is a free-float weighted-average equity index that provides a broad measure of performance of global equity markets.

SUMMARY OF INVESTMENT PORTFOLIO

as at December 31, 2008

Sector Allocation

	% of Net Asset Value*	% of Investment Portfolio
Financials	21.8	19.4
Short-Term Securities	19.4	17.3
Energy	14.3	12.7
Information Technology	14.1	12.6
Consumer Discretionary	14.0	12.5
Industrials	7.8	6.9
Materials	7.4	6.6
Cash & Cash Equivalents	6.1	5.5
Consumer Staples	5.6	5.0
Utilities	1.1	1.0
Telecommunication Services	0.6	0.5

Geographic Allocation

	% of Net Asset Value*	% of Investment Portfolio
Canada	41.9	37.4
Europe	26.0	23.1
United States	20.5	18.3
Asia	16.6	14.8
Latin America	5.5	4.9
Australia	1.1	1.0
Africa	0.6	0.5

Top 25 Holdings

Issuer	Country	Sector	% of Net Asset Value*	% of Investment Portfolio
Bank of Montreal Redeemable Short-Term Investment	Canada	Short-Term Securities	9.8	8.7
Cash	Canada	Cash & Cash Equivalents	6.1	5.5
Bank of Nova Scotia Banker's Acceptance	Canada	Short-Term Securities	4.8	4.3
Royal Bank of Canada Banker's Acceptance	Canada	Short-Term Securities	4.8	4.3
HDFC Bank Ltd.	India	Financials	4.2	3.8
Autonomy Corporation plc	U.K.	Information Technology	3.8	3.3
Apple Inc.	U.S.A.	Information Technology	3.6	3.2
Deere & Company	U.S.A.	Industrials	3.4	3.0
Oslo Bors VPS Holding ASA	Norway	Financials	3.0	2.6
Petrofac Limited	U.K.	Energy	2.9	2.5
Petrohawk Energy Corporation	U.S.A.	Energy	2.8	2.5
Lojas Renner S.A.	Brazil	Consumer Discretionary	2.5	2.3
Alliance Grain Traders Income Fund	Canada	Consumer Staples	2.5	2.2
Baidu, Inc.	China/Hong Kong	Information Technology	2.3	2.1
Nintendo Co., Ltd.	Japan	Consumer Discretionary	2.2	2.0
CME Group Inc.	U.S.A.	Financials	2.1	1.9
AmRest Holdings N.V.	Netherlands	Consumer Discretionary	2.1	1.9
Central European Distribution Corporation	Poland	Consumer Staples	2.1	1.9
Investment Technology Group, Inc.	U.S.A.	Financials	2.0	1.8
Equinox Minerals Limited	Canada	Materials	2.0	1.8
Logibec Groupe Informatique Ltd.	Canada	Information Technology	2.0	1.7
Petrominerales Ltd.	Canada	Energy	1.9	1.7
Grupo Financiero Banorte S.A.B. de C.V.	Mexico	Financials	1.9	1.7
Mahindra & Mahindra Limited	India	Industrials	1.7	1.5
LUKOIL	Russia	Energy	1.7	1.5
			78.2*	69.7
Total Net Asset Value* (\$000's)				\$ 20,626
Total Investment Portfolio (\$000's)				\$ 23,141

* Total Net Asset Value represents Total Investment Portfolio adjusted for leverage in the form of bank indebtedness (\$2.5 million), other assets and other liabilities.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Company. The most recent quarterly portfolio disclosure may be obtained by visiting the Manager's web site at www.mmainvestments.com, by calling 416-366-2931 (Toll Free: 1-866-443-6097), or by writing to the Company at 110 Yonge Street, Suite 1601, Toronto, Ontario, Canada, M5C 1T4.

FINANCIAL REPORTS

MANAGEMENT'S REPORT

The accompanying financial statements have been prepared by Management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgements. The significant accounting policies which Management believes are appropriate for the Company are described in note 1 to the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing Management's performance of its financial reporting responsibilities. An Audit Committee comprised of non-Management Directors is appointed by the Board. The Audit Committee reviews the financial statements, adequacy of internal controls, the audit process and financial reporting with Management and the external auditors. The Audit Committee reports to the Board of Directors prior to the approval of the audited financial statements for publication.

PricewaterhouseCoopers LLP, the Company's external Auditors, who are appointed by the shareholders, audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out on this page.



Vanessa L. Morgan

Chairman



Jonathan A. Morgan

President & CEO

February 11, 2009

AUDITORS' REPORT

To the Shareholders of Canadian World Fund Limited

We have audited the accompanying statements of net assets of Canadian World Fund Limited (the Company) as at December 31, 2008 and 2007, the statement of investment portfolio as at December 31, 2008 and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

February 11, 2009

STATEMENTS OF NET ASSETS

As at December 31, 2008 and 2007

(in thousands of dollars, except per share amounts)

	2008	2007
	\$	\$
Assets		
Investments at fair value (cost - \$34,683; 2007 - \$46,573)	21,717	64,186
Cash	1,262	110
Dividends receivable	42	34
Income taxes recoverable	12	106
	23,033	64,436
Liabilities		
Bank indebtedness (note 2)	2,477	5,399
Accounts payable and accrued liabilities	91	134
Payable for securities purchased	-	589
Future income taxes on unrealized gain on investments (note 6)	-	2,520
	2,568	8,642
	20,465	55,794
Net Assets		
Shareholders' Equity		
Capital stock (note 3)	39,220	39,220
Unrealized gain (loss) on investments, net of future income taxes	(12,966)	15,093
Retained earnings (deficit) (note 4)	(5,789)	1,481
	20,465	55,794
Number of shares outstanding (note 3)	7,190,091	7,190,091
Net assets per share (note 10)	2.85	7.76

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors



Director



Director

STATEMENTS OF OPERATIONS

For the years ended December 31, 2008 and 2007

(in thousands of dollars, except per share amounts)

	2008	2007
	\$	\$
Investment income		
Dividends	634	573
Interest	63	38
	697	611
Withholding taxes on foreign dividends	(48)	(43)
	649	568
Expenses		
Management fees (note 5)	618	764
Interest	237	225
Custodial fees	94	98
Directors' fees and expenses	74	79
Listing and regulatory costs	39	42
Security holder reporting costs	37	47
Audit fees	33	26
Independent review committee fees and expenses	20	12
Investor relations	14	11
Capital taxes	13	2
Legal fees	3	16
Other	18	20
	1,200	1,342
Investment loss before income taxes	(551)	(774)
Income tax recovery (note 6)	-	47
Net investment loss	(551)	(727)
Realized and unrealized gains (losses) on investments		
Net realized gain (loss) on investments, net of income taxes of \$nil (2007 - \$36)	(6,628)	202
Change in unrealized gain (loss) on investments, net of decrease (increase) in future income taxes of \$2,520 (2007 - \$(404))	(28,059)	5,409
Transaction costs on purchase and sale of investments	(85)	(148)
Net gain (loss) on investments	(34,772)	5,463
Increase (decrease) in net assets resulting from operations for the year	(35,323)	4,736
Increase (decrease) in net assets resulting from operations per share (based on weighted-average number of shares outstanding during the year (note 3))	(4.91)	0.81

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31, 2008 and 2007

(in thousands of dollars)

	2008	2007
	\$	\$
Increase (decrease) in net assets resulting from operations for the year	(35,323)	4,736
Net proceeds from subscription of rights (note 3)	-	18,713
Net increase in refundable dividend tax on hand	(6)	(18)
Increase (decrease) in net assets during the year	(35,329)	23,431
Net assets, beginning of year	55,794	32,363
Net assets, end of year	20,465	55,794

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2008 and 2007

(in thousands of dollars)

	2008	2007
	\$	\$
Cash provided by (used in):		
Operating activities		
Net investment loss	(551)	(727)
Purchase of investments	(12,973)	(33,436)
Proceeds of disposition of investments	17,646	13,367
Income tax provision included in net realized gain on investments	-	(36)
Transaction costs on purchase and sale of investments	(85)	(148)
Net change in non-cash balances related to operations	43	439
	4,080	(20,541)
Financing activities		
Increase (decrease) in bank indebtedness	(2,922)	1,298
Net proceeds from subscription of rights (note 3)	-	18,713
Net increase in refundable dividend tax on hand	(6)	(18)
	(2,928)	19,993
Net increase (decrease) in cash during the year (note 8)	1,152	(548)
Cash, beginning of year	110	658
Cash, end of year	1,262	110

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2008

NUMBER OR PAR VALUE	INVESTMENT	COST \$	FAIR VALUE \$
<i>(in thousands of dollars)</i>			
AFRICA (0.5%)			
50,614	Orca Exploration Group Inc., B	538	111
TOTAL AFRICA		538	111
ASIA (14.9%)			
3,000	Baidu, Inc., ADR (China/Hong Kong)	685	489
10,000	HDFC Bank Ltd., ADR (India)	579	873
50,000	Indiabulls Financial Services Limited (India)	79	167
50,000	Indiabulls Real Estate Limited (India)	76	164
50,000	Mahindra & Mahindra Limited (India)	407	346
120,000	Nagarjuna Construction Company Ltd. (India)	363	217
1,000	Nintendo Co., Ltd. (Japan)	573	455
40,200	Pantaloon Retail (India) Limited (India)	311	219
209,500	SREI Infrastructure Finance Limited (India)	754	203
231,000	Top Glove Corporation BHD (Malaysia)	635	285
TOTAL ASIA		4,462	3,418
AUSTRALIA (0.8%)			
300,000	Bannerman Resources Ltd.	1,026	213
TOTAL AUSTRALIA		1,026	213
EUROPE (23.0%)			
Europe, Excluding United Kingdom			
21,999	AmRest Holdings N.V. (Netherlands)	399	435
18,000	Central European Distribution Corporation (Poland)	445	434
20,000	IMAREX NOS ASA (Norway)	352	203
8,800	LUKOIL, ADR (Russia)	791	341
39,000	Oslo Bors VPS Holding ASA (Norway)	207	616
250,000	Sberbank (Russia)	512	230
10,555,000	Uralsvyazinform (Russia)	596	125
18,332	X5 Retail Group N.V., GDR (Russia)	357	190
Total Europe, Excluding United Kingdom (11.2%)		3,659	2,574
United Kingdom			
45,000	Autonomy Corporation plc	305	769
900,000	Blinkx plc	509	193
21,803	London Stock Exchange Group plc	588	199
158,500	M&C Saatchi	516	218
250,000	Midas Capital plc	1,386	157
95,000	Petrofac Limited	999	588

NUMBER OR PAR VALUE	INVESTMENT	COST \$	FAIR VALUE \$
<i>(in thousands of dollars)</i>			
United Kingdom (continued)			
710,552	PLUS Markets Group plc	464	48
230,000	Serica Energy plc	317	125
112,500	Stanley Gibbons Group Limited	116	262
300,000	Tethys Petroleum Limited	903	159
Total United Kingdom (11.8%)		6,103	2,718
TOTAL EUROPE		9,762	5,292
LATIN AMERICA (4.9%)			
8,000	Desarrolladora Homex, S.A.B. de C.V., ADR (Mexico)	520	223
180,000	Grupo Financiero Banorte, S.A.B. de C.V. (Mexico)	300	395
63,000	Lojas Renner S.A. (Brazil)	767	515
TOTAL LATIN AMERICA		1,587	1,133
NORTH AMERICA (33.0%)			
Canada			
60,500	Alliance Grain Traders Income Fund, units	752	486
98,600	Augusta Resource Corporation	390	51
330,000	El Nino Ventures Inc., warrants 02/28/2009	119	-
300,000	Equinox Minerals Limited	264	399
267,500	International Nickel Ventures Corporation	322	43
30,000	Logibec Groupe Informatique Ltd.	411	405
32,120	Lundin Mining Corporation	150	37
7,000	Niko Resources Ltd.	303	297
325,000	PEER 1 Network Enterprises, Inc.	527	306
70,000	Petrominerales Ltd.	263	400
90,000	Plutonic Power Corporation	616	221
130,000	Silvercorp Metals Inc.	983	337
8,852	TMX Group Inc.	413	223
200,000	WesternZagros Resources Ltd.	524	116
Total Canada (14.5%)		6,037	3,321
United States			
25,000	Alcoa Inc.	1,125	344
7,000	Apple Inc.	548	732
1,731	CME Group Inc.	647	440
15,000	Deere & Company	1,071	704
2,000	First Solar, Inc.	615	337
10,000	Freeport-McMoRan Copper & Gold Inc.	798	299
7,000	Harley-Davidson, Inc.	471	145
15,000	Investment Technology Group, Inc.	697	416
4,000	NYSE Euronext	310	134

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INVESTMENT PORTFOLIO (CONTINUED)

NUMBER OR PAR VALUE	INVESTMENT	COST \$	FAIR VALUE \$
<i>(in thousands of dollars)</i>			
United States (continued)			
30,000	Petrohawk Energy Corporation	866	572
10,000	Sothebys	212	108
Total United States (18.5%)		7,360	4,231
TOTAL NORTH AMERICA		13,397	7,552
TOTAL EQUITIES		30,772	17,719
SHORT-TERM SECURITIES (17.4%)			
2,000,000	Bank of Montreal Redeemable Short-Term Investment, 3.00% 10/06/2009	2,000	2,000
1,000,000	Bank of Nova Scotia Banker's Acceptance, 1.35% 01/30/2009	999	999
1,000,000	Royal Bank of Canada Banker's Acceptance, 1.35% 02/06/2009	999	999
TOTAL SHORT-TERM SECURITIES		3,998	3,998
TRANSACTION COSTS (note 1)		(87)	-
TOTAL INVESTMENTS (94.5%)		34,683	21,717
CASH & CASH EQUIVALENTS (5.5%)		1,262	1,262
INVESTMENT PORTFOLIO (100.0%)		35,945	22,979
Percentage amounts in brackets represent fair value as a percentage of the Investment Portfolio.			
RECONCILIATION OF INVESTMENT PORTFOLIO TO NET ASSETS:			
INVESTMENT PORTFOLIO (112.3%)		22,979	
BANK INDEBTEDNESS (-12.1%)		(2,477)	
OTHER ASSETS AND LIABILITIES, NET (-0.2%)		(37)	
NET ASSETS (100.0%)		20,465	
Percentage amounts in brackets represent fair value as a percentage of Net Assets.			

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements, prepared in accordance with Canadian generally accepted accounting principles (GAAP), include estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the year. Actual results could differ from these estimates. The following is a summary of significant accounting policies followed by Canadian World Fund Limited (the Company).

Adoption of new accounting standards

On January 1, 2008, the Company adopted The Canadian Institute of Chartered Accountants Handbook Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation. These new standards replaced Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing the Company's disclosure requirements, and carrying forward unchanged its presentation requirements. The new disclosure standards place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Company manages those risks. Although the standards impact the Company's disclosures provided, they do not affect the Company's net assets. Refer to note 7 for new disclosures relating to adoption of the new requirements.

The Company also adopted Section 1535, Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed. Refer to note 9 for a discussion of the Company's capital and how it is managed.

Future accounting standards

The Canadian Accounting Standards Board confirmed January 1, 2011 as the date international financial reporting standards (IFRS) will replace current Canadian standards and interpretations as GAAP for publicly accountable enterprises, which include investment funds. Management has established a project team responsible for the development and implementation of a transition plan and commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS.

Valuation of investments

Publicly listed securities are valued at the most recent bid price. Unlisted securities that trade on an over-the-counter market and other securities, in special circumstances where a market quotation is not readily available or is considered inappropriate (such as a stale price), are valued using available sources of information and commonly used valuation techniques, using primarily observable inputs.

Investment transactions

Investment transactions are recorded on the trade date. Realized and unrealized gains and losses from investment transactions are calculated on an average cost basis.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. These costs are expensed and are included in the statements of operations.

Investment income

Dividend income is recorded on the ex-dividend date. Interest income is recognized as earned.

Foreign exchange

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year-end exchange rates. Purchases and sales of investments, investment income and expenses are calculated at the exchange rates prevailing on the dates of the transactions.

Future income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are measured using rates expected to apply to taxable income in the years in which the temporary differences are expected to be settled.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2 BANK INDEBTEDNESS

The Company has a revolving demand credit facility of \$8.0 million, comprising term loans, subject to specified covenants, with interest based on the prime bankers' acceptance rate (plus 60 basis points). The bank indebtedness has a combined weighted-average interest rate of 4.22% per annum as at December 31, 2008 (2007 - 5.24% per annum) and is repayable over various maturity dates in 2009.

During 2008, the Company utilized between \$2.5 and \$7.0 million (2007 - between \$2.5 and \$5.4 million) of its revolving demand credit facility.

3 CAPITAL STOCK

The Company is authorized to issue unlimited preferred shares issuable in series and an unlimited number of common shares. As at December 31, 2008, there are 7,190,091 (2007 - 7,190,091) common shares issued and outstanding.

Changes in the number of common shares of the Company outstanding for the years ended December 31 were as follows:

	2008		2007	
	Number of shares	Amount \$ <i>(in thousands of dollars)</i>	Number of shares	Amount \$ <i>(in thousands of dollars)</i>
Balance, beginning of year	7,190,091	39,220	4,101,350	20,507
Subscription of rights	-	-	3,088,741	18,713
Balance, end of year	7,190,091	39,220	7,190,091	39,220

A one-for-one rights offering that was originally announced by the Company on April 19, 2007 closed on June 7, 2007. Under the terms of the final short form prospectus that was filed on April 27, 2007, each shareholder of record of the Company on May 8, 2007 received one right for each common share held, with each right entitling the holder to purchase one common share at the price of \$6.25 until 4:00 p.m. (Toronto time) on June 5, 2007. Holders of rights were also entitled to subscribe pro rata for additional common shares, if available, that were not subscribed for initially, on or before the expiry date.

The weighted-average number of common shares outstanding for the year ended December 31, 2008 was 7,190,091 (2007 - 5,869,972).

4 RETAINED EARNINGS (DEFICIT)

The changes in retained earnings (deficit) for the year were as follows:

<i>(in thousands of dollars)</i>	2008 \$	2007 \$
Retained earnings, beginning of year	1,481	2,172
Net investment loss	(551)	(727)
Net realized gain (loss) on investments, net of transaction costs	(6,713)	54
Net increase in refundable dividend tax on hand	(6)	(18)
Retained earnings (deficit), end of year	(5,789)	1,481

5 RELATED PARTY INFORMATION

Management fees are paid monthly to Morgan Meighen & Associates Limited (the Manager), a corporation under common control with the Company, for services received in connection with the management of the Company's financial accounts and investment portfolio among other services. Management fees are calculated on a monthly basis at the annual rate of 1.5% of net asset value (NAV), without a deduction for income tax liabilities. Values for fee calculation purposes are determined on the basis of the financial statements of the Company as at the last day of the applicable month.

6 TAXATION

The Company, as a public corporation, is subject to income taxes on its net investment income and net realized gain on investments at the rates of approximately 34% (2007 - 36%) and 17% (2007 - 18%), respectively. Taxable dividends receivable from taxable Canadian corporations, as defined by the Income Tax Act (Canada), are excluded from taxable income.

Temporary differences between the carrying values of assets and liabilities for accounting and income tax purposes give rise to future income tax assets and liabilities. The most significant temporary difference for the Company is the difference between the fair value of investments in its portfolio and their adjusted cost base (ACB) for income tax purposes. To the extent that the fair value of investments is greater than their ACB, a future income tax liability arises. When the ACB of investments is greater than their fair value, a future income tax asset is created. The effective income tax rate for future income taxes is approximately 17%.

As at December 31, 2008, the Company has non-capital loss carry-forwards of approximately \$1,352,000. These can be offset against income in future years and begin to expire in 2027. In addition, the Company has capital losses of approximately \$6,764,000, which can be utilized against future capital gains and are not subject to expiry. Given the uncertainty that the benefit associated with these non-capital and capital losses will ultimately be realized, a full valuation allowance has been taken to offset the future income tax asset, such that no benefit has been recorded in the financial statements.

The Company is also subject to a special tax of up to 33-1/3% of taxable dividends received from corporations resident in Canada. This special tax is refundable on payment of taxable dividends to shareholders at a rate of \$1 for each \$3 of such dividends paid. The Company has refundable dividend tax on hand of approximately \$34,000 as at December 31, 2008 (2007 - \$28,000).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7 FINANCIAL INSTRUMENTS RISKS

The Company is a closed-end equity fund that endeavours to provide superior long-term returns by investing globally in securities of primarily publicly traded growth companies.

In the normal course of operations, the Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (defined as interest rate risk, currency risk and other price risk). In general, the Manager seeks to minimize the potential adverse effects of these risks on the Company's performance by employing professional, experienced portfolio managers, by daily monitoring of the Company's positions and market events, and by diversifying the investment portfolio within the policies and guidelines set by the Board of Directors of the Company in a manner consistent with the investment objective. Pursuant to the Manager's bottom-up selection mandate, security selection is the primary criteria for managing risk. In order to mitigate risk, depending on conditions, the Manager considers other criteria such as asset class, industry, country and currency.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main exposure to credit risk consists of investments in debt instruments, including short-term securities, bonds and preferred shares, as well as amounts due from brokers. The fair value of debt instruments includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt instruments, as presented on the statement of investment portfolio, represents the maximum credit risk exposure as at December 31, 2008. This also applies to other assets, as these have a short term to settlement. As at December 31, 2008, the Company's investments in debt instruments were limited to short-term securities totalling \$3,998,000 (17.4% of the investment portfolio).

All transactions in listed securities are settled/paid for on delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

As the Company is a publicly traded, closed-end investment fund with a fixed number of common shares outstanding, unlike an open-ended mutual fund, it is not exposed to the liquidity risk associated with daily cash redemptions of securities. However, as part of a leverage strategy, the Company currently has a revolving demand credit facility of \$8.0 million (note 2).

Liquidity risk is managed by investing the majority of the Company's assets in investments that are traded in an active market and which can be readily disposed of and by retaining sufficient cash and cash equivalent positions to maintain liquidity. Restricted securities, if any, are identified in the statement of investment portfolio. There were no restricted securities in the investment portfolio as at December 31, 2008. Leverage decisions, whether in the form of bank borrowings or bond or preference share issues from treasury, are at the discretion of the Company's Board of Directors.

Market risk

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest bearing financial assets and financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Although the Company may invest in interest bearing financial instruments, the substantial majority of the Company's financial assets and financial liabilities are non-interest bearing or have short maturities. As a result, the Company is not subject to significant amounts of risk on its investments due to fluctuations in the prevailing levels of market interest rates.

As at December 31, 2008, the Company's investments in debt instruments were limited to short-term securities with maturity dates of less than one year. The Company has minimal sensitivity to changes in interest rates on these securities, as it is anticipated that they are usually held to maturity and are short-term in nature.

The Company's revolving credit facility is subject to interest rates based on the prime bankers' acceptance rate which exposes the Company to interest rate risk as any new borrowings will be subject to the prevailing interest rate environment at that time. As at December 31, 2008, with a 1% increase or decrease in interest rates, net assets would have a corresponding decrease or increase in net assets of approximately \$25,000 over a one-year period.

Currency risk:

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Company's reporting currency. The Company is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. Equities trading in foreign markets are also exposed to currency risk, as the price in local terms in the foreign market is converted to Canadian dollars to determine fair value. The Company's policy is not to enter into any hedging arrangements.

As at December 31, 2008, the Company's investment portfolio had a 60.9% weighting in foreign currencies. The five most significant foreign currencies were as follows:

	Currency exposure CA\$ <i>(in thousands of dollars)</i>	Percentage of investment portfolio %
U.S. dollar	7,138	31.1
U.K. pound sterling	2,434	10.6
Indian rupee	1,317	5.7
Norwegian krone	819	3.6
Brazilian real	515	2.2

The statement of investment portfolio lists all investments held by region and country of domicile.

As at December 31, 2008, had the Canadian dollar strengthened or weakened by 5% in relation to all currencies represented in the portfolio as at December 31, 2008, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$700,000 (approximately 3.4% of total net assets).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Other price risk:

Other price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to an individual investment or its issuer or by factors affecting all similar instruments traded in a market or market segment. All securities present a risk of loss of capital. The Manager moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy and by maintaining a well diversified portfolio. The maximum risk resulting from financial instruments is equivalent to their fair value. The Company's equity and debt (if any) instruments are susceptible to other price risk arising from uncertainty about future prices of the instruments.

The statement of investment portfolio groups the securities by geographic area.

As at December 31, 2008, a 5% increase or decrease in market prices in the investment portfolio, excluding short-term securities, with all other variables held constant, would have resulted in the net assets of the Company increasing or decreasing, respectively, by approximately \$886,000 (approximately 4.3% of total net assets).

Sensitivity analyses are provided for information purposes only. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

8 SUPPLEMENTAL CASH FLOW INFORMATION

Included in the net increase (decrease) in cash during the year are the following:

	2008	2007
	\$	\$
<i>(in thousands of dollars)</i>		
Interest paid	237	225
Income taxes paid	67	131

9 CAPITAL MANAGEMENT

The Company considers capital to be comprised of its shareholders' equity. The balances are as follows:

	2008	2007
	\$	\$
<i>(in thousands of dollars)</i>		
Shareholders' equity	20,465	55,794

The Company's primary objective when managing its capital is to ensure that activities are carried out in accordance with the investment objective of the Company, as described in note 7. In addition, with respect to the \$8.0 million credit facility as described in note 2, the Company monitors its adherence to loan covenants, including a required minimum 2 times asset coverage ratio. The Company is in full compliance with all such covenants as at December 31, 2008.

10 COMPARISON OF NET ASSET VALUE PER SHARE AND NET ASSETS PER SHARE

In accordance with Section 3.6(1) of National Instrument 81-106, the Company's net asset value per share, the net assets per share, calculated in accordance with Canadian GAAP for financial reporting purposes, and an explanation of the differences between such amounts, are required disclosures in the notes to the financial statements. For investments that are traded in an active market, Canadian GAAP requires that bid prices be used in the fair value of instruments, rather than the use of the last traded price, as currently used for the purpose of determining net asset value. This change accounts for the difference between net asset value and net assets.

	2008	2007
	\$	\$
Net asset value per share	2.87	7.79
Canadian GAAP adjustment	(0.02)	(0.03)
Net assets per share	2.85	7.76

CORPORATE INFORMATION

CANADIAN WORLD FUND LIMITED

BOARD OF DIRECTORS

Thomas W.R. Lunan
Vice-President, B.E.S.T. Investment Counsel Limited

Jonathan A. Morgan
*President & CEO,
Canadian General Investments, Limited*

Vanessa L. Morgan
Chairman, Canadian General Investments, Limited

Jack H.B. Nederpelt
Managing Partner, Nederpelt Associates Inc.

Michael A. Smedley
*Executive Vice-President & CEO,
Morgan Meighen & Associates Limited*

Richard O'C. Whittall
President, Watershed Capital Partners Inc.

AUDIT COMMITTEE

Thomas W.R. Lunan (Chairman)
Jack H.B. Nederpelt
Richard O'C. Whittall

CORPORATE GOVERNANCE COMMITTEE

Jonathan A. Morgan
Jack H.B. Nederpelt
Richard O'C. Whittall (Chairman)

INDEPENDENT DIRECTORS COMMITTEE

Thomas W.R. Lunan
Jack H.B. Nederpelt (Chairman)
Richard O'C. Whittall

OFFICERS

Vanessa L. Morgan
Chairman

Jonathan A. Morgan
President & CEO

Colin D. Smith
Secretary

Frank C. Fuernkranz, MBA, CA, CFA
Treasurer & CFO

Christopher J. Esson, CA, CFA, MBA
Assistant-Treasurer

OFFICE OF THE COMPANY

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Fax: (416) 366-2729
e-mail: cwffund@mmainvestments.com
website: www.mmainvestments.com

MANAGER

Morgan Meighen & Associates Limited
Toronto

AUDITORS

PricewaterhouseCoopers LLP
Toronto

BANKERS

Bank of Montreal
Toronto

SOLICITORS

Blake, Cassels & Graydon LLP
Toronto

CANADIAN REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario, Canada M5J 2Y1
Telephone:
Canada & U.S.: 1-800-564-6253
Overseas: 1-514-982-7555
Fax:
Canada & U.S.: 1-888-453-0330
Overseas: 1-416-263-9394
e-mail: mmamail@computershare.com

To change your address, eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare at the above address.

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbol: CWF

PUBLICATION

Net asset value per share (NAV) and/or market price and market return are published daily/weekly in various media in Canada and the United States. These include: The Wall Street Journal and Barron's.

The Company posts ongoing top 10 portfolio investments (priced at market), together with current NAV and market return information on its website. CWF also posts its top 25 holdings on its website on a quarterly basis. Similar information is available directly from the Company upon request.

ANNUAL MEETING OF SHAREHOLDERS

The Annual and Special General Meeting of shareholders of Canadian World Fund Limited will be held at 10:00 a.m. (Toronto time) Thursday, April 2, 2009 in St. Andrew's Hall, St. Andrew's Club & Conference Centre, Sun Life Financial Tower, 150 King Street West, 27th Floor, Toronto, Ontario, M5H 1J9.
(Telephone (416) 366-4228)
website: www.standrewsclub.ca

The Company is a founding member of the Closed-End Fund Association (CEFA) in North America.

Managed by:



MorganMeighen

& ASSOCIATES

Investment Managers

CANADIAN WORLD FUND LIMITED

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