

# GLOBAL OPPORTUNITIES

Managed by:



**MorganMeighen**  
& ASSOCIATES

Investment Managers

## CANADIAN WORLD FUND LIMITED

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CWF

Canadian World Fund  
Limited

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## FIRST QUARTER SHAREHOLDER UPDATE

March 31, 2006

You will notice that this doesn't look like a regular quarterly report for Canadian World Fund Limited (CWF). That is because regulations pertaining to CWF's reporting requirements have changed this year. CWF is considered a non-redeemable investment fund and is, as such, governed by National Instrument 81-106, which came into effect on June 1, 2005. This has meant that some of the content and disclosure in the 2005 Annual Report were different than in previous years. It also means that, rather than producing three sets of quarterly financial statements (March 31, June 30 and September 30), along with a set of annual financial statements, CWF is only required to produce interim financial statements, as at June 30, and at year-end. A Management Report of Fund Performance (MRFP), a replacement for the previously required Management's Discussion & Analysis, will also be included with the interim financial statements.

In the interest of ongoing communications with shareholders, CWF plans to provide a brief, informal report at the end of the first and third quarters, including investment commentary. We believe that this is an opportunity for the Company to communicate current thoughts and topics of interest to shareholders and other interested parties. The quarter-end Summary of Investment Portfolio (consisting of the Company's top 25 holdings as well as portfolio breakdowns) will be provided as part of this communication.

## GENERAL COMMENTARY

Currencies can muffle the good performance of a global stock portfolio, which might be why Canadian World Fund Limited (CWF) appears to be the sole surviving global equities fund listed in North America. Happily, CWF has had an extraordinarily good 2006 first quarter, with its net asset value (NAV) up 17.4%, resoundingly outpacing the benchmark Morgan Stanley All-Country World Free Index, which was up 6.6%, expressed in Canadian dollars.

Such excellence is timely. Limits no longer apply to the foreign content of registered retirement savings plans in Canada and international funds are attracting investors. Investors in the U.S. and other countries are moving more into foreign opportunities.

The one-year and three-year returns, the latter starting from a low base after the technology sector collapse, have turned dramatically for the better, and even the five-year 5.2% NAV and 7.8% market returns, are significantly better than the -0.7% of the benchmark.

Michael Smedley, who heads up the Morgan Meighen & Associates (MMA) portfolio management team, explains some of the successes below.

Jonathan A. Morgan  
President & CEO

## INVESTMENT COMMENTARY

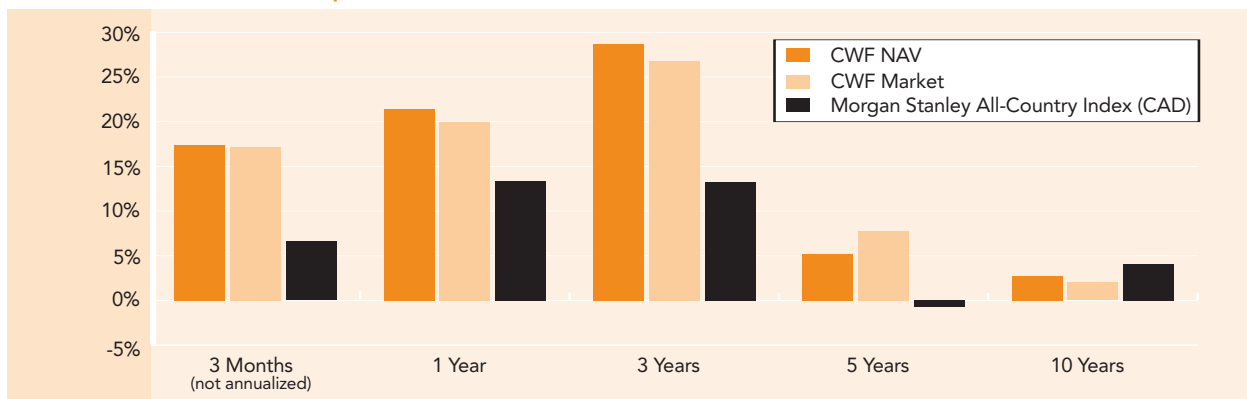
### GLOBAL FORCES & RISING STOCKS: A STRONG FIRST QUARTER

After the extreme volatility of currencies and the supreme action of the Canadian dollar over the last four years, we have settled at present for somewhat more even currency relationships and stock market behavior. Coupled with these factors, most of our bottom-up stock selection is doing well and includes quite a lot of turnaround action.

The 17.4% uplift in first quarter NAV is exceptional against all developed markets and bettered by only about five emerging markets led, perhaps surprisingly, by Venezuela.

Although we are bottom-up selectors, themes do tend to materialize. For example, our interest in specialized financials is long apparent with Oslo Bors Holding ASA and Numis Corporation Plc of the U.K. Recently, we have captured the rise of Daniel Stewart Securities plc, a growing corporate broker to AIM listed companies, and Arbuthnot Banking Group PLC, an older name. CWF now owns NYSE Group Inc. shares through conversion of Archipelago Holdings, Inc. It is experiencing some improvement in International Maritime Exchange ASA, the freight futures exchange used by global bulk shippers. Also on the current list is International Securities Exchange Inc., the biggest electronic exchange for equity options.

Compound Annual Returns for the Periods to March 31, 2006



*Certain financial information contained in this report, including investment growth rates, rates of return and other such statistical information are historical values and past performance is no assurance or indicator of future returns. Historical returns assume the reinvestment of all distributions. Share prices, net asset values and investment returns will fluctuate. 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.*

After quarter end, we moved back into the London Stock Exchange PLC, which is undoubtedly garnering the most bidding attention in the group.

CWF's stand-out successes are in resources. One of the most intriguing is U.S. Gold Corporation, bought off the New York pink sheets. This is the new Nevada flagship of Robert McEwan of Goldcorp fame. CWF is also involved in the super-cycle in copper, zinc, gold, silver and energy throughout the world, mostly quoted in appreciating Canadian dollars. This has helped reduce the foreign exchange risk from CWF's home currency.

We moved into the great real estate growth scene of Eastern Europe with Orco Property Group S.A. last year, a major portfolio grower, and Engel East Europe N.V. more recently. Both are 10-year leaders in this post-communist revival era and the gains should continue.

Pertaining also to Eastern Europe, shortly after quarter end, CWF invested in recently listed AmRest Holdings N.V., a representative of the new Polish era of capitalism, introducing the people to Kentucky Fried Chicken and Pizza Hut.

One of the most revitalized of the older CWF holdings is IP2IPO Group plc, which has enjoyed major increases in its value as a result of several projects it has seeded recently going public. David Norwood, Chairman, has built a powerful company for commercializing U.K. university research through long-term contracts. The U.K. universities have research resources equal to those of the U.S., but are relatively tiny when it comes to business application. Norwood has been building the leading specialist group in this under-served field for most of his career. The entrepreneurial Mr. Norwood is a former captain of the English chess team and an international chess Grand Master. Perhaps his talent adds to his success.

Gains across the portfolio are too numerous to mention. Suffice it to say that portfolio assets continue to grow, surpassing the \$33 million mark immediately subsequent to quarter end.

Michael A. Smedley  
*Chief Portfolio Officer*  
*Morgan Meighen & Associates Limited*

## SUMMARY OF INVESTMENT PORTFOLIO

as at March 31, 2006

### Sector Allocation\*\*

	(\$000's)	% of Net Assets*	% of Investment Portfolio
Financials	9,148	33.0	28.7
Information Technology	5,795	20.9	18.2
Consumer Discretionary	5,758	20.8	18.0
Materials	4,962	17.9	15.6
Energy	2,443	8.8	7.6
Industrials	1,888	6.8	5.9
Consumer Staples	1,299	4.7	4.1
Telecommunication Services	539	2.0	1.7
Cash & Cash Equivalents	68	0.2	0.2

### Geographic Allocation

	(\$000's)	% of Net Assets*	% of Investment Portfolio
North America	11,614	41.9	36.4
Asia	7,441	26.9	23.3
United Kingdom	6,930	25.0	21.7
Europe (excluding U.K.)	3,087	11.1	9.7
Latin America	2,760	10.0	8.7
Cash & Cash Equivalents	68	0.2	0.2

## SUMMARY OF INVESTMENT PORTFOLIO

as at March 31, 2006 (continued)

### Top 25 Holdings

Issuer	Country	Sector**	% of Net Assets*	% of Investment Portfolio
March Networks Corporation	Canada	Information Technology	4.3	3.7
Google Inc.	U.S.A.	Information Technology	3.3	2.9
Equinox Minerals Limited	Canada	Materials	3.1	2.7
Mahindra & Mahindra Limited	India	Industrials	3.0	2.6
U.S. Gold Corporation	U.S.A.	Materials	2.9	2.5
Grupo Mexico, S.A. de C.V.	Mexico	Materials	2.8	2.4
Daniel Stewart Securities plc	U.K.	Financials	2.8	2.4
Grupo Financiero Banorte, S.A. de C.V.	Mexico	Financials	2.8	2.4
Pan-Ocean Energy Corporation Limited	Canada	Energy	2.7	2.3
Engel East Europe N.V.	Netherlands	Consumer Discretionary	2.7	2.3
Autonomy Corporation plc	U.K.	Information Technology	2.7	2.3
Indiabulls Financial Services Ltd.	India	Financials	2.7	2.3
Apple Computer Inc.	U.S.A.	Information Technology	2.6	2.3
Stanley Gibbons Group Limited	U.K.	Consumer Discretionary	2.5	2.2
Britannia Industries Ltd.	India	Consumer Staples	2.4	2.1
HDFC Bank Ltd.	India	Financials	2.3	2.0
Oslo Bors Holding ASA	Norway	Financials	2.3	2.0
EuroZinc Mining Corporation	Canada	Materials	2.2	1.9
SARE Holding, S.A. de C.V.	Mexico	Financials	2.2	1.9
Lojas Renner S.A.	Brazil	Consumer Discretionary	2.2	1.9
Arbuthnot Banking Group PLC	U.K.	Financials	2.1	1.8
Nagarjuna Construction Company Ltd.	India	Industrials	2.1	1.8
India Capital Growth Fund Limited	India	Financials	2.0	1.7
IP2IPO Group plc	U.K.	Financials	2.0	1.7
Miranda Technologies Inc.	Canada	Information Technology	2.0	1.7
			64.7	55.8
Total Net Assets* (\$000's)				\$ 27,692
Total Investment Portfolio* (\$000's)				\$ 31,900

\* Total Net Assets represents Total Investment Portfolio adjusted for leverage in the form of bank indebtedness (\$4.1 million), other assets and other liabilities.

\*\* Using the Global Industry Classification Standard developed by Morgan Stanley Capital International and Standard & Poor's.

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.mminvestments.com](http://www.mminvestments.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.